

## Pengana WHEB Sustainable Impact Fund

Rating issued on 28 Nov 2024 | APIR: HHA0007AU

### Investment objective

To achieve capital growth over the medium to longer term, by investing in impactful companies that produce goods and services that solve sustainability challenges. Internally, WHEB seeks to outperform the MSCI World \$A Index (before fees) by 3% p.a. over rolling three-year periods.

Manager	WHEB Asset Management LLP
Distributor	Pengana Capital Group
Sector	International Shares Global (Unhedged)
Investment Style	Fundamental
Equity Style	Growth
RI Classification	Impact
Responsible Investment	Yes
Absolute Risk	High
Relative Risk	Active - Benchmark Unaware
Investment Timeframe	7+ Years
Benchmark	MSCI World Ex Aust \$A
Min Investment Amount	\$10,000
Redemption Frequency	Daily
Income Distribution	Annually
Fund Size (28 Feb 2025)	\$249.09M
Management Cost	1.35% p.a. Incl. GST
Performance Fee	N/A
Buy / Sell Spread	0.25% / 0.25%
Inception Date	31 Oct 2007

### Fund facts

- Expected to hold between 40 and 60 stocks
- Portfolio turnover is expected to average 20% p.a. over a market cycle

### Viewpoint

The Fund, managed by London-based WHEB Asset Management (WHEB) and distributed in Australia by Pengana Capital Group Limited (Pengana), provides investors a benchmark-unaware, currency-unhedged exposure to global equities, with a focus on long-term trends associated with environmental and social sustainability. Despite disappointing medium-term performance, Zenith believes the Fund offers a differentiated exposure and is ultimately well positioned to deliver upon its investment objectives.

WHEB is a specialist investment manager co-founded in 2009 by Ted Franks and Clare Brook. In March 2025, WHEB was wholly acquired by London-based Foresight Capital Group Holdings (Foresight). Foresight is a responsible investment and impact-focused investment manager, predominantly investing in real assets across private and public markets. As part of the acquisition, all members of WHEB's investment team integrated into Foresight's broader team. The investment team no longer holds equity in WHEB, having held approximately 49.9% prior to the transaction. As part of the transition, WHEB's investment team received 50% of the sale proceeds upfront, with the remaining 50% deferred over a three-year period. Zenith has an unfavourable view of the revised equity structure, believing that the team's equity ownership provided a strong retention mechanism and alignment with investors. Moving forward, we will continue to monitor the progress of the integration, with a focus on investment personnel stability.

WHEB's London-based investment team of nine is led by Franks, who is also responsible for the Fund and has been with WHEB since its inception in 2009. The current iteration of the strategy was initially managed at Henderson and relaunched at WHEB in 2012. Zenith believes the team has the required experience and expertise to manage the strategy.

WHEB's investment philosophy is based on the belief that superior risk-adjusted returns can be generated by investing in companies operating in markets that benefit from and facilitate a shift to a more sustainable economy. The Fund is expected to have exposure to the following long-term trends: resource efficiency, environmental services, water management, health, well-being, cleaner energy, sustainable transport, safety and education. Zenith believes WHEB's investment process is strongly aligned with its differentiated investment philosophy.

WHEB's fundamental analysis process focuses on a company's market attractiveness, competitive position, value-chain analysis, growth strategy, quality of management and approach to environmental, social and governance (ESG) factors. Additionally, WHEB conducts impact analysis that seeks to quantify the different dimensions of a company's positive impact. Overall, Zenith believes the security selection process is less structured relative to peers and requires significant reliance on the investment team's judgement and skill.

To determine position sizing, Franks considers the conviction of the investment team's stock ideas and liquidity. The Fund is expected to maintain a significant bias towards the healthcare and industrials sectors, with generally limited or no exposure to the financials and energy sectors. Zenith believes WHEB's portfolio construction process ensures that the team's best investment ideas are held in the Fund.

**WHEB was appointed as the investment manager of the Fund in August 2017. The track record prior to this date is attributable to another investment manager that employed a different strategy.**



## Fund analysis

### Fund characteristics

Constraint	Value
Security Numbers	40 to 60
Single Theme Exposure	Max: 30%
Cash	Max: 5%
Active Security Weight	Max: 5%
Active Regional Weight	Max: ±3%

### Investment objective and philosophy

The Fund's objective is to achieve capital growth over the medium to longer term, by investing in impactful companies that produce goods and services that solve sustainability challenges. Internally, WHEB seeks to outperform the MSCI World \$A Index (before fees) by 3% p.a. over rolling three-year periods.

WHEB's investment philosophy is based on the belief that superior risk-adjusted returns can be generated by investing in companies that are:

- Operating in sectors and markets that benefit from and facilitate a shift to a more sustainable economy
- Well-managed, with strong fundamental performance and robust ESG practices
- Attractively valued

Specifically, the Fund is expected to have exposure to the following long-term environmental and social trends:

- Resource efficiency
- Environmental services
- Water management
- Health
- Well-being
- Cleaner energy
- Sustainable transport
- Safety
- Education

Zenith notes that consistent with most socially responsible investing/sustainability-focused strategies, the Fund is expected to exhibit a mid-capitalisation bias.

The Fund transitioned to the current investment strategy in August 2017. However, Zenith notes that the strategy has a long-term track record dating back to 2006.

Overall, Zenith believes WHEB's investment process is logical and differentiated.

### Portfolio applications

In general, compared to most other asset classes, equities offer investors the opportunity for higher capital growth over the longer term with some income. However, this higher growth is also often associated with higher volatility. International equities provide investors with broad exposure to industries and countries. With such a broad universe, it is expected that managers can deliver superior returns to more conservative asset classes. However, the expectation of greater returns comes with increased volatility, especially when currency movements

are considered. Therefore, it is recommended that investors adopt a longer time frame when investing in international equities. It is also recommended that investments in international equities are blended with domestic equities and other asset classes such as fixed income to improve portfolio diversification.

The Fund is constructed in a benchmark-unaware manner, and as such, investors should be aware that the Fund's returns may vary considerably from the benchmark and peers.

Due to the Fund's responsible investment focus, Zenith believes it will typically exhibit a growth bias. As such, Zenith believes that it should be blended with other style-neutral and/or value-orientated international equities products to achieve a more diversified exposure to the sector. In addition, given that the Fund is expected to have meaningful exposure to mid-cap companies, Zenith believes the Fund would blend well with larger capitalisation international equities products.

WHEB's consideration of sustainability factors may appeal to investors seeking a more socially responsible international shares offering. Zenith notes that the sustainable/ethical sector comprises a number of funds that range in their interpretation of screening (both negative and positive) and their assessment of socially responsible investment issues. Zenith believes investors should familiarise themselves with a manager's responsible investment policy before investing.

The Fund's currency exposure remains unhedged, which will suit investors seeking an international equity investment with exposure to fluctuations in the Australian dollar. For investors who are concerned about the short-term risks associated with fully unhedged or hedged currency positions, Zenith suggests blending hedged and unhedged global equity exposures to reduce short-term volatility.

The Fund's portfolio turnover is expected to average 20% p.a. over a market cycle, which Zenith considers to be low. WHEB has indicated that approximately 50% of the expected turnover is attributed to resizing existing positions and approximately 50% is due to complete sales and new additions. Given this expected level of turnover, the majority of the Fund's returns are expected to be delivered via a capital appreciation in the unit price, rather than through the realisation of capital gains in income distributions. In addition, realised capital gains are highly likely to be eligible for the capital gains tax discount. As such, holding all else equal, the Fund may be more appealing to investors who are high marginal tax rate payers as it will result in superior after-tax return outcomes.

### Fund responsible investment attributes

Key Information	Description
Zenith RI classification*	Impact
Has Responsible Investment Policy	Yes
Negative screens**	Full/Partial
Alcohol	Partial



Key Information	Description
Armaments	Partial
Fossil fuels	Partial
Gaming	Partial
Adult Entertainment	Partial
Tobacco	Partial
Nuclear Power	Partial
Other Measures	Cannabis (Partial), GMOs released into the natural environment (Partial), Intensive farming or fishing practices (Partial), Unsustainable timber products (Partial), Unsustainable palm oil (Partial), Cosmetics involving animal testing (Partial)
PRI Status	
PRI Signatory	Yes

\*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact

*\*\*Data has been supplied by third parties. While such information is believed to be accurate, we do not accept responsibility for any inaccuracy in such data.*



# Absolute performance

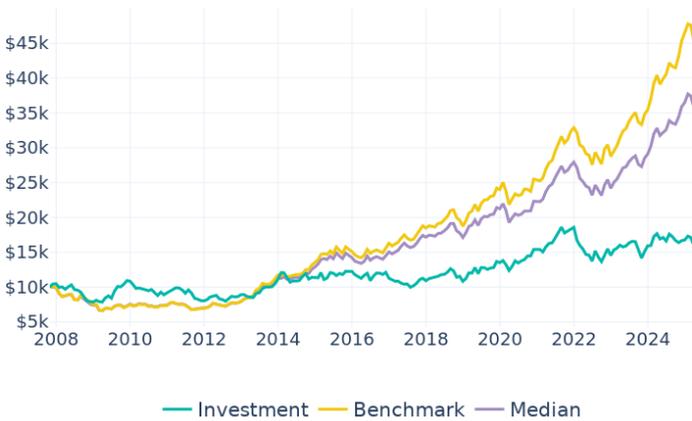
## Performance as at 31 Mar 2025

### Monthly performance history (% , net of fees)

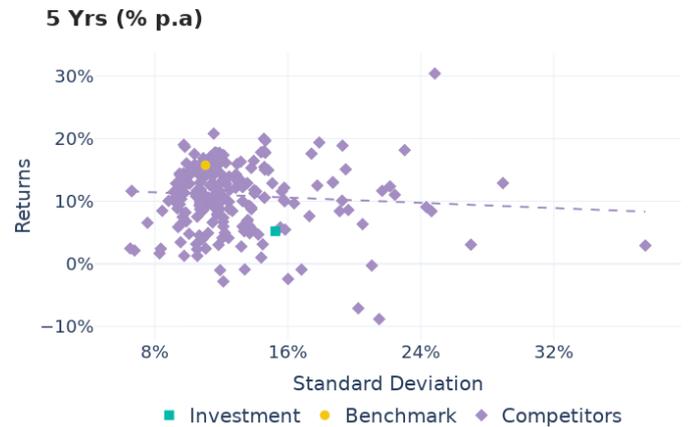
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM YTD*
2025	3.32%	-1.18%	-6.73%										-4.77%	-2.41%
2024	0.17%	8.13%	2.37%	-4.31%	1.26%	-2.97%	6.01%	-2.12%	-3.12%	-1.89%	1.71%	0.62%	5.22%	31.18%
2023	5.37%	1.43%	3.01%	-1.58%	0.88%	2.72%	1.39%	-0.34%	-7.82%	-6.90%	6.67%	5.40%	9.47%	23.23%
2022	-10.01%	-4.37%	-3.31%	-5.00%	-0.77%	-5.84%	10.67%	-5.89%	-4.36%	6.86%	5.93%	-5.93%	-21.66%	-12.52%
2021	0.18%	-2.18%	4.99%	2.88%	0.59%	4.20%	5.22%	3.80%	-4.58%	1.45%	1.52%	1.54%	20.93%	29.58%

\*MSCI World ex Aust \$A

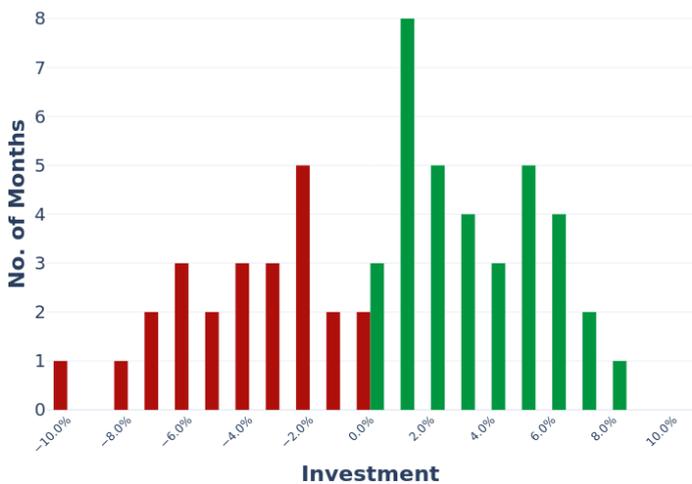
### Growth of \$10,000



### Risk / return



### Monthly histogram



### Minimum and maximum returns (% p.a.)





### Absolute performance analysis

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
<b>Investment</b>	<b>-9.63%</b>	<b>1.08%</b>	<b>5.21%</b>	<b>3.72%</b>	<b>2.72%</b>
Income	0.00%	0.06%	0.15%	0.82%	0.46%
Growth	-9.63%	1.02%	5.06%	2.90%	2.26%
<b>Benchmark</b>	<b>12.25%</b>	<b>14.65%</b>	<b>15.75%</b>	<b>11.86%</b>	<b>9.07%</b>
<b>Median</b>	<b>8.94%</b>	<b>12.45%</b>	<b>13.16%</b>	<b>9.76%</b>	<b>7.59%</b>
<b>Cash</b>	<b>4.46%</b>	<b>3.56%</b>	<b>2.15%</b>	<b>1.99%</b>	<b>2.98%</b>

### Ranking within sector (p.a.)

Ranking within Sector	1 Yr	3 Yrs	5 Yrs	Inception
Fund Ranking	195 / 198	179 / 184	149 / 150	47 / 47
Quartile	4th	4th	4th	4th

### Absolute risk

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
<b>Standard Deviation (% p.a.)</b>					
Investment	11.69%	16.27%	15.25%	14.26%	14.31%
Benchmark	10.09%	11.66%	11.05%	11.31%	11.71%
Median	9.34%	11.00%	10.38%	10.61%	10.99%
<b>Downside Deviation (% p.a.)</b>					
Investment	9.59%	10.83%	10.13%	9.66%	9.64%
Benchmark	5.86%	6.60%	5.98%	6.55%	7.30%
Median	5.72%	6.35%	5.93%	6.43%	7.04%

### Absolute risk/return ratios

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
<b>Sharpe Ratio (p.a.)</b>					
Investment	-1.21	-0.15	0.20	0.12	-0.02
Benchmark	0.77	0.95	1.23	0.87	0.52
Median	0.48	0.81	1.06	0.73	0.42
<b>Sortino Ratio (p.a.)</b>					
Investment	-1.47	-0.23	0.30	0.18	-0.03
Benchmark	1.33	1.68	2.27	1.51	0.84
Median	0.78	1.40	1.86	1.21	0.66

Investors should note that the Fund has been managed by WHEB since August 2017. As such the Fund's performance prior to this date should not be considered when assessing WHEB's performance as the investment manager.

All commentary below is as at 31 October 2024.

The Fund's objective is to achieve capital growth over the medium to longer term, by investing in impactful companies that produce goods and services that solve sustainability challenges. Internally, WHEB seeks to outperform the MSCI World \$A Index (before fees) by 3% p.a. over rolling three-year periods.

WHEB has been unable to meet its investment objective over the most recent three or five-year periods, having significantly underperformed the benchmark over these periods.

The Fund's volatility (as measured by Standard Deviation) has been higher than peers and the benchmark over the most recent three or five-year periods.

The Fund's Sharpe ratio has been less than that of the benchmark over the most recent three and five-year periods, which indicates that investors have been insufficiently compensated for its risk.

Investors should be aware that WHEB does not target a specific level of income for the Fund, with distributions made annually where possible. Zenith would prefer a more frequent distribution profile to alleviate potential issues involved with large distributions at 30 June.



## Relative performance

### Excess returns

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Excess Return	-21.87%	-13.57%	-10.54%	-8.14%	-6.35%
Monthly Excess (All Mkts)	16.67%	25.00%	31.67%	40.00%	43.06%
Monthly Excess (Up Mkts)	28.57%	34.78%	34.21%	39.73%	39.53%
Monthly Excess (Down Mkts)	0.00%	7.69%	27.27%	40.43%	48.75%

### Capture ratios (% p.a.)

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Downside Capture	174.20%	171.89%	162.67%	118.89%	89.09%
Upside Capture	35.28%	84.61%	87.57%	76.67%	64.79%

### Tracking error (% p.a.)

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	7.11%	8.76%	8.50%	9.44%	11.39%
Median	1.54%	1.64%	1.78%	1.55%	1.55%

### Information ratio

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	-3.08	-1.55	-1.24	-0.86	-0.56
Median	-2.14	-1.34	-1.46	-1.35	-0.96

### Beta statistics

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Beta	0.92	1.19	1.16	0.95	0.77
R-Squared	0.63	0.73	0.70	0.56	0.40
Correlation	0.80	0.85	0.84	0.75	0.63

All commentary below is as at 31 October 2024.

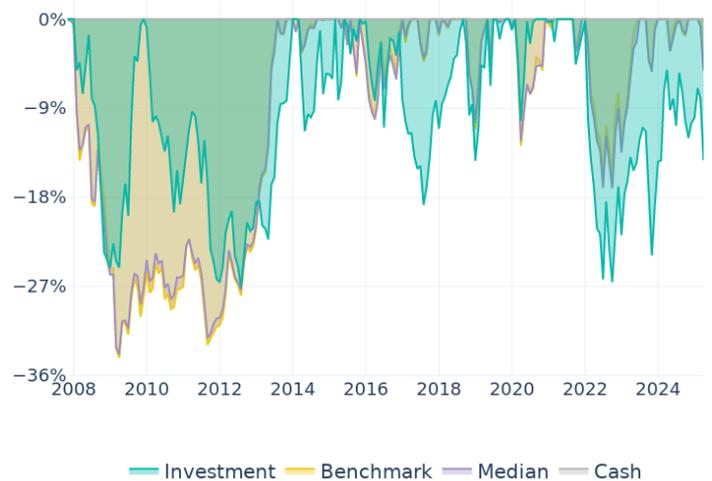
Zenith seeks to identify strategies that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill. In addition, we view a strategy's ability to produce stronger upside capture ratios relative to downside capture ratios as an attractive feature.

The Fund has not achieved either of these outcomes since WHEB took over as its investment manager.

Given the Fund's growth-style biased investment process, it may be expected that the Fund deliver greater outperformance consistency in rising markets.

### Drawdown analysis (since inception)

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.



All commentary below is as at 31 October 2024.

Since WHEB was appointed as the Fund's investment manager, the Fund has generally experienced drawdowns similar to the benchmark. However, Zenith notes that the Fund's most recent drawdown has been materially larger than the benchmark.

Although Zenith notes that this is somewhat consistent with WHEB's growth-biased investment approach and mid-cap bias, we view the extent of the drawdown as a disappointing outcome.

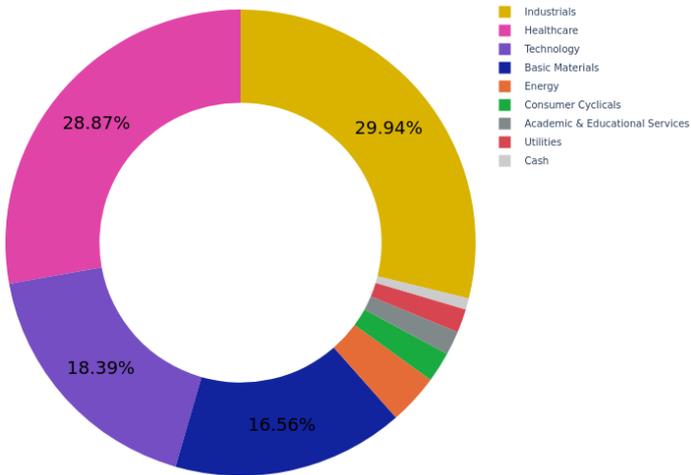


## Product Exposures

### Holdings as at 31 Dec 2024

Stock	Weight	Country	Sector	Active Exposure
AUTODESK INCO.	4.05%	United States	Technology	3.96%
BUREAU VERITAS INTL.	3.88%	France	Industrials	3.87%
STERIS PLC.	3.86%	Ireland	Healthcare	3.82%
KEYENCE CORPORATION	3.85%	Japan	Technology	3.72%
THERMO FISHER SCIEN.INCO	3.84%	United States	Healthcare	3.50%
ECOLAB INCO.	3.84%	United States	Basic Materials	3.75%
SCHNEIDER ELECTRIC SE	3.77%	France	Industrials	3.56%
AGILENT TECHS.INCO.	3.76%	United States	Healthcare	3.69%
DANAHER CORP.	3.61%	United States	Healthcare	3.33%
XYLEM INCO.	3.57%	United States	Industrials	3.52%
Total	38.03%			

### Equity sector exposure



### Equity country exposure





## Fund commentary

### Fund risks

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

**Key person risk:** As with most fund managers, Zenith believes WHEB is subject to a degree of key person risk. Zenith would view the departure of Ted Franks as a material loss, triggering a review of the Fund's rating. Zenith highlights that Franks no longer holds an equity stake in the business, following Foresight's acquisition of WHEB. However, we draw a degree of comfort from the payment structure of the transaction, which mitigates the risk of his departure over the short term.

**Relative performance risk:** Investors should be aware that the differentiated and benchmark-unaware investment process may lead to performance outcomes that significantly deviate from that of the benchmark and peers. In addition, the Fund's growth style may result in underperformance during certain periods throughout a market cycle.

**Capacity risk:** Excessive levels of funds under management (FUM) can inhibit a manager's ability to trade portfolio positions effectively, thereby limiting outperformance potential. As at 31 October 2024, approximately \$A 1.9 billion was invested in the Fund's strategy.

In February 2022, WHEB revised its capacity limit for the strategy from \$US 3 billion to \$US 8 billion. Although Zenith does not believe the Fund is currently impacted by capacity limitations, we will continue to monitor the underlying strategy's liquidity and returns closely to ensure that increasing levels of FUM do not begin to negatively impact performance.

**Regulatory risk:** All investments are exposed to the risk of changes to government policies, regulations and laws. Although Zenith is comfortable with WHEB's investment strategy and process, we note regulation of sustainable or ethical products is an evolving space and there have been significant developments in relation to disclosure standards for sustainability-related products.

### Security/asset selection

WHEB's initial investment universe includes all global listed equities on developed market exchanges. Securities are excluded from the Fund if they are involved in business practices deemed by WHEB to be inconsistent with responsible investment practices. It should be noted that definitions of involvement may vary according to the type and extent of exposure.

Zenith notes that in September 2022, the minimum market capitalisation of investable companies was increased from \$US 200 million to \$US 2 billion. As a result, the investment universe decreased from 1000 to 500 companies. Whilst Zenith acknowledges that historically WHEB has avoided investing in securities with a market capitalisation of less than \$US 2 billion, we will continue to monitor the Fund's average weighted market capitalisation.

The most significant source of idea generation is research, company visits and industry contacts. The team also conducts in-depth research on thematic trends in order to identify investment opportunities. Examples of these sub-themes include Chinese wind farms, Japanese industrial automation and healthcare information technology.

The investment universe is filtered using a range of financial metrics, including:

- Revenue growth
- Profitability growth
- Earnings before interest, tax, depreciation and amortisation margin
- Return on invested capital

The idea generation phase identifies approximately 40 to 60 stocks per year.

WHEB conducts an impact analysis that seeks to quantify the different dimensions of a company's positive impact, resulting in a percentile ranking score. The impact engine considers the following:

- *Importance of Outcomes*
  - How vulnerable is the beneficiary?
  - How critical is the outcome to the beneficiary?
- *Change in Outcomes*
  - How large is the impact compared to the baseline?
  - How widely applicable is the product?
- *Contribution to Outcomes*
  - How central is the product's impact on the outcome?
  - How unique is the product's contribution?

The team then conducts a detailed fundamental analysis, focusing on a company's competitive position, value-chain analysis, growth strategy, quality of management and approach to ESG factors, resulting in a percentile quality score.

WHEB must deem a company's products or services to generate a positive impact on society for it to be considered for further fundamental research.

After conducting the impact analysis and the fundamental analysis, analysts derive a valuation for the company. Analysts have discretion over the valuation techniques used. The most commonly employed techniques are listed below:

- Enterprise value/earnings before interest, taxes, depreciation, and amortization
- Price to earnings
- Price/earnings to growth
- Cashflow yield

Whilst the flexibility in valuation techniques may generate inconsistencies in certain cases, Zenith believes that WHEB's investment team possesses the requisite experience and undertakes an appropriate level of peer review to value companies.

Zenith notes that the security selection process allows the team to source investment opportunities across a range of long-term thematic trends. However, Zenith believes the process is less structured and robust relative to peers, relying heavily on the investment skill and experience of senior team members.



## Responsible investment approach

WHEB takes an active approach to ESG issues. WHEB seeks to invest in companies operating in sectors and markets that benefit from and facilitate a shift to a more sustainable economy. Furthermore, WHEB's impact analysis ensures that only companies it deems to be generating products that have a positive impact on society are included in the Fund.

Zenith believes that this qualitative analysis of a company's operations is crucial on a forward basis, given that a company's performance with regard to ESG considerations is increasingly being reflected in its share price. Zenith believes WHEB's ESG analysis is comprehensive.

## Portfolio construction

Franks is responsible for portfolio construction and strongly leverages the output of the stock selection process. Existing positions in the Fund are continuously reassessed relative to potential new additions based on upside potential.

The Fund is expected to hold between 40 and 60 stocks. To determine position sizing, Franks considers the conviction of the investment team's stock ideas and liquidity. Following an adjustment in October 2023, WHEB's conviction is now measured in two levels (previously three), with stocks weight allowed to by 1%:

- A - Highest conviction stocks, typically 3.5% weight
- B - High conviction stocks, typically 1.5% weight

Individual stock positions are subject to a hard limit of 5%. Zenith will continue to monitor the efficacy of WHEB's portfolio construction approach.

The Fund is unconstrained at a sector level, while regional allocations are expected to be broadly in line with those of the benchmark. In addition, no more than 30% of the Fund may be invested in any of the key thematic (resource efficiency, environmental services, water management, health, well-being, cleaner energy, sustainable transport, safety and education).

The Fund is expected to maintain a heavy bias towards the healthcare and industrials sectors, with generally limited or no exposure to the financials and energy sectors. In addition, the Fund generally exhibits a mid-market capitalisation bias.

The Fund is generally fully invested, with cash typically less than 5%. Zenith believes that active managers should remain fully invested and cash holdings kept to a minimum.

A stock will be sold due to the following reasons:

- A material change in the investment thesis
- Reduced conviction in management
- Better opportunities are identified

Zenith notes that WHEB may occasionally hold securities that are deemed to have exceeded their intrinsic value if they continue to rank well relative to the rest of the universe. As such, Zenith believes WHEB's sell discipline is less robust than peers.

Portfolio turnover is expected to average 20% p.a. over a market cycle, which Zenith considers to be low.

Overall, Zenith believes WHEB's portfolio construction process ensures that the team's best investment ideas are held in the Fund.

## Risk management

At the stock selection stage, the detailed level of research undertaken serves to manage stock-specific risk. The collective peer review process also ensures that a wide range of issues are addressed and debated prior to any stock selection decision. This process ensures that only quality stocks in which the investment team have a high level of conviction are considered for investment. Zenith believes the research approach undertaken by WHEB assists analysts in understanding the risks associated with each security.

WHEB's Investment and Risk Committee (IRC) is responsible for the overall risk management of the Fund. The IRC comprises managing partner George Latham and non-executive chair Jayne Sutcliffe and conducts regular reviews of the following:

- Portfolio exposures - stock, sector, theme and sub-theme
- Concentration
- Liquidity
- Performance attribution

The IRC also reviews the Fund's operational risk and compliance issues.

Whilst Zenith is comfortable with the Fund's risk management process, investors should be aware that there is a significant reliance on the judgement and skill of WHEB's investment team in managing investment risk.

## Investment fees

	Fund	Sector Average
Total Fees and Costs (RG 97)	1.37% p.a.	0.90% p.a.
Management Fees and Costs	1.35% p.a.	0.79% p.a.
Transaction Costs	0.02% p.a.	0.03% p.a.
Performance fees as at 30 Jun 2024	0.00%	0.09%
Performance fees description	N/A	
Management Cost	1.35% p.a.	0.83% p.a.
Buy / Sell spread	0.25% / 0.25%	0.15% / 0.15%

*All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).*

*The sector average management cost is based on the average management cost of all flagship International Shares - Global (Unhedged) products surveyed by Zenith.*

Overall, Zenith believes the Fund's fee structure is expensive, relative to peers, given its stated objectives. In addition, we believe that investors have been insufficiently compensated by way of risk-adjusted performance given the fees paid over the past three years (ending 30 June 2024).

*The fees mentioned above are reflective of the flagship version only and may differ when the product is accessed through an alternate investment vehicle such as a platform.*



## About the fund manager

### Organisation

London-based WHEB Asset Management (WHEB) is a specialist investment manager co-founded in 2009 by Ted Franks and Clare Brook. In March 2025, WHEB was wholly acquired by London-based Foresight Capital Group Holdings (Foresight). Foresight is a responsible investment and impact-focused investment manager, predominantly investing in real assets across private and public markets. As at 31 December 2024, Foresight managed approximately \$GBP 14 billion firmwide.

As part of the acquisition, all members of WHEB's investment team integrated into Foresight's broader team. WHEB's investment team no longer holds equity in WHEB, having held approximately 49.9% prior to the transaction. As part of the transition, WHEB's investment team received 50% of the sale proceeds upfront, with the remaining 50% deferred over a three-year period. Zenith has an unfavourable view of the revised equity structure, believing that the team's equity ownership provided a strong retention mechanism and alignment with investors. Moving forward, we will continue to monitor the progress of the integration, with a focus on investment personnel stability.

The Fund is offered in Australia by Pengana, an Australian funds management boutique founded in 2003. Pengana is headquartered in Sydney, with offices in Melbourne, Perth and Brisbane. Pengana's goal is to find and support experienced fund managers with long track records. Pengana provides staff and support for its fund managers, leaving the investment staff responsible for the management of its funds.

In June 2017, Pengana completed a merger with Hunter Hall International Limited (ASX:HHL). As a result, HHL was renamed Pengana Capital Group Limited (ASX: PCG). The combined entity offers a diversified range of equity-based strategies totalling \$A 3.35 billion in funds under management as at 31 October 2024.

Zenith has a favourable view of the arrangement between WHEB and Pengana, as it allows the investment team to focus on investment research and portfolio management.

As at 31 October 2024, WHEB had FUM of approximately \$A 1.9 billion in its Global Sustainable strategy, of which approximately \$A 2.31 million was invested in the Fund.

### Investment personnel

Name	Title	Industry Experience (yrs)	Tenure (yrs)	Location
Ted Franks	Portfolio Manager	20	15	London, UK

WHEB's London-based investment team of nine is led by Ted Franks, who is also responsible for the Fund and has been with WHEB since its inception in 2009. The current iteration of the strategy was initially managed at Henderson and relaunched at WHEB in 2012.

Prior to WHEB, Franks worked as an analyst covering renewable energy and utilities sectors at Dresdner Kleinwort and KPMG. Zenith considers Franks to be an experienced and capable

portfolio manager with the required skill set to manage the strategy.

Franks is directly supported in the management of the Fund by Ty Lee and Claire Jervis. In November 2024, Victoria MacLean departed WHEB having supported Franks alongside Lee and Jervis. Zenith considers the departure of MacLean to be a loss and believes that additional experienced analytical support would help strengthen WHEB's research depth.

All members of the investment team provide analytical and research coverage of stocks. Team members are given the freedom and flexibility to cover stocks in any sector or region, rather than dividing research responsibilities amongst traditional sector or regional lines. Each stock in the portfolio and watchlist is assigned a primary analyst and responsibilities are rotated approximately every 18 months, as WHEB believes this enhances the diversity of perspectives.

In addition, the investment team can leverage the insights of Foresight's broader investment teams, which predominantly invest in real assets across private and public markets. Zenith highlights that these instances are expected to be limited, with the Fund typically exhibiting limited exposure to the sector.

The investment team's remuneration structure consists of a base salary and a discretionary cash-based bonus on an individual's contribution to portfolio outcomes, as well as overall business success. Whilst Zenith believes that WHEB's remuneration structure is adequate, we note the absence of equity ownership as a result of Foresight's acquisition, believing the team's equity ownership provided a strong retention mechanism and alignment with investors.

Overall, Zenith believes the investment team has the required experience and expertise to manage the strategy.

## About the sector

### Sector characteristics

International equities offer Australian investors the ability to access a broader opportunity set, with the potential to invest in segments not well represented in the Australian equity market. Given that international markets are not perfectly correlated with the Australian equity market, funds that invest internationally can provide diversification benefits to a portfolio.

The Zenith 'International Shares - Global (Unhedged)' sector consists of long-only products that invest in global equity markets. The sector incorporates both benchmark-aware and benchmark-unaware strategies that focus predominantly on larger capitalisation stocks. The sector is one of the most competitive fields in the investment landscape, based on the number of managers and strategies available to investors.

Zenith benchmarks all products in this sector against the MSCI World ex-Australia Index (Index), which corresponds with the benchmark employed by most funds in the sector. The Index is market-capitalisation weighted, resulting in companies with the largest market capitalisations receiving the highest weightings. Zenith expects rated international equity funds to outperform the Index over the long term.

The Index consists of approximately 1,352 securities listed in 22 developed markets (Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy,



Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States). As at 31 October 2024, the United States, Japan and United Kingdom represented a significant portion of the MSCI World ex-Australia Index, with each country accounting for 74%, 6% and 4% respectively. In addition, the top 10 stocks represented approximately 24% of the Index. Although the Index excludes emerging and frontier markets, many products retain mandate flexibility to invest in these markets.

Products in this sub-asset class are currency unhedged, resulting in their returns being affected by fluctuations in the Australian Dollar (AUD) relative to other global currencies.

### Sector risks

Products within the 'International Shares - Global (Unhedged)' sector are exposed to the following broad risks:

**Market and economic risk:** A sustained downturn across international equity markets is a risk to the absolute performance of products in the sub-asset class. Additionally, changes in economic, social, technological or political conditions, as well as market sentiment, could also lead to negative fund performance. Investors adhering to a fund's prescribed investment timeframe can significantly reduce this risk.

**Australian dollar (AUD) currency risk:** The AUD has historically experienced declines during weaker market environments, and appreciation in market upturns. A hedged global equities fund is likely to benefit relative to an unhedged fund in periods when the AUD depreciates. Conversely, an unhedged global equities fund is likely to benefit relative to hedged funds in periods where the AUD depreciates.

Zenith believes that the currency impact on performance will be minimal over the long term and therefore does not advocate retail investors making active currency decisions based on near-term currency predictions. For investors who are concerned about the short-term risks associated with taking fully unhedged or hedged currency positions, Zenith suggests blending hedged and unhedged global equity exposures to reduce short-term volatility.

**Specific security risk:** This is the risk associated with an individual security. The price of common shares in a company may be affected by unexpected changes in company operations, such as changes in management or the loss of a significant customer.

**Liquidity risk:** This is the risk that a security or asset cannot be traded promptly, due to insufficient trading volumes in equity markets. When trading volumes are low, buyers/sellers can significantly impact the price of a security when entering or exiting a position.

**Style bias risk:** International equity managers employ different investment styles such as Growth, Value or Neutral (a combination of Value and Growth). Each style is conducive to certain market conditions. Investors adhering to a fund's prescribed investment timeframe can significantly reduce this risk.

**Capacity risk:** High levels of funds under management (FUM) can present additional challenges to an equity manager. High FUM has the potential to restrict a manager's ability to trade efficiently and/or be forced to disclose substantial shareholdings to the market (more common in smaller companies).

**Regulatory Risk:** All investments risk being affected by changes to government policies, regulations and laws. Security prices in which funds may have exposure are also subject to certain risks arising from government intervention across international equity markets. Such regulation or intervention could adversely affect fund performance.

## Administration and operations

<b>Responsible Entity</b>	Pengana Capital Limited
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## Zenith rating

### Report certification

Date of issue: 28 Nov 2024

Role	Analyst	Title
Analyst	Varun Thakkar	Investment Analyst
Sector Lead	Quan Nguyen	Head of Equities

### Association & relationship

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### Rating history

As At	Rating
28 Nov 2024	Recommended
29 Nov 2023	Recommended
30 Nov 2022	Recommended
24 Nov 2021	Recommended
25 Nov 2020	Recommended

*Last 5 years only displayed. Longer histories available on request.*

In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology



and Traditional Index Ratings can be found on the Zenith website.



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This report refers to the Australian unit trust for the fund, and the fund and benchmark returns are all in AUD.

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