INSIGHTS

Q1 2020 REPORT

Pengana WHEB Sustainable Impact Fund

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TABLE OF **CONTENTS**

THE WORST PANDEMIC IN MODERN HISTORY

The first quarter of 2020 is now assured a place in financial markets history.

It began just before the quarter started. A novel virus emerged in the historic Chinese regional city of Wuhan. That virus would be named COVID-19. It would deliver the worst global pandemic in modern history.

By the end of the quarter, there were 750,890 confirmed cases globally, and 36,405 deaths from the disease[1]. One third of the planet's human population was in lockdown[2].

[1] https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200331-sitrep-71-covid-19.pdf?sfvrsn=4360e92b_4
[2] https://www.businessinsider.com/countries-on-lockdown-coronavirus-italy-2020-3?r=US&IR=T

The human toll of this disease is truly terrible.

Its impact on the global economy is also devastating. The ramifications will be felt for many years. As we at WHEB consider its impact on financial markets, there are four key observations to make.

First, this crisis has provoked a very sharp reversal in global equity markets. One of the strategy's benchmarks, the MSCI World Index of stocks, fell 15.65% in the quarter. That is the 7th largest fall in that index's history.

Second, this crisis is not just the economic disruption of the shutdown. Faced with a devastating drop in demand, the world's major oil producers began a ferocious price war. The result was a drop in the oil price to $20.48 as at 31st March, a price not seen since 2002.

Third, the question is not simply whether a severe recession will result. Many commentators are predicting a depression, a more severe downturn than the global economy has seen since the second world war.

Fourth, is that this extreme challenge has prompted an extreme policy response. The scale of the monetary and fiscal stimulus enacted around the world is unparalleled. It may well be enough to prevent the depression that everyone fears.

In this context, the strategy has performed reasonably well during the crisis.

The quarterly drawdown of 14.58% was 0.85% better than the MSCI World. It was also 0.8% better than its other benchmark, the Investment Association Global Peer Group Median.[3]

Our attribution analysis helps us to uncover some of the reasons why. These early stages of a new economic cycle favour some of our sustainability themes and provide challenges for others.

[3] Based on midday close price for the FP WHEB Sustainability Fund, and end of day prices for the MSCI World and IA Global.

Thematic selection effect has been a positive

The largest positive contributor wasn't even a single theme. We use the term "thematic selection effect" to measure the contribution of index stocks which are not included in our universe of sustainability stocks. It is imperfect, for reasons not worth discussing here. But it gives some indication of the effect of investing in stocks with a positive impact.

In the COVID-19 crisis, this has been a significant positive. The most important component has been avoiding energy and financial stocks. Even before this crisis, we of course think that fossil energy companies are facing an existential threat.

Of our active themes, Resource Efficiency was the best contributor. This consists largely of cyclical stocks, often manufacturers of physical equipment, known as "industrials". We expected that they would find the crisis difficult, and they still may. But in this first period, they held up well.

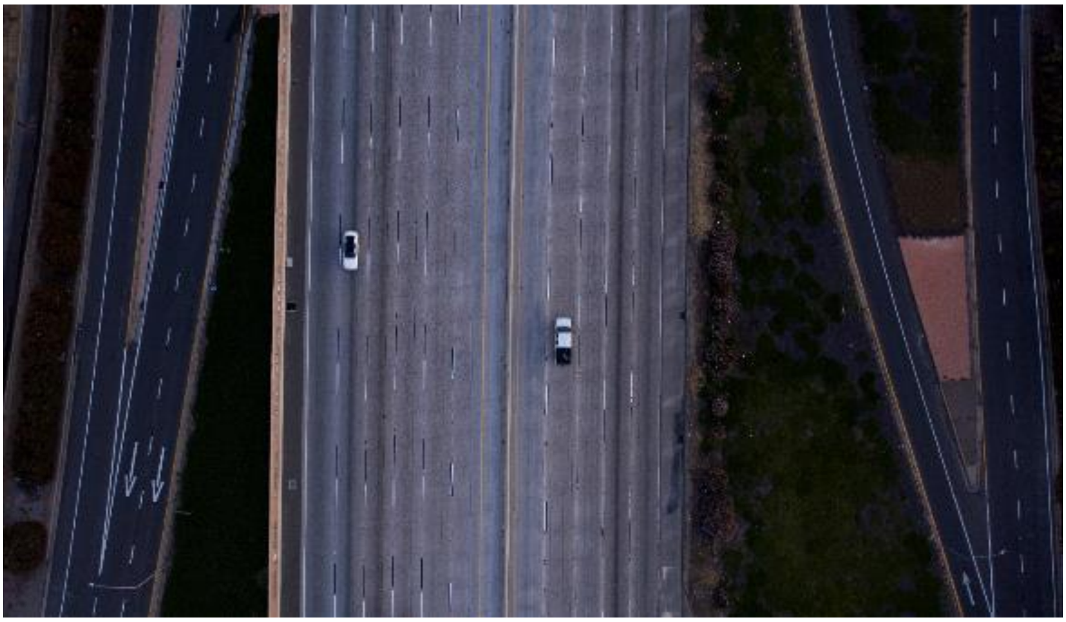
The most likely explanation for this, as we see it, is in the style of companies we prefer. We look for high quality industrial companies with low levels of indebtedness. We use our analysis of their environmental, social and governance performance to help us find them.

The other of our two largest themes (alongside Resource Efficiency) is Health. The stocks in this theme help to manage and solve the crisis. They are also defensive, at a time when the equity market is reacting in fear.

An air pocket for the transport industry

By far the worst performing theme in the crash was Sustainable Transport. We have strong conviction in the transition to electric vehicles. We think this will happen sooner and in greater volumes than the market appreciates.

But the companies which will enable this transition are ultimately sensitive to overall global car volumes. The COVID-19 crash has had a devastating effect on new car buying. Much of the world cannot physically move to acquire a car. Even if they could, under the new economic uncertainty it is a major purchase which will often be delayed.



With our long-term lens, we look through this crisis to a recovery in car buying, which will be dominated by electric cars. So we will not be meaningfully reducing our exposure, even as the later parts of 2020 are certain to be painful for those companies.

Our attribution also showed a meaningful negative allocation effect from our preference for companies smaller than the index average. So we can say that, amongst smaller companies, our stocks were the right choice for this period.

The crisis has created a huge number of questions.

What impact will the crash have, in the short term? How are our companies suited to survive and thrive, in the medium term? And most importantly, what about the long term. Will there be societal and behavioural changes, which will alter the course of the sustainable transition?

In general, we think the case for companies benefitting and enabling this transition will be strengthened rather than weakened. We outline our reasons why in the companion piece in this review. But the first quarter of 2020 has certainly given us plenty to ponder.

THE COVID-19 CRISIS AND SUSTAINABILITY

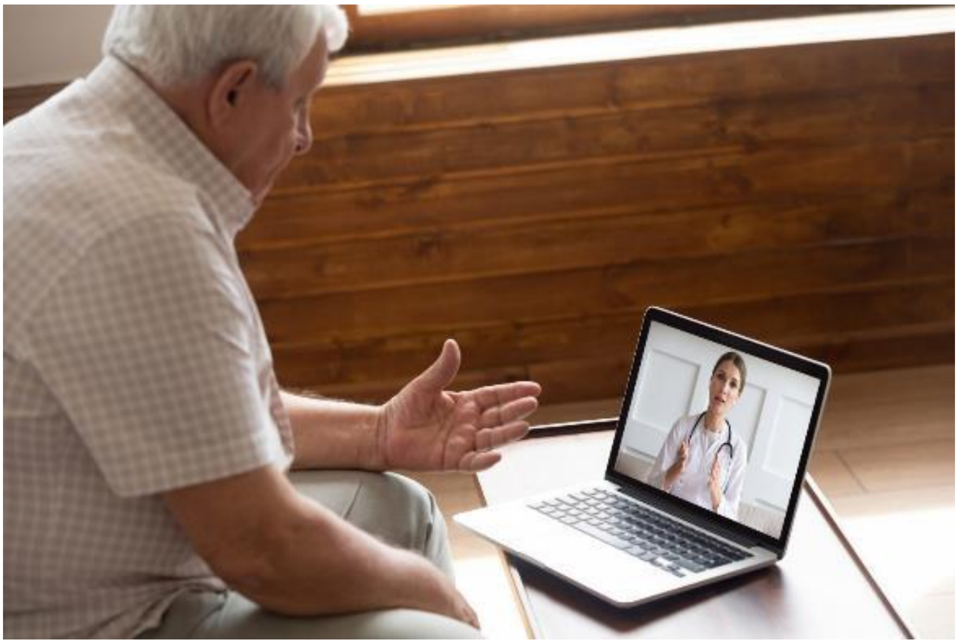
As we write this review in early mid-April, the UK, alongside many other countries, remains in lock-down. We find ourselves in a period of unprecedented crisis that has driven profound changes in our lifestyles. But like any crisis, society's response brings with it the opportunity for positive change. The former US President John F. Kennedy used to point to the Chinese character for 'crisis' which is composed of two brush strokes. One stroke stands for danger; the other for opportunity.

We need to be highly attentive to the danger that the COVID-19 crisis represents. This applies both in our personal and civic lives but also of course in our professional lives where the investment implications are profound. At the same time, we need to be alert to the new opportunities that the disruption has created. The world's response to COVID-19 has created space for a new way of operating and has shifted people's perception of what is valuable and what works.

No 'back to normal' in healthcare

Healthcare, having borne the brunt of the crisis, has been most obviously changed by it. The crisis has swept away a lot of the dogma that has bedeviled the US approach to healthcare. The need for an urgent response has accelerated the deployment of a wide range of new technologies to cope with the threat. Telehealth and telemedicine, using remote clinical observation and tracking of patient health has exploded. In some US health practices, virtual care has increased by twenty or even thirty times. For this to become the new norm, regulatory change would be required. This clearly is not a given, but changes to key regulations to make telemedicine a core feature of US healthcare are already under way[4].

[4] https://www.barrons.com/articles/coronavirus-has-ushered-in-the-telehealth-revolution-which-stocks-to-play-it-51587169350



Our conversations with portfolio companies also indicate that other healthcare innovations that have been held in the wings of the US healthcare system have now moved centre stage. For example, the use of predictive analytics in population health management tools that enable healthcare officials to more accurately locate and support vulnerable populations of the elderly or chronically ill. Similarly, the value of Group Purchasing Organisations (GPOs) in securing as well as coordinating the provision of key supplies across health networks has become abundantly clear.

Impacts in other sectors

The healthcare sector is most obviously changed by COVID-19, but other sectors will also be massively altered, in our view.

Air travel had been growing at between 5-7% every year since 2009 and had been anticipated to achieve similar levels of growth for the foreseeable future[5]. This is clearly now not going to happen. Even after lock-down has ended, restrictions on international travel are likely to remain for several months if not years. A recent survey of the UK public found that only 13% of those surveyed was going to prioritize international travel after lock-down ends with 70% indicating that they are less likely to book a 2021 holiday[6]. The CEO of Lufthansa believes that business travel in particular is likely to be forever changed. Technologies that have been used during lock-down will mean it will be many years or even decades before this market recovers[7].

Across the economy as a whole, we expect attitudes to supply-chains to also be fundamentally changed. Already challenged by trade tensions between the US and China, extended global supply-chains relying on just-in-time deliveries are likely to fall further out of favour, in our view. The vulnerability of business models that are based on these supply-chains was most marked in food retail, but has also been laid bare in the challenges of sourcing ventilators, personal protective equipment (PPE) and other healthcare equipment.

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[5] https://www.statista.com/statistics/193533/growth-of-global-air-traffic-passenger-demand/
[6] Jefferies research note April 2020
[7] https://www.spiegel.de/international/business/lufthansa-ceo-on-how-coronavirus-has-radically-upended-the-aviation-industry-a-d2e08d00-9981-4063-9086-88cfd99187e0

Implications for sustainability

Some of these changes we think help advance sustainability in our economies. Better use of technology will help to reduce inefficiencies and boost positive healthcare outcomes. A bigger focus on 'resilience' in supply-chains will also be of value in a world where climatic impacts are more severe and more disruptive. Other changes, such as increased use of online retail, are likely to present a more mixed picture with some positive impacts and some negative impacts.

The short-term impacts on the renewables sector, like many others, will be damaging. We think, however, that the appropriate analogy for the sector is the internet at the time of the stock market collapse in 2000. There will of course be corporate bankruptcies and supply-chain failures, but innovation will keep happening and the economics are only getting more compelling for renewables – and for electric vehicles[8].

We believe though that there is also cause for optimism in more deep-rooted change in how individuals and governments see their roles. Perhaps the most profound shift during the crisis has been how individuals have accepted the need for self-sacrifice. For sure, the motivation has been for our own personal safety and for the welfare of our close family members. But a big part is also driven by the desire to protect others. The UK Government mantra to "Stay home – protect the NHS – save lives" captures this sentiment well and has been wholeheartedly embraced. There are clear parallels, we believe, with the personal and collective action that is also needed to address climate change.

[8] See for example https://carbontracker.org/covid-19-and-the-energy-transition/

The role of governments

The other candidate for the most profound change would surely be the expanded and more muscular role adopted by governments. This is true both in the unprecedented levels of fiscal support that Central Banks have made available to their economies, but also in the draconian levels of control that have been exerted over their populations. Having discovered and applied these powers, what is to stop governments from feeling as bold when tackling future threats? This might be viewed positively in counteracting climate change or might equally summon a more dystopian scenario in which civil rights and personal freedoms are compromised.

Several governments including many European and Asian countries have indicated that any recovery package will lean heavily towards support for green technologies. But others, most notably the US, have so far overlooked the need to decarbonize. These responses are still being crafted and there is still plenty of scope for change.

Either way, it is clear that Governments will have an even bigger role in the future as they try and marshal an economic recovery. This comes at a decisive time in our response to climate change. The next two years were already seen as the critical period in which to accelerate the shift to a zero carbon economy. The COVID-19 pandemic further underlines this.

ENGAGEMENT ACTIVITY

Company responses to the Covid-19 pandemic

The latter part of the quarter has of course been dominated by the impact of the COVID-19 pandemic. We have been actively scrutinising the reactions from companies in the portfolio to the pandemic. Many companies have been proactive in notifying markets and the general public about their responses. Where companies have been less forthcoming, we have reached out to understand how the companies are coping with the impact of the pandemic and related regulation on their operations and markets.

The majority of companies in the portfolio continue to operate, often because they are considered to provide essential services. This is particularly true in our Health theme where companies are often in the front-line in responding to the pandemic. We spoke to Premier Inc. who run procurement contracts for large networks of hospitals across the US. Premier is playing a central role in sourcing and supplying personal protective equipment (PPE) to clinicians providing care to COVID-19 patients.

We have also been in touch with Hikma Pharmaceuticals who supply a range of injectable therapies and generic drugs to hospitals across the world. Several of their products are used as part of the therapies provided to COVID-19 patients on ventilators. We have heard from CSL, a large provider of traditional flu vaccines. This company has not traditionally focused on coronaviruses (instead being focused on rhinoviruses) but is now ramping up research and development capacity to investigate potential candidates for vaccines to COVID-19.

Ecolab, a holding in our water management theme, is a large manufacturer of hand sanitiser and sterilisation products. Their businesses servicing healthcare, food retail and long-term care facilities have seen a significant boost in demand. This has been offset by lower sales to restaurants, hotels, education and industrial markets. The company has responded by reorienting production and services to support areas of greatest need.

Outside of the companies that are directly engaged in responding to COVID-19, several other portfolio holdings have been proactive in announcing initiatives that provide additional indirect support either to clients or to employees. JB Hunt Transport Services has seen a marked increase in demand for logistic services putting pressure on employees involved in these businesses. The company has already announced pay increases to support these employees. Centene, which provides healthcare programmes to disadvantaged communities across the US, announced that it will be donating 1 million meals a month for 12 months to support food banks in the communities in which it operates. We have also been in touch with several manufacturing companies in the portfolio to understand their approach to managing the safety of employees who continue to work in their facilities.

With company Annual General Meetings scheduled to take place over the coming weeks, we are particularly focused on voting and subsequent engagement with companies to ensure that they take a responsible approach to executive remuneration and to dividend payments. Several portfolio companies including Arcadis and Smurfit Kappa have already announced that they will be cutting or reducing their dividends. We will carefully scrutinise dividend payments and remuneration packages, particularly where these businesses are recipients of government support.

Net zero carbon targets

We are intensely conscious of the need to remain fully engaged with portfolio companies on the critical topic of climate change. Notwithstanding the immediate demands related to COVID-19, for the most part companies appear to acknowledge the urgency in developing effective responses to climate change.

During the quarter we heard from ten portfolio companies replying to our letter from earlier in the year. For some of the smaller companies in the portfolio, particularly those in the US, setting targets around carbon emissions is not something that they have historically done. In some cases, they have not even routinely measured their emissions. This is now changing, with more companies recognising the need to measure carbon emissions and set reduction targets. Both Littelfuse and TPI Composites are in this category with both planning to issue reports in 2020 and set targets during the year. We do not expect that these will include a target for net zero carbon emissions by 2030. We will, however, continue to push these companies to set demanding carbon reduction targets.

A second group of companies have more mature approaches to environmental, social and governance (ESG) issues and have already published their performance, and in some cases set targets, on carbon emissions. Our challenge with this group is to get them to set more aggressive reduction targets in order, ideally, to achieve net zero carbon emissions by 2030. Companies like Orpea, Intertek, Linde and Smurfit Kappa have robust approaches to measurement and reporting but are currently not aggressive enough in their targets. Intertek, for example, targets only a 5% reduction in carbon intensity per employee. Orpea aims for a 5% absolute reduction in emissions over a three-year cycle and Linde is hoping to achieve a 38% reduction of greenhouse gas (GHG) intensity in company profitability (measured as adjusted EBITDA) by 2028. We do not view any of these targets as adequate and so will continue to engage with these companies.

The third main group of companies that we engaged with this quarter include companies that, in our view, have set or are in the process of setting, demanding targets that are aligned with carbon reduction requirements that should keep global warming below 2°C. In some cases, this includes a commitment to achieve targets that have been developed with the Science Based Targets Initiative. This group of companies includes CVS Health, Daikin, HELLA, Norma and Kion. We will continue to engage with these companies to ensure that they are meeting their commitments and where possible will encourage even more aggressive action.

A final select group of companies include DSM, Infineon and Kingspan. These companies have confirmed aggressive carbon reduction objectives that target net zero carbon emissions before 2050. We hope that we will be able to add to the proportion of companies in this leadership group over the coming months and years.

Collaborative initiatives

Ghost fishing gear

We've reported previously on our involvement in supporting a collaborative engagement aimed at reducing the impact of ghost fishing gear on the marine environment[9]. Alongside other investors, we've been supporting the work including co-signing letters to standard-setters, companies and regulators. In November we co-signed a letter to the Marine Stewardship Council (MSC) to encourage them to tighten their standard specifically in relation to ghost fishing gear.

In January, we heard back from the Chief Science and Standards Officer of the MSC. As a result of our letter they have agreed to review whether there is a case for strengthening the relevant assessment criteria linked to ghost fishing gear as part of their regular Fisheries Standard Review process. We hope to hear back shortly on whether this review has led to any substantive changes in the MSC review process.

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Work on toxic chemicals

[9] See https://www.ghostgear.org/faq

WHEB continues to be an active participant in a number of initiatives aimed at phasing out toxic chemicals and replacing them with 'greener' alternatives. This is an issue that remains highly relevant to us. Many low and zero carbon technologies rely on a range of novel materials and chemical compounds. It is, in our view, critical that the companies involved in developing these innovations are integrating environmental and health considerations into every stage of the development process.

During the quarter we have, for example, co-signed a letter with the Chemical Footprint Project which is aimed at manufacturers of chemical products. The letter invites companies to participate in the fourth annual survey and rates their responses. We are pleased that two portfolio companies, CVS Health and Premier Inc., as large purchasers of chemicals products, have co-signed the letter alongside us. We are also pleased that two portfolio companies, Ecolab and Steris PLC, have been singled out by the Chemical Footprint Project as leaders in the 2019 survey[10].

WHEB has also been invited to review the assessment methodology being developed by the Swedish NGO ChemSec to assess chemical companies on their efforts to phase out substances of very high concern (SVHCs) and replace these with safer alternatives.

cfp the chemical footprint project

chemsec

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[10] See https://www.chemicalfootprint.org/

PENGANA CAPITAL

PERFORMANCE COMMENTARY

The commentary elsewhere in this quarterly review has focused on COVID-19's impact from a thematic and outlook perspective. This performance section is therefore focused on specific stocks.

The strategy's Resource Efficiency theme was the strongest performer for the period. **Daifuku** was the biggest positive contributor. It is a leader in warehouse automation. In addition to the resource efficiency benefits its products deliver, automating supply chains helps create better resilience. In a post-COVID-19 world, resilience will be an increasingly valued characteristic.

Keyence, another company which enables warehouse automation, also performed well. These stocks are more cyclical but have shown some resilience in the early months of the crisis. As well as the increased relevance of their products, they have been helped by their exposure to China. China is expected to return to growth sooner than other markets as it is further through the lockdown cycle.

Our Health theme also performed strongly in the quarter. Five holdings from the Health theme were among the top ten performing stocks. Their defensive characteristics showed as global markets fell sharply. What's more, many of these companies are working to find solutions to the pandemic.

Premier is one example and had a strong quarter. Premier is a group purchasing organisation. It helps to provide products and services to the US healthcare sector, including 4,000 hospitals and 175,000 non-acute care providers.

Premier is playing a particularly important role during the Coronavirus crisis. There has been a dramatic increase in demand for personal protective equipment (PPE) and certain drugs. Premier is working to keep that supply chain running. It also gives unique insight and data to the US government on allocation of supplies and where the shortage risks are.

As well as PPE, a key aspect of tackling the virus is diagnostic testing. **Danaher** was another strong performer in the quarter. It is a life sciences conglomerate with several diagnostic businesses. An example is Cepheid, which has developed an automated molecular test for the qualitative detection of COVID-19. The test can provide detection in approximately 45 minutes, with less than a minute of hands-on time to prepare the sample.

The theme that struggled the most over the quarter was Sustainable Transport. Most of our exposure within this theme is to the transition from internal combustion engines to electric vehicles (EVs). **Aptiv**, **Hella**, **Norma**, and **TE Connectivity** were among the worst ten performing stocks of the quarter.

We continue to have strong conviction in the move to EVs in the long term. However, the pandemic has had a significant negative impact on global car sales; customers can't buy while they are under lockdown. Aptiv and Norma were also hit by fears over their indebtedness.

As the Coronavirus crisis develops, we are working hard to review all our investments. Key to this is how the pandemic affects business models and the sustainability issues that drive them. To the extent that sustainability equates to resilience, the issues we focus on in WHEB's investment strategy are only going to become more important in a post COVID-19 world.

PORTFOLIO ACTIVITY

We sold four positions in the quarter and initiated three new holdings.

Recent purchases

We initiated a new position in **Arcadis** in our Environmental Services theme. It is a global design, engineering and management consulting company. Its business is well positioned to benefit from several strong mega trends including urbanisation, mobility, digitalisation, and climate change adaptation. We also expect to see further operational improvement as it completes a difficult management transition which began a few years ago.

We took advantage of market turbulence to initiate two new positions in **Silicon Labs** and **Autodesk,** both in our Resource Efficiency theme and stocks we have long admired but previously considered too expensive. **Silicon Labs** is a semiconductor company. It has strong leadership positions in Internet of Things ("IoT") infrastructure, industrial automation, consumer and automotive markets worldwide. We believe IoT has tremendous growth potential and **Silicon Labs** is well placed in the IoT connectivity market.

Autodesk is a global leader in 3D design and engineering software and services. As one of the original computer-aided (CAD) design companies, it has strong brand loyalty because it is the first CAD package many designers use. It also has further defensive qualities from its strong brand, high switching costs, and a network effect. We have long admired its thoughtful and far-sighted management approach, strong governance, and excellent environmental and social credentials. This crisis has provided the opportunity for us to open a position.

Recent sales

We sold **Johnson Controls**, a leading producer of fire, security, heating, ventilation and air conditioning ("HVAC") and security equipment for buildings, in our Resource Efficiency theme. It has a leadership in building efficiency and automation. We were also originally drawn to a business it has with a strong positive impact, undertaking holistic building efficiency projects and being rewarded based on client energy savings. However, that particular business is not separately reported and we felt it did not influence the share price as much as we would have liked. Despite a successful portfolio transition, we also decided that the organic growth prospects overall are no longer that compelling.

We closed our position in **Tivity Health** in our Wellbeing theme. It offers fitness programmes, physical therapy and related services particularly to the elderly in the US. It is best known for its "Silver Sneakers" programme of gym classes paid for by insurers, to encourage elderly people to exercise and avoid isolation. The stock has been under pressure since the acquisition in late 2018 of Nutrisystem, which is a managed diet business. Results in February showed that Nutrisystem has more fundamental challenges than management had previously admitted to. The CEO, who created the strategic vision including the Nutrisystem acquisition, also left the company at the same time.

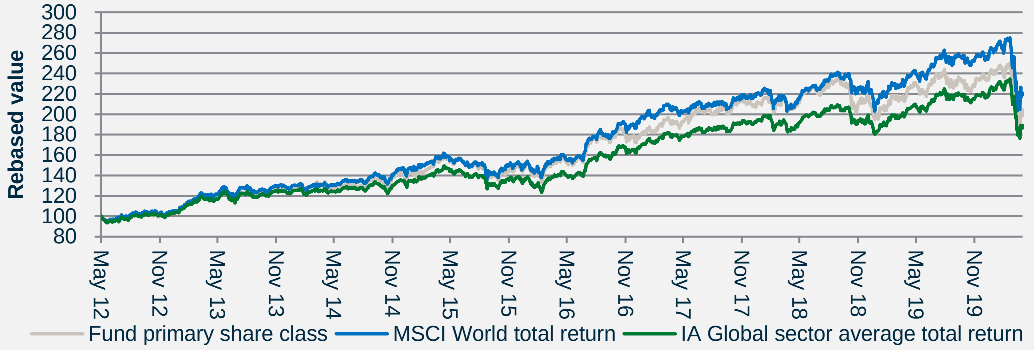
We also sold our position in **Fresenius SE** in our Health theme. It is a German healthcare group organised into four separate businesses. Fresenius Medical Care provides products and services for kidney dialysis; Fresenius Helios operates hospitals mainly in Germany and Spain; Fresenius Kabi manufactures and supplies generic drugs while Fresenius Vamed provides consulting and construction services for hospital construction and renovation. We are worried about the prospect for Kabi as competitors returned to the market. Helio and Fresenius Medical Care are also going through some challenges.

We closed our position in **IPG Photonics** in our Resources Efficiency theme. It produces high-power fibre lasers that are used in a wide range of manufacturing applications such as in automobiles, electronic products and medical applications. The technology is faster and typically 70% more energy efficient than traditional laser technologies. However, IPG Photonics has suffered from intense competitive pressure in the last two years, putting heavy pressure on margins. With no sign that these pressures are easing, and with a further industrial downturn on the way, we have stepped aside.

FP WHEB Sustainability Fund: 31 March 2020

Fund size	£350m	**IMA Sector**	Global
Holdings	50	**Expected number of holdings**	40 – 60
Average holding period[ii]	5.64 years[1]	**Expected holding period**	4 – 7 years
Active Share vs Benchmark[iii]	97%	**Index benchmark**[i]	MSCI World Total Return Net GBP

Performance since fund relaunch (30 April 2012)



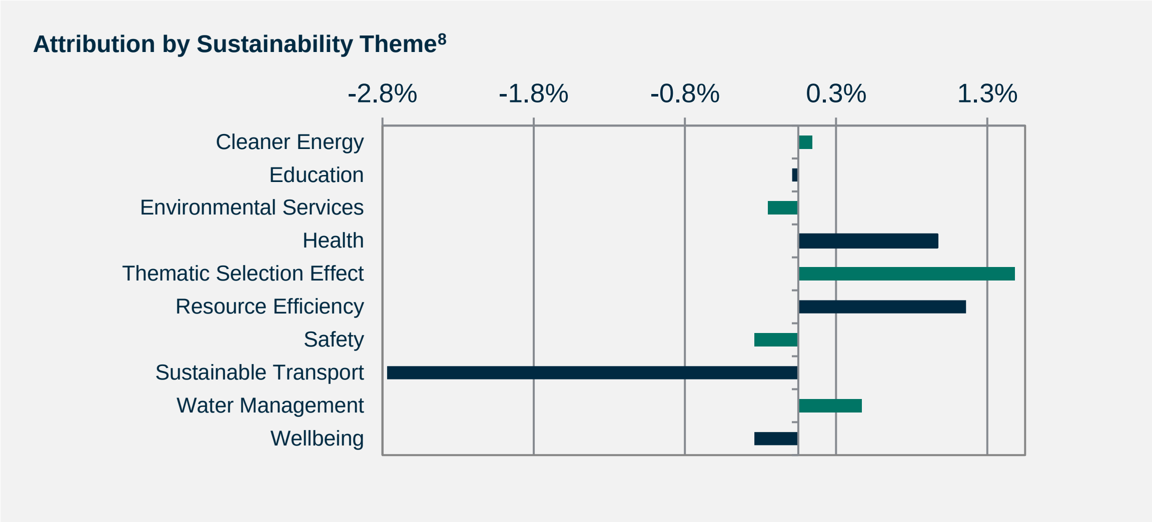
Investment returns by discrete 12-month periods

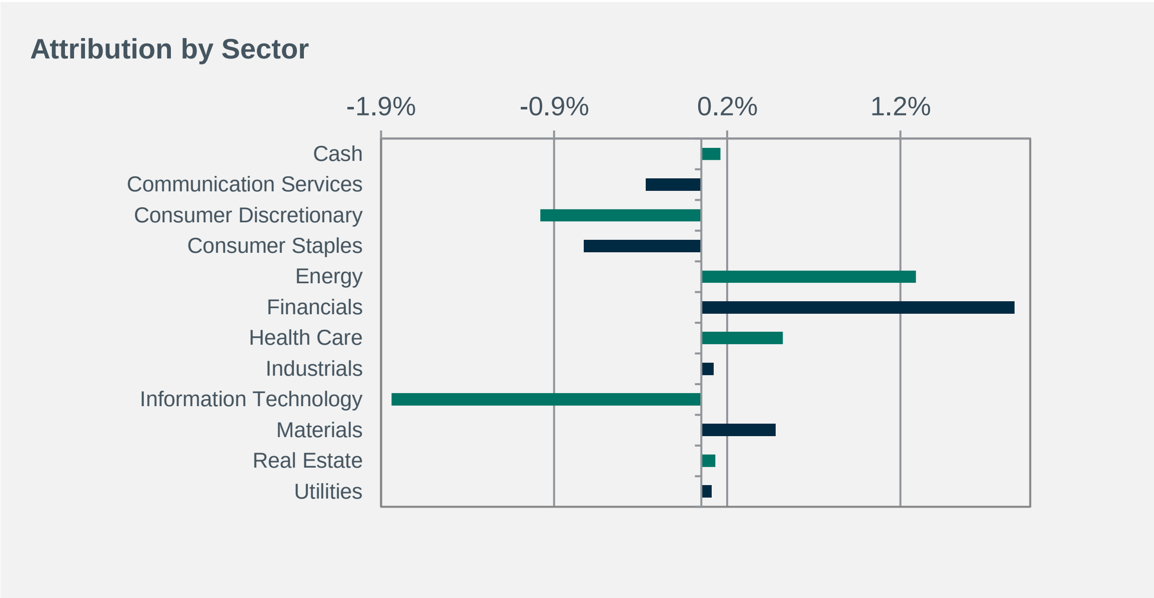
	Mar 2019 – Mar 2020	Mar 2018 – Mar 2019	Mar 2017 – Mar 2018	Mar 2016 – Mar 2017	Mar 2015 – Mar 2016
FP WHEB Sustainability C Acc Primary share class	-5.18%	4.72%	6.56%	25.54%	-0.96%
MSCI World total return	-5.83%	11.98%	1.25%	31.92%	-0.28%
IA Global[5] sector average total return	-6.01%	8.97%	2.66%	28.56%	-3.36%

Cumulative investment returns

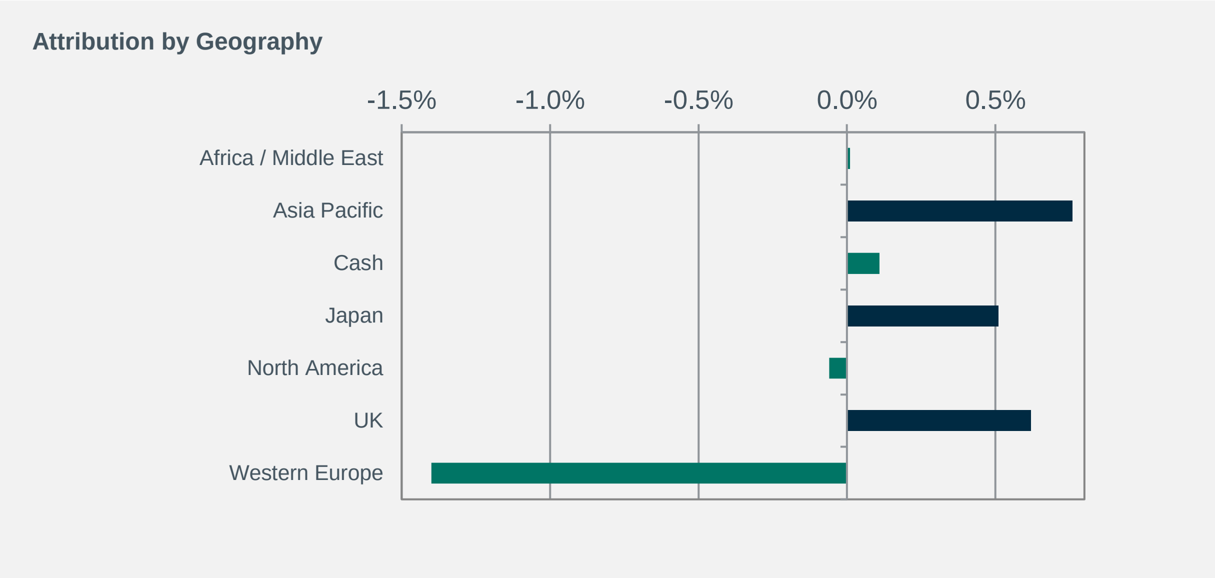
	Fund (Primary share class) %	MSCI World (Total return - GBP) %	IA Global sector average (Total return - GBP)[iv] %
3 Months	-14.58%	-15.65%	-15.35%
6 Months	-11.84%	-14.82%	-13.74%
12 Months	-5.18%	-5.83%	-6.01%
3 Years (annualised)	1.90%	2.21%	1.67%
5 Years (annualised)	5.63%	7.02%	5.48%
Cumulative since relaunch (30 April 2012)v	104.27%	119.43%	88.80%

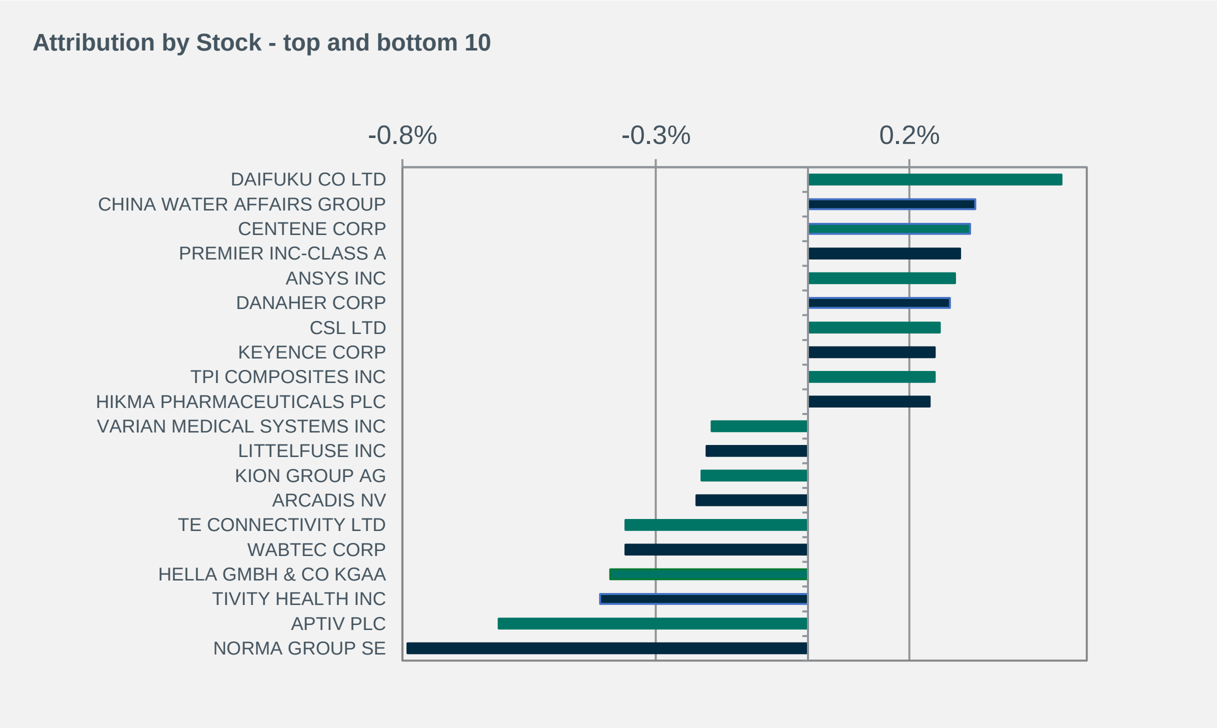
Performance Attribution – Last 3 months[vi]





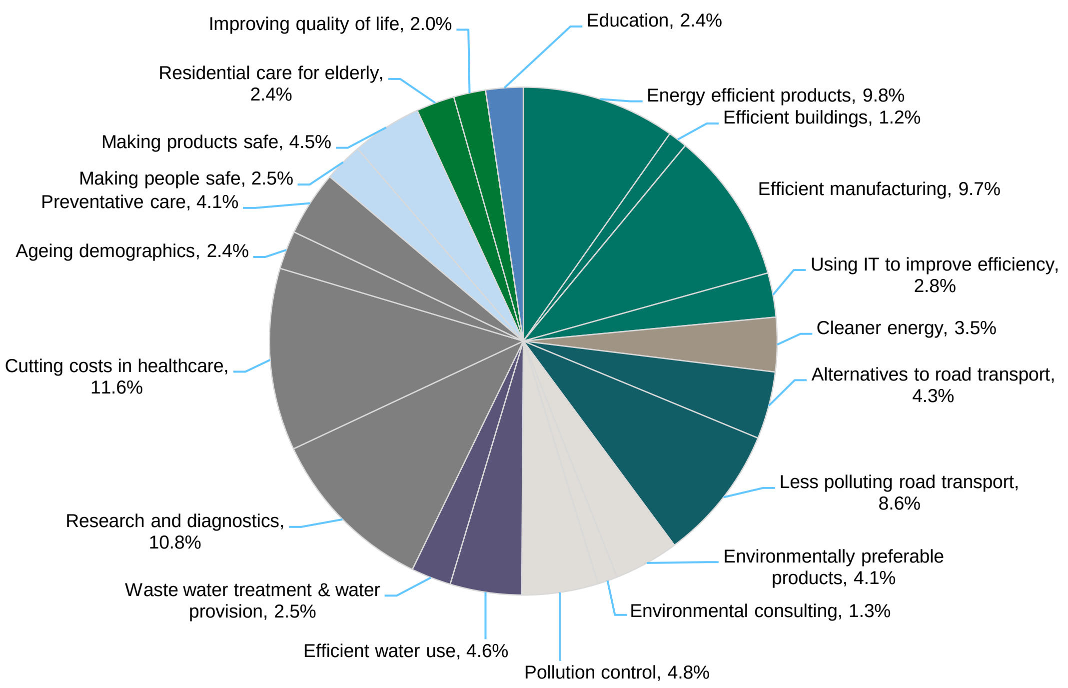
Performance Attribution – Last 3 months



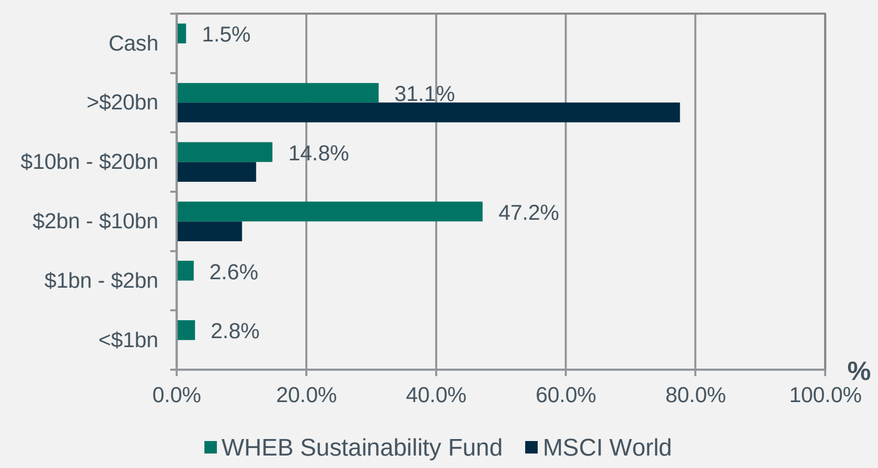


PORTFOLIO ANALYSIS AND POSITIONING:

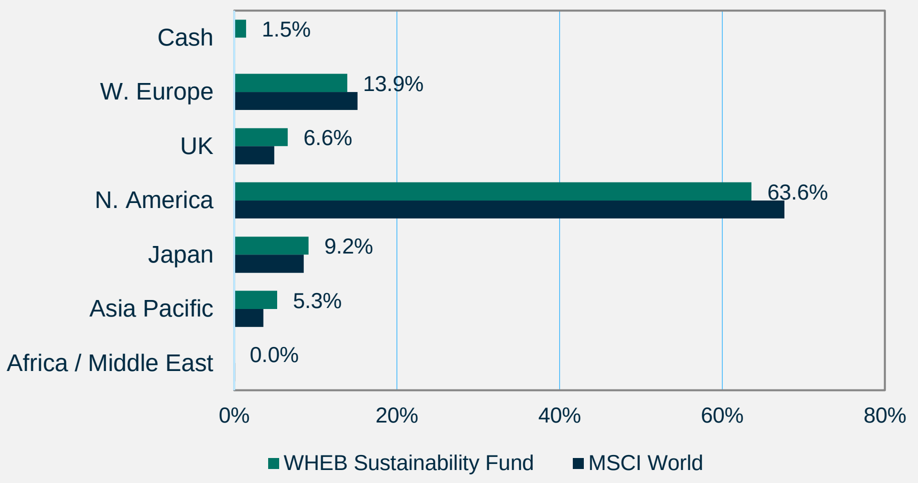
Portfolio Exposures[9]



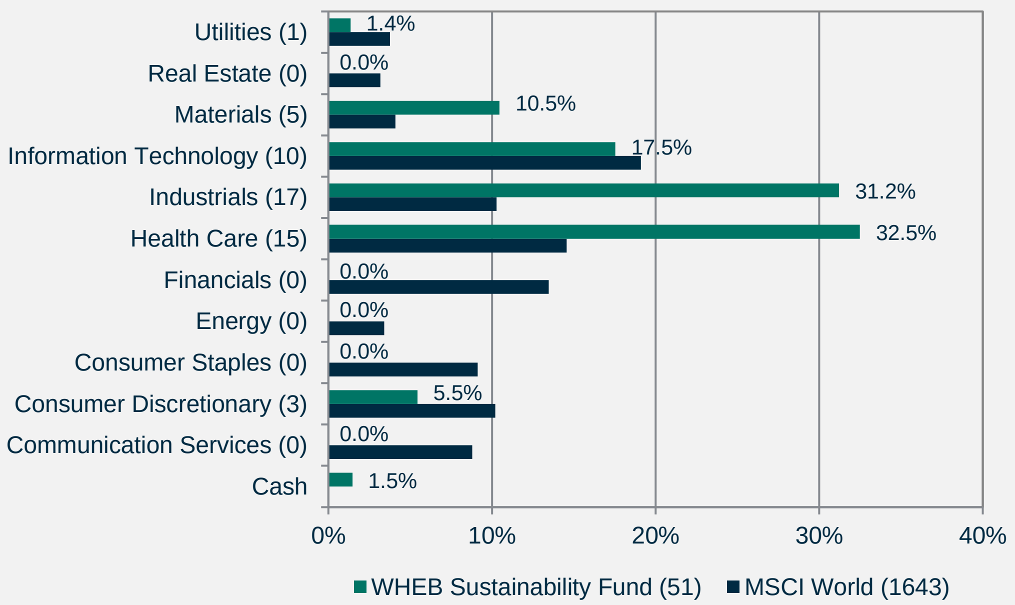
Market Cap Exposure



Regional Exposure



Sector Exposure[10]



Top Ten Holdings as at 31 March 2020

Stock	Theme	Description	Holding
Agilent Tech	Health	A provider of bio-analytical measurement solutions to the life sciences, chemical analysis and healthcare industries. It also makes pollutant monitoring equipment for food and measures human body contamination.	2.79%
Ansys	Resource Efficiency	Sells simulation software for product design and optimisation. The software improves quality and safety in products like fuel efficient cars and planes, wind turbines, medical technology and consumer goods.	2.77%
TE Connectivity	Sustainable Transport	The leader in the connectors and sensors industry. It uses electronic components, network solutions and wireless systems to improve safety as well as fuel and energy efficiency in the automotive industry and other markets.	2.76%
Roper Technologies	Resource Efficiency	Manufactures industrial controls, fluid handling and analytical instrumentation products. These products increase efficiency and safety in areas such as medical diagnostics, semiconductor production and water management.	2.73%
Cerner	Health	A worldwide supplier of healthcare solutions and services designed to be used in single-doctor practices right up to hospitals and entire health systems making them more efficient in their delivery of healthcare services.	2.72%
Danaher	Health	Exposed to several of WHEB's themes. It is categorised in the Health theme because of its design and manufacture of medical products including instrumentation, software and diagnostics for new drugs and critical care.	2.68%
Linde	Environmental Services	Supplies a variety of gases to manufacturing, petrochemical and electronics industries and also to the healthcare sector. These are used in a variety of applications to make manufacturing processes more efficient and to reduce harmful emissions.	2.67%
Thermo Fisher	Health	A leading provider of analytical instruments, equipment, software and services for research and diagnostics in healthcare industries.	2.63%
Intertek Group	Safety	Offers quality, safety, performance and regulatory testing services to renewable energy companies in over 100 countries and is developing greenhouse gas, environmental and health and safety consulting business.	2.60%
Xylem	Water Management	A designer, manufacturer, equipment and service provider for water and wastewater applications. Their products address water collection, distribution, and treatment for its return to the environment, e.g. smart meters.	2.58%

Fund Characteristics

	WHEB	MSCI
FY1 Price/Earnings (PE)[11]	16.36x	13.99x
FY2 Earnings Growth[11]	16.79%	13.33%
FY1 PE/FY2 Earnings Growth (PEG)	0.97x	1.17x
3-year Volatility[12]	14.66%	14.82%

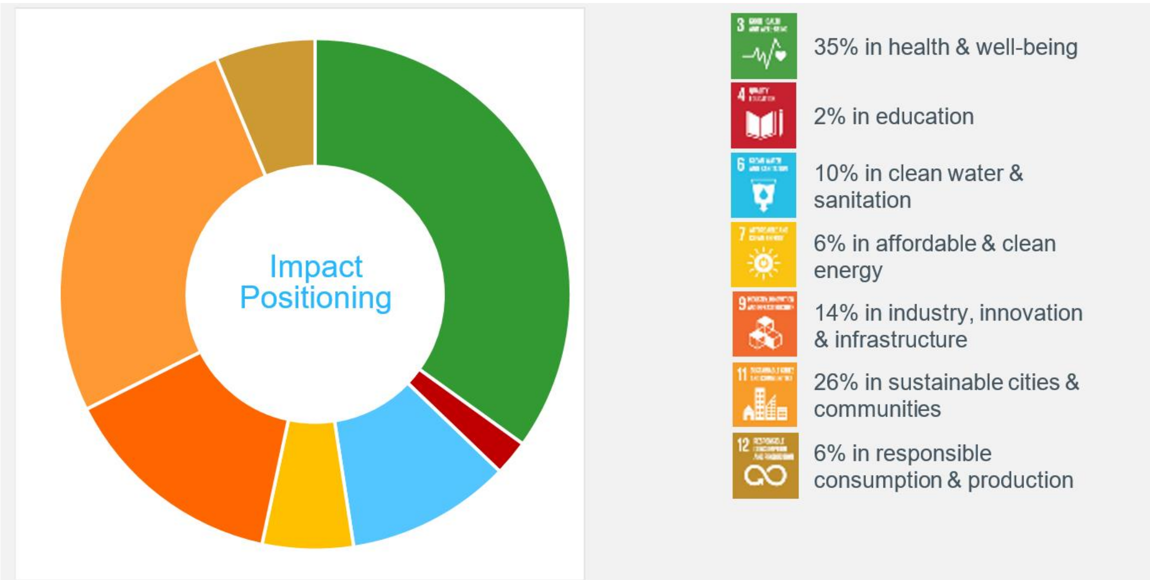
	WHEB
Beta (predicted)	0.88
1-year Tracking Error (predicted)	4.66%
3-year Tracking Error (ex-post)	11.459%

Trading Activity

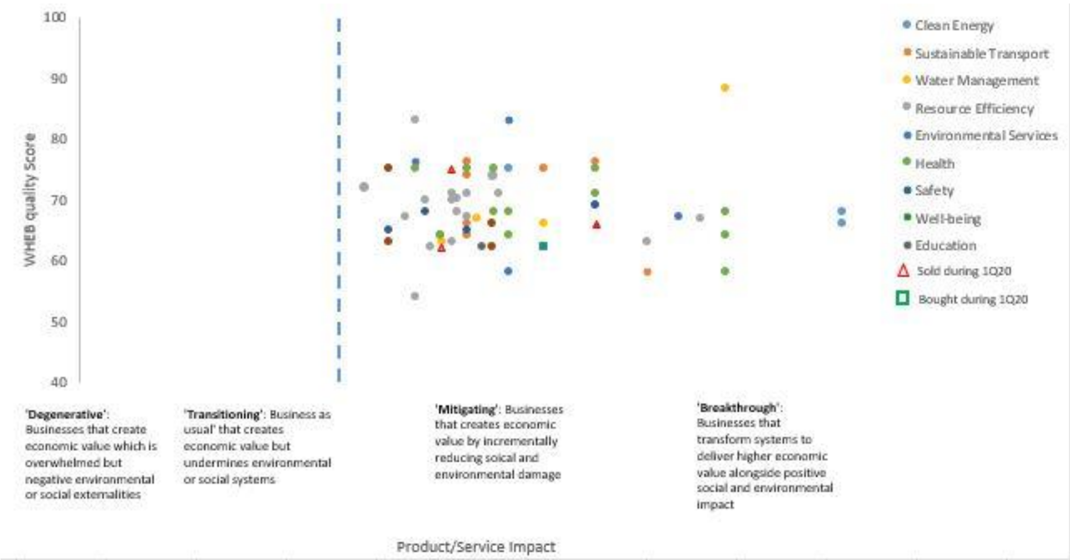
Significant Portfolio Changes

Stock Name	Purchase or sale	Theme	Brief description or sale rationale
Johnson Controls	Sale	Resource Efficiency	Reducing exposure to heating ventilation and air conditioning in strategy. Johnson Controls seen as the weakest link due to its opaque reporting and low quality project business.
Arcadis	Purchase	Environmental Services	A leading global design & consultancy firm for natural and built assets.
Fresenius	Sale	Health	Near-term potential headwind at Kabi. Also, Helios and Fresenius Medical Care are in a transitional period.
Tivity Health	Sale	Wellbeing	Latest results indicated the newly acquired Nutrisystem has real fundamental challenges. The departure of the CEO and high leverage increased the investment risk.
Autodesk	Purchase	Resource Efficiency	Market leader in Computer Aided Design extending to new applications and benefitting from high recurring revenues.
Silicon Labs	Purchase	Resource Efficiency	Technology leader in Internet of Things connectivity. Strong balance sheet makes it COVID-19 resilient.
IPGP Photonics	Sale	Resource Efficiency	Competitive position deteriorated over the past two years with limited opportunities to reverse this trend.

Impact Positioning: Supporting the UN Sustainable Development Goals[13]



Impact map of FP WHEB Sustainability Fund portfolio following changes in 1Q20[14]



Engagement and voting activity

Voting Record: Q1 2020

The table below summarises the voting record at companies held in WHEB's investment strategy from 1 January - 31 March 2020. Full details of how we voted on each of the individual votes are detailed on our website: **http://www.whebgroup.com/investment-strategy/fund-governance/engagement-and-voting-records/**

Meetings	No. of meetings	%
# votable meetings	7	N/A
# meetings at which votes were cast	6*	86%
# meetings at which we voted against management or abstained	6	86%

Resolutions	No. of resolutions	%
# votes cast with management	77	83%
# votes cast against mgmt. or abstained (see list in appendix)	16	17%
# resolutions where votes were withheld	0	0%

Company Engagement Activity

Company	Topic	Comment	Outcome
Littelfuse	Net Zero Carbon (NCZ) 2030 target	Conference call	Company is committed to setting a carbon target in 2020; this is unlikely to include a NZC target by 2030.
Orpea	NZC 2030 target	Email	Company has committed to a 5% absolute reduction in emissions over a three year cycle.
Lennox International	Product energy efficiency Impact metrics	Conference call	Company's product set is routinely at the high efficiency end of the market. Company will consider producing impact metrics.
Norma	NZC 2030 target	Email	The company has recently adopted a carbon reduction target that is aligned with the Paris Agreement.
TPI Composites	Sustainability reporting	Email exchange	Company is committed to setting a carbon target in 2020; this is unlikely to include a NZC target by 2030.
Infineon Technologies	NZC 2030 target Auditor independence, Director independence	Letter Letter	Company confirmed that it is targeting net zero carbon by 2030. The company acknowledged our response.
JB Hunt	NZC 2030 target	Letter	No response from the company.
ICON	NZC 2030 target	Letter	No response from the company.
HELLA	NZC 2030 target	Letter	The company is currently working on a new carbon reduction target which we anticipate will be aligned with the Paris Agreement.
Smurfit Kappa	NZC 2030 target	Conference call	Climate change target updated from 25% carbon intensity reduction by 2020 to 40% reduction by 2030. Absolute reduction of 29% since 2005.
CVS	NZC 2030 target	Letter	Company has set a carbon reduction target that is aligned with the Paris Agreement.
Hikma	NZC 2030 target Impact metrics	Conference call	Company does not yet have a carbon target but recognises that it needs to develop one.
Premier	Impact metrics	Conference call	Will consider reporting impact metrics in future.
Horiba	Director independence, lack of Board Director on sustainability, inadequate gender diversity, no carbon reduction target	Letter	No response as of 16 April.
Daikin Industries	NZC 2030 target	Collaborative	Target is to achieve net zero carbon emissions by 2050.

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[i] The MSCI World Index is quoted at month end with net dividends reinvested and without the deduction of any expenses (in contrast to the portfolio). The MSCI World Index is unmanaged and cannot be invested in directly.

[ii] The average holding period is calculated by the investment manager in accordance with the requirements of the UCITS V directive and derived from fund turnover over the last 12 months as of the end of the reporting month, less all subscriptions and redemptions. This figure is adjusted so as not to double count buys and sells. It is then inverted so that, for example, 50% turnover would equate to a 2-year average holding period. The average holding period reported prior to 30th April 2019 was provided by the fund accountant, Apex Services.

[iii] Active Share refers to the % overlap between the Fund and MSCI World Index weightings. Data as at 31 March 2020. Source: Bloomberg.

[iv] IA Global refers to the fund weighted average performance of the UK Investment Association Global equity sector peer group. Source FE Analytics.

[v] The FP WHEB Sustainability Fund was originally launched on 8 Jun 2009. Effective re-launch as at 30 April 2012 after the portfolio was transitioned to a new investment process by a new investment team.

[vi] Performance attribution is calculated with reference to the MSCI World Index, and based on the Fund's valuation at the market close. Depending on timing differences between midday pricing of the Fund's unit price and the market close, the total attribution may therefore deviate from the quarterly performance quoted in the investment performance section of the report.

[vii] The "Thematic Selection Effect" is calculated as the attribution from not having any holding in stocks which are constituents of the MSCI World Index but are not in WHEB's investable universe.

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