Quarterly Commentary
June 2023

PELLA
RESPONSIBLE INVESTING

Investment Manager

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Message from the CIO

Jordan Cvetanovski
CIO and Portfolio Manager

Pella believes that Artificial Intelligence (AI) will have profound societal and investment implications and we are seeking exposure to the theme. This involves selecting companies that will benefit from AI, and equally importantly, applying appropriate valuation requirements.

Commercialisation of new technologies tends to follow a predictable cycle. It starts with Implementation when several inputs coalesce to enable the new technology. Then comes Application, when tools are created using the new technology. Finally, there is Proliferation, when the new technology is embedded into new processes.

This commentary provides a brief overview of how the new technology cycle relates to AI. We use the modern smartphone to demonstrate the cycle, and not as a comparison of the impact of the technologies.

Phase 1 - Implementation

Even for revolutionary technologies, the *development* of new technologies is typically evolutionary. It depends on the simultaneous implementation of all the requisite inputs that facilitate that new technology.

During this phase, early winners are typically hardware companies that benefit from capital outlays to enable the eventual proliferation of the technology.

For example, the birth of the modern smartphone arguably occurred in Jun-07, with the first iPhone. That technology was made possible owing to implementation of several inputs including the iPod, new advanced integrated circuits (ICs), improvements in battery technology, and touchscreen displays.

For AI, the key enabling inputs include ultra-fast semiconductors with parallel processing, massive data sets, and new mathematic models. The companies initially rewarded by the stock market as AI winners include NVIDIA (GPUs enabling parallel processing), TSMC and other chipmakers (producing the chipsets).

Pella was positioned for this phase (ahead of recent developments) with meaningful investments in companies that are vital for AI's backbone. Two of these investments are TSMC (the subject of this quarterly's Stock in Focus), which manufactures the ICs required for AI, and ASML, which makes key IC manufacturing equipment. Without ASML, TSMC wouldn't exists, and without TSMC we would argue NVIDIA wouldn't exist.

Phase 2 - Application

The Application phase involves using the new technology as a key enabler of new tools ('applications'). This involves refining the new technology and adding functionalities for specific use cases. In modern economies these tools are often software or services.

The release of the iPhone was soon followed by the establishment of the App store, enabling new software to leverage the iPhone's capabilities and popularity. This led to the success of applications such as games (Zynga, Rovia), social media (Meta, Snap), and transportation enablers (Uber, Lyft).

It is often more challenging to select the winners from this phase than in the Implementation phase, as it involves more forecasts. History is littered with examples of the initial leaders in a certain technology falling by the wayside, as illustrated by Figure 1. Therefore, betting that any one company will emerge as the durable leader in AI is likely a risky proposition.

Figure 1 – Examples of leading technologies that were surpassed

Technology	Prior leaders	Current leader(s)
ISP	AOL	Faster ISPs, Gmail
Programming languages	Fortran, Pascal, C, Ada, Java	Python

Spreadsheet software	Lotus 123	Excel
Web browser	Mosaic, Netscape, Internet Explorer	Chrome
Web search	Yahoo Search, Altavista, Ask Jeeves	Google
Word processor	Word Perfect	Word

Source – Pella Funds Management

Pella has investments in possible Application phase beneficiaries such as Adobe, Alphabet (Google), and Microsoft. However, late in 2Q23, we pared back the Fund's exposure to those companies as the market pushed them to the edge of what we consider acceptable valuations, even accounting for the possibilities that AI will likely afford them.

Phase 3 - Proliferation

During the Proliferation phase, the new technology spreads widely and is implemented in new and often unexpected ways. Entirely new approaches to business emerge and companies that develop the best use cases for the technology are often the winners.

For modern smartphones, examples of proliferation include: smartphone-enabled banking, which reduces the need for branches and in-person customer service, smartphone-enabled payment, and smartphone-enabled video content and work-flow.

Identifying these winners requires looking beyond the obvious beneficiaries in the tech space, and thinking about how AI could transform other industries. For example, Pella is considering how AI could be used by US health insurer, UnitedHealth, to interpret the vast health related data it has on almost every American, and whether AI will enable robotic surgery, provided by Intuitive Surgical, to take another evolutionary step forward and reduce the need for human involvement in surgery. These are just some of the questions we are asking and many more will arise as we observe the relentless march of AI further into our lives.

Valuation - the often-forgotten consideration

The above discussion focuses on identifying winners from each phase, but there is another equally important and often-forgotten investment consideration. Valuation.

Pella will not invest in anything, regardless of how exciting it might seem, unless it meets our valuation and sustainability criteria. Both ASML and TSMC more than satisfied all our criteria, which is why they were amongst our top five investments over the last six months.

NVIDIA has a lead in general purpose ICs used in AI and has been a clear winner in the early phases of the new technology cycle. However, it does not meet our valuation criteria. It is also facing increasing competition. There is a laundry list of other companies investing heavily in the space and generating positive results, including; Alphabet, Amazon, AMD, Apple, Arm, Baidu, Cerebras Systems, Graphcore, Hailo AI, Intel, Kalray, Qualcomm, among several others.

The current state of play

With the release of Chat GPT 4, we witnessed the birth of a new technology: modern AI. Since then, the rapid climb in valuations of many of the Implementation phase winners (hardware, IC companies) suggests that the easy gains in that phase have largely played out. The investment community appears to have already moved into the Application phase and is picking winners in the software landscape. We believe that this might prove to be somewhat premature as there is still considerable investment that needs to happen for some, if not all, the optimistic scenarios priced into some of the Application phase beneficiaries to come to fruition. There is scant, if any, evidence that the market is looking towards the Proliferation phase winners yet.

Conclusion

Pella seeks exposure to AI because it is a transformative technology with structural tailwinds and will offer meaningful and monetisable opportunities. However, we will not invest in just any AI company, and we seek ones with reasonable valuations and satisfy our sustainability requirements. In addition, we seek diversification and will not allow the portfolio to become overly concentrated in any one theme. Pella currently holds five positions that have demonstrably material AI exposure and satisfy our other requirements.

But you don't need to take my word for it. I asked Bard (Google's ChatBot) if you should invest in AI, and this is an excerpt of what is said:

Before investing in AI, it is important to do your research and understand the risks involved. AI is a rapidly evolving field, and there is no guarantee that any particular company or technology will be successful. However, if you are willing to take on some risk, investing in AI could be a way to get ahead of the curve and potentially earn significant returns.

Fund Commentary

Portfolio Positioning

In 2Q23 the Pella Global Generations Fund ("Fund") delivered a return of 5.7%, underperforming its benchmark[1] by 1.1%. The benchmark was up 6.8% driven by large cap US tech stocks. Demonstrating this, ten companies (Apple, Microsoft, Nvidia, Amazon, Meta, Tesla, Eli Lilly, Alphabet, Broadcom, and Adobe) accounted for almost 60% of the benchmark's return. Simply holding an equal weighted portfolio of those ten stocks would have delivered a return of 30%. This means any portfolio that was meaningfully overweight large cap, US growth stocks should have generated meaningfully positive returns.

Reflecting the impact of US large cap growth stocks, in 2Q23 the Information Technology sector was, by a considerable distance, the best performing GICS sector, followed by Consumer Discretionary, which itself was explained by the performance of Amazon.

A probable explanation for the strength in US large cap growth stocks is that the market is pricing in imminent interest rate cuts. However, there has been little recent data to support that view and the Federal Reserve has been raising its interest rate expectations. Pella believes the market has tossed out the adage *'don't fight The Fed'* and is playing a dangerous game of Chicken with The Fed

The worst performing GICS sector was Materials, with large, diversified miners (BHP, Rio Tinto, Anglo American) and gold miners (Newmont, Barrick Gold) declining somewhat, and fertilizer companies (Nutrien, Mosaic) declining more.

Weakness in the Materials segment is likely explained by a combination of expectations of a slowing global economy, and waning expectations of large-scale Chinese fiscal stimulus. These expectations are not entirely without merit; however, they are now more than reflected in valuations.

As always, Pella's primary reaction to the market environment was to continue focusing on companies that satisfy our valuation-to-growth and sustainability requirements. This meant that, towards the end of the quarter, Pella reduced its exposure to high growth US tech companies, whose valuations are now nudging the edge of what we consider rational. Meanwhile, we increased exposure to the Materials segment, as several companies have begun to offer compelling growth-to-valuation characteristics.

At the stock level, Pella initiated a new position in the bellwether Indian bank, HDFC, the world's largest lithium miner, Albemarle, and a US health care company, Halozyme. Meanwhile, we exited Dollar General, following its third poor quarterly result, and reduced exposure to Alphabet, Inuit, Microsoft, and Adobe on valuation grounds.

Post these changes and considering adjustments to existing positions, the Fund's exposure to Information Technology declined 4% (after increasing 5% in 1Q23), while exposure to Materials increased 4% (after decreasing 4% in 1Q23). On a regional basis, the Fund decreased its exposure to Europe by 7%, the US by 1%, and increased its exposure to Asia by 2%.

The Fund held 16% in cash at quarter end. These cash levels are high compared to our history and reflect prolific profit taking toward the end of the quarter in response to the stretched technology valuations. We are focused on carefully deploying this cash as opportunities arise and we are analysing several potential investments outside the crowded segments of the market.

Pella's portfolio structure will always be a diversified combination of companies that satisfy our valuation-to-growth and sustainability requirements; rather than being dictated by any top-down country or sectoral bias. We believe this is the best way to achieve consistency in delivering on our three goals of better returns, lower volatility, and superior sustainability to the benchmark.

Portfolio Segments

Core:

The Fund reduced its exposure to the Core segment from approximately 80% at the end of 1Q23, the highest allocation the Fund has had to that segment since inception, to 63% at the end of 2Q23. This reflects the exit from discount retailers Dollar General and B&M European Value Retail and the reduction in exposure to

[1] *MSCI ACWI ($A, net)*

several large capitalisation, US tech companies such as Alphabet, Intuit, Microsoft, and Adobe. Meanwhile, we added to more attractively valued companies such as the US health insurers Cigna, and UnitedHealth Group.

Cyclical:

The Fund’s exposure to the Cyclical segment increased by 7% to 13%. This reflected the addition of Indian Bank, HDFC, and US lithium miner, Albemarle, and the topping-up of fertilizer companies which are now trading on exceptionally cheap valuations.

Innovation:

Exposure to Innovation was nudged up 2% to 6%, following the addition of US health care company Halozyme to the portfolio.

Stock in Focus

Steven Glass, CFA
MD & Investment Analyst

Chips, semiconductors, and integrated circuits (ICs) are different names for the same thing. They are the stamp size electrical components that enable the modern world. Without these devices there is no iPhone, Tesla, Google, or ChatGPT. Given the importance of ICs to modern life they are often referred to as the new oil.

ICs are often categorised by the size of their transistors (measured in nanometres, 'nm'), which are tiny electrical gateways etched into the IC. The smaller the transistors the more advanced the IC. The current most advanced commercially available ICs are 3nm, which can only be produced by two companies: TSMC and Samsung Electronics.

Companies involved in producing ICs can be divided into three buckets: Fabless, Foundries, and Integrated Device Manufacturers ('IDM'). Fabless companies design ICs, but do not manufacture them. Foundries manufacture ICs but do not design them. IDMs design and manufacture ICs, sometimes for themselves and sometimes for other companies. If an IDM manufactures for other IC companies, it is an IDM that provides foundry services.

Figure 2 – Companies involved in the IC industry

Fabless	Foundry	IDM
NVIDIA	TSMC	Intel
Qualcomm	United Microelectronics	Samsung Electronics
Broadcom	GlobalFoundries	Texas Instruments
Advanced Micro Devices	Semiconductor Manufacturing International Corporation ('SMIC')	Infineon
MediaTek		STMicroelectronics
Marvell		
Apple		
Alphabet		

Source – Pella Funds Management

TSMC is a Taiwanese company that is the world's largest foundry (technical term for an IC factory). According to TrendForce, in 4Q22 TSMC had 59% of the global foundry market, which is almost 4x larger than the second largest foundry service provider, Samsung (an IDM that also provides foundry services). We believe this figure understates TSMC's share as its core franchise is in the most advanced ICs (logic chips that are smaller than 7nm) where, according to The Economist and Financial Times, it has more than 90% share.

TSMC's dominance is the outcome of several factors, including commitment to the foundry business model, access to requisite equipment, technical know-how, scale, and earned customer trust.

Manufacturing advanced ICs is hugely capital intensive. A single advanced foundry costs c$12Bn and takes two years to build. Meanwhile, Moore's Law says that the number of transistors in an IC doubles about every two years, meaning as soon as the new foundries are operational, they may no longer be the leading ones.

There are several challenges with investing that huge amount of capex. Firstly, each generation IC is materially more expensive to manufacture than its predecessor. This puts foundries on a never-ending cycle of increasing capex, just to maintain their position. Secondly, the IC market is notoriously cyclical, making it risky for a company to spend huge amounts of capex. Thirdly, it is increasingly difficult to manufacture more advanced nodes and there is a risk of cost and time blowouts. A company that strives to be at the vanguard of IC manufacturing needs to be entirely committed to the foundry business and constantly invest huge amounts of capex.

Even for companies that are prepared to spend the capex, developing leading ICs can be hamstrung by access to the required IC manufacturing machinery. For example, one of the key pieces of equipment, the EUV lithography machine, is only manufactured by one company, ASML (another Pella holding), and the waiting list to acquire these machines is approximately 1.5 years. Further, these machines are not available to everybody due to US regulations, which don't allow Chinese foundries to purchase the most advanced IC manufacturing equipment.

Purchasing the equipment is insufficient to be a serious market participant and technical know-how is required. Advanced ICs are one of the most complicated items in the world to manufacture. Manufacturing them involves about 700 processing steps. These ICs are so sensitive that a single piece of dust in a room can render an entire batch useless. It requires enormous skill and experience to consistently manufacture these ICs economically.

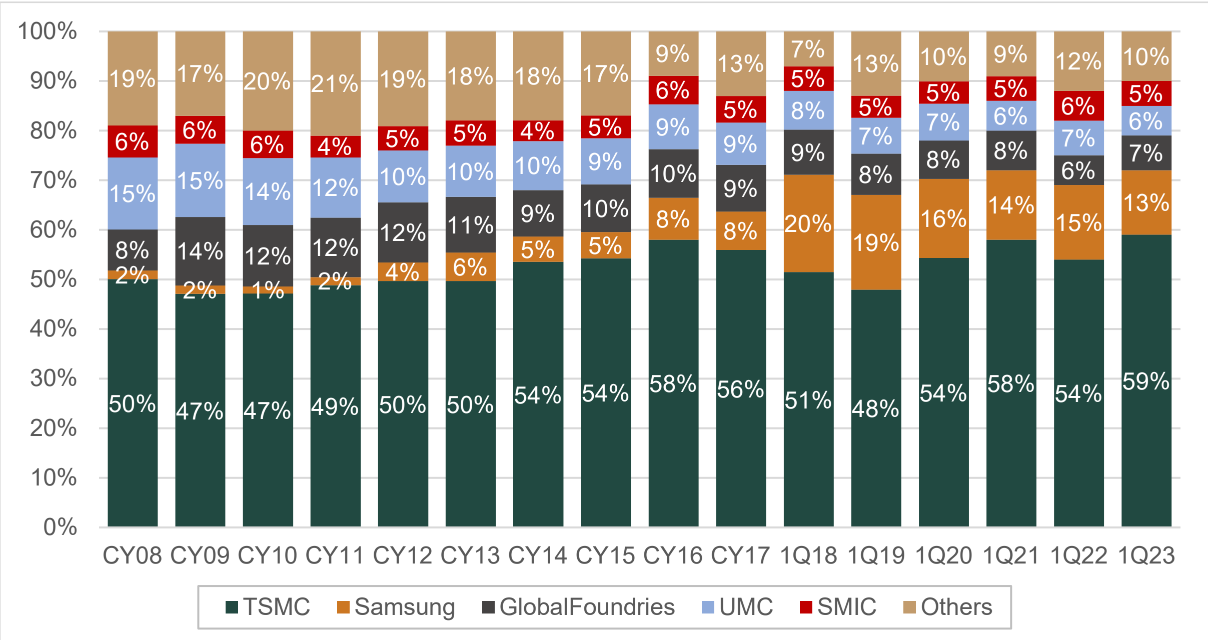
Another economic consideration is the purchasing scale of the market participants. Operating margins are materially impacted by purchasing scale and the largest players can acquire key inputs such as silicon and industrial gases at a discount to smaller players, giving the largest players a price advantage.

A company needs to deliver all the above consistently. Ability to execute reliably is crucial to customers as it influences their own roadmaps. This means demonstrating an ability to ramp up production according to demand for the customers' products and the ability to produce the next generation ICs that will enable the customers' next generation product. ICs are typically a small part of a whole product's cost and customers have a strong preference to work with fabs that can consistently deliver.

Given the complexity and risks of consistently manufacturing the most advanced ICs, most companies have exited that market. Today the only two companies capable of manufacturing the most advanced ICs are TSMC and Samsung and even Intel has fallen by the wayside. Samsung is an able competitor; however, it is spread more thinly than TSMC. With its entire focus on logic IC manufacturing, we believe TSMC outspends and outperforms Samsung in its core market.

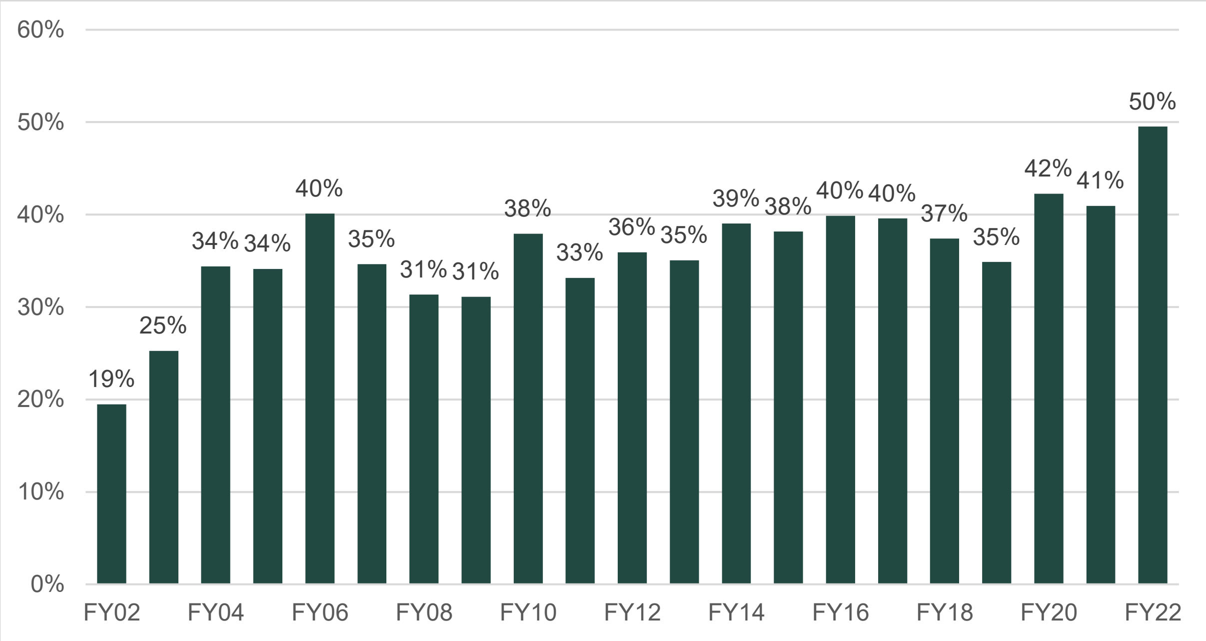
Figure 3 illustrates the outcome of these factors. Intel is not included in the chart because it does not currently provide foundry services and it manufactures ICs solely for its own use. TSMC has maintained a commanding market lead of the foundry market through time, Samsung has gained some share, from smaller players, but remains a distant second, and the rest of the industry is being squeezed. Critically, over that period, TSMC not only maintained its operating profitability, but grew its margins (Figure 4) demonstrating that the company did not "buy" market share. These are the characteristics of a company with considerable and sustainable competitive advantages.

Figure 3 – Foundries market share by revenue



Sources – Counterpoint Research, TrendForce Research, Gartner, IC Insights

Figure 4 – TSMC operating margin



Source – Pella Funds Management

TSMC's outlook is favourable, for three reasons: (i) IC market growth; (ii) the market is moving away from pure play IDMs and towards the fabless-foundry business model; (iii) TSMC is well positioned to grow its share.

Market growth

The IC market has grown from $204Bn in 2000 to $574Bn in 2022 and is forecast to reach $1T by 2030. This growth has been driven by increasing prevalence of technology in our lives and increasing IC content per device. These trends are irreversible and will be boosted by electronic vehicles (EVs) and AI.

AI is extremely compute-intensive. Bernstein Research estimates that executing 100m ChatGPT queries per day would require annual purchases of $1-2Bn of GPUs p.a., which translates into more growth for the IC industry. As a reference, Bernstein estimates that Google's daily search volume is approximately 10Bn, which would require more than $150Bn in annual GPU sales[2], indicating that there will be a huge uplift in the IC market as AI permeates deeply into everyday life.

Market shift to fabless-foundry market

Prior to the 1980s, the IC industry was vertically integrated. However, the costs of remaining on the cutting edge of IC manufacturing favoured economies of scale. This prompted a shift to the fabless-foundry model where some companies design chips and others manufacture them.

Over the years the trend towards the fabless-foundry model accelerated and it is regarded as the undisputed superior model for the IC industry. As the leading foundry, TSMC is the biggest beneficiary of this trend.

TSMC will grow its market share

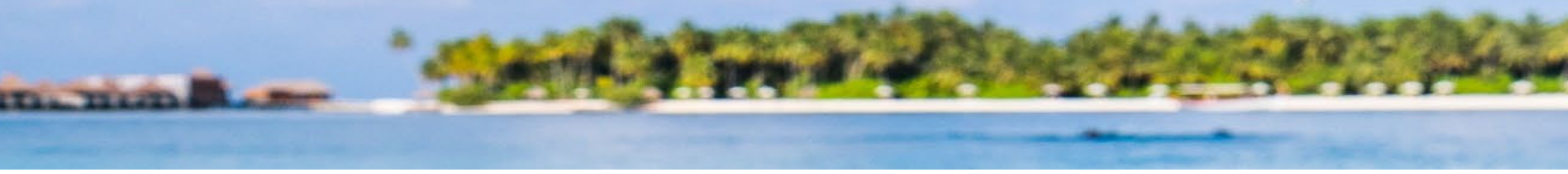
TSMC has consistently grown its share of the foundry market. We expect this will continue with some recent drivers summarised in Figure 5.

Figure 5 – TSMC's notable share gains in 2023

Customer	Discussion
AMD	AMD to continues taking share from Intel – TSMC is AMD's exclusive manufacturer
Apple	Replacing Intel's CPU with chips made by TSMC, especially in desktop PCs
Intel	Extending outsourcing to TSMC from non-CPU to CPU
Amazon	Arm-based chips make further inroads gradually in server CPU
NVIDIA	Moving primary foundry from Samsung for 7/8nm to TSMC for 4/5nm
Qualcomm	TSMC to make Qualcomm's ICs for Samsung Galaxy phones and iPhone modems

Source – Bernstein research

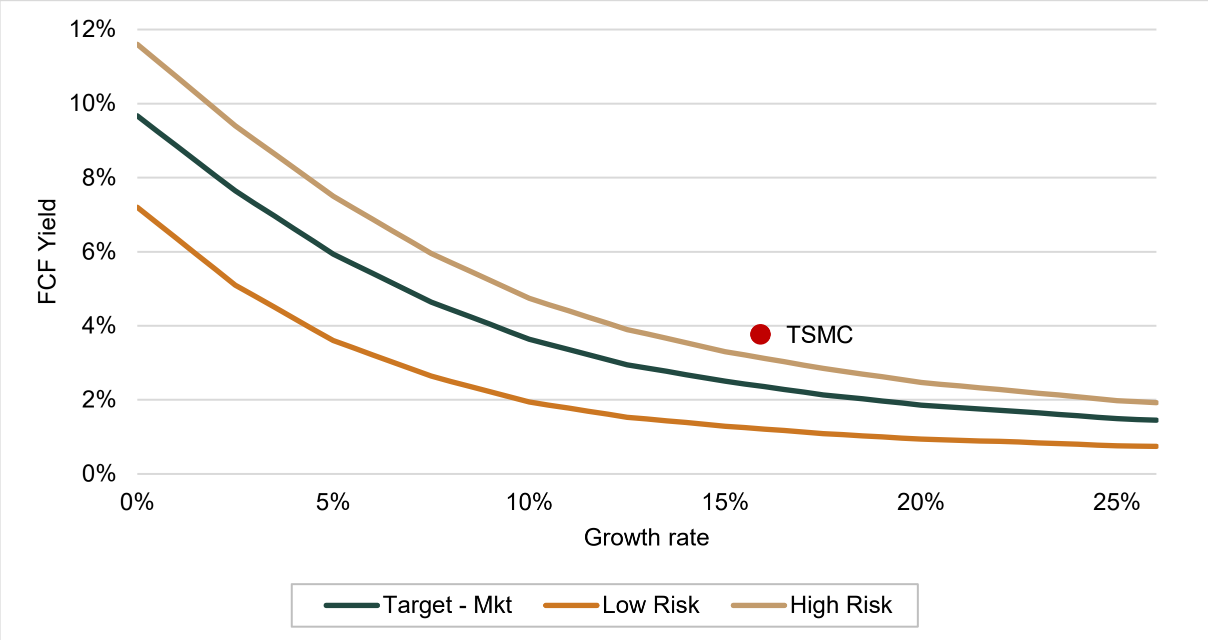
[2] Bernstein, NVIDIA: A bottoms-up approach to sizing the ChatGPT opportunity, 27 Feb-23



Valuation & ESG

TSMC is currently trading on a 3.8% FCF yield with 16% sustainable revenue growth, which places it very comfortably within Pella's valuation requirements, as illustrated in Figure 6. Further, the company has a AAA MSCI-ESG rating making it an ESG market leader.

Figure 6 – TSMC's position in Pella's valuation-to-growth framework



Source – Pella Funds Management

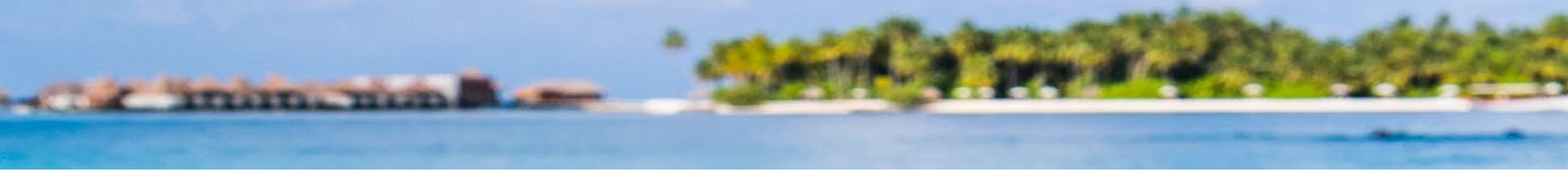
Risks

One of the most cited risks facing TSMC is the threat of China invading Taiwan. The thinking is that should China invade that country TSMC would not be able to sell ICs anymore.

The issue of China potentially invading Taiwan is complicated, requires more than a few paragraphs in this quarterly, and we intend to prepare an Insight piece on it. In summary, our current thinking is that the probability of China invading Taiwan is low, though not zero. If China did invade Taiwan, it does not necessarily mean TSMC would cease to produce ICs. Further, if China did invade Taiwan, the entire stock market is likely to collapse, which would result in greater losses to all portfolios than the losses from a single digit weight position in TSMC.

Conclusion

TSMC has several competitive advantages that have resulted in it consistently taking market share and dominating the market for the most advanced ICs. This is an attractive proposition as the IC market should deliver consistent growth due to foundries taking increasing share of the IC manufacturing market, and TSMC taking more share of the foundry market. Partly based on these factors, we anticipate TSMC will deliver mid-teens revenue growth for several years, which makes its current FCF yield of almost 4% attractive in the current interest rate environment. These factors, combined with its solid ESG credentials, make TSMC a suitable position for Pella's funds.



Responsible Investing

Pella believes the corporate behaviour of a fund manager is as important as the sustainability outcomes of its investments. During the last quarter Pella undertook several initiatives that demonstrate our commitment to sustainability.

Pella commenced the process to become verifiably carbon neutral. We appointed carbon neutral consultants, Pangolin Associates, to assist us along this path. This is aligned with our requirement for the Pella Global Generation Fund's carbon intensity (measured relative to enterprise value and revenue) to be less than 30% of its benchmark, and in practice the Fund's carbon intensity is more than 80% lower than the benchmark.

Pella's commitment to the United Nations Global Compact (UNGC) is another reflection of the perspective that our corporate behaviour must align with what we expect from the companies we invest in. The UNGC is a pact to get businesses to adopt sustainable and socially responsible policies, and to report on their implementation.

Pella encourages all its investments to be UNGC signatories. During the quarter we wrote to 17 companies, of which several confirmed they will explore the request. A highlight was that on the back of Pella's initiative ASML became a signatory of the UNGC during the quarter.

Aligned with our Pledge 1% commitment, during the quarter Pella employees volunteered at Thread Together. Thread Together solves the problem of too much new clothing heading to the dump, by diverting it to people in need. Representatives from North and Factset joined us at Thread Together, and several other companies have reached out to join us next time we volunteer. Pella commits to one volunteer day per quarter and if you would like to participate in our next one, please email us at enquiries@pellafunds.com.

Pella also ensured that the Pella Global Generations Fund complied with all its Responsible Investment guidelines. As illustrated in the Fund Analytics more than 35% of the Fund is invested in companies rated AAA by MSCI and 100% of the Fund is invested in companies with a higher rating than BBB. In addition, the Fund's carbon intensity is significantly lower than its target, 30% below the benchmark, and the Fund did not invest in any companies involved in activities on our exclusion list.

Pella also participated in all its shareholder votes and the 2Q23 voting track-record is summarised in Figure 7. Pella voted according to superior ESG values on every vote, which entailed voting against management recommendations on several votes. Figure 8 provides a full list on how Pella voted on ESG matters, including the reasoning for our votes.

Figure 7 - Pella's 2Q23 voting track-record

Name	Meeting Type	Vote String
VINCI	Annual/Special	FFFFFFFFFFFFFFFFFFFFFFFFF
IQVIA	Annual	FFFFFFFF
Adobe	Annual	FFFFFFFFFFFFFFF1A
Boliden	Annual	FFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFAF
ASML	Annual	FFFFFFFFFFFFFFF
Cigna Corp.	Annual	FFFFFFFFFFFF1FFFF
Atlas Copco	Annual	FFFFFFFFFFFFFFFFFFFFFAFFFFAAFAFFFFFFFFFFF
Intuitive Surgical	Annual	FFFFFFFFFFFF1FF
Texas Instruments	Annual	FFFFFFFFFFFFF1FFFA
Schneider Electric	Annual/Special	FFFFFFFFFFFAFFFFFFFFFAAFFFFF
Antofagasta	Annual	FFFFFFFFFFFFFFFFFFFFFF
Nutrien Ltd.	Annual	FFFFFFFFFFFFFF
Adyen	Annual	FFFFFFFFFFFFFFFFFF
BMW	Annual	FFFFFFFFFFFFFFFFFFFFFFFFFFFFF
Ping An Insurance	Annual	FFFFFFFFF
Deutsche Börse	Annual	FFFFFFFFF
Enphase Energy	Annual	FFFFF

AIA Group	Annual	FFFFFFFFFFFFF
Marsh & McLennan	Annual	FFFFFFFFFFFFFFA1F
Epiroc	Annual	FFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFF
Thermo-Fisher Scientific	Annual	FFFFFFFFFFFF1FFF
Mosaic	Annual	FFFFFFFFFFFFF1FF
Dollar General	Annual	FFFFFFFFFF1FFAF
Alphabet	Annual	FFFAAFFFFFFFAA1FAFFFFFFAFAFF
UnitedHealth Group	Annual	FFFFFFFFFF1FFFF
TSMC	Annual	FFAF
JD Sports Fashion	Annual	FFFFFFFFFFFFFFFFFFFFFF
3i Group	Annual	FFFFFFFFFFFFFFFFFFFFFF

Source – Pella Funds Management

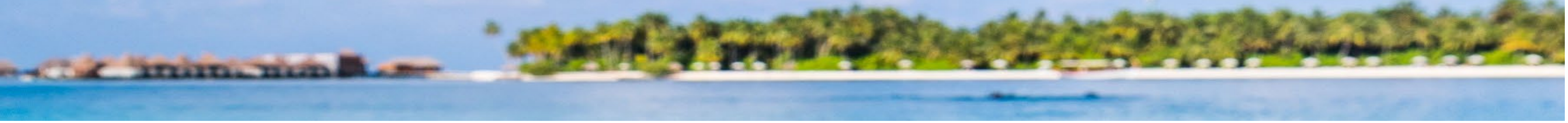
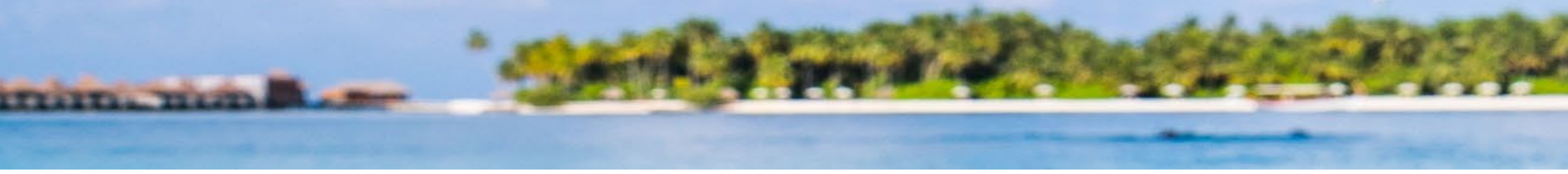


Figure 8 – Pella's votes against management recommendation or pro sustainability values

Company	Vote	Pella's vote	Explanation
Adobe	Report on Hiring of Persons with Arrest or Incarceration Records	Against	Pella believes people who have previously been arrested or incarcerated have paid their penalty and should not face additional potential discrimination.
Alphabet	Elect Director John L. Hennessy	Against	Votes against governance committee members are warranted due to the company maintaining a multi-class share structure with disparate voting rights, which is not subject to a reasonable time-based sunset.
Alphabet	Elect Director Frances H. Arnold	Against	Votes against governance committee members are warranted, due to the company maintaining a multi-class share structure with disparate voting rights, which is not subject to a reasonable time-based sunset.
Alphabet	Amend Omnibus Stock Plan	Against	• The plan cost is excessive • The three-year average burn rate is excessive • The disclosure of change-in-control vesting treatment is incomplete or is otherwise considered discretionary. • The plan permits liberal recycling of shares • The plan allows broad discretion to accelerate vesting
Alphabet	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	An annual bonus program was established based on ESG goals. However, pre-set goals were not disclosed, and the award was based on the committee's discretionary assessment of performance.
Alphabet	Publish Congruency Report on Partnerships with Globalist Organizations and Company Fiduciary Duties	Against	Shareholders would benefit from more disclosure on the company's lobbying efforts, but the requested report is overly broad and would likely not produce useful information on the company's direct and indirect lobbying.
Alphabet	Report on Framework to Assess Company Lobbying Alignment with Climate Goals	For	The request is not considered overly onerous or prescriptive, and shareholders would benefit from greater transparency of the company's framework for addressing misalignments between its climate goals and lobbying, and how the company would plan to mitigate any risks that might be identified.
Alphabet	Report on Risks Related to Fulfilling Information Requests for Enforcing Laws Criminalizing Abortion Access	For	The company is legally required to comply with information requests but could be doing more to protect consumers data privacy and protect the company from potential reputational risks.
Alphabet	Report on Risks of Doing Business in Countries with Significant Human Rights Concerns	For	Shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries.

Alphabet	Publish Independent Human Rights Impact Assessment of Targeted Advertising Technology	For	An independent human rights assessment would help shareholders better evaluate the company's management of risks related to the human rights impacts of its targeted advertising policies and practices.
Alphabet	Disclose More Quantitative and Qualitative Information on Algorithmic Systems	For	The company has faced scrutiny over biases in its algorithmic systems and increased reporting would assist shareholders in assessing progress and management of related risks.
Alphabet	Report on Alignment of YouTube Policies With Online Safety Regulations	For	Increased reporting would provide shareholders with more information on the company s management of related risks.
Alphabet	Commission Independent Assessment of Effectiveness of Audit and Compliance Committee	For	An independent assessment of the Audit and Compliance Committee's capacities and performance would allow shareholders to gain more information on how the company is overseeing and managing related and prevailing risks.
Atlas Copco	Reelect Johan Forssell as Director	Against	Johan Forssell sit on the audit committee as non-independent members while the committee's aggregate independence (33%) is insufficient.
Atlas Copco	Reelect Hans Straaberg as Director	Against	• Hans Straaberg is considered overboarded. • Hans Straaberg sits on the remuneration committee as non-independent member while the committee's aggregate independence (0%) is insufficient. • Hans Straaberg sits on the audit committee as non-independent member while the committee's aggregate independence (33%) is insufficient.
Atlas Copco	Reelect Peter Wallenberg Jr. as Director	Against	Peter Wallenberg Jr. sits on the remuneration committee as non-independent members while the committee's aggregate independence (0%) is insufficient.
Boliden	Approve Alternative Equity Plan Financing	Against	It would entail unnecessary additional costs, while lowering the majority requirement compared to the primary financing alternative.
Cigna	Reduce Ownership Threshold for Shareholders to Call Special Meeting	For	Lowering the ownership threshold from 25% to 15% would improve shareholders' ability to use the special meeting right.
Cigna	Report on Congruency of Political Spending with Company Values and Priorities	For	More comprehensive information comparing Cigna's public policy statements and its political contributions and nonprofit organization participation would enable shareholders to have a more comprehensive understanding of how the company oversees and manages risks from political activities conducted by its partners.
Dollar General	Amend Right to Call Special Meeting	Against	There appears to be no compelling reason to support this shareholder proposal as the one-year holding period is not especially problematic, is consistent with SEC requirements for filing shareholder proposals, and provides a reasonable safeguard against abuse of the right.

Dollar General	Oversee and Report a Workplace Health and Safety Audit	For	The company has been placed on Occupational Safety and Health Administration 'severe violator' list and an independent audit would help shareholders evaluate the effectiveness of the company's related policies and practices and management of potential risks.
Intuitive Surgical	Report on Gender/Racial Pay Gap	For	Shareholders could benefit from the unadjusted median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives.
Marsh & McLennan	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Significant concerns regarding the amendment to the CEO's outstanding PSU awards in connection with his announced retirement. This discretionary decision provides more favorable vesting treatment of his outstanding awards and resulted in an incremental value disclosure of more than $7 million and total CEO pay that is outsized at more than $32 million. The Remuneration Committee has not disclosed a compelling rationale.
Schneider Electric	Reelect Leo Apotheker as Director	Against	Pella believes Mr Apotheker’s performance track record warrants a vote against his reelection.
Schneider Electric	Authorize Board to Increase Capital in the Event of Additional Demand Related to Delegation Submitted to Shareholder Vote Under Items 19-21	Against	Pella believes that the company’s capital position implies that it should not need to raise any additional capital.
Schneider Electric	Authorize Capital Increase of up to 9.81 Percent of Issued Capital for Contributions in Kind	Against	Pella believes that the company’s capital position implies that it should not need to raise any additional capital.
Texas Instruments	Report on Due Diligence Efforts to Trace End-User Misuse of Company Products	Against	The company provides sufficient disclosure on its current due diligence and compliance programs that manage related risks.
TSMC	Amend Procedures for Endorsement and Guarantees	Against	The proposed amendment may expose the company to unnecessary risks and the company has failed to provide a compelling rationale for such changes.
United Health Group	Report on Third-Party Racial Equity Audit	For	Additional disclosure could help shareholders assess the impacts of the company's policies and practices on racial and ethnic minority communities.
United Health Group	Report on Congruency of Political Spending with Company Values and Priorities	For	A report on the company's value alignment with political expenditures would enable shareholders to have a greater understanding of how the company oversees and manages risks related to its political affiliations.
United Health Group	Submit Severance Agreement (Change-in-Control) to Shareholder Vote	For	The company's severance policy does not disclose a policy or requirement that payments in excess of amounts provided under the policy are subject to shareholder approval. Without such a requirement, shareholders do not have adequate assurances that the company's current practice safeguards against excessive severance payments.



Pella Global Generations Fund

Performance

Net of all fees	PGGF Class B	MSCI ACWI (AUD, net)	Relative
1 month	1.6%	2.9%	-1.3%
3 months	5.7%	6.8%	-1.1%
6 months	16.3%	16.1%	0.2%
1 Year	25.5%	20.4%	5.1%
Inception to date [1]	5.0%	1.6%	3.4%

(1) Total return since inception on 1 January 2022

Past performance is not indicative of future performance. Performance returns are net of fees and assume reinvestment of distributions. Actual investor performance may differ due to the investment date, date of reinvestment of income distributions, and withholding tax applied to income distributions.

Fund Holdings

As of 31 May 2023

Holdings Name	Sector	Country
3i Group	Financials	United Kingdom
Adobe	Information Technology	United States
Adyen	Information Technology	Netherlands
AIA Group	Financials	China
Alphabet	Communication Services	United States
Antofagasta	Materials	Chile
Ashtead Group	Industrials	United Kingdom
ASML	Information Technology	Netherlands
Atlas Copco	Industrials	Sweden
B&M European Value Retail SA	Consumer Discretionary	United Kingdom
Bayerische Motoren Werke	Consumer Discretionary	Germany
Boliden	Materials	Sweden
Cigna Corp.	Health Care	United States
Deutsche Börse	Financials	Germany
Dollar General	Consumer Discretionary	United States
Enphase Energy	Information Technology	United States
Epiroc	Industrials	Sweden
Intuit	Information Technology	United States
Intuitive Surgical	Health Care	United States
IQVIA	Health Care	United States
JD Sports Fashion	Consumer Discretionary	United Kingdom
Marsh & McLennan	Financials	United States
Microsoft	Information Technology	United States
Mosaic	Materials	United States
Novo Nordisk	Health Care	Denmark
Nutrien Ltd.	Materials	Canada
Ørsted	Utilities	Denmark
Ping An Insurance	Financials	China
Schneider Electric	Industrials	France
Texas Instruments	Information Technology	United States
Thermo-Fisher Scientific	Health Care	United States

Fund Analytics

As of 30 June 2023

Geographic & Asset Allocation

Asset Class	Fund	Benchmark
Developed Markets	**73%**	**89%**
United States	41%	62%
Europe	29%	16%
Japan	0%	5%
Others	3%	5%
Emerging Markets	**11%**	**11%**
Emerging Asia	9%	9%
Latin America	1%	1%
Others	0%	1%
Cash	**16%**	**0%**

Source – Pella Funds Management

Top Ten Holdings

Company	Sector	Country
3i Group	Financials	UK
Ashtead Group	Industrials	UK
HDFC Bank	Financials	India
Intuitive Surgical	Health Care	USA
IQVIA	Health Care	USA
JD Sports Fashion	Consumer Discretionary	UK
Marsh & McLennan	Financials	USA
Novo Nordisk	Health Care	Denmark
UnitedHealth Group	Health Care	USA
VINCI	Industrials	France

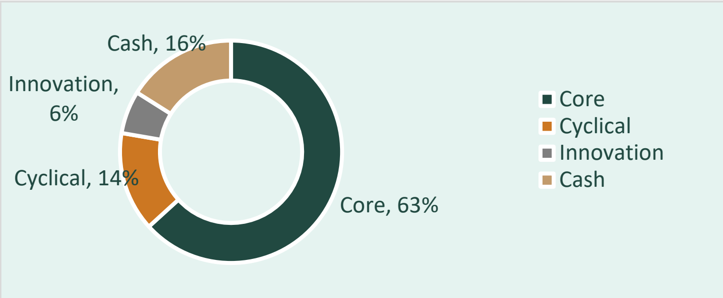
Source – Pella Funds Management

Currency Exposure

Currency	Direct	Exposure
USD	43%	43%
AUD	16%	16%
EUR	14%	14%
GBP	12%	12%
Others	15%	15%
HKD	4%	4%
SEK	1%	1%

Source – Pella Funds Management

Fund Segment Allocation



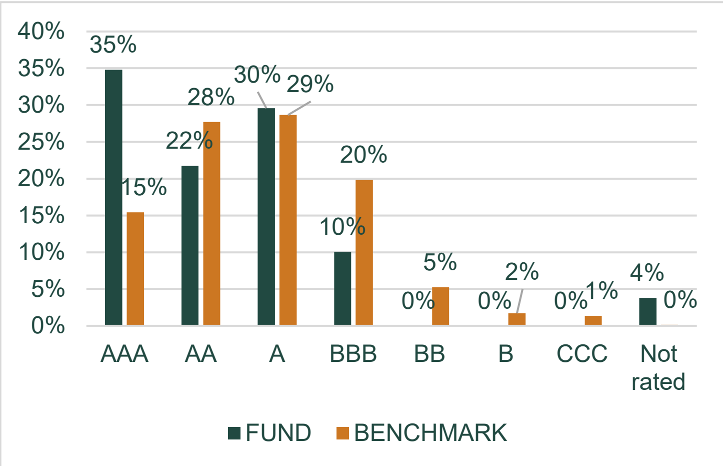
Source – Pella Funds Management

Sector (GICS) Allocation

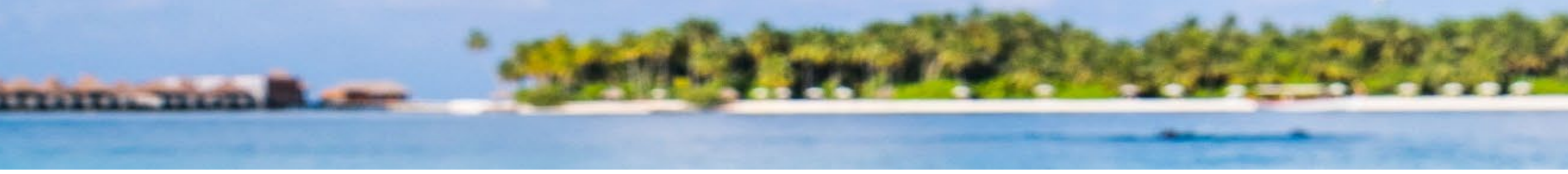
Sector	Fund	Benchmark
Health Care	24%	12%
Financials	21%	15%
Information Technology	16%	22%
Industrials	8%	10%
Materials	8%	4%
Consumer Discretionary	5%	11%
Communication Services	2%	7%
Consumer Staples	0%	3%
Utilities	0%	7%
Real Estate	0%	2%
Energy	0%	5%
Cash	16%	0%

Source – Pella Funds Management

MSCI ESG Rating Distribution



Source – Pella, using MSCI ESG data



Key Information

Portfolio Manager	Jordan Cvetanovski
Inception date	1-January-2022
Price Class B (NAV)	$1.26 (30 Jun 2023)
Buy/Sell spread	+0.25% /-0.25%
Minimum	$25,000
Additional Investment	$1,000/ $1,000 per month on a regular savings plan.
Pricing frequency	Daily
Distribution frequency	Annual
Base fee	0.65%
Performance fee	15% above benchmark
Benchmark	MSCI All Country World Index (“MSCI ACWI”) (A$, net) *
APIR code	PIM5678AU
ISIN	AU60PIM56781
Platform Availability	Macquarie Wrap Netwealth HUB24 North/MyNorth Direct Online Application

* The fund’s investable universe differs to its benchmark. The fund’s negative screen excludes several activities that are included in the benchmark such as fossil fuel mining, transportation, or electricity generation; weapons; alcohol; and casinos. The fund also excludes companies that are rated CCC by MSCI. In addition, the fund can invest in companies that are not included in the benchmark, provided those companies satisfy the fund’s liquidity requirements. Thus, the fund may be of a different return and risk profile then the benchmark.

Contact Us

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