

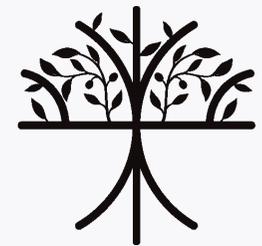
PELLA

RESPONSIBLE INVESTING



Responsible Investment Report

2022



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Letter to Stakeholders

Welcome to Pella Funds Management's ('Pella') 2022 Responsible Investment Report ('RIR').

One of the challenging aspects of incorporating values/morals into a fund is determining the correct nomenclature. There is a pot-pourri of names circulating including Environmental, Social, and Governance ('ESG'); Exclusionary; Sustainable; Low Carbon; Impact; Thematic, Ethical, and Socially Responsible Investing ('SRI'). Many of these names mean different things to different people and the approaches can be combined into a single fund, creating uncertainty how one should name their strategy.

Pella has addressed this uncertainty by describing our strategy as *Responsible Investing*. This is appropriate because our strategy incorporates aspects of all the above strategies, meaning a narrow definition would be inaccurate. In addition, the term *responsible* refers to 'having an obligation to do something' and 'liable to be called to answer', which are neat

summaries of Pella's perspectives on investing.

"Investors have an obligation to people, society, and the planet"

That obligation is so important that we should be compelled to justify our decisions. In other words, Pella's philosophy is that it must be a Responsible Investor.

When Pella's principals commenced Responsible Investing, approximately 15-years ago, that form of investing was a niche and perceived to be foregoing returns for values/morals. Since then times have changed.

Today, Responsible Investing is at the epicentre of financial markets and has gone mainstream. Companies' valuations are now impacted by their values-based performance, activist investors are seeking to enforce better corporate behaviour, and regulations are arising that support this

movement. The sector is no longer a niche, and our collective voices are being heard and actions felt.

Pella's FY22 Responsible Investing Highlights



Avoided all companies with activities included in our exclusions list and those whose behaviour did not meet minimum standards of business practices.



Aggregate ESG score of the Pella Global Generations Fund ('PGGF') that was superior to the Benchmark (MSCI ACWI).



Carbon intensity level was approximately 60% lower than the Benchmark.



Approximately 40% of the Fund's invested in companies with activities that unquestionably have a positive impact.



Voted in all the shareholder meetings that it was able to vote in and undertook projects to improve the behaviour of its investments

Pella believes that the PGGF delivered superior sustainability to its Benchmark, which is one of our primary targets, along with beating the Benchmark (MSCI ACWI, \$A), and delivering lower volatility of returns to the Benchmark¹.

Pella's beliefs were also reflected in various memberships as Pella became a signatory to the Responsible Investment Association Australasia ('RIAA'), United Nations Global Compact ('UNGC'), and United Nations Principles for Responsible Investment ('UNPRI'). The PGGF was certified by RIAA, achieved an AA MSCI ESG rating, and was placed in the top quartile in Evergreen's Responsible Investment Grading Index ('ERIG').

***Pella understands
Responsible Investing is a***

¹ Past performance is not indicative of future performance

***journey and there is a long
way to go.***

As pleased as we are with our progress, Pella understands that Responsible Investing is a journey and there is a long way to go, as

- The Paris Agreement targets remain elusive.
- Fewer than 38% of the Benchmark have at least 30% women on the board of directors.
- Armament sales are booming.
- The living standards of agriculture animals and testing on animals is a disgrace.
- Far too many companies put management's interests ahead of shareholders and employees.

These challenges, and many others, might seem daunting but they are surmountable, and we are part of the solution. The owners of capital are often in the driver's seat to implement the requisite changes and as more people join the Responsible Investing

zeitgeist, a better world for us, and future generations lies ahead.



About This Report

The RIR is an annual report Pella provides to offer clear, precise, and useful insight into our Responsible Investing activities and performance over the preceding financial year.

The RIR is the parent of the Pella's Responsible Investing reporting regime. The other documents Pella uses to communicate with its stakeholders include:

- Monthly Fund Factsheets - top ten positions, major performance contributors, ESG rating distribution, portfolio carbon intensity, and portfolio sector, geography, market cap allocations.
- Quarterly Reports - all the items included in the Monthly Fund Factsheets and a full list of portfolio holdings, CIO opinion piece, and a stock example.
- Investment and Portfolio Summary - overview of the entire portfolio and each position in the portfolio. This is made available to PGGF unitholders.

- Regular blogs - during FY22 Pella prepared eight blogs covering several issues including sustainability, economic issues, and market insights.

This report begins with an overview of Responsible Investing and an introduction into Pella and its Responsible Investing philosophy. Following that is the analysis of each aspect of Pella's Responsible Investing performance over the financial year.

The Responsible Investment analysis focuses on the Pella Global Generations Fund (PGGF), which is Pella's sole fund. The analysis includes:

Disclosure

Full disclosure of every position held by the PGGF during FY22

Transparency

Full description of excluded activities

Explanations

Explanation of Pella's norms-based requirements and key issues faced during the financial year

Reporting

ESG performance and attribution and Carbon intensity

Stewardship

Pella provides a summary on stewardship activities

Positive impact

Pella has taken an extremely cautious approach to reporting the PGGF's positive impact due to our concerns about the accuracy of such measures.

Positive impact calculations are at high risk of 'Greenwashing'. We have observed companies like McDonald's being included in the anti-poverty impact, HelloFresh (a German meal kit company) as a resource efficiency investment, and J.B. Hunt (one of the US's largest semi-trailer trucking

businesses) as a Sustainable Transport business. Pella believes these claims are spurious, which is a view shared with the major European regulators that are increasingly cracking down on greenwashing where funds make spurious positive impact claims.

Rather than lead you (and us) down a fictitious view of positivity this report will provide a conservative view of the companies that we believe have a meaningful positive impact. We are confident that if the full portfolio was measured using the more liberal models applied in the market the PGGF's positive impact exposure would be materially higher.

We hope the RIR brings about honest consideration and lively debate of Pella's Responsible Investing performance while providing Pella with a platform to express its own performance assessment and targets.



Responsible Investing

Responsible Investing involves incorporating the consideration of society, the planet, and people into investment decisions. This is critical because these factors should align with investors' values, and they can have a material impact on investment results.

A fund's unitholders are shareholders in the Fund's investments and shareholders are the owners of the businesses. If you are not comfortable owning a factory that makes bullets, then you would probably not be comfortable owning shares in a company like Boeing, which makes bombs. If you would be wary investing in a company that has a history of product safety lapses, including one that resulted in a child fatality, and appears to operate manufacturing facilities that lack certifications from internationally recognized quality standards, then Peloton Interactive may be not right for you. The key message is that unitholders must ask themselves what types of businesses they are comfortable owning.

Values-based factors are meaningful investment return considerations. Investors that are concerned about the rising financial and regulatory costs of carbon would probably prefer to invest in a fund with low carbon intensity. Investors seeking to narrow the principal-agent costs should seek funds that hold companies with high governance scores. Those who believe shareholders can influence company economics in a positive way, should seek a fund that votes in an informed manner at all shareholder meetings.

There are a dizzying number of strategies and tautology that could be used in value-based investing, including: ethical; environmental,

social and governance (ESG); socially responsible investing (SRI); sustainable; impact; exclusionary; and themed. It is rare to have consensus definitions of each strategy or for a value-based approach to be pigeon-holed into just one of these categories. To deal with this ambiguity Pella defines its strategy as *Responsible Investing*, which involves several strategies and approaches.

About Pella

Pella was established in 2021 with a team that goes back to 2015 and a process developed in 2004. Pella is a new company with an established heritage.

Pella is dedicated to Responsible Investing and one of the company's primary targets is to not harm the world, while recognising there is no such thing as a "perfect" company. To deliver this outcome Pella applies several measures, including ESG scores and ratings, analysis of specific ESG factors, portfolio carbon intensity, voting participation, corporate engagement, and transparent and timely reporting.

One of the primary reasons for establishing Pella was to build a company entirely dedicated to Responsible Investing. Investors in our funds are not indirectly supporting a sister fund that invests in casinos, fossil fuels, or alcohol. This is important because it demonstrates that Pella is entirely committed to Responsible Investing, rather than simply creating another investment product to take advantage of a market opportunity.



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CIO & Portfolio
Manager



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Managing Director &
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Ryan Fisher
Investment Analyst



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Dr. Ian Woods
Advisory Board
Former AMP, Co-Head of
Sustainable Invest.



Debbie Alliston
Advisory Board
Previous CIO AMP
Capital Multi-Asset



Prof. Greg Kaplan
Advisory Board
Prof. economics Uni. of
Chicago

Pella's principals have always believed that shareholders are business owners and as owners our investments must align with our values. In the early days that meant avoiding companies whose primary activities were at odds with our values, including casinos, armament, animal cruelty, coal-based electricity generation, and more. At the time, this was considered the vanguard of Responsible Investing.

Since those early days Responsible Investing has evolved and has become more sophisticated. Avoiding 'sin-companies' is now an entry ramp and investors demand far more.. Today, Responsible Investing requires incorporation of Environmental, Social, and Governance factors into the investment process; strategies to reduce a fund's carbon footprint; informed participation in all shareholder votes; engaging with investee companies to improve their sustainability; and reporting all outcomes to stakeholders in a transparent and coherent manner.

Pella has embraced all these principles but acknowledges there is more to be done. Responsible Investing is a journey that we have embraced and are excited to be on. It is our hope that in ten years from today we will look back on our performance communicated

in this report and acknowledge how much further we have developed. We invite you to join us on our journey as we seek to generate exceptional financial results applying unwavering values and not harming the planet.



Analysis Scorecard

Table 1 summarises Pella’s FY22 Responsible Investing scorecard. Pella believes that it delivered against all key metrics.

Nonetheless, the areas of improvement for FY23 include resolving a Power of Attorney issue in Sweden, which was a barrier to Pella exercising its votes in that country in FY22; identify more positive impact investments while recognising those opportunities are subject to their prevailing valuations and other financial characteristics; and convince more investee companies to become UN Global Compact signatories.

In addition, during FY23 Pella should be assessed partly according to its engagement with Marsh & McLennan in relation to its relationship with a controversial east African oil pipeline.

Table 1 - FY22 Responsible Investment Scorecard

Area	Discussion
Transparency	Pella provided full PGGF’s portfolio positions in its Quarterly Reports and all positions held during FY22 in this report. Pella also shared key PGGF Sustainability data in each Monthly report.
Excluded activities	PGGF did not invest in any companies involved in excluded activities during FY22. One company that requires Pella to track closely is Orsted, which is in the process of closing its last remaining coal-fired power plant.
Norms-Based Requirements	The most severe post-investment controversy the PGGF faced during FY22 relates to Marsh & McLennan facilitating the insurance for a controversial east African oil pipeline. Pella chose not to exit the position and intends to engage with the company to minimise the likelihood of a similar controversy re-occurring.
ESG	PGGF’s Environment, Social, Governance, and Total MSCI ESG scores were superior to the Benchmark’s. This performance was predominantly delivered through stock selection rather than sector selection. In addition, 71% of the Fund’s investments were in companies rated higher than A and 97% of the Fund investments were in companies rated higher than BBB. The Funds only exposure to companies rated BB were in companies that have a meaningful positive impact on society, the planet, or people. Finally, Pella had no exposure to companies rated B or CCC.
Carbon Intensity	<ul style="list-style-type: none"> The Fund - PGGF’s carbon intensity as measured by CO2/EV was 63% below the Benchmark, and as measured by CO2/Revenue was 60% below the Benchmark. In addition, The company - Pella only acquired green electricity and bought carbon offsets for all its air travel leading Pella to believe that it was



	carbon neutral in FY22. Pella will explore obtaining a carbon audit in FY23.
Positive Impact	PGGF held positions in companies with positive impact whenever Pella identified such companies that satisfied its financial requirements. During FY22 Pella calculates that approximately 38% of the PGGF was invested in companies that generated some revenue from activities falling within Pella’s positive impact themes. PGGF’s largest positive theme exposure was Improved Health. PGGF did not have any exposure to companies falling into the Inclusion or Safety positive themes and in FY23 will continue actively searching for companies that fall within those themes.
Voting	PGGF submitted votes in all the meetings it was able to do so. It was unable to submit votes in three meetings, all of which were in Sweden-domiciled companies, due to an issue with the Power of Attorney with the Fund’s sub-custodian in that region. Pella will resolve that issue, so it does not reoccur in FY23.
Initiatives	Pella was involved in two initiatives in FY22 and is laying the groundwork for an initiative in FY23. The first FY22 initiative was to encourage PGGF’s investee companies that were not currently signatories to the UN Global Compact, to do so. Three companies that subsequently become signatories were Flow Traders, Samsung Electronics, and Sunrun. The second FY22 initiative was to encourage all the companies held in the PGGF to prepare letters of support for an initiative to improve supply chains. In FY23 Pella intends to submit a Shareholder Proposal at the Marsh & McLennan AGM to improve that company’s practices involving activities aligned with the fossil fuel industry.

Source - Pella

Investments

Table 2 lists every investment held by the Pella Global Generations Fund during FY22. The list includes the sector the

company operates in, which can be helpful for identifying excluded activities, the company's MSCI ESG rating and its carbon

intensity relative to enterprise value and revenue.

Table 2 - Fund investments during FY22 ⁽¹⁾

Name	GICs Sector	ESG rating	CO2/EV ⁽²⁾	CO2/Revenue ⁽³⁾	Name	GICs Sector	ESG rating	CO2/EV ⁽²⁾	CO2/Revenue ⁽³⁾
Adobe, Inc.	Information Technology	AAA	0.2	4.7	Medtronic Plc	Health Care	BB	1.3	9.0
AIA Group Ltd.	Financials	AA	0.3	0.8	Microsoft Corp.	Information Technology	AAA	2.0	29.5
Alphabet, Inc.	Communication Services	BBB	0.5	5.2	Moderna, Inc.	Health Care	BB	0.4	22.2
Amedisys, Inc.	Health Care	AA	10.8	30.6	Mosaic Co.	Materials	A	258.4	566.7
Antofagasta Plc	Materials	AA	102.6	474.7	Novo Nordisk A/S	Health Care	AAA	0.4	4.3
Ashtead Group Plc	Industrials	AA	9.2	45.8	Nutrien Ltd.	Materials	AA	248.9	629.4
ASML Holding NV	Information Technology	AAA	0.6	8.7	Ørsted A/S	Utilities	AAA	20.6	238.0
Atlas Copco AB	Industrials	AA	1.3	9.5	Ping An Insurance	Financials	BBB	0.8	2.4
BMW	Consumer Discretionary	A	3.9	6.0	Rakuten Group,	Consumer Discretionary	BBB	2.1	6.8
Boliden AB	Materials	AAA	78.4	130.8	RingCentral, Inc.	Information Technology	A	0.4	7.1
Cigna Corp.	Health Care	A	1.2	0.8	Samsung Electronics Co.	Information Technology	A	37.4	80.6
CME Group, Inc.	Financials	A	0.5	8.9	Schneider Electric	Industrials	AAA	3.7	15.1

Coinbase Global,	Financials	BBB	0.1	2.4	STMicroelectronics	Information Technology	AA	34.8	124.1
Crédit Agricole SA	Financials	AA	0.1	1.0	Stora Enso Oyj	Materials	AAA	133.7	240.8
Deutsche Börse AG	Financials	AAA	0.2	1.5	Sunrun, Inc.	Industrials	A	3.4	56.4
Dollar General Corp.	Consumer Discretionary	BBB	29.2	51.7	Teladoc Health	Health Care	A	0.5	7.1
Epiroc AB	Industrials	AA	1.0	7.3	Texas Instruments	Information Technology	AAA	11.7	147.5
Fiserv, Inc.	Information Technology	BBB	2.6	15.6	The Mosaic Co.	Materials	A	258.4	566.7
Flow Traders NV	Financials	BBB	0.9	2.0	Thermo Fisher Scientific, Inc.	Health Care	BBB	1.7	15.8
ING Groep NV	Financials	AA	0.1	0.5	Unilever Plc	Consumer Staples	AA	4.1	11.7
JD Sports Fashion	Consumer Discretionary	BBB	3.9	6.0	UnitedHealth Group, Inc.	Health Care	BBB	0.4	0.7
Lumentum Holdings,	Information Technology	A	7.2	31.2	VINCI SA	Industrials	A	23.4	41.0
Marsh & McLennan	Financials	AA	1.1	5.4	Visa, Inc.	Information Technology	A	0.1	3.3

Source - Pella, MSCI

(1) Alphabetical order

(2) CO2 to EV = millions of tonnes of carbon emissions (scope 1 and 2) per US\$m of enterprise value

(3) CO2 to sales = millions of tonnes of carbon emissions (scope 1 and 2) per US\$m of sales

Excluded Activities

Negative Screens are applied at the start of the research process. Companies generating revenue from the activities listed in Table 3 are excluded from Pella's investment universe. Pella identifies these companies using its own fundamental analysis, supplemented with research from external research providers. Pella calculates there are approximately 600 companies with market capitalizations of >US\$1.5Bn that fall into the excluded activities list.

Pella's investment process starts with an analysis of key revenue drivers so that Pella doesn't waste time researching companies that fall into the exclusion list. The exclusion list is also activated if a company in Pella's investment universe moves into one of the excluded activities, which would trigger an automatic sell if the company was in the portfolio.

During the year in review Pella did not invest in any companies whose activities fell into the excluded list. One company that Pella did invest in that requires some discussion is Orsted, which is a Danish

electricity generator that is the world's largest offshore wind developer and is a bellwether renewable electricity company.

As explained in Table 3, Pella supports businesses transitioning away from thermal coal and will allow electricity generators that generate <5% of their revenue from thermal coal generation but are transitioning away from thermal coal and will fully exit thermal coal powered generation within three years from Pella's initial investment in the company. Orsted fulfills these requirements as Pella calculates that coal account for <5% of the company's electricity generation and it is actively exiting that exposure and should be entirely out by 2023.

Activity exclusions



Uranium



Tobacco



Animal Cruelty



Weapons



Gambling



GMO Seeds



Fossil Fuels*



Prisons



Pornography



Alcohol



Norms-Based



Deforestation

Table 3 - Negative screen revenue materiality

Activity	Revenue materiality	Rationale
Alcoholic beverages manufacturing	0%	Alcoholic beverages can be consumed in moderation but provide minimal health or societal benefits while being the cause of several severe negative outcomes. Pella excludes companies that generate revenue from manufacturing alcoholic beverages.
Animal cruelty	0% for cosmetic testing, crowd entertainment, intensive animal husbandry	There is no need to test cosmetics on animals or to use animals for live crowd entertainment. Pella does not oppose humanely farming for human consumption (food or by-products) however, those animals should be treated with dignity and have a good quality of life.
Correctional facilities	0%	Pella believes that profiting from the incarceration of people is a breach of human rights. Further, there is evidence that the profit motive can encourage an increase in the number and term of incarcerations.
Deforestation	0%	<p>An old-growth forest has attained great age without significant disturbance and exhibits unique ecological features. Pella believes that cutting down these forests cause unnecessary damage as specialised tree plantations can be used for wood and existing farmland can be used more productively.</p> <p>Pella excludes companies with direct exposure to destroying old-growth forests, including paper and pulp companies that use old-growth wood, transporters of such wood, and manufacturers that use old growth palm trees.</p>
Fossil fuel generation	0% - thermal coal ⁽¹⁾ 15% - gas	Fossil fuels are leading sources of greenhouse gas emissions and other environmental damage, including ecological damage from oil spills. The developed world is rapidly approaching a point where it is technically and economically possible to replace fossil fuels with sustainable alternatives for most of our energy and manufacturing needs. To encourage this transition Pella excludes companies that generate revenue from thermal coal power generation and companies that generate more than 15% of their revenue from gas-fired generation. The 15% threshold reflects the use of standby gas generation for peak load scenarios, which often cannot be provided by renewable energy. This threshold will decline as batteries become a viable alternative to gas for peak load electricity generation.
Fossil fuel mining/exploration	0%	Pella opposes growth in fossil fuel usage and mining extraction of these commodities and excludes companies with any direct exposure to fossil fuel exploration.
Gambling	0%	Gambling provides no societal benefits and comes as a material cost to portions of society. Pella regards it as an activity that causes unnecessary harm and excludes enterprises that generate any revenue from direct exposure to slot machines, casino operations (online and/or physical), lotteries, sports/other betting.

GMO seeds manufacturing	0%	Pella has two primary concerns with GMO seeds: (i) excessive corporate dominance as farmers become locked into the seed manufacturers; (ii) potential negative environmental impact from GMO seeds usurping traditional seeds in the ecosystem.
Norms-Based	0%	Norms-based screen involves identifying and excluding companies that do not meet minimum standards of business practices based on international norms and conventions, primarily based on the UN Global Compact (UNGC).
Porn	0%	Pornography provides no societal benefits and comes at a material cost to portions of society. Pella regards it as an activity that causes unnecessary harm and excludes enterprises that generate any of revenue from pornography related activities.
Tobacco	0%	Tobacco products provide minimal if any health or societal benefits while being the cause of several severe negative health outcomes. Pella excludes companies involved in the production of tobacco or with significant ownership in such companies.
Uranium mining	0%	Uranium has a half-life of 4.5 billion years and is the cause of significant environmental damage if not properly contained during that time. Furthermore, uranium is the key input for atomic weapons. Pella has zero tolerance for weapons, and it is increasingly economically and technically possible to replace uranium with sustainable energy.
Weapons	0%	There is no productive use for any weapon designed to kill, maim, or otherwise severely injury people. Pella excludes companies that generate any revenue from selling or distributing such weapons or weapon delivery systems. This exclusion is all encompassing and includes weapons and delivery systems that that comply with weapon treaties including: Treaty on the Non-Proliferation of Nuclear Weapons (1968), Biological Weapons Convention (1975), Ottawa Treaty (1997), Chemical Weapons Convention (1997), and Convention on Cluster Munitions (2008).

Source - Pella

(1) Pella supports businesses transitioning away from thermal coal and will allow electricity generators that generate <5% of their revenue from thermal coal generation but are transitioning away from thermal coal and will fully exit thermal coal powered generation within three years from Pella's initial investment in the company

Norms-Based Requirements

Norms-Based Requirements involves excluding companies that do not meet minimum standards of business practices based on international norms and conventions. These practices are identified by analysing controversies.

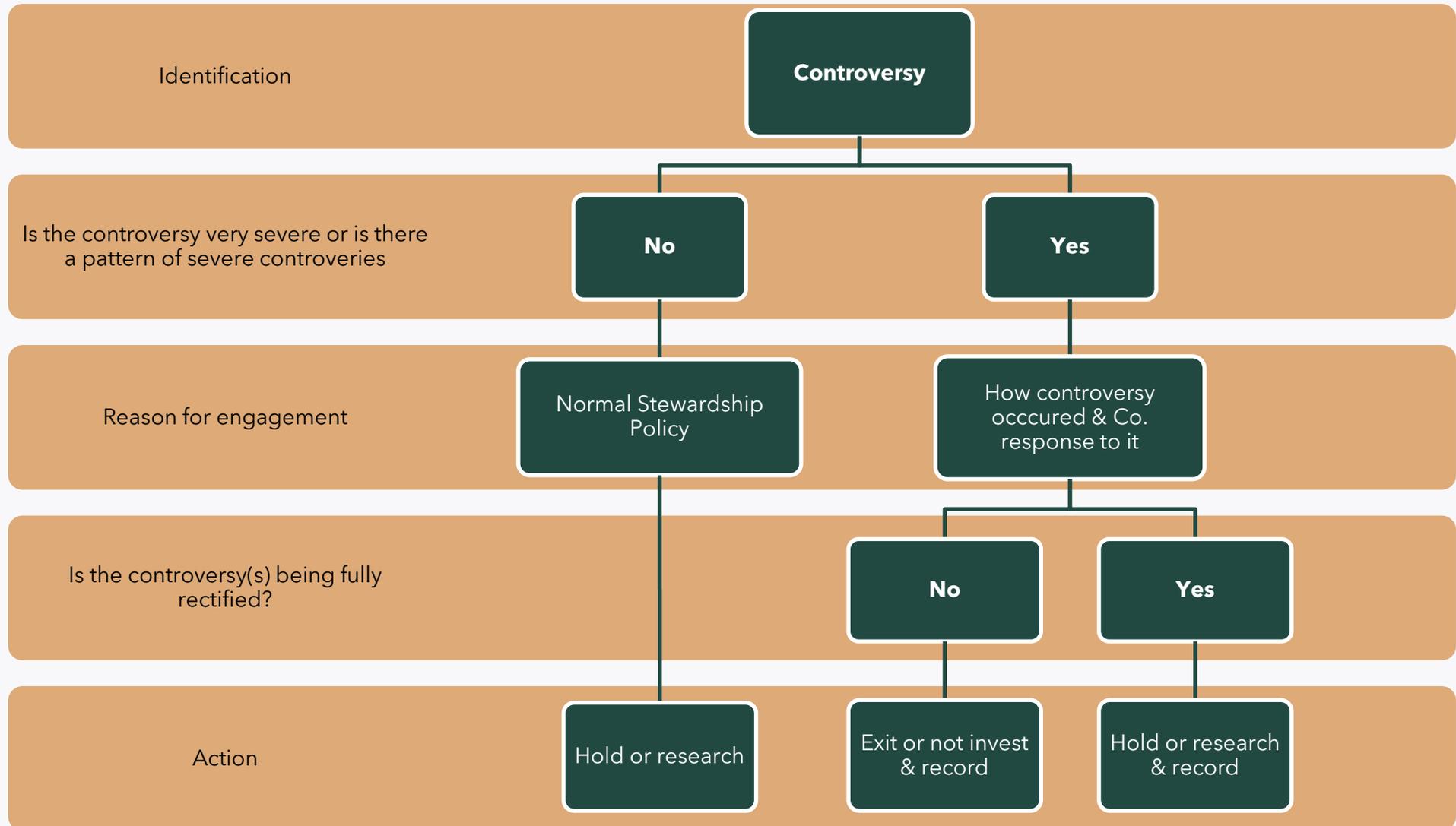
Pella applies these controversy screens to identify norms-based breaches at the start of its fundamental research and monitors compliance throughout an investment's holding period. Pella primarily focuses on compliance with the UN Global Compact (UNGC).

Figure 1 illustrates Pella's decision process for controversies and norms-based issues. The most significant pre-investment norms-based considerations Pella encountered during FY22 relate to Alibaba Group and Tencent. The issues relate to the alleged use of their technology to identify and control the Uighurs. Pella believes that this allegation would be a severe controversy in breach of Norms-Based considerations as it relates to an alleged genocide. Pella was unable to resolve the legitimacy of the allegations and chose to err on the side of caution and avoid investing in those companies until we develop a deeper understanding of the accusations.

The most significant post-investment controversy Pella faced during FY22 relates to Marsh & McLennan ('MMC'). This controversy involves MMC arranging insurance for a controversial East African Crude Oil Pipeline. Pella's current position is that it is not a breach of the Norms-Based requirements because MMC's role is peripheral to the

pipeline and there is an opportunity to work with MMC to improve the insurance broking industry's approach to these matters. In that regard, Pella is currently preparing a resolution for potential inclusion at MMC's AGM that seeks to improve the company's fossil fuel insurance broking disclosure. This is discussed further in the Initiatives section below.

Figure 1 - Pella process for managing controversies and norms-based issues



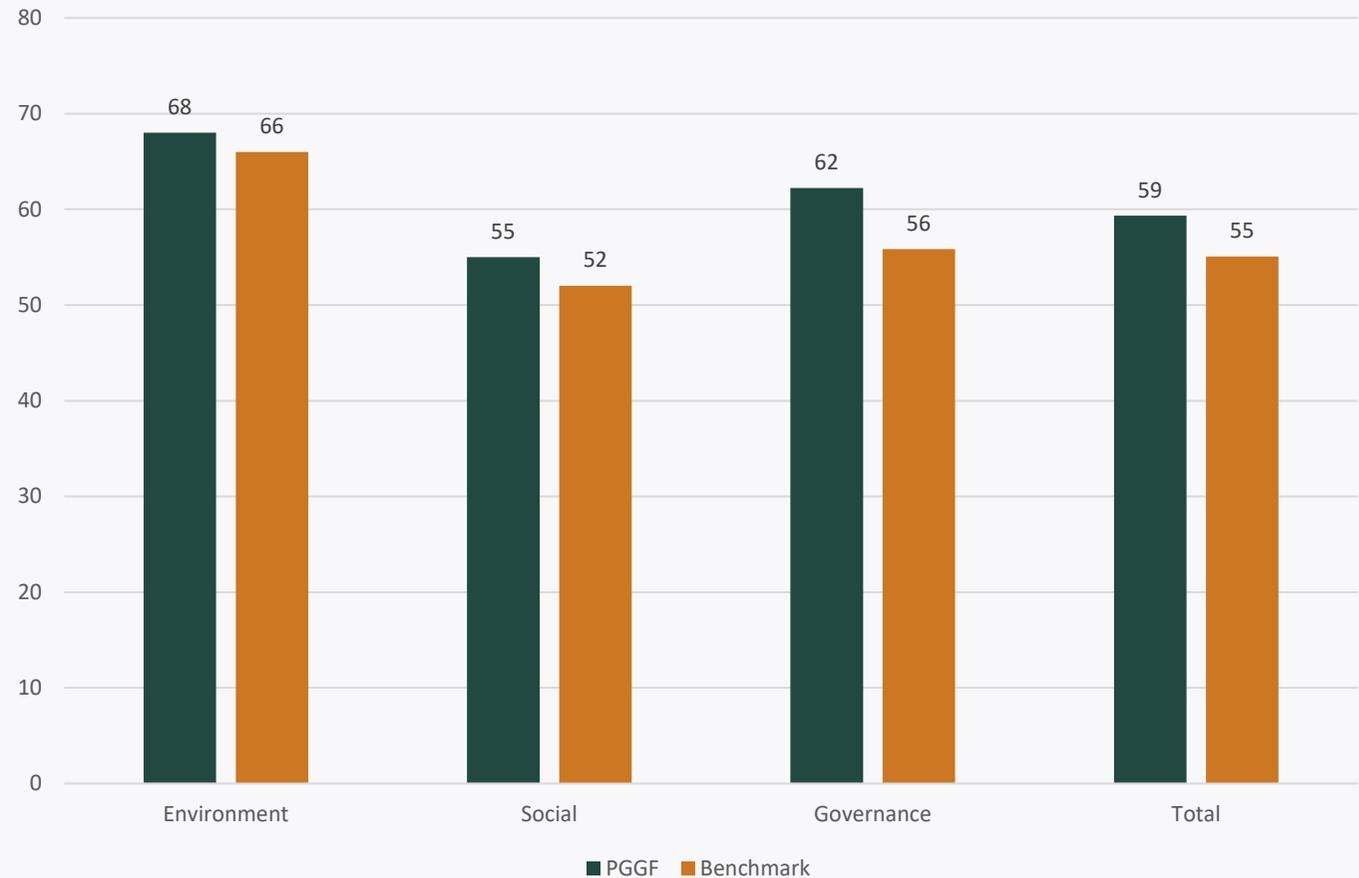
Source - Pella

ESG Performance

ESG Score Vs Benchmark

Figure 2 illustrates the MSCI ESG scores for the PGGF and its Benchmark. The figures are calculated using the average weights of each stock over the period of analysis and the rating as at the end of the financial year. Based on these figures, the PGGF delivered higher scores across the Environment, Social, and Governance measures, resulting in a superior overall ESG score.

Figure 2 - ESG scores - Pella Global Generations Fund & Benchmark ⁽¹⁾



Source - Pella, MSCI ESG Manager

(1) Past performance is not indicative of future performance

ESG Score Attribution

Table 4 is the PGGF's ESG score attribution analysis. The role of this analysis is to identify the primary drivers of the PGGF's and its Benchmark's ESG rating differential. The table demonstrates that most of the PGGF's superior ESG score is from stock selection rather than sector allocation. This means the PGGF selected the companies with higher ESG scores within the sectors that Pella invested in.

Table 4 - ESG score attribution analysis

	Weighted ESG Score		Attribution		
	PGGF	Benchmark	Sector Allocation	Stock Selection	Total
Information Technology	62.7	56.9	(0.0)	1.2	1.2
Financials	53.8	51.7	(0.2)	0.4	0.1
Health Care	61.5	51.9	(0.3)	1.5	1.2
Materials	59.0	56.8	(0.0)	0.2	0.2
Industrials	62.0	53.5	0.1	0.9	0.9
Consumer Discretionary	47.0	56.1	(0.0)	(0.6)	(0.6)
Communication Services	43.3	48.2	0.3	(0.2)	0.2
Utilities	87.3	56.4	(0.1)	0.7	0.6
Real Estate	58.6	55.0	(0.0)	0.1	0.1
Consumer Staples	65.4	66.1	(0.3)	(0.0)	(0.3)
Energy	0.0	60.7	(0.1)	0.0	(0.1)
Total	58.9	55.0	(0.8)	4.2	3.5

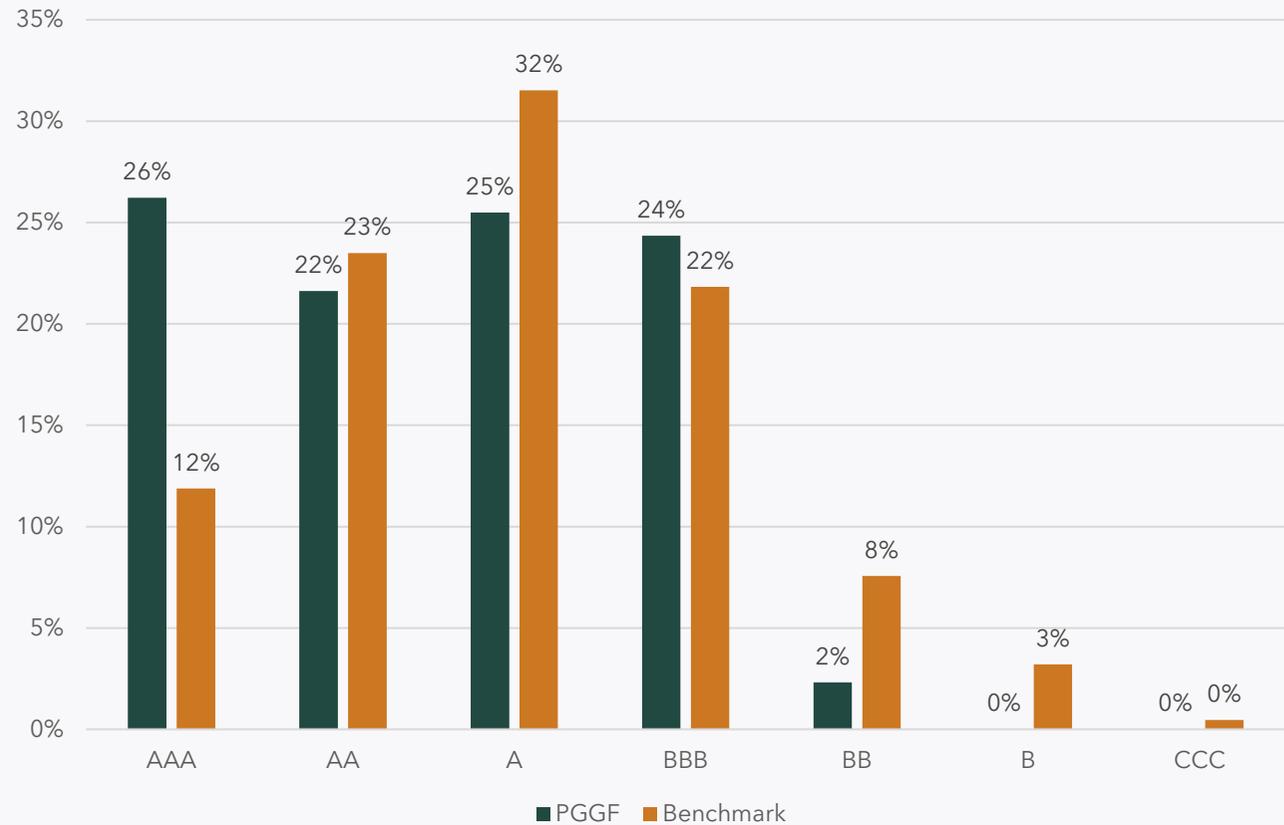
Source - Pella

ESG Rating Distribution

Figure 3 illustrates the ESG rating distribution for the PGGF and the Benchmark. The data points to the PGGF having 73% of the invested portion of the Fund invested in stocks rated 'A', 'AA', or 'AAA', which is materially ahead of the required 30% floor. Further, 98% of the invested portion of the PGGF was invested in stocks rated 'BBB' or higher, which is ahead of the required 70% limit. The PGGF had zero exposure to stocks rated CCC or B and had 2% invested in stocks rated BB.

As summarised in Table 2 the Fund had exposure to two stocks with BB ratings, namely Medtronic and Moderna. These companies generate approximately 100% of their revenue from products that improve people's health, which is a positive impact, and qualified them for inclusion in the portfolio given their BB rating.

Figure 3 - ESG rating distribution



Source - Pella, MSCI ESG Manager

Carbon Intensity

The Fund

Pella targets portfolio CO₂ intensity to be at least 30% below the Benchmark with CO₂ intensity measured using Scope 1 and Scope 2 carbon emissions relative to revenue as calculated by Refinitiv. Pella targets being a carbon neutral company by 2023.

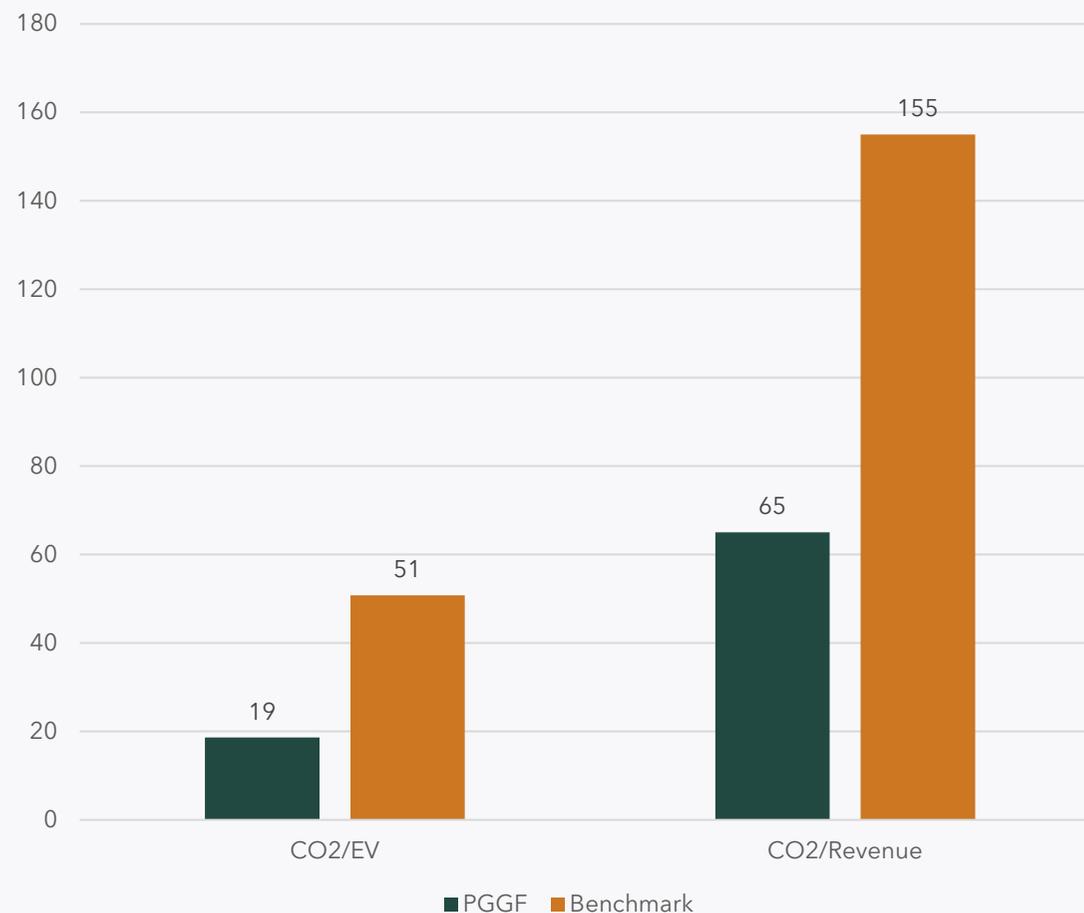
Figure 4 illustrates the PGGF's and its Benchmark's carbon intensity (Scope 1 and 2) measured relative to enterprise value (EV) and revenue. Based on both measures the PGGF's carbon intensity is approximately 60% lower than the Benchmark, which exceeds the target 30% lower than the Benchmark.

Pella acknowledges that Scope 3 emissions are also worth consideration and reporting, and will do so once we grow comfortable with the accuracy of third-party estimates.

The Company

Pella believes that it achieved carbon neutrality in 2022 as the company only purchased green electricity and acquired carbon offsets for all its flights. Pella intends to seek a carbon audit in 2023 to demonstrate that the company achieved its carbon neutrality goal.

Figure 4 - Carbon intensity ^{(1), (2)}



Source - Pella, MSCI ESG Manager

(1) CO₂ to sales = millions of tonnes of carbon emissions (scope 1 and 2) per US\$m of sales

(2) CO₂ to EV = millions of tonnes of carbon emissions (scope 1 and 2) per US\$m of enterprise value

Positive Impact

Pella actively seeks positive impact companies and will invest in them whenever they satisfy Pella's financial requirements. Further, Pella can only invest in companies with a BB ESG rating if they generate more than 20% of their revenue from positive impact activities, and Pella can only invest in companies with a B ESG rating if they generate more than 50% of their revenue from positive impact activities.

To help guide investment into positive impact companies Pella identified six investable themes that generate positive outcomes for current or future generations. These themes relate to several SDG targets, which are summarised in Table 5. The themes are dynamic and could expand as new opportunities arise.

Pella's Positive Impact Themes

1. **Cleaner Energy** - replace fossil fuel derived energy with energy from renewable sources such as wind or solar. This theme also includes batteries

where the batteries can be charged with renewable energy.

2. **Conservation & Resource Efficiency** - assist in the conservation of the natural environment by using fewer natural resources, thereby reducing pollution, and encouraging resource efficiency.
3. **Improved Health** - goods and services that have positive health outcomes, including medicines, medical and health-related equipment, and health-related services.
4. **Safety** - technologies and services that improve societal safety, including technologies that reduce pollution, increase vehicle safety, or improve water quality.
5. **Inclusiveness** - services, products or conduct that create equal opportunities for all women, men, and children.
6. **Economic participation** - activities that serve lower demographics or encourage economic growth in emerging markets.

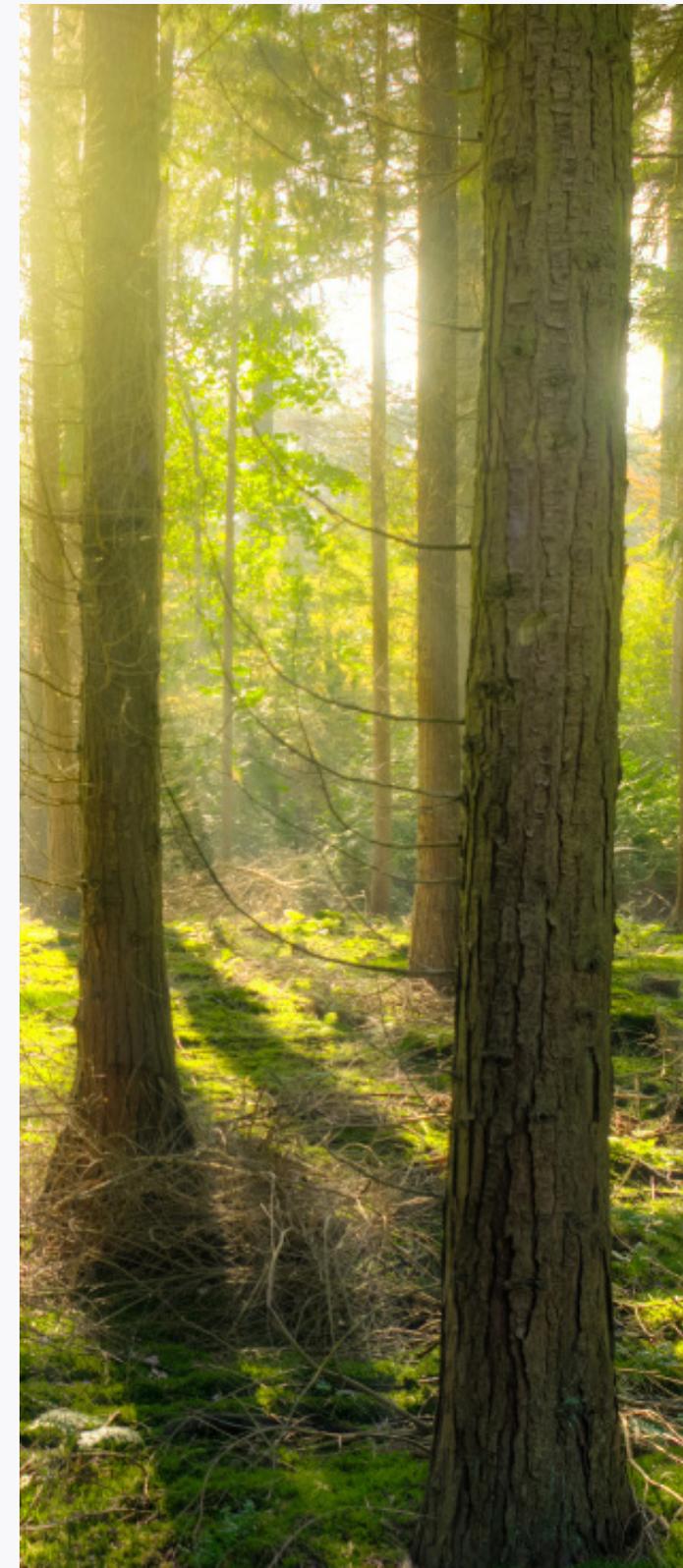


Table 5 - Pella's positive impact themes and SDG targets that relate to these themes

Themes	Related SDG Targets
Cleaner Energy	<ul style="list-style-type: none"> • SDG 7.2 - increase share of renewable energy. • SDG 7.3 - double global rate of improvement in energy efficiency.
Conservation	<ul style="list-style-type: none"> • SDG 3.9 - reduce number of deaths from hazardous chemicals and air, water and soil pollution. • SDG 6.4 - increase water efficiency. • SDG 7.3 - double global rate of improvement in energy efficiency. • SDG 8.4 - improve global resource efficiency in consumption and production. • SDG 15.2 - ensure the conservation, restoration and sustainable use of ecosystems. • SDG 15.b - encourage conservation of forests. • SDG 11.6 - reduce adverse environmental impact of cities including air quality and waste management.
Improved Health	<ul style="list-style-type: none"> • SDG 3.3 - end communicable diseases. • SDG 3.4- reduce premature mortality from non-communicable diseases and promote mental health & well-being. • SDG 3.8 - achieve universal health coverage.
Safety	<ul style="list-style-type: none"> • SDG 3.6 - halve number of deaths and injuries from road traffic. • SDG 3.9 - reduce number of deaths from hazardous chemicals and air, water and soil pollution. • SDG 6.1 - universal and equitable access to safe and affordable drinking water. • SDG 13.1 -strengthen resilience and adaptive capacity to climate-related hazards and natural disasters.
Inclusiveness	<ul style="list-style-type: none"> • SDG 4.3 - equal access for women and men to education. • SDG 4.4 - increase the number of youth and adults with relevant skills. • SDG 5.5 - women's full and effective participation and equal opportunities for leadership. • SDG 8.5 - full and productive employment and decent work for all women and men, including young people and persons with disabilities. • SDG 8.6 - reduce the proportion of youth not in employment, education or training.
Economic Participation	<ul style="list-style-type: none"> • SDG 2.4 - sustainable food production systems and resilient agricultural practices. • SDG 2.c - ensure proper functioning of food commodity markets and their derivatives.

- SDG 6.1 - universal and equitable access to safe and affordable drinking water.
- SDG 7.1 - universal access to affordable, reliable and modern energy services.
- SDG 7.b - expand infrastructure in developing countries
- SDG 8.1 - sustain per capital economic growth, particularly in the least developed countries
- SDG 8.10 - encourage and expand access to banking, insurance and financial services for all.
- SDG 9c - increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries.
- SDG 17.3 - mobilize additional financial resources for developing countries.

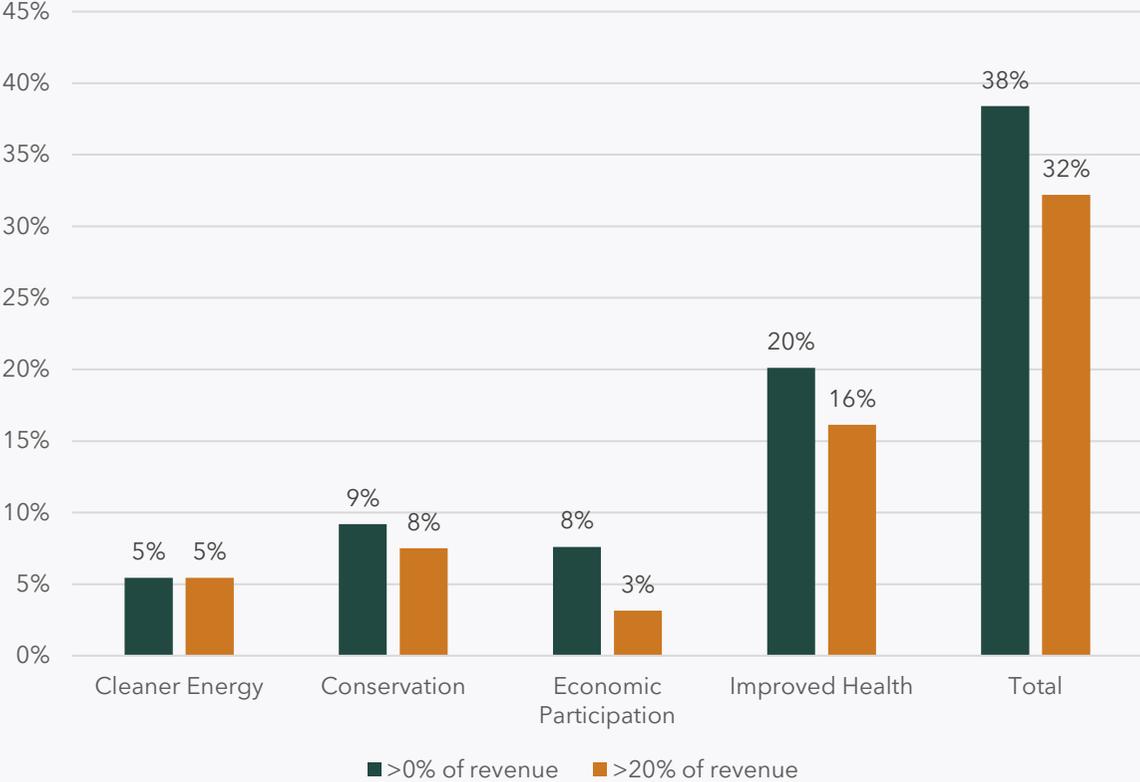
Source - Pella, UN Global Compact

Positive Impact Exposure

Pella calculates that during FY22 38% of the Fund was invested in companies that generate at least some of their revenues from activities that fall in Pella’s positive impact themes and 32% of the Fund was invested in companies that generate more than 20% of their revenues from positive impact activities.

The Fund’s largest positive theme exposure was Improved Health, followed by Conservation and Economic Participation.

Figure 5 - Fund exposure to companies with positive impact themes ^{(1), (2)}



Source - Pella

- (1) Measured by each investments’ weight in the portfolio and revenue exposure to the positive impact theme
- (2) The Total figure for ‘>0% of revenue’ is not additive because some of the Fund’s investments generate revenue from more than one positive impact theme and it would be double counting to include both exposures to the portfolio total exposure

Stewardship

Pella targets submitting votes in all shareholder meetings with our voting position informed by research provided by a third-party proxy voting advisor (ISS) and Pella’s internal research. In instances where Pella intends to vote contrary to the advice provided by the Board of Directors of our investments’ Pella will formally communicate to the company the thinking behind its vote.

To ensure Pella participates in all shareholder meetings in an informed manner, Pella instructed its proxy adviser, ISS, to vote on Pella’s behalf using ISS’s recommendations when Pella does not submit votes.

During FY22 Pella submitted votes in 29 of the 32 votable meetings Pella was eligible to vote in. The three meetings that Pella did not submit votes, were because of unexpected issues with Pella’s sub-custodian in Sweden. Specifically, Pella was informed after the fact that we need to establish a Power of Attorney in Sweden to submit our votes. This is a unique situation that Pella has not previously encountered and is in the process of resolving to ensure it does not reoccur.

Table 6 - Pella Global Generation Fund’s FY22 voting track-record

Company name	Meeting type	Voting String
AIA Group Ltd.	Annual	FFFFFFFF
Alphabet, Inc.	Annual	FFFFFFFFFFFFAFFFFFFFFFAFFFFFFFFAF
Amedisys, Inc.	Annual	FFFFFFFFFFFF
Antofagasta Plc	Annual	FFFAFFFFFFFFFFFFFFFF
ASML Holding NV	Annual	FFFFFFFFFFFFFFFF
Atlas Copco AB	Annual	FFFFFFFFFFFFFFFFFFFFFFFFFAAFFFAAAAF
BMW	Annual	FFAFFFFFFFFFFFF
Boliden AB	Annual	FFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFF
Cigna Corp.	Annual	FFFFFFFFFFFFFFFF
CME Group, Inc.	Annual	FFFFFFFFFFFFFFFFFAFFF
Coinbase Global, Inc.	Annual	WFWFF1
Deutsche Börse AG	Annual	FFFFFFF
Dollar General Corp.	Annual	FFFFFFFFFFFF
Epiroc AB	Annual	FFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFF
Fiserv, Inc.	Annual	FFFFFFFFFFFF
Flow Traders NV	Annual	FFAAFFFFFFFFFFFF
ING Groep NV	Annual	FFFFFFFFFFFF
Marsh & McLennan Cos.	Annual	FFFFFFFFFFFFFFFF
Novo Nordisk A/S	Annual	FFFFFFFFFFFFBFFFFFFFF
Nutrien Ltd.	Annual	FFFFFFFFFFFF

Ørsted A/S	Annual	FFFFFFFFFFFFFFFFFFFF
Ping An Insurance	Annual	FFFFFFFFFFFFFFFFFFFF
Schneider Electric SE	Annual/Special	FFFFFFFFFFFFFFFFFFFF
STMicroelectronics NV	Annual	FFFFFFFFFFFF
Stora Enso Oyj	Annual	FFFFFFFAFFFA
Sunrun, Inc.	Annual	WWFFFF
Texas Instruments	Annual	FFFFFFFFFFFFFFFFFFFF
Thermo Fisher Scientific	Annual	FFFFFFFFFFFFFFFFFFFF
UnitedHealth Group, Inc.	Annual	FFFFFFFFFFFFFFFFFFFF
VINCI SA	Annual/Special	FFFFFFFFFFFFFFFFFFFF
Vulcan Materials Co.	Annual	FFFFF
Weyerhaeuser Co.	Annual	FFFFFFFFFFFFFFFFFFFF

F = vote FOR the resolution; A = vote AGAINST the resolution; B = abstain from the vote
W = vote WITHHELD; 1 = vote for Advisory Vote on say on pay frequency to occur every one-year (i.e. annually)

Source - ISS

Table 7 is a list of the resolutions that Pella voted against the investee companies' Directors recommendations or withheld votes. Many of Pella's decisions are self-explanatory. Votes that require some explanation include (source of explanation: ISS):

- Antofagasta - vote against the re-election of Jean-Paul Luksic as director. Pella's concern is that Mr. Luksic is currently Chair of the Nomination Committee and less than 33% of the Board currently consists of women.
- CME Group - the company provided the CEO with a \$5m discretionary bonus for extending his employment arrangement for one year and without disclosing any clawback provision if he retires early.
- BMW - the vote could have gone either way, but Pella chose to vote AGAINST the discharge of the supervisory board for the following reasons:

- On 8 Jul-21, the European Commission found German automakers (including BMW) guilty of collusion between 2009-2014.
- The discharge vote in Germany is symbolic and the discharge resolution is bundled across all directors, which does not allow shareholders to target the individuals who may have been involved in the failures of due diligence from 2009 until 2014.
- Flow Traders – Pella voted against approval of the remuneration report because Flow Traders does not disclose: the individual award levels; relative weighting of the CEO KPIs; the level of achieving KPIs.
- Novo Nordisk – Pella abstained from the vote for Martin Mackay’s re-election to the Board because due to our concern that Mr. Mackay may be on too many boards.
- Stora Enso – this was a bundled director vote. Pella’s vote reflected its concern about the remuneration committee not being sufficiently independent.
- Sunrun – Pella withheld votes for the incumbent directors due to Sunrun’s failure to remove the classified board and supermajority vote requirement to enact certain changes to the governing documents, which adversely impacts shareholder rights.
- UnitedHealth Group – Pella voted FOR the shareholder proposal for UnitedHealth’s board to seek shareholder approval for any new or renewed senior management severance agreement.

Table 7 - List of resolutions Pella voted differently to Directors’ recommendations

Company name	Text	Director’s recommendation	Pella’s vote
Alphabet, Inc.	Approve Recapitalization Plan for all Stock to Have One-vote per Share	AGAINST	FOR
Alphabet, Inc.	Report on External Costs of Misinformation and Impact on Diversified Shareholders	AGAINST	FOR
Alphabet, Inc.	Report on Managing Risks Related to Data Collection, Privacy and Security	AGAINST	FOR
Alphabet, Inc.	Commission Third Party Assessment of Company’s Management of Misinformation and Disinformation Across Platforms	AGAINST	FOR
Alphabet, Inc.	Report on Policies Regarding Military and Militarized Policing Agencies	AGAINST	FOR
Alphabet, Inc.	Report on Physical Risks of Climate Change	AGAINST	FOR
Alphabet, Inc.	Oversee and Report a Third-Party Racial Equity Audit	AGAINST	FOR
Alphabet, Inc.	Report on Risks Associated with Use of Concealment Clauses	AGAINST	FOR
Alphabet, Inc.	Report on Climate Lobbying	AGAINST	FOR

Alphabet, Inc.	Report on Steps to Improve Racial and Gender Board Diversity	AGAINST	FOR
Alphabet, Inc.	Report on Metrics and Efforts to Reduce Water Related Risk	AGAINST	FOR
Alphabet, Inc.	Disclose More Quantitative and Qualitative Information on Algorithmic Systems	AGAINST	FOR
Alphabet, Inc.	Amend Omnibus Stock Plan	FOR	AGAINST
Alphabet, Inc.	Report on Lobbying Payments and Policy	AGAINST	FOR
Alphabet, Inc.	Establish an Environmental Sustainability Board Committee	AGAINST	FOR
Alphabet, Inc.	Report on Risks of Doing Business in Countries with Significant Human Rights Concerns	AGAINST	FOR
Antofagasta Plc	Re-elect Jean-Paul Luksic as Director	FOR	AGAINST
BMW	Approve Discharge of Supervisory Board for Fiscal Year 2021	FOR	AGAINST
Cigna Corp.	Reduce Ownership Threshold for Shareholders to Call Special Meeting	AGAINST	FOR
Cigna Corp.	Report on Congruency of Political Spending with Company Values and Priorities	AGAINST	FOR
Cigna Corp.	Report on Gender Pay Gap	AGAINST	FOR
CME Group, Inc.	Advisory Vote to Ratify Named Executive Officers' Compensation	FOR	AGAINST
Coinbase Global, Inc.	Elect Director Fred Wilson	FOR	WITHOLD
Coinbase Global, Inc.	Advisory Vote on Say on Pay Frequency	THREE YEAR	ONE YEAR
Coinbase Global, Inc.	Elect Director Frederick Ernest Ehram, III	FOR	WITHOLD
Dollar General Corp.	Report on Political Contributions and Expenditures	AGAINST	NO
Fiserv, Inc.	Submit Severance Agreement (Change-in-Control) to Shareholder Vote		
Flow Traders NV	Approve Remuneration Policy for Management Board	FOR	AGAINST
Flow Traders NV	Approve Remuneration Report	FOR	AGAINST
Novo Nordisk A/S	Reelect Martin Mackay as Director	FOR	ABSTAIN
Stora Enso Oyj	Reelect Elisabeth Fleuriot, Hock Goh, Christiane Kuehne, Antti Makinen (Chair), Richard Nilsson, Hakan Buskhe (Vice Chair), Helena Hedblom and Hans Sohlstrom as Directors; Elect Kari Jordan as New Director	FOR	AGAINST
Stora Enso Oyj	Approve Issuance of up to 2 Million Class R Shares without Preemptive Rights	FOR	AGAINST

Sunrun, Inc.	Elect Director Alan Ferber	FOR	WITHHOLD
Sunrun, Inc.	Elect Director Lynn Jurich	FOR	WITHHOLD
Texas Instruments	Reduce Ownership Threshold for Shareholders to Call Special Meeting	AGAINST	FOR
UnitedHealth Group.	Submit Severance Agreement (Change-in-Control) to Shareholder Vote	AGAINST	FOR
UnitedHealth Group	Report on Congruency of Political Spending with Company Values and Priorities	AGAINST	FOR

Source - ISS

Initiatives

United Nations Global Compact (UNGC)

The UNGC is a non-binding UN initiative to encourage businesses to adopt sustainable and socially responsible policies, and report on their implementation. Pella believes that the first steps for businesses to adopt those practices is to become signatories of the UNGC.

In Jan-22 Pella wrote to all the companies in the Pella Global Generations Fund that were not currently signatories to the UNGC (Table 8). The responses were broadly positive, and Pella applauds the three companies that acted on their pledge and became UNGC signatories, namely Flow Traders, Samsung Electronics, and Sunrun. Pella is a strong believer that actions speak louder than words and consider these companies' actions as indicative of entities that act.

Pella intends to re-engage with the companies that have not yet become signatories, to encourage them to do so.

Table 8 - Companies Pella encouraged to become a UNGC signatory

Name	Joined	Name	Joined
Alphabet		Ping An Insurance	
Amedisys		Rakuten	
Antofagasta		RingCentral	
Ashtead Group		Samsung Electronics	10-Mar-22
CME Group		Sunrun	25-Apr-22
Dollar General		Teladoc	
Fiserv		Texas Instruments	
Flow Traders	19-Apr-22	UnitedHealth Group	
Lumentum		Visa	
Marsh & McLennan		Vulcan Materials	
Medtronic		Weyerhaeuser	
Moderna			

Source - Pella

International Accreditation Forum (IAF)

The IAF is a global association of accreditation bodies and other bodies interested in conformity assessment. Its primary function is to develop a single worldwide program of conformity assessment which reduces risk for businesses and their customers by assuring them that accredited certificates and validation and verification statements may be relied upon.

In July 2022 IAF members will vote whether certification bodies should be required to upload all certificates to a central global database. This would improve the transparency of supply chains and reduce the risk of abuses occurring in global supply chains. In addition, it would require company management systems, such as ISO14001 environmental management systems and equivalent safety and quality management systems to be uploaded to the database. These certificates would provide investors with third party assurance about the standard of the management systems, and other aspects covered by the certificate, which is global comparable.

On 8 Apr-22, Pella wrote to all the companies held in the Pella Global Generations Fund to encourage them to prepare letters of support for the IAF's initiative. Unfortunately, the companies' responses were not overly enthusiastic, and Pella will continue to consider how we can contribute to improving supply chain and management system disclosures so there is no place for bad actors to hide.

Marsh & McLennan (MMC) Shareholder Proposal

MMC is a global professional services firm with a core expertise in insurance broking. In May-22 it was revealed that MMC was arranging insurance for the East African Oil Pipeline. This pipeline will be built across Uganda and Tanzania and is controversial due to the possibility of it displacing communities and wildlife, as well as enabling continued use of fossil fuels.

Pella's considers MMC's involvement as a controversy but not a breach of norms-based practices, and we weighed an exit vs engagement strategy. Pella chose to pursue the latter in the belief that it is an opportunity to implement positive change.

Pella has actively communicated its concerns to MMC and is preparing a Shareholder proposal at MMC's next AGM that will address the issue. We will report the outcome of this proposal as it progresses.



PELLA

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