INSIGHTS

Q4 2024 REPORT

Pengana WHEB Sustainable Impact Fund

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SCRUBBING IN TOGETHER: SURGICAL ROBOTS AND THE FUTURE OF THE OPERATING ROOM

By Kavitha Ravikumar

The lights illuminate the sterile operating room, directing attention to the anesthetised form. Equipment and screens hum quietly as the robotic system waits, its metallic arms poised high. As the surgeon begins the procedure, a three dimensional model of the patient's spine appears on the monitor, showcasing the surgical plan and intricate details of the vertebrae. Guided by advanced algorithms and real-time imaging, the robot-arm supervised by the surgeon, starts moving slowly towards the patient…

When you think of robotics, you might think of automated metallic factories, looping conveyor belts, trundling delivery robots or you might even picture nippy robotic pets gambolling by the roadside. Moving robotic arms performing surgical procedures is normally not the first thing that comes to mind.

The field of surgery has undergone a revolution with the integration of advanced technologies such as optoelectronics, robotics, and digital systems. This convergence has led to the development of minimally invasive (MI) surgery, which uses specialised instruments inserted through tiny incisions[1]. Compared to traditional open surgery, MI techniques reduce blood loss, speed up healing, and improve recovery outcomes.

Robot-assisted surgery

Robot-assisted surgery (RAS), is a form of minimally invasive surgery that leverages robotic systems to perform complex procedures with heightened precision. Robotic technology in orthopaedics was incorporated as far back as 1992, with the ROBODOC, for total hip replacement surgery[2].

Robotic systems can enable greater precision, overcoming human limitations like hand tremors or fatigue, and providing better access to challenging anatomical areas. Patients benefit from shorter hospital stays, reduced psychological stress, and lower radiation exposure through advanced navigation technologies[3]. However, challenges such as high equipment costs, extensive training requirements and occasional technical glitches remain.

Spinal applications

Now picture this, a cage like structure that grows and changes over time and is a conduit for over one million electrical messages per day.

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[1] https://www.hospitalmanagement.net/features/feature634/
[2] https://boneandjoint.org.uk/article/10.1302/0301-620x.93b10.27418
[3] https://pmc.ncbi.nlm.nih.gov/articles/PMC8657248/

The human spine is a complex structure and contains 120 muscles, around 220 ligaments, and 100 joints[4]. In fact people can be taller by 0.5 to 1.5 cm upon waking in the morning and become shorter over the day due to spinal compression[5].

Using minimally invasive techniques and laparoscopes allows the surgeon to separate the muscles surrounding the spine with small incisions rather than cutting through them. When using manual laparoscopic instruments, surgeons carry out opposing movements within tiny incisions, often leaning, stooping or stretched out at awkward angles leading to fatigue, strain and injury.

Robotic assistance enhances these procedures by translating surgeons' hand movements into precise actions, smoothing tremors, and allowing for finer manipulations. Advanced imaging systems, including CT and MRI scans, help create detailed 3D models of the spine, enabling surgeons to pre-plan procedures and guide robotic arms during surgery. This approach minimizes damage to nearby nerves, blood vessels, and organs, making it particularly effective for complex surgeries like spinal fusions or instrumentation placement[6].

Globus Medical

A recent entrant in the WHEB portfolio is **Globus Medical**, a leader in innovative spinal surgery systems. The company specialises in spinal implant systems, scoliosis correction tools, disc replacement technologies and advanced material technologies. Its flagship product, ExcelsiusGPS™, integrates robotics and navigation technologies to enhance surgical accuracy. This system allows surgeons to customise procedures based on each patient's anatomy, reducing operative time and improving safety.

By 2021, over 20,000 spinal procedures had been performed using the ExcelsiusGPS™ system[7]. In the UK, the NHS and Globus Medical have a partnership to introduce robotic navigation in spinal surgeries that started with the Oxford University Hospitals NHS Foundation Trust and the Walton Centre NHS Foundation Trust Liverpool[8] in 2022.

We expect Globus Medical's revenues to grow by mid to high single-digits percentage over the coming years. This is mainly based on the expected double-digit growth of its "Enabling Technologies" segment that includes the ExcelsiusGPS™ product suite. In addition, the successful post-merger integration of NuVasive is expected to allow for a steady margin expansion during the same period. With a focus on continuous innovation, Globus is exploring artificial intelligence and advanced navigation systems to refine surgical techniques further.

The future

The next frontier in robotic surgery could be telesurgery—where surgeons operate remotely on patients in different locations. The first telesurgery took place in 2001, when a surgical team in New York used the ZEUS robotic system to perform surgery on a patient in France[9].

Future advancements in augmented reality (AR) and virtual reality (VR) could enhance success by providing real-time overlays of medical imaging and anatomical structures for greater precision[10]. While a number of pre-clinical testing surgeries have been conducted on live humans and animals[11], challenges such as data latency, cybersecurity, data privacy and the danger of technical malfunction still need to be addressed before these futuristic technologies become routine in healthcare settings.

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4 https://www.treatingpain.com/news-updates/2019/july/5-surprising-facts-about-the-spine-you-never-kne/

5 https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(05)78342-2/fulltext

6 https://www.theguardian.com/society/2018/jul/04/robots-nhs-surgeons-keyhole-surgery-versius
https://www.theguardian.com/science/2023/jun/18/robot-surgeons-provide-many-benefits-but-how-autonomous-should-they-be

7 https://www.surgicalroboticstechnology.com/news/globus-medical-celebrates-20000-procedures-with-excelsiusgps/

8 https://www.spinalsurgerynews.com/2022/11/globus-medical-partners-with-the-uks-nhs-to-provide-hospitals-with-surgical-robotic-navigation-technology/110370

9 https://pmc.ncbi.nlm.nih.gov/articles/PMC6067812/

10 https://sloanmedical.com/how-9-breakthrough-technologies-are-shaping-the-future-of-surgery/

11 https://link.springer.com/article/10.1007/s11701-024-01984-w

The robotic arm retracts as the procedure concludes, the monitors dim. Yet, the future of the operating room is far from silent—it hums with the promise of what human and technological collaborations can achieve.

GETTING SERIOUS ABOUT CLIMATE ADAPTATION

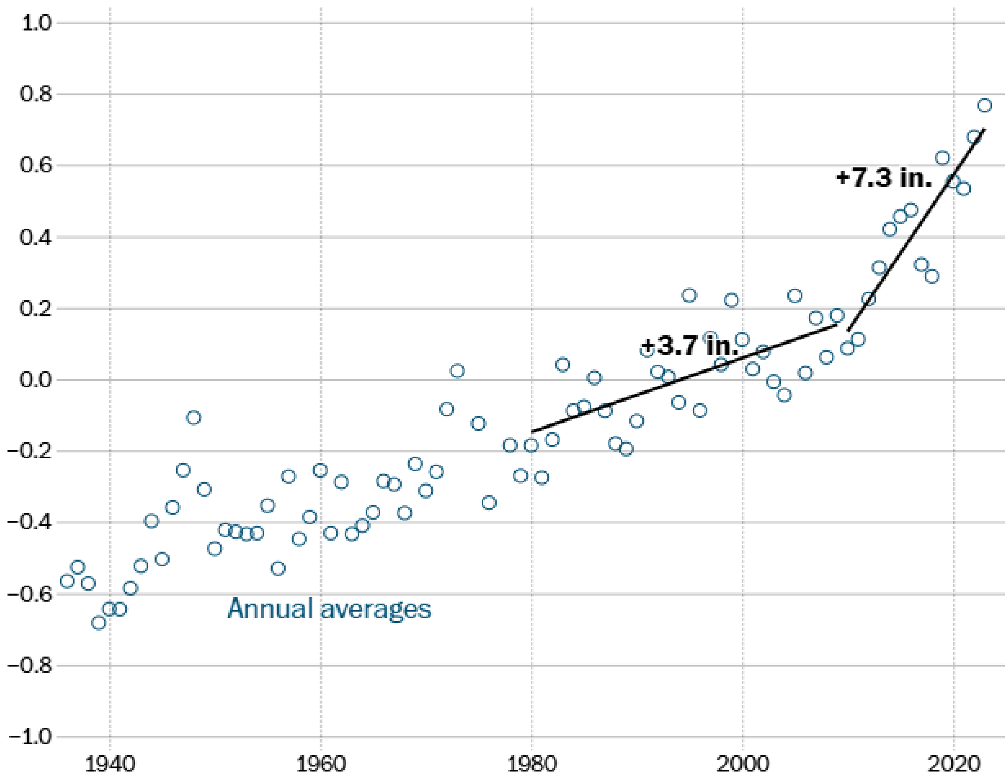
By Seb Beloe

I expect that many of you, like me, took an extended break over the Christmas and New Year period. This year it was time to visit the in-laws in the Irish midlands. However, our usual route by land and sea was disrupted as the Holyhead ferry terminal was damaged by storm Darragh. The 96 mph winds caused parts of the terminal to buckle and consequently were unusable during the holiday rush.

Of course the extra hours spent travelling to and from Pembroke were a very minor inconvenience compared to the devastation many others faced as a consequence of the intense precipitation that storm Darragh also brought.

The impacts of climate change are not of course confined to the UK. In an exceptional (and exceptionally well-illustrated) article, journalists at the Washington Post wrote in December about accelerating rises in sea-levels along the US's south-eastern seaboard. The impact is particularly pronounced at Fort Pulaski, Georgia. Here average sea levels are now nearly 18 inches higher than they were in the 1940s. Nearly two-thirds of that change has come since 1980.

Figure 1: Sea-level relative to the mean at Fort Pulaski, Georgia (1940-2023)[12]



[12] https://tinyurl.com/3p4whk8a

While the problem is particularly acute at Fort Pulaski, NASA projections show that in the coming decades many cities along the whole eastern seaboard will experience up to 100 more days of high-tide flooding each year[13].

Hollywood becomes Bollywood

The scale and reach of the changes driven by climate change are profound and global. In a 'visual essay' another group of journalists has shown how specific cities will feel in the years ahead[14]. Hollywood in Los Angeles currently has a temperate climate characterised by dry and hot summers. They report, however, that in less than fifty years, Hollywood will feel more like Bollywood with an arid climate that is more akin to New Delhi's. Closer to home, London will remain temperate but will feel more like Washington DC and Atlanta than it does today.

Climate's impact on economics

In some respects, some of these impacts might seem quite positive. As I sit here with temperatures of -1°C outside, temperatures that are on average 2-3 degrees warmer sound quite appealing. The problem is that the effects of climate change are diverse: warmer temperatures also bring more and more intense precipitation and stronger winds among other things. And in cities that are already hot, another 2-3 degrees of warming can move daily activity from uncomfortable to life-threatening.

These impacts are now clearly affecting economics. In Florida, home and flood insurance has become dramatically more expensive, in part due to the risk of more frequent or more intense storms, as a result of climate change. California's insurance market was already much diminished before the Palisades, Hurst and Eaton fires broke out in early January 2025[15]. The impact of the fires is expected to lead to even less insurance coverage, and without insurance coverage, banks won't issue mortgages. Globally, losses of US$320bn due to catastrophes including extreme weather in 2024 were 30% higher than the previous year[16].

In India, the Asian Development Bank warned in October last year that climate change could hit the country's GDP by as much as 25% within the next 50 years. A third of India's GDP is linked to nature-related sectors. Increased frequencies of drought events are already negatively impacting agricultural output. Companies are also citing heat stress as a cause of reduced earnings[17].

In Europe, the European Central Bank recently estimated that the heatwave of 2022 caused crop yields to decline in that year, causing food inflation of around +0.6 to +0.7 percentage points[18]. This impact lasted well into 2023. As the Financial Times has speculated, it is not unlikely that '*a material proportion of the debate at monetary policy committees will be taken up with discussion of how the economic forecasting model is going to interact with expectations of the next flood or wildfire season*'[19].

Adaptation in a changed climate

It should not come as a surprise therefore that many companies, communities and even countries are already adapting to the climate change that is now with us and to that which is inevitably yet to come. By some estimates India is already spending more than 5% of its GDP on climate adaptation[20].

We are seeing evidence of this increased spending in our portfolio as well. We introduced a Climate Adaptation thematic as a part of our investment strategy early in 2024. Holdings include the Dutch environmental engineering

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[13] Ibid.
[14] https://pudding.cool/2024/06/climate-zones/
[15] Seven out of the twelve largest US home insurers have limited their coverage in California over the past two years, in part due to increased fire risk. https://tinyurl.com/a8k7bz7u
[16] https://tinyurl.com/2m9hz9ey
[17] For example, food delivery app Zomato cited heat stress in explaining its lower than expected earnings in 2024. Infrastructure business Larsen & Toubro is shifting working hours to adapt to the impacts of heat on construction workers.
[18] https://tinyurl.com/mrxcasmx
[19] https://www.ft.com/content/bbf5a2ad-485e-43bd-b130-4cbfdfbfb95e
[20] https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap06.pdf

business **Arcadis** as well as **Advanced Drainage Systems**, a US-based manufacturer of storm water drainage systems. In recent earnings calls both companies have pointed to demand for their products and services increasing as clients look at adapt to increases in extreme weather[21].

Other companies held in the strategy are also seeing growing demand for products and services that help make communities more resilient in the face of a changed climate. This includes demand for efficient cooling systems from **Trane Technologies**, water treatment and management equipment from **Xylem** and even fire-fighting equipment from **MSA Safety**. Most of MSA's fire-fighting equipment is used in fighting fires in buildings. The company does also supply kit for fighting fires in rural areas – including to fire fighters working to extinguish the Palisades and Eaton fires.

We've written before about the increased prevalence of extreme weather that has now become a feature of our lives. But bear in mind that the changes we are currently seeing are associated with global average temperature rises of less than 1.5°C. We can anticipate that the frequency, duration and intensity of these events will be dramatically worse from temperature rises of 2°C or more.

[21] Ironically Advanced Drainage Systems mentioned hurricanes Helene and Milton as causing disruption to their stormwater business at the end of 2024 but underpinning higher growth in the medium to long-term as clients upgrade their flood management systems.

REFLECTING ON 2024: STRENGTHENING STEWARDSHIP AND ENGAGEMENT FOR A SUSTAINABLE FUTURE

By Rachael Monteiro

With 2024 now behind us, we reflect on WHEB's Stewardship and Engagement efforts - celebrating accomplishments, learning from challenges, and identifying opportunities for 2025.

This year, our stewardship activities spanned a range of impactful initiatives, including direct engagements with portfolio companies—both individually and through collaborative investor coalitions—active participation in voting at company AGMs, and policy advocacy to drive systemic change. Below we share updates on this work from the last year.

1. Climate Action

Our focus remained on encouraging portfolio companies to adopt science-based net zero carbon (NZC) targets, particularly those validated by the Science Based Targets initiative (SBTi) [22].

Setting such targets is a critical precursor to achieving meaningful emissions reductions. They also align with our own commitments to have 85% of financed emissions covered by NZC targets by 2025 and 100% by 2028[23].

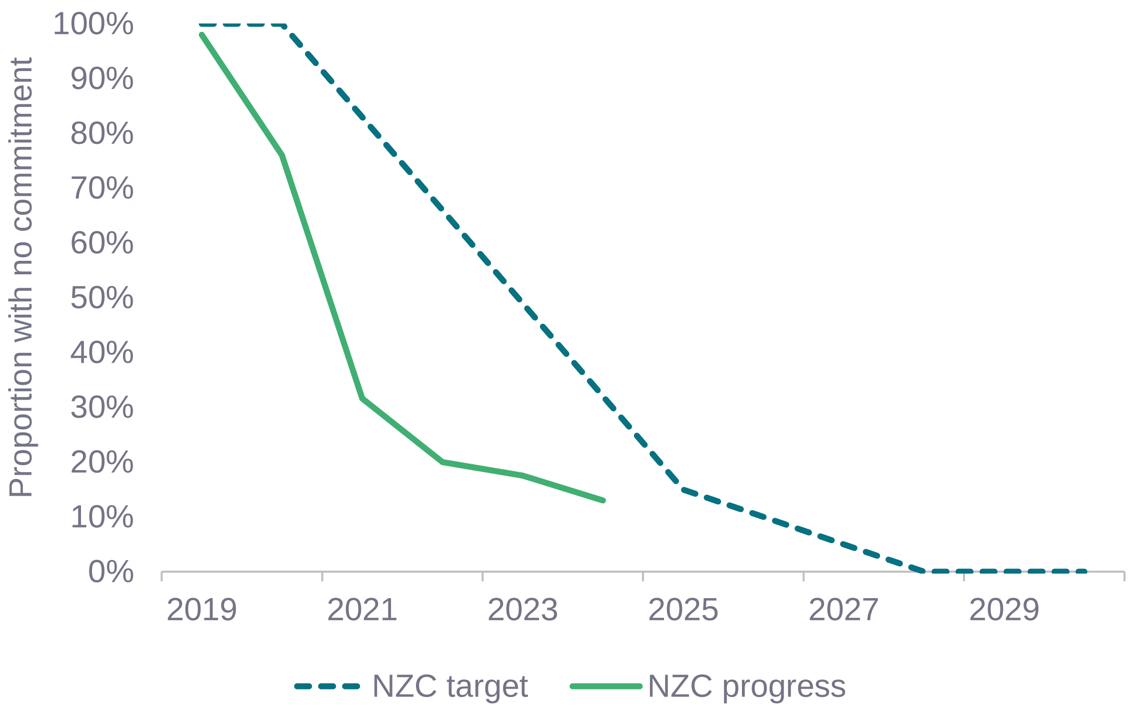
As of 2024, 87%[24] of the portfolio's financed emissions are covered by NZC targets. 77% of the financed emissions are covered by SBTi-validated targets, rising to 90% when including companies that have committed to setting such targets, positioning us well to meet our commitment by the end of this year (Figure 1).

22 https://www.whebgroup.com/assets/files/uploads/20230424-nzc-policy-portfolio-emissions-final.pdf

23 These commitments preceded our involvement with the Net Zero Asset Managers' Initiative. We note the initiative has decided to suspend activities to track signatory implementation and reporting in order to conduct a review into its appropriateness in the current geopolitical environment. We await the conclusions of the review and in the meantime will continue to report progress against our commitments.

24 This proportion relates to the FP WHEB Sustainability Impact Fund and includes companies that have either a SBTi-validated near term target, a SBTi-validated Net Zero target or companies that have a clearly stated Net Zero Carbon target.

Figure 1: WHEB's portfolio is on track to meet 2025 and 2028 commitments to proportion of financed emissions covered by NZC targets



To drive meaningful reductions, we prioritise engaging the top ten emitters, responsible for 80% of the portfolio's Scope 1 and 2 (financed) emissions.

Progress is evident for nine of these companies from 2022 to 2024 – both in terms of advancements in "management priority" (i.e. alignment of strategy with the Paris agreement) and reporting measurable reductions in absolute emissions (Figure 2).

Notably, **TE Connectivity** has achieved an impressive 72% reduction in scope 1 and 2 emissions since 2020, driven by significant increase in its renewable energy consumption. This includes a 45% decrease in Scope 2 emissions from FY 2022 to 2023[25]. We commend the company for its achievement, especially as it has been a focus of our engagement efforts throughout 2023 and into 2024 via the Net Zero Engagement Initiative[26].

The Scope 1 and 2 emissions of **First Solar** have**,** however, unfortunately increased over the past year. This is due to the rapid scaling of production that the company has achieved. In 2022 the company manufacturing 9GW of solar modules. In 2024 it is expected to have been over 14GW[27].

Still, the company took positive steps towards reductions last year, including a commitment to power 70% of its Indian operations with its own solar panels by the end of the year [28]. This news was gratifying to us along with colleagues from the Investors for Sustainable Solar initiative[29], as WHEB has been encouraging the company to enhance renewable energy sourcing through its own products.

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25 https://www.te.com/content/dam/te-com/documents/about-te/corporate-responsibility/global/TEConnectivityCorporateResponsibilityReport2023.pdf

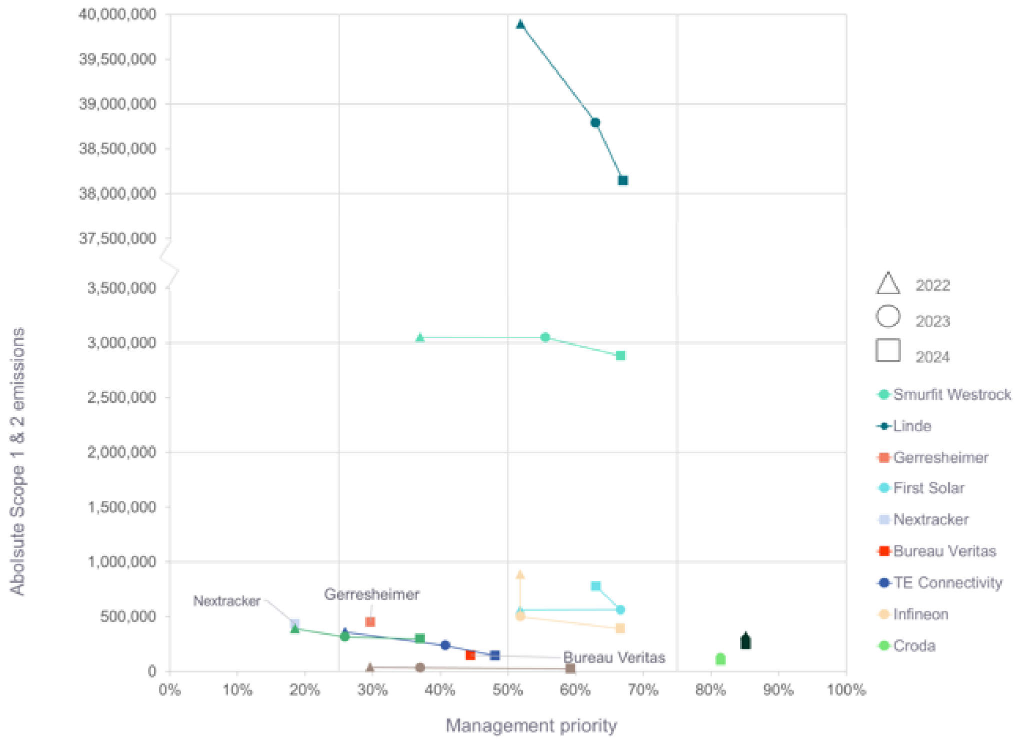
26 https://www.whebgroup.com/te-connectivity-nzc-case-study

27 Based on 3Q2024 company guidance.

28 This is expected to displace 7,000 kilotons of CO2e emissions over the 15 year duration of the Power Purchase Agreement.

29 https://www.whebgroup.com/engagement-case-study-net-zero-carbon-at-first-solar-q1-2024

Figure 2. Absolute Scope 1 & 2 emissions are decreasing for 9 out of 10 of the WHEB Strategy's top emitters (by financed emissions)[30]



2. Diversity Equity & Inclusion (DEI)

DEI is in our view a moral and a business imperative[31,32]. As in previous years, our approach in 2024 focused on gender and was driven by proxy voting[33].

For example, after First Solar's 2024 AGM, we expressed disappointment in its decision to appoint another male board member, missing an opportunity to honour its public commitments to diversity, sustainability, and equity. Conversely, **Thermo Fisher Scientific** improved female board representation by 10% and achieved 48% female representation across its business[34], earning our commendation.

Since we began closely monitoring gender diversity in 2018, improvements from companies like Thermo Fisher have become more common, driving the strategy's gender diversity performance from 19% to 29.6%[35].

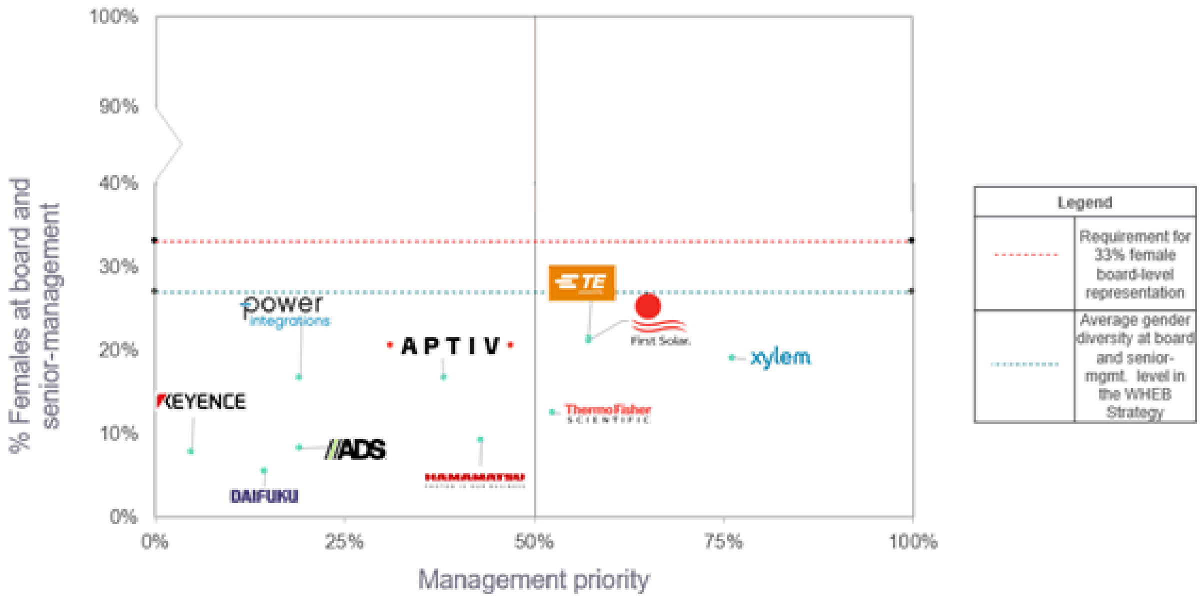
But limited data on DEI aspects beyond gender can complicate engagement, particularly with respect to setting targets, highlighting the need to assess alternative indicators of progress[36].

For example, we engaged **Infineon**[37] to increase the ambition and scope of its diversity targets. Though it does not plan to revise existing goals, the company highlighted its commitment to initiatives like employee resource groups (ERGs), monitoring employee satisfaction, and enabling flexible working arrangements.

[30] Data relates to emissions emitted in 2022, 2021 and 2020 but reported in 2023, 2022 and 2021 respectively.
[31] https://medium.com/@alex.edmans/is-there-really-a-business-case-for-diversity-c58ef67ebffa
[32] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3933687
[33] On average 4-12% of WHEB's votes against management can be attributed to opposing boards with less than 33% female representation.
[34] https://corporate.thermofisher.com/content/dam/tfcorpsite/documents/corporate-social-responsibility/annual-reports/2023-CSR-Report.pdf
[35] We use Impact Cubed gender equality analysis which looks at the percentage of female executives and board members.
[36] https://www.whebgroup.com/our-thoughts/dei-evolution-looking-beyond-gender-and-facing-the-facts
[37] https://www.whebgroup.com/infineon-technologies-2024-q1-case-study

Last year we refined our prioritisation method on DEI by identifying laggards with low senior female representation – a datapoint available across the portfolio - and assessing management's prioritisation of DEI[38] (Figure 3). This will guide 2025 engagement.

Figure 3: Mapping gender diversity priorities within the FP WHEB Sustainability Impact Fund



3. Protecting biodiversity, nature and the environment

In 2024, we advanced on initiatives to enhance ecological outcomes. This included advocating for **MSA Safety**[39] to commit to a phase-out of PFAS chemicals in firefighter gear, now that PFAS-free alternatives are available. We also led a collaborative engagement with **Ecolab** through ChemSec's Investor Initiative on Hazardous Chemicals[40], pushing for a time-bound phase-out of substances of very high concern (SVHC), enhanced product circularity, and better promotion of safer alternatives.

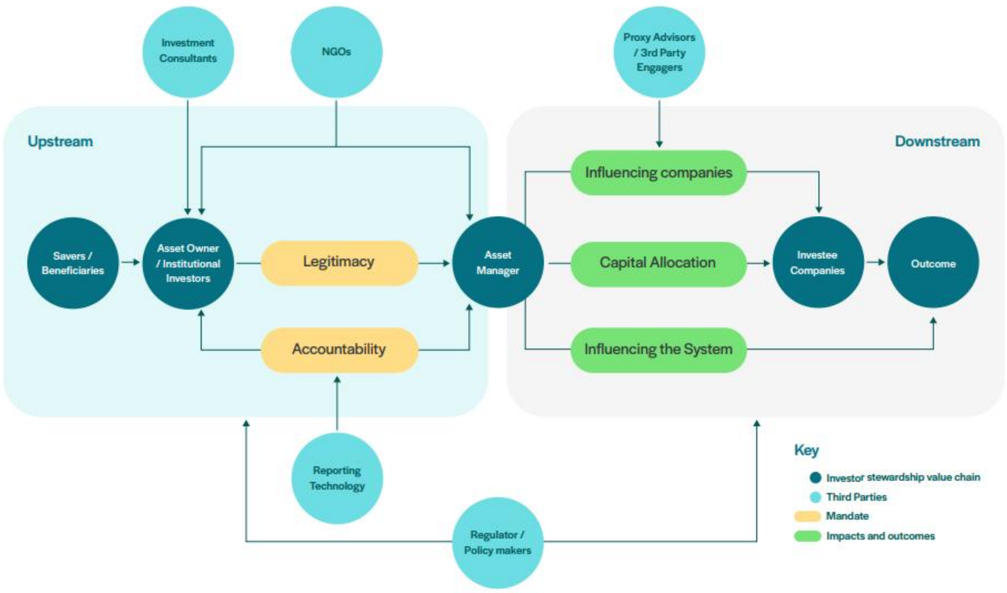
In response to antimicrobial resistance (AMR) becoming a key priority for institutional clients, we joined the Investor Action on Antimicrobial Resistance Initiative (IAAMR)[41]. We believe our involvement in policy advocacy on AMR through this initiative will complement our investments in companies whose products and services help mitigate the risk of micropollution, which is a key driver of AMR[42].

[38] Please refer to our prevous blog on this issue for more details of this assessment: https://www.whebgroup.com/our-thoughts/dei-evolution-looking-beyond-gender-and-facing-the-facts
[39] https://www.whebgroup.com/msa-safety-pfas-phase-out-q3-2024
[40] https://www.whebgroup.com/ecolab-engagement-case-study-chemicals
[41] https://amrinvestoraction.org/article/wheb
[42] https://www.whebgroup.com/our-thoughts/stewardship-in-the-spotlight-managing-micropollution

4. Supporting a well-functioning sustainable financial system

WHEB's stewardship efforts aim to influence systems more broadly through policy advocacy and contributions to policies, regulations, and thought leadership that advance sustainable investment (Figure 4).

Figure 4: The 'ecosystem' of investor stewardship



Key achievements last year included

- **The publication of WHEB's Stewardship White Paper**: in which we examine the obstacles to effective stewardship and engagement, highlighting practical solutions employed by WHEB and other practitioners to deliver long-term client value. This paper has been positively received and has been helpful in informing our feedback to the Financial Reporting Council's (FRC) Stewardship Code Consultation[43]. Specifically, we are keen for the Code to retain its existing level of ambition for addressing systemic risks, and we hope that the FRC will enable more consistent use of terminology such as 'objectives', 'outcomes' and 'activities'.

- **SDR Sustainability Impact Label**: The FP WHEB Sustainability Impact Fund became the first listed equity fund to use the "Sustainable Impact" label under the Financial Conduct Authority's Sustainability Disclosure Regime (SDR). This recognition underscores the strength and credibility of WHEB's stewardship and engagement practices for addressing sustainability risks and opportunities and delivering lasting client value.

Conclusion

Reflecting on 2024, we celebrate significant progress in the portfolio on our key stewardship priorities. We are conscious though that political developments and higher client expectations of stewardship quality could intensify pressures on this practice in the year to come.

Still, we remain optimistic that the foundational work we have undertaken this year will strengthen WHEB's ability to deliver resilient and impactful investor contribution and long-term client value.

[43] https://www.frc.org.uk/consultations/stewardship-code-consultation/

PERFORMANCE COMMENTARY

Market review

The MSCI World Index was up +11.9% in the fourth quarter of 2024.

Global stocks were mixed - it was a period of shifting narratives with the US election, the threat of tariffs, a surging US dollar and stubborn US inflation and uncertainty around interest rates contributing towards market volatility.

US stocks led the market, boosted by Donald Trump's decisive presidential victory fuelling expectations of further tax cuts, expansionary fiscal policy and the implementation of a more nationalist trade policy. However, they did pull back in December following the Federal Reserve's revised guidance - indicating fewer interest rate cuts would be forthcoming in 2025 than previously expected.

Japanese stocks also delivered positive returns, while Asia Pacific ex-Japan and Europe were the weakest performing equity markets. There have been signs of weakening economic momentum in Europe, particularly in the manufacturing sector, while the services sector continues to see signs of solid demand. The European Central Bank cut rates twice during the quarter and it is expected that weak growth forecasts are likely to pave the way for more easing.

Over the quarter, Consumer Discretionary and Communication Services were the best performing sectors in the global market, while Materials and Healthcare lagged.

Performance review

The strategy returned +0.4% performance over the quarter.

Autodesk and **Grand Canyon** were the strongest contributors to return. Autodesk, within the Resource Efficiency theme, is a leader in design software for more resource-efficient products and buildings, and benefited from broad-based growth across Architecture, Engineering, and Construction (AEC) and manufacturing segments. Following strong quarterly results in September, Autodesk's share price extended its upward momentum in October.

Grand Canyon reported positive results for the third quarter of 2024, beating profit estimates. It is also seen as a stock that performs well during Republican presidential terms and so benefited from the US election results.

The holding in **ICON**, a clinical research organisation, was the largest detractor. The company surprised the market by missing 3Q24 numbers and cutting full year guidance, due to budget cuts at its two largest customers, an uptick in vaccine-related cancellations and stronger than anticipated caution for biotech-related investment decisions.

Life sciences tools companies **Agilent**, **Danaher** and **ThermoFisher**, also struggled. While Danaher and Thermo Fisher met earnings expectations, customer caution on equipment spending weighed on their share prices. Uncertainty around the pace of recovery in 2025 further pressured these stocks.

Wind turbine manufacturer **Vestas** further detracted. The shares underperformed reflecting the negative sentiment for wind power companies following the US election result.

From a thematic perspective, Health was the largest detractor by some margin while Resource Efficiency was the strongest performer, followed by Education.

Outlook

While the last few years have been difficult for WHEB and impact-led strategies in general, we believe we have good reasons to be optimistic regarding what's to come.

Sentiment for impact investing is very low which can be seen in the portfolio valuation relative to local markets, such as Price to Earnings or Price to Book Value ratios. Markets usually turn when the last marginal seller has left.

The urgency for climate action has never been greater and the means have never been more economically attractive. 2024 had a series of extreme weather events (e.g. hurricanes Helene and Milton in Florida, storm floods in Valencia), while clean power costs (e.g. solar and onshore wind) are now well below fossil-fuel based alternatives. Electric vehicles

also often beat their corresponding internal combustion engines option on a total cost of ownership analysis. This will enable an increasing number of environmental markets to grow independently of the political environment.

We are confident that most of the more strongly underperforming stocks in our portfolio have been hit by short-term issues the market is focusing on, while the fundamental, longer-term investment case is as sound as ever.

Although US President Donald Trump does stand quite explicitly against much of the transition to a more sustainable economy, we observe that historically, the strong deregulatory agenda put forward by Republican administrations has tended to support the mid-cap stocks that our strategy is most exposed to.

We therefore remain excited about the future and convinced that the opportunity has never been greater.

PORTFOLIO ACTIVITY

We initiated two new positions in the fund and we exited two existing positions during the quarter.

Purchases

We initiated a position in **ATS Corporation** in our Resource Efficiency theme. ATS Corporation is a leading automation company, based in Canada. Its portfolio of technology and services help companies to operate more efficiently and productively. Its offerings include project management, facilities layout and operational design, systems design and build, and post-project services.

ATS Corporation has a high exposure to regulated industries such as life sciences and energy. These industries are characterised by complex processes and high consequences of failure, meaning quality and reliability are crucial.

We also initiated a position in **Globus Medical** in our Health theme. Globus Medical is a leading medical technology company. The company's extensive portfolio includes innovative products and technologies designed to address a wide range of musculoskeletal conditions. Its offerings include implantable devices, biologics, and surgical instruments used in various spinal, orthopaedic, and neurosurgical procedures.

A notable recent product launch is the ExcelsiusGPS surgical robotic system, which enhances precision in spine surgeries by assisting with specialised tasks like transpedicular drilling and screw placement.

Sales

We sold our position in **Ansys** from our Resource Efficiency theme. Ansys is a market leader in engineering simulation software for product design and optimisation. Its software accelerates product time to market, improves engineering and optimises product quality and safety. Ansys' tools are used for a wide variety of products including electric vehicles, clean energy generation, and medical technology. We are selling our position ahead of the upcoming merger between Ansys and peer company Synopsys.

We also sold our position in **Hamamatsu Photonics** from our Health theme. Hamamatsu specialises in optical sensors and imaging instruments, serving various sectors such as medical, industrial and scientific research.

Hamamatsu has seen faltering growth and at the most recent quarterly earnings broadcast it issued a third consecutive profit warning. With the uncertainty around growth now extending to multiple years, we decided to exit the position.

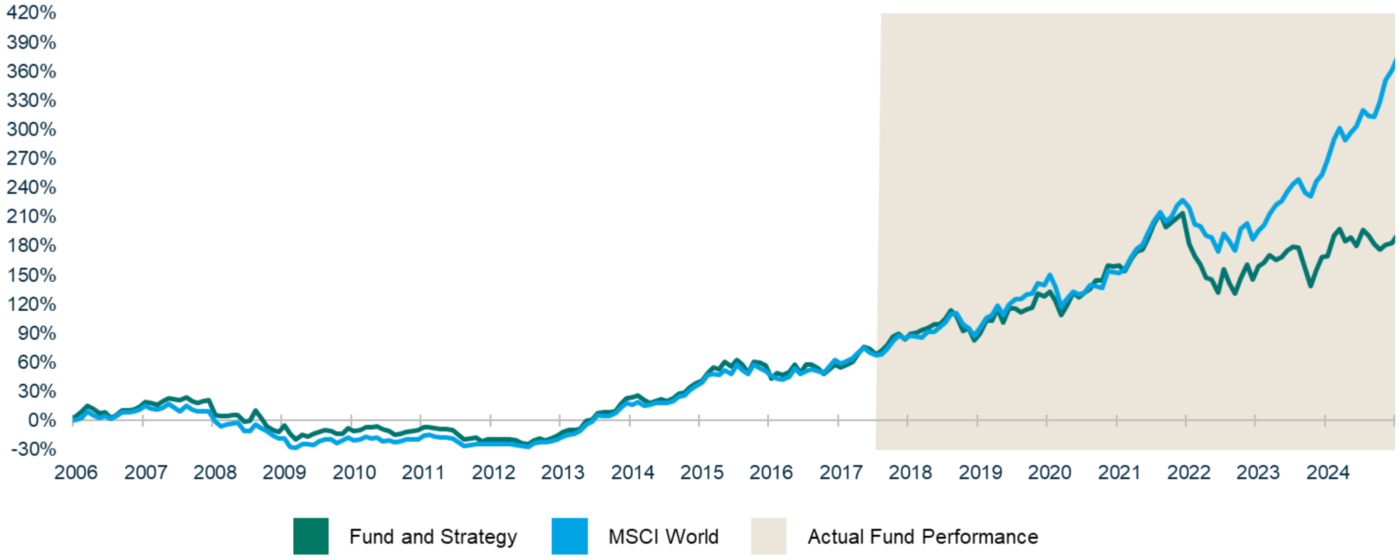
INVESTMENT PERFORMANCE

Cumulative Investment Returns

Net performance for periods ending 31 December 2024 (%)

	3 mth	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Fund	0.4	5.2	-3.4	4.4	
Strategy (partial simulation)[44]					5.6
MSCI World[45]	11.9	30.7	12.2	14.0	8.4

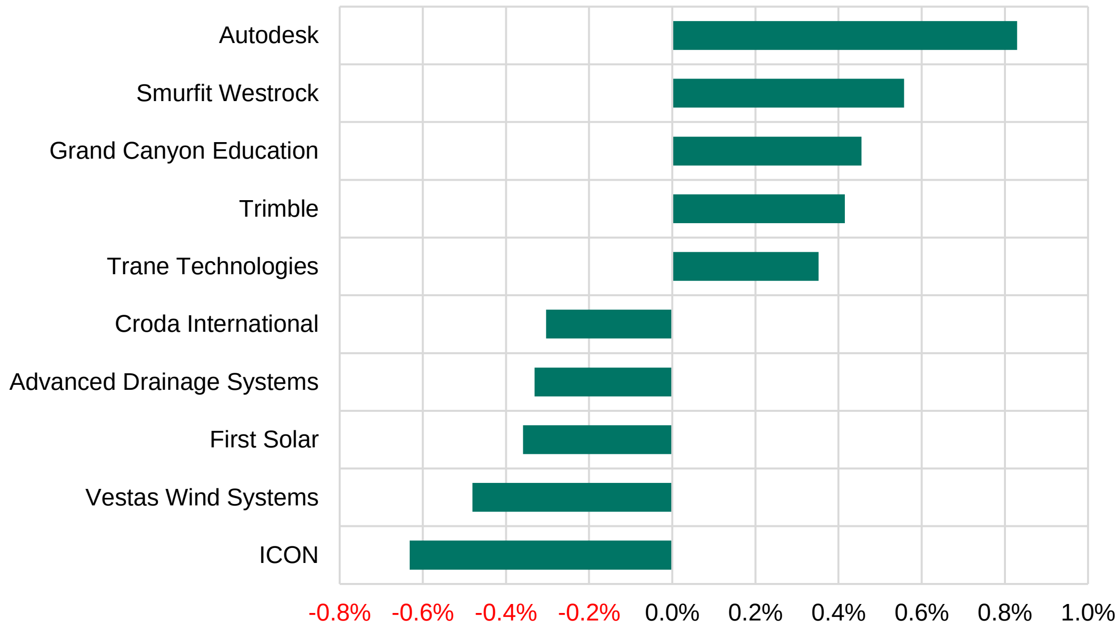
Performance Since Strategy Inception



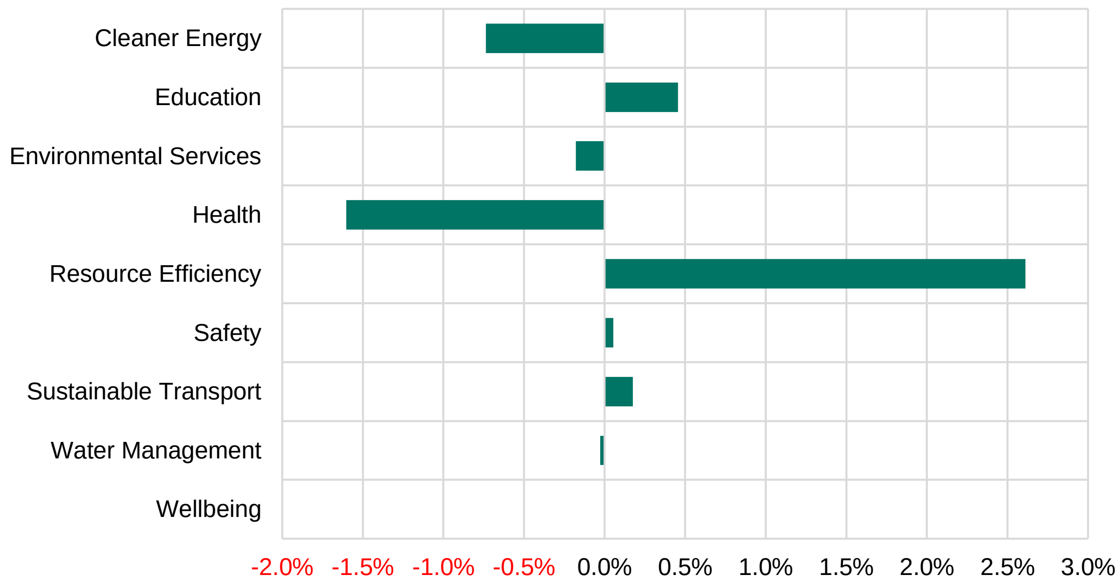
[44] From August 2017, performance figures are those of the Pengana WHEB Sustainable Impact Fund's class A units (net of fees and including reinvestment of distributions). The strategy's AUD performance between January 2006 and July 2017 has been simulated by Pengana from the monthly net GBP returns of the Henderson Industries of the Future Fund (from 1 January 2006 to 31 December 2011) and the FP WHEB Sustainability Fund (from 30 April 2012 to 31 July 2017). This was done by: 1) converting the GBP denominated net returns to AUD using FactSet's month-end FX rates (London 4PM); 2) adding back the relevant fund's monthly ongoing charge figure; then 3) deducting the Pengana WHEB Sustainable Impact Fund's management fee of 1.35% p.a. The WHEB Listed Equity strategy did not operate between 1 January 2012 and 29 April 2012 – during this period returns are zeroed. The Henderson Industries of the Future Fund's and the FP WHEB Sustainability Fund's GBP net track record data is historical. Past performance is not a reliable indicator of future performance. The value of the investment can go up or down.
[45] MSCI World Total Return Index (net, AUD unhedged).

Quarterly Performance

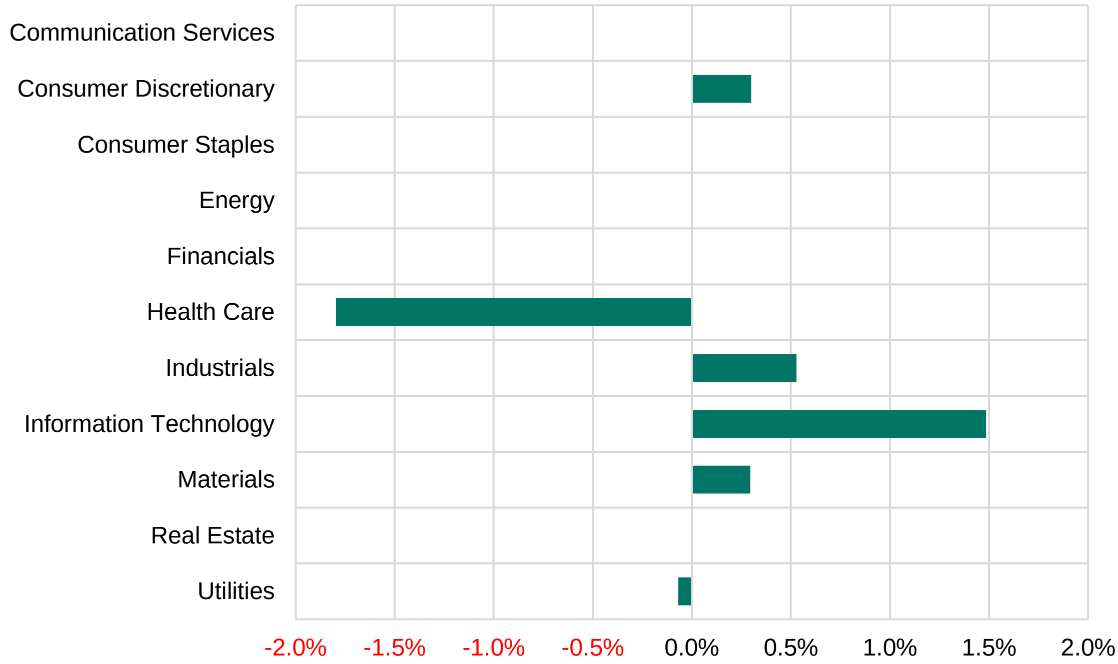
Contribution to Return by Stock (Top 5 & Bottom 5)



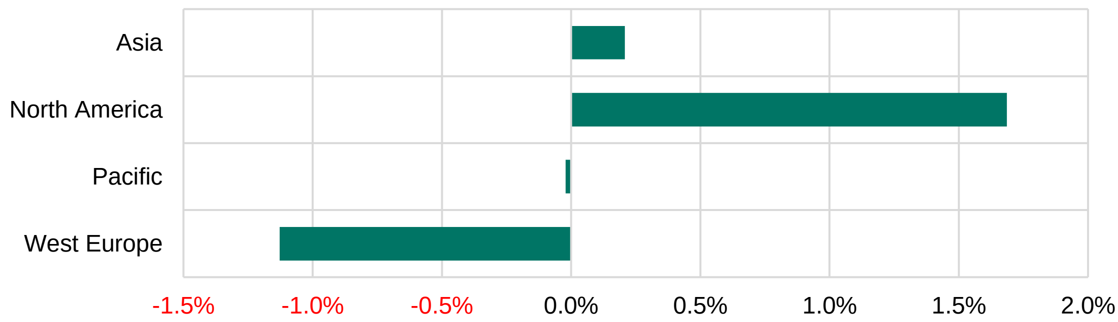
Contribution to Return by Sustainability Theme



Contribution to Return by Sector

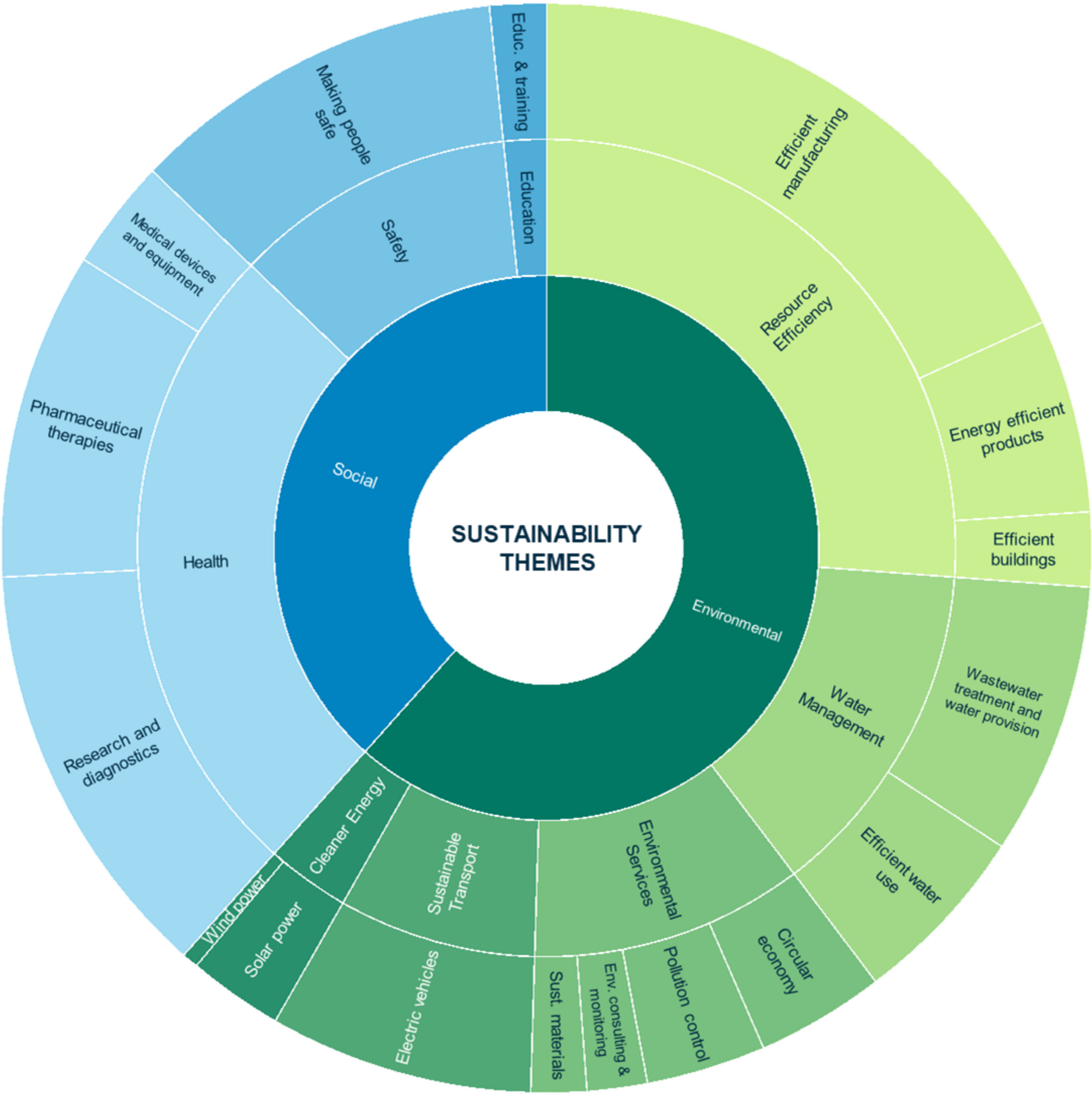


Contribution to Return by Geography

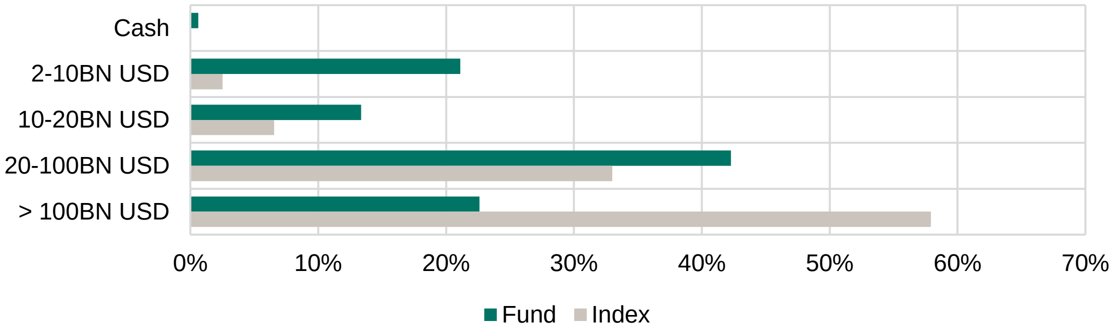


PORTFOLIO ANALYSIS AND POSITIONING OF STRATEGY

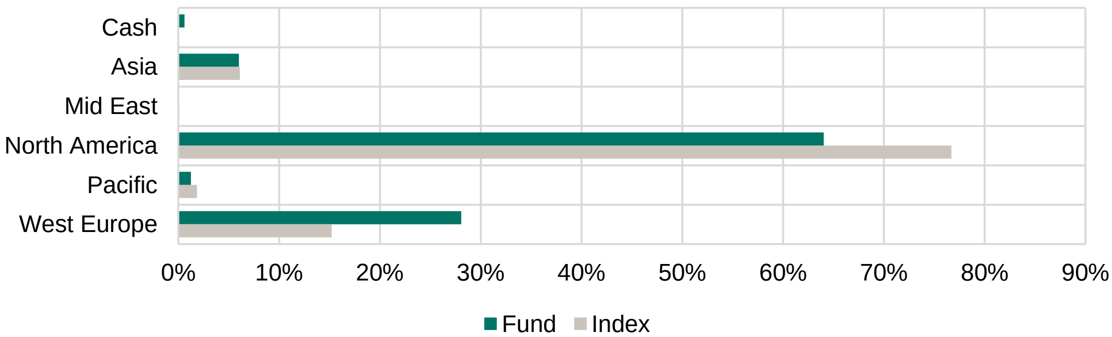
Exposure by Sustainability Theme



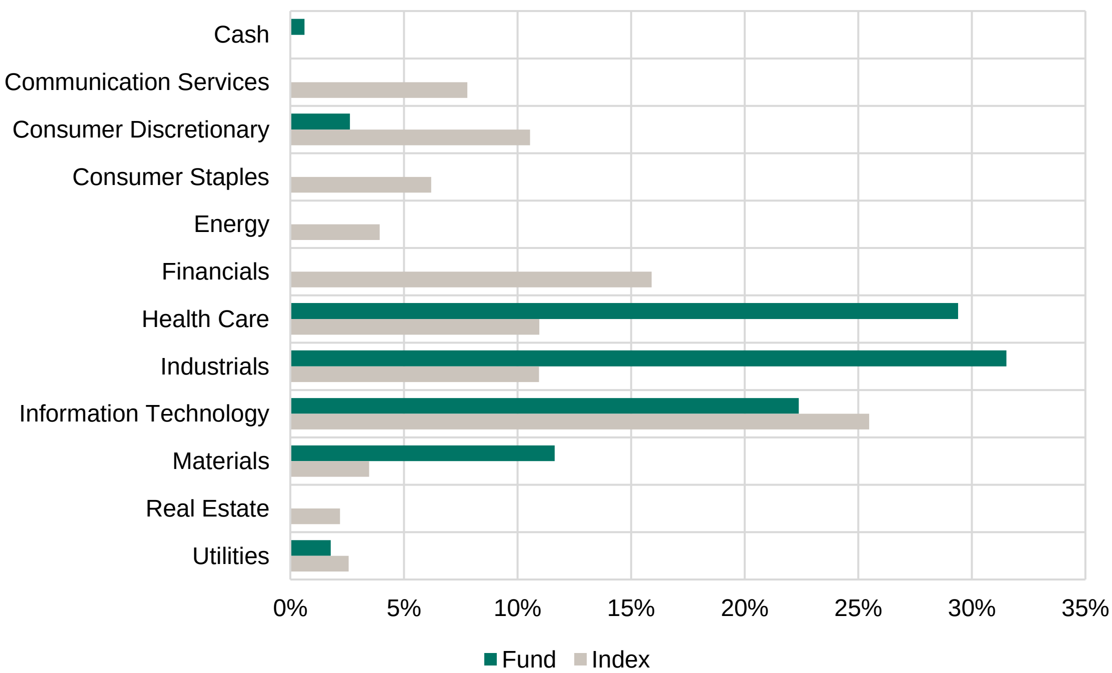
Exposure by Market Capitalisation



Exposure by Region



Exposure by Sector



Largest 10 Positions

Name	Sustainable Investment Theme	Description
AstraZeneca	Health	Pharmaceutical therapies
Autodesk	Resource Efficiency	Efficient manufacturing
Danaher	Health	Research and diagnostics
Ecolab	Water Management	Efficient water use
MSA Safety	Safety	Making people safe
Smurfit Westrock	Environmental Services	Circular economy
STERIS	Safety	Making people safe
TE Connectivity	Sustainable Transport	Electric vehicles
Thermo Fisher Scientific	Health	Research and diagnostics
Trimble	Resource Efficiency	Efficient manufacturing

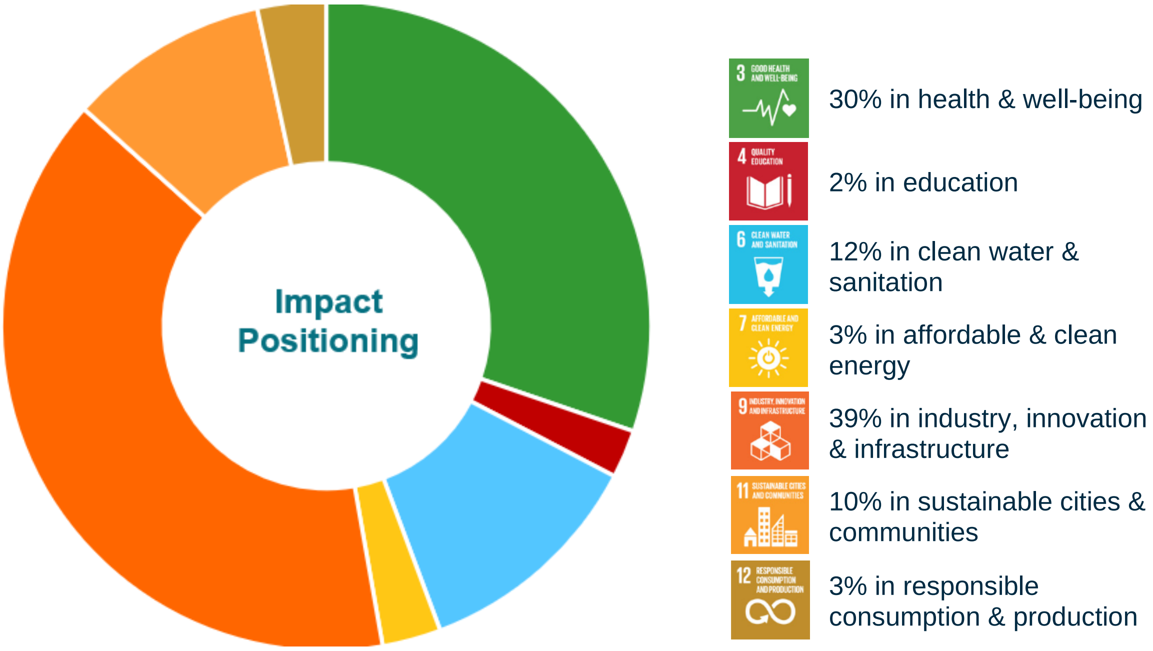
Strategy Characteristics

	WHEB	MSCI
FY1 Price/Earnings (PE)	26.47	23.76
FY2 Earnings Growth	16.80	16.60
FY1 PE/FY2 Earnings Growth (PEG)	1.57	1.32
3-year Volatility	17.25	11.69
Beta (predicted)		0.93
1-year Tracking Error (predicted)		6.50
5-year Tracking Error (ex-post)		8.90

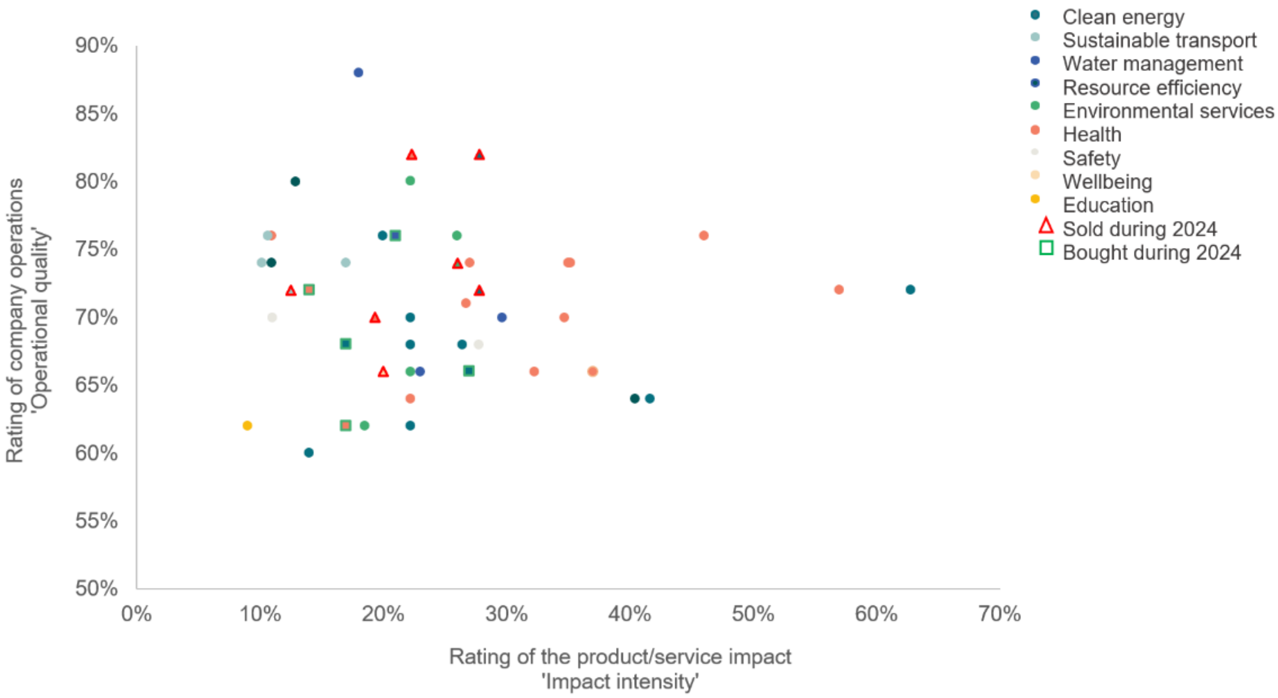
Trading Activity – Significant Portfolio Changes

Stock Name	Purchase or sale	Theme	Brief description or sale rationale
ATS	Resource Efficiency	Purchase	A leading automation specialist growing in attractive end markets with potential for margin expansion, presenting a valuation opportunity.
Ansys	Resource Efficiency	Sale	Ansys is to be acquired by Synopsys.
Globus Medical	Health	Purchase	Return to Globus after merger with Nuvasive at the start of 2023, associated risk has passed and we are positive on the outlook.
Hamamatsu	Health	Sale	Disappointing results in three-year hold led by a downcycle in China. Ongoing struggles suggest problems are with the business rather than cycle.

Impact Positioning: Supporting the UN Sustainable Development Goals[46]



Impact Map of the strategy's portfolio following quarterly changes[47]



[46] For descriptions of impact mapping methodologies please see WHEB's impact reports, available at https://impact.whebgroup.com/methodology/. The SDG mapping methodology is described in the 2019 Impact Methodology Report, available at https://impact.whebgroup.com/methodology/, and the impact positioning graph is described in detail in the 2019 impact report.
[47] As above.

ESG profile of WHEB's investment strategy[48]

[48] Source: Impact Cubed.

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Quarterly ESG performance[49]

	WHEB Strategy	Proportion reported	MSCI world
Weighted average carbon intensity (scope 1 and 2)	84 tCO_2e/£1m of revenue	97%	132 tCO_2e/£1m of revenue
Scope 3 carbon efficiency	1,560 tCO_2e/£1m of revenue	79%	894tCO_2e/£1m of revenue
Waste efficiency	13.8 tonnes / £1m of revenue	77%	271 tonnes / £1m of revenue
Water efficiency	12.6 thousand m^3 of fresh water/£1m of revenue	79%	11.4 thousand m^3 of fresh water/£1m of revenue
Gender equality	29% of board and top management positions are occupied by women	93%	29% of board and top management positions are occupied by women
Executive pay	75x – ratio of executive pay to employee pay	78%	144x - ratio of executive pay to employee pay
Board Independence	70% of board members are independent	97%	77% of board members are independent
Environmental good	34% of portfolio invested in environmental solutions	100%	13% of portfolio invested in environmental solutions
Social good	25% of portfolio allocated to help alleviate social issues	100%	11% of portfolio allocated to help alleviate social issues
Avoiding environmental harm	<1% of portfolio in industries that aggravate social issues	100%	6% of portfolio in environmentally destructive industries
Avoiding social harm	0% of portfolio in industries that aggravate social issues	100%	4% of portfolio in industries that aggravate social issues
Economic development[50]	$50,600 – median income of portfolio-weighted area of economic activity	100%	$54,000 – median income of portfolio-weighted geography of economic activity
Avoiding water scarcity[51]	2.4 – geographic water use	100%	2.4 – geographic water use
Employment[52]	4.54% - unemployment in portfolio-weighted area of economic activity	100%	4.36% - unemployment in portfolio-weighted area of economic activity
Tax gap	2.86% - estimated % of tax avoided by corporate tax mitigation schemes	100%	3.85% - estimated % of tax avoided by corporate tax mitigation schemes

[49] Source: Impact Cubed.
[50] A lower figure demonstrates that the strategy is more exposed to activities in lower income communities.
[51] A lower figure demonstrates that the strategy is less exposed to water scarce areas (based on the World Resources Institute scale of 0-5 from least to most water scarce areas).
[52] A higher figure demonstrates that the strategy is more exposed to activities in communities suffering from higher unemployment.

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QUARTERLY ENGAGEMENT AND VOTING ACTIVITY

Voting Record

The table below summarises the voting record at companies held in WHEB's investment strategy over the quarter. Full details of how we voted on each of the individual votes are detailed on our website: https://pengana.com/our-funds/wheb-sustainable-impact-fund/

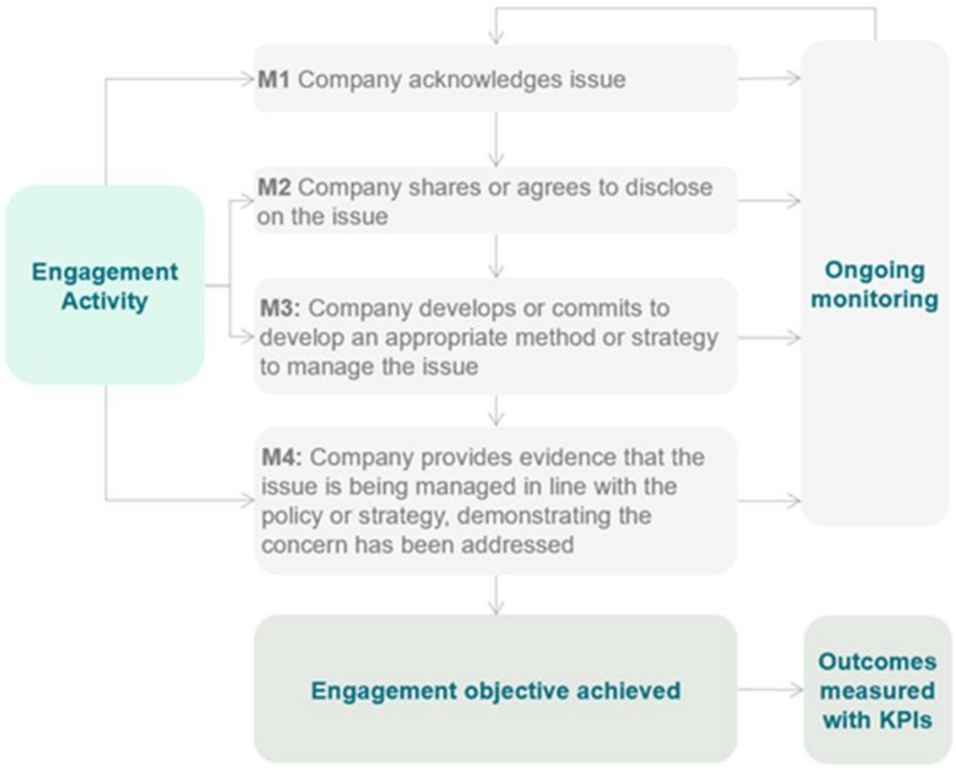
Meetings	No. of meetings	%
# votable meetings	4	
# meetings at which votes were cast	4	100%
# meetings at which we voted against management or abstained	4	100%

Resolutions	No. of resolutions	%
# votes cast with management	32	80%
# votes cast against mgmt. or abstained (see list in appendix)	8	20%
# resolutions where votes were withheld	0	0%

Company Engagement

Engagement Summary	Count	%
# Companies engaged	10	
# Engagements	11	
# Milestone 0 – company does not acknowledge issue	1	9%
# Milestone 1 – company acknowledges issue	4	36%
# Milestone 2 – company shares or agrees to disclose information on the issue	1	9%
# Milestone 3 – company develops or commits to developing an appropriate policy or strategy to manage the issue	4	36%
# Milestone 4 – Company provides evidence that the issue is being managed in line with the policy or strategy, demonstrating concerns have been addressed	1	9%

WHEB's engagement milestones



Company	Topic	WHEB's High-Level Objective	Company Objective	Method	Milestone
Air Liquide	Carbon - Net Zero Target /Strategy	Limiting material negative social or environmental impacts.	**Governance**: Board oversight of sustainability; Paris-aligned lobbying policy. **Emissions Reductions**: SBTi Net Zero 2050; Interim credible science-based targets aligned with a 1.5°C warming trajectory. **Climate-related Financial Disclosures**: Enhanced disclosures following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD); Clear reporting on progress toward climate-related objectives and targets.	Collaborative/Group (CA100+)	M2
Aptiv	Tax	Supporting high quality management extends the company's overall positive impact and long-term success.	Requesting that Aptiv abandon plans to move tax jurisdiction to Swiss subsidiary. Aptiv's objective is to avoid the minimum effective tax rate. We believe companies should pay a fair level of tax.	Vote/AGM Letter	M0
Coloplast	Board Independence	Supporting high quality management extends the company's overall positive impact and long-term success.	**Topic A:** Having an independent chair as the current chair is not independent and there's no independent lead director. **Topic B:** Having the majority of independent directors in	Vote/AGM Letter	M1

			remuneration and nomination committees.		
Croda International	Carbon/GHG – Emissions /Strategy	Limiting material negative social or environmental impacts.	To develop, a Net Zero Transition Plan consistent with the Net Zero Investment Framework (NZIF) alignment criteria.	Collaborative /Group	Co-ordination – in progress
CSL	Remuneration - Excessive pay	Supporting high quality management that supports and extends the company's overall positive impact and long-term success.	Ensure Fair Compensation Practices: Align CEO compensation with company performance and median employee pay to maintain fairness and transparency.	Vote/AGM Letter	M1
First Solar	Human Rights	Wider improvements in the quality of business operations to support the delivery of positive impact.	Collaborative engagement through the Sustainable Solar Investment Group with multiple objectives to encourage greater attention to human rights in operations, supply-chain and in the selection of new manufacturing facilities.	Collaborative /Group	M1
	Carbon/GHG – Emissions /Strategy	Wider improvements in the quality of business operations to support the delivery of positive impact.	Collaborative engagement through the Sustainable Solar Investment Group with multiple objectives to encourage greater attention to human rights in operations, supply-chain and in the selection of new manufacturing facilities.	Collaborative /Group	M3
	Circular Economy /Recycling	Wider improvements in the quality of business operations to support the delivery of positive impact.	Collaborative engagement through the Sustainable Solar Investment Group with multiple objectives to encourage greater attention to human rights in operations, supply-chain and in the selection of new manufacturing facilities.	Collaborative /Group	M1
Hamamatsu Photonics	Auditor Independence	Supporting high quality management that supports and extends the company's overall positive impact and long-term success.	Ensure Auditor Independence: The outside statutory auditor nominee's affiliation with the company could compromise independence.	Vote/AGM Letter	M0
Infineon Technologies	Carbon - Net Zero Target /Strategy	Limiting material negative social or environmental impacts.	Detailed net zero carbon strategy - the key issue for Infineon is having their NZC targets validated by SBTI.	Collaborative/Group NZEI - Teams call with collaborating investors.	M3
Linde	Carbon - Net Zero Target /Strategy	Limiting material negative social or environmental impacts.	Further elaboration of carbon strategy to include a net-zero carbon target, including of scope 3 emissions and lobbying activity alongside progressive reductions in scope 1-2 emissions.	Collaborative/Group NZEI	M3
Novo Nordisk	Customer Health and Safety	Limiting material negative social or environmental impacts.	Understand how / if Novo can tackle the use of GLP-1s for cosmetic reasons, ie out of label.	Call	M1
Schneider Electric	Carbon - Net Zero Target /Strategy	Delivery, acceleration and enhancement of the company's positive impact.	Description and publication of comprehensive Paris-aligned strategy to reduce absolute Scope 1-3 emissions supporting positive impact in the market.	Collaborative/Group (NZEI)	M4
Smurfit Westrock	Biodiversity	Limiting material negative social or environmental impacts.	1.Detail processes and policies for identifying and managing risks to local and indigenous communities in sensitive areas;	Collaborative/Group (NA100)	M3

			2.Provide evidence that their chosen methods for managing risks (and opportunity) are effective against their objectives. 3.Provide evidence that process and policy undergo appropriate periodic review and improvement.		