Quarterly Commentary

December 2024

PELLA
RESPONSIBLE INVESTING

Investment Manager

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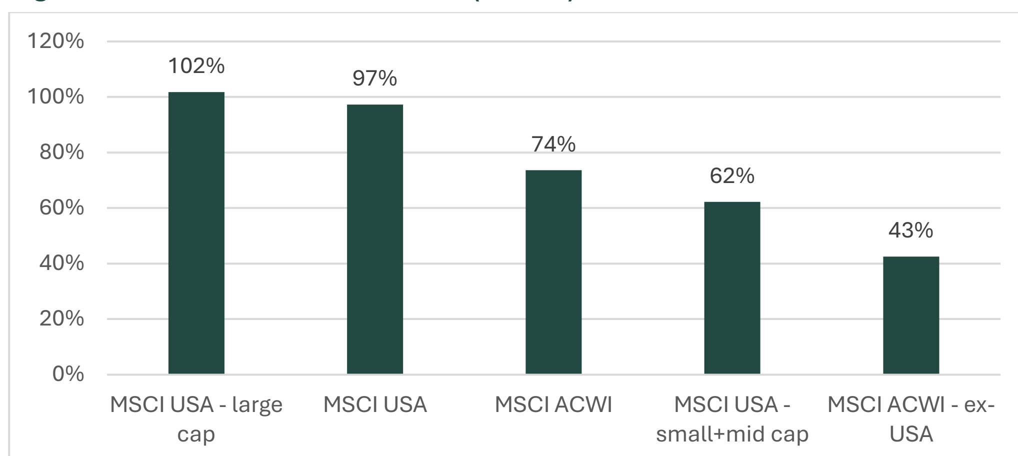
Message from the CIO

Jordan Cvetanovski
CIO and Portfolio Manager

Harold Samuel, a British real estate tycoon, is widely credited with coining the phrase “location, location, location” in 1944 to emphasise the three most important factors in determining a property’s value. Over time, this phrase has been applied across various industries, including hospitality, retail, transportation and logistics, education, and healthcare, to underscore the critical importance of strategic placement. More recently, it seems equally relevant to the stock market, where the US has become the most coveted location, and US large-cap stocks are seen as having the "best views." In many cases, simply being a US large-cap appears sufficient to command a premium valuation, often irrespective of other investment fundamentals.

Figure 1 illustrates the total returns generated by several MSCI equity indices from Dec-19 to Dec-24. The chart highlights that US large-caps outperformed US small and mid-caps by approximately 40% and non-US stocks (MSCI ACWI ex-USA) by around 60%. This significant outperformance by US large-caps was the primary driver of the strong performance of the US market and the global benchmark (MSCI ACWI). When US large-caps are excluded, the performance of the US market and the rest of the world appears much closer.

Figure 1 – MSCI indexes total return (in USD), 31-Dec-19 to 31 Dec-24

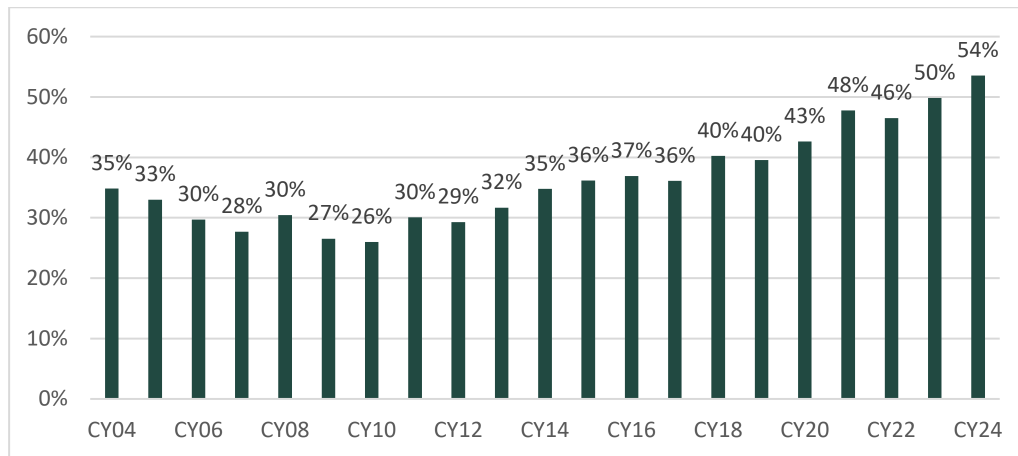


Source – Pella, MSCI

The magnitude of US large-cap outperformance over the past five years is striking and merits deeper analysis. To explore this, we divided the MSCI ACWI (Benchmark) into deciles (ten groups) based on company size and compared the performance of US-listed companies in the top decile (the largest US-listed companies) with the rest of the Benchmark. Our analysis spans the period from Dec-04, the earliest complete dataset available, to Dec-24, the most recent data point.

Using this approach, we identified the increasing influence of US large-caps on the returns of the broader market. Figure 2 shows that, as of Dec-24, US large-caps accounted for 54% of the entire Benchmark, up from 40% in Dec-19 and 35% in Dec-04. As of Dec-24, just 172 stocks represented more than half of the entire Benchmark, which comprised 2,647 stocks. The data reveals that the global Benchmark is less global than it may appear, being predominantly driven by a relatively small number of large US companies.

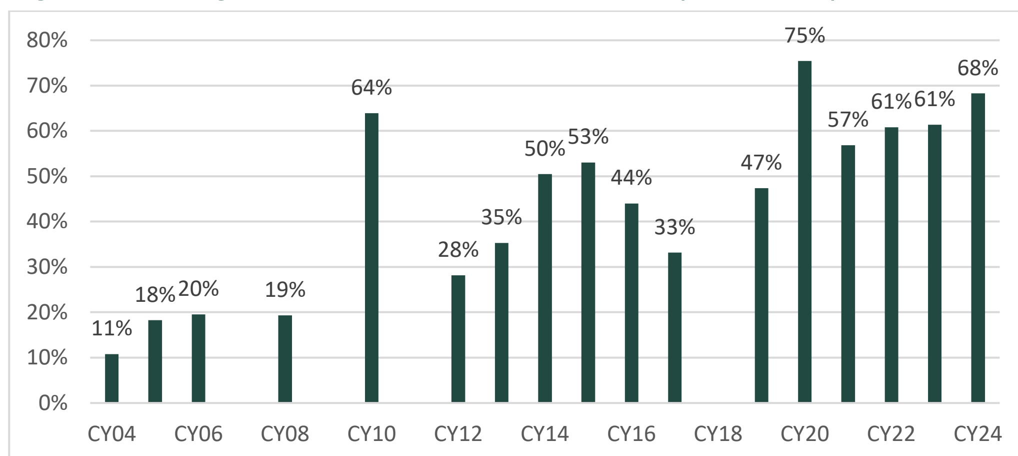
Figure 2 – US large-caps Benchmark (MSCI ACWI) weight



Source - Pella

The growing weight of US large-caps in the Benchmark means these companies increasingly dictate its performance. Figure 3 shows that since CY20, US large-caps have consistently contributed more than 50% of the Benchmark's total return. In CY24, they accounted for approximately 70% of the total return. This underscores that, since CY20, the most critical investment decision has been the level of portfolio exposure to US large-caps.

Figure 3 - US large-caps' contribution to Benchmark (MSCI ACWI) total return (1)

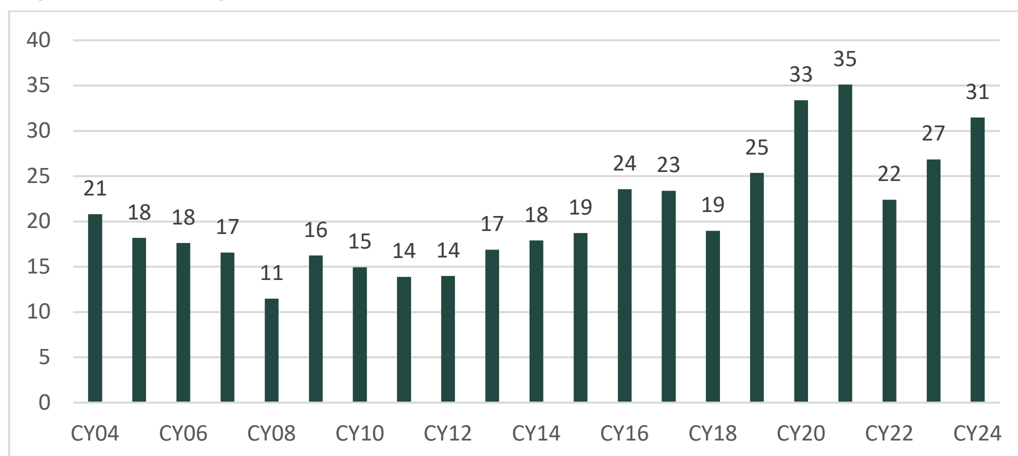


Source – Pella

(1) The contribution of US large-caps could not be calculated in years where their returns had a different sign compared to the total return of the rest of the world (RoW). This occurred in years where US large-caps generated a positive return while RoW returns were negative, or vice versa. Specifically, this mismatch was observed in CY07 and CY09 (US large-caps negative, RoW positive) and CY11 and CY18 (US large-caps positive, RoW negative).

Multiple expansion has been a significant driver of US large-caps' strong share market performance. Figure 4 shows that, after remaining in the low to mid-teens from CY05 to CY15, US large-caps' forward PE ratio began a steady climb in CY16. This upward trend experienced a temporary setback in CY22 due to rising interest rates during that period. While low interest rates typically justify higher valuation multiples, it is noteworthy that current PE multiples are significantly higher than those seen in the post-GFC period, even though interest rates were lower at that time. This suggests that factors beyond the interest rate environment are driving the elevated multiples.

Figure 4 - US large-caps' forward PE multiples (1)

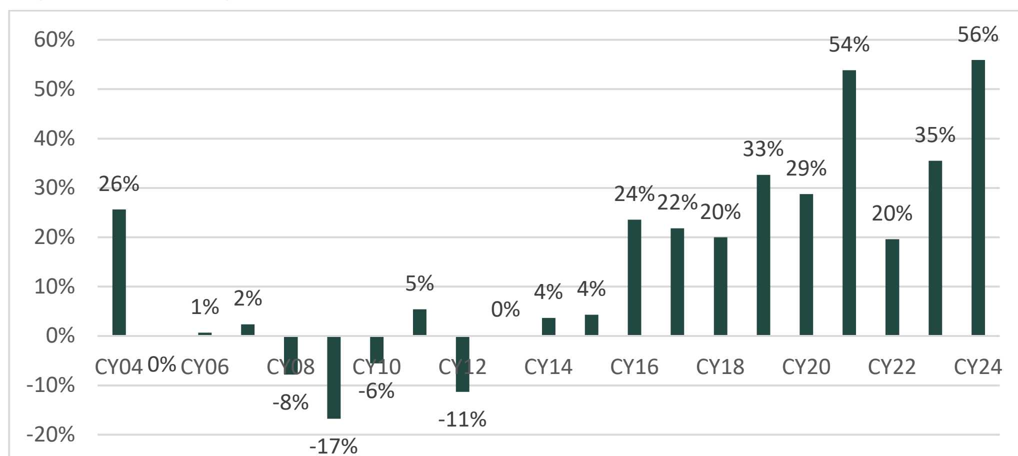


Source – Pella

(1) *The forward PE multiples were calculated using market-cap weight average and excluding companies with PE multiples greater than 200x, as those companies would distort the results.*

A key factor explaining the performance differential between US large-caps and the RoW is their relative PE multiples. Figure 5 shows that as of CY24, US large-caps traded at a PE multiple of 31x, representing a 56% premium to the RoW multiple of 20x. This premium is unprecedented and reflects the continuous expansion of US large-caps' valuation premium since CY16. By this measure, US large-caps have never been more expensive relative to other stocks.

Figure 5 – US large-caps PE multiples premiums to RoW PE multiples



Source – Pella

(1) *The forward PE multiples were calculated using market-cap weight average and excluding companies with PE multiples greater than 200x, as those companies would distort the results.*

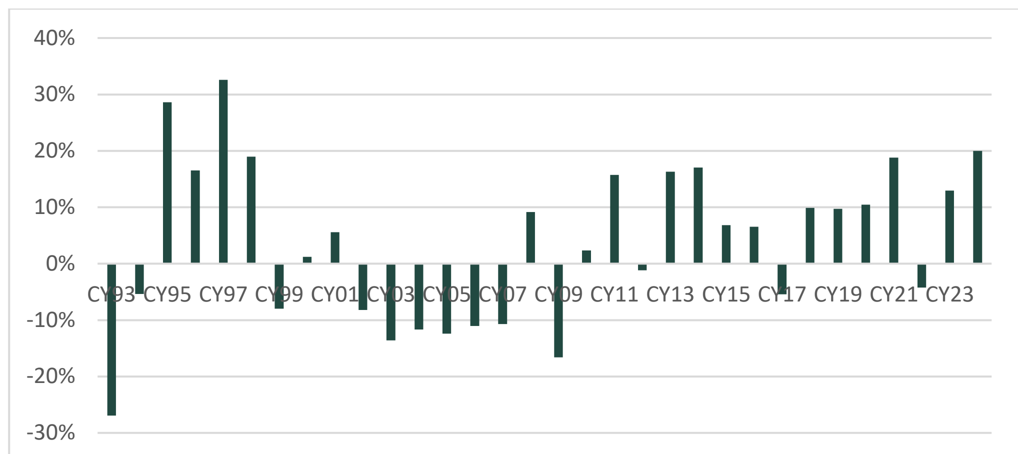
What does this mean?

The analysis highlights that US large-caps now account for more than 50% of the entire Benchmark. This dominance is the result of a sustained period of outperformance, primarily driven by their growing and unprecedented premium relative to other stocks. Their significant weight and strong performance have been key drivers of the Benchmark's overall returns. Consequently, the most critical factor influencing most investors' relative performance has been their level of exposure to US large-caps.

Given the significant influence of US large-caps, it is crucial to assess their likely trajectory and whether their strong performance can persist. Figure 6 illustrates the relative outperformance or underperformance of US large-caps (measured by the MSCI US Large-cap Index) versus the RoW (represented by MSCI ACWI ex-US). Excluding the exceptional outperformance of US large-caps since the bull market those stocks commenced in CY16, their historical track record shows underperformance against the RoW in eleven years, and outperformance in twelve years. If the recent period is viewed as an anomaly, history suggests that US

large-caps are not destined to consistently outperform the RoW, and periods of (sometimes severe) underperformance should be anticipated.

Figure 6 – Out(under)performance of MSCI US large-cap Vs. MSCI ACWI ex-USA (USD)

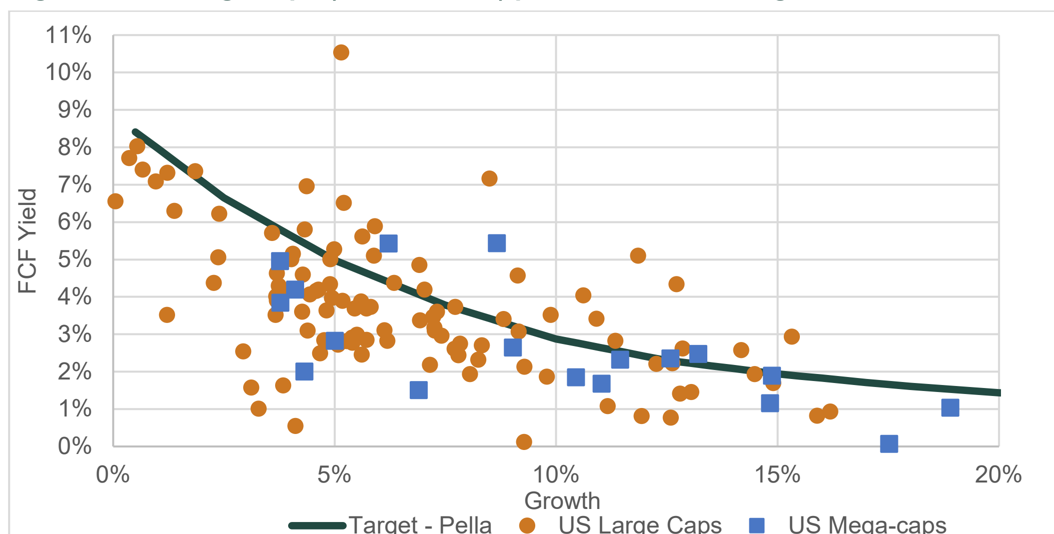


Source – Pella, MSCI

One of the most significant risks facing US large-caps is their elevated valuations. As highlighted in the analysis above, US large-caps currently trade at an extreme PE multiple premium relative to the rest of the world (Figure 5), necessitating a closer examination of this factor. While part of this premium expansion is fundamentally justified by the increasing skew of US large-caps toward tech-oriented companies with stronger growth profiles and lower capital intensity, we believe the actual premium expansion has significantly exceeded what is warranted.

The outcome can be seen in Figure 7 which positions US large-cap and mega-cap stocks (excluding financials) within Pella's growth-to-valuation framework, with valuation measured using free cash flow yield, which automatically adjusts for differences in capital intensity. In this analysis, mega-caps are defined as the 20 largest companies by market capitalisation. Of the 124 large-cap stocks analysed, only 20 met Pella's growth-to-valuation requirements, and just 4 of the 20 mega-caps satisfied these criteria. A significant proportion of the stocks fell well short of the target and Pella owns three of the four mega-caps that meet our growth-to-valuation standards. This highlights that, based on both their PE multiple premium and our growth-to-valuation framework, US large-cap and mega-cap stocks generally appear overvalued, reinforcing our strategy of investing selectively in those that meet our requirements.

Figure 7 – US large-caps (ex-financials) positions on Pella's growth-to-valuation model



Source - Pella

Pella recognises the appeal of several US large-cap companies and actively seeks to invest in them. However, our valuation discipline has made this challenging. As of Dec-24, 36% of the Fund was allocated to US large-caps, almost 20% below the Benchmark's 54% exposure. While this significant underweight position has been a headwind to relative performance, absolute returns remain strong, and we believe it is the appropriate approach.

Valuations remain critical, and US large-caps generally appear materially overvalued, making them vulnerable to a potential severe pullback. Similar corrections have occurred in the past, and there is no reason to assume they won't happen again. Such a decline would likely have a substantial impact on aggregate market performance, particularly for investors heavily exposed to these stocks, who have been benefiting from the recent momentum. This may be an opportune time to reassess exposure to US large-caps and consider alternative investment opportunities.

For proof of the importance of considering more than just "Location, Location, Location," reflect on Harold Samuel's legacy. Samuel purchased and resided in a Georgian mansion called Wych Cross Place in East Sussex. Despite its idyllic location, the property required substantial investment for upkeep and repairs. The financial strain of maintaining the estate ultimately led to its forced sale after Samuel's death in 1987. This serves as a reminder that location alone is not always enough.

Portfolio Positioning

In Q4 2024, the Pella Global Generations Fund ('Fund') delivered a return of 4.6%, underperforming its benchmark, *MSCI ACWI (AUD)* ('Benchmark'), which increased by 10.9%, by 6.3%.

The US election was the most notable event of the quarter. Trump's victory, underpinned by his America-First policies, acted as a key catalyst for US assets, driving up both the US stock market and the USD, which is now trading in its top quartile against most major currencies. Pella takes a more cautious view on the implications of Trump's policies, as we anticipate they will be inflationary. This expectation is already influencing the Federal Reserve's outlook, as reflected in the Fed's Dec-24 meeting, where the Fed revised upwards its inflation projections and the projected interest rate path. Correspondingly, US ten-year interest rates rose significantly, from 3.8% at the start of the quarter to 4.6% by quarter-end. Rising interest rates previously had a severe impact on US mega-caps in 2022, making this a key factor we continue to monitor closely.

Despite the rising interest rates, following the strength of its local stocks and the USD, the US was the primary driver of the Benchmark's performance. The MSCI USA index returned 15.2% (in AUD) over the quarter, compared to the MSCI ACWI ex-USA, which delivered 3.6% (in AUD). Following this sustained outperformance, the US now constitutes an unprecedented 67% of the Benchmark. As a result, global benchmarks are increasingly a euphemism for a US portfolio with relatively limited exposure to other regions.

Mega-caps were the primary drivers of both the US and, consequently, the Benchmark's performance. Stocks such as NVIDIA, Apple, Amazon, Tesla, Broadcom, Alphabet, JPMorgan, and Netflix delivered total returns exceeding 20% over the quarter, with Tesla standing out, with a gain of over 70%. These strong returns, combined with their significant index weights, meant that just ten US mega-cap stocks contributed approximately 50% of the Benchmark's total quarterly performance. To reinforce the point - these ten companies had as much impact on the index as the remaining 2,600+ stocks combined. As a result, the single most important factor determining a global fund's performance during the quarter was its exposure to US mega-caps. Funds overweight in these stocks were almost certain to outperform, while those underweight were likely to underperform.

The extent of the influence of US mega-caps is unprecedented in recorded history and is a subject worth exploring. We provided some analysis on this topic in the above Message from the CIO.

In this environment the Fund's underweight position in the US, and particularly US mega caps, was a key performance headwind. The absence of Apple, Tesla, Broadcom (for most the quarter), Alphabet, Meta, JP Morgan, and Visa accounted for approximately 50% of the Fund's underperformance.

In addition, some of the Fund's positions experienced notable declines. JD Sports' share price fell following its 3Q25 quarterly report, while Novo Nordisk dropped after reporting disappointing phase 3 results for its experimental weight-loss drug, *CagriSema*. Despite this, we believe Novo Nordisk is trading at a highly attractive valuation and we remain optimistic about its weight-loss franchise. The obesity market is currently dominated by only two players, Novo Nordisk's medications continue to demonstrate good efficacy, and the company has secured substantial manufacturing capacity in a supply-constrained market.

UnitedHealth also declined, despite reporting strong quarterly results, following the tragic shooting of one of its senior executives, which triggered a populist outcry against health insurers. We believe the criticism of insurers for "overearning" is largely unfounded, as evidenced by UnitedHealth's fair 5% profit margin. We expect these populist concerns to subside. UnitedHealth has consistently delivered outstanding performance over several years, provides an essential public service, and is trading at an attractive valuation. We remain confident in the long-term prospects of this stock.

Several of the Fund's positions delivered exceptionally strong returns during the quarter. These included TSMC and Vertiv, which provide exposure to AI, Lululemon, which reported robust quarterly results, Edwards Lifesciences (discussed in the "Stock in Focus"), 3i Group, and the insurance brokers Marsh & McLennan and Arthur J. Gallagher.

During the quarter, we exited five positions: IQVIA, Intercontinental Exchange, Ashtead, JD Sports, and Deutsche Boerse. Rising interest rates were key factors

in our decision to exit IQVIA and Intercontinental Exchange, while earnings disappointments prompted the exits of JD Sports and Ashtead. We exited Deutsche Boerse after the company surpassed our price target, coupled with a strategic decision to avoid over-exposure to financial exchanges following our investment in Hong Kong Exchanges during the quarter.

In addition to our investment in Hong Kong Exchanges and reflecting our increasingly positive view on China (as discussed in the 3Q24 Quarterly Report), we increased our weighting in Midea Group. We also added four US companies and a European industrial.

Following these changes, the Fund's exposure to Western Europe declined by 10% to 29%, remaining significantly above the Benchmark weight of 13%. Meanwhile, exposure to the US increased by 4% to 43%, which remains well below the Benchmark weight of 67%. The Fund's exposure to China/HK is 10%, well above the Benchmark weight of 3%, and the Fund currently holds no companies listed in Japan.

On a sectoral basis, the Fund is overweight in Health Care (discussed in the 4Q23 Quarterly Report), Financials, and Industrials; and is underweight in Communication Services, Information Technology, and Consumer Staples. The Fund held 7% in cash at the end of the quarter.

PORTFOLIO SEGMENTS

Core:

The Fund's exposure to the Core segment declined slightly to 73%. The most significant changes within this segment included exiting IQVIA, Ashtead, Deutsche Boerse, and JD Sports, offset by additions to new US stocks and a UK industrial stock.

Cyclical:

Exposure to the Cyclical segment remained stable at approximately 13%. This was driven by the addition of Hong Kong Exchanges, partially offset by the exit from Intercontinental Exchange. Additionally, we increased our position in Midea, and Lululemon's weighting rose due to its strong share price performance.

Innovation:

Exposure to the Innovation segment increased to 7% following the investment in Lantheus and a new US tech company, partially offset by a reduction in the Fund's exposure to Vertiv.

Stock in Focus

Ronald Yu
Investment Analyst

Edwards Lifesciences is a global leader in heart valve systems and repair products, offering a comprehensive portfolio of surgical and transcatheter therapies for replacing or repairing diseased or defective heart valves.

The heart has four valves — aortic, mitral, pulmonary, and tricuspid — that regulate blood flow by acting as one-way inlets and outlets. Heart valve disease occurs when one or more of these valves fail to function properly. Traditionally, treatment involved open-heart surgery to replace or repair the valve using either a mechanical valve or one made from cow or pig tissue. However, transcatheter replacement and repair, a minimally invasive procedure that uses a catheter inserted into a blood vessel, is now the preferred approach due to its lower risk and faster recovery time.

Product groups

Edwards Lifesciences operates through three product groups. The **Transcatheter Aortic Valve Replacement (TAVR)** group, focused on minimally invasive aortic heart valve replacement technologies, accounts for 76% of sales. The **Transcatheter Mitral and Tricuspid Therapies (TMTT)** group, which includes transcatheter repair and replacement technologies for mitral and tricuspid valve diseases, contributes 6% of sales. The **Surgical Structural Heart** group, offering technologies for the surgical replacement of heart valves, represents the remaining 18% of sales.

Why are medical device companies attractive?

As highlighted in the 4Q23 Quarterly Report, Pella is overweight in the healthcare sector, with a continued focus on medical device companies. These companies offer strong long-term growth potential, driven by factors such as an ageing population and increasing penetration in emerging markets. Medical device companies are typically high-quality businesses with significant barriers to entry, favourable market structures, and high margins. Additionally, many of these companies exhibit defensive characteristics, as their growth is primarily volume-driven rather than price-dependent. Given that medical devices are often lifesaving or life-changing and are frequently reimbursed by governments, these businesses tend to be less vulnerable to economic downturns.

Why invest in Edwards Lifesciences?

Edwards Lifesciences, the global market leader in transcatheter aortic valve replacement, is poised to become the global leader in the transcatheter mitral and tricuspid valve replacement and repair market. The company operates in a vastly underpenetrated market, significantly outspends competitors on research and development, and maintains best-in-class gross profit and operating margins.

The company pioneered transcatheter aortic valve replacement (TAVR), securing FDA approval for its SAPIEN system in November 2011, two years ahead of Medtronic's CoreValve system. Despite growing competition from new entrants such as Abbott Laboratories and Boston Scientific, Edwards Lifesciences remains the global TAVR market leader, with an estimated ~70% market share in the US.

TAVR has been the primary growth driver for Edwards Lifesciences over the past 12 years, achieving an average underlying sales growth of 26%. Building on this success, the company has been expanding into transcatheter therapies for the mitral and tricuspid valves, where underlying sales growth has averaged 65% over the past four years.

Edwards Lifesciences is on track to establish the largest portfolio of products and lead the global market in transcatheter mitral and tricuspid valve replacement and repair. Key approvals include the **PASCAL Precision** system for transcatheter mitral and tricuspid valve repair and the **EVOQUE** system for transcatheter tricuspid valve replacement. Additionally, approval for the **SAPIEN M3** transcatheter mitral valve replacement system is anticipated later this year.

Despite significant growth in transcatheter aortic valve replacement (TAVR), the market remains vastly underpenetrated, with only an estimated ~13% of patients with severe aortic stenosis currently receiving treatment. The market has expanded over time as approval has been granted for a broader range of patients, and there remains significant potential for further growth by securing approval for treating patients with asymptomatic severe aortic stenosis and moderate aortic stenosis. Similarly, the opportunity in the mitral and tricuspid market is substantial, with estimated intervention rates currently in the low single digits.

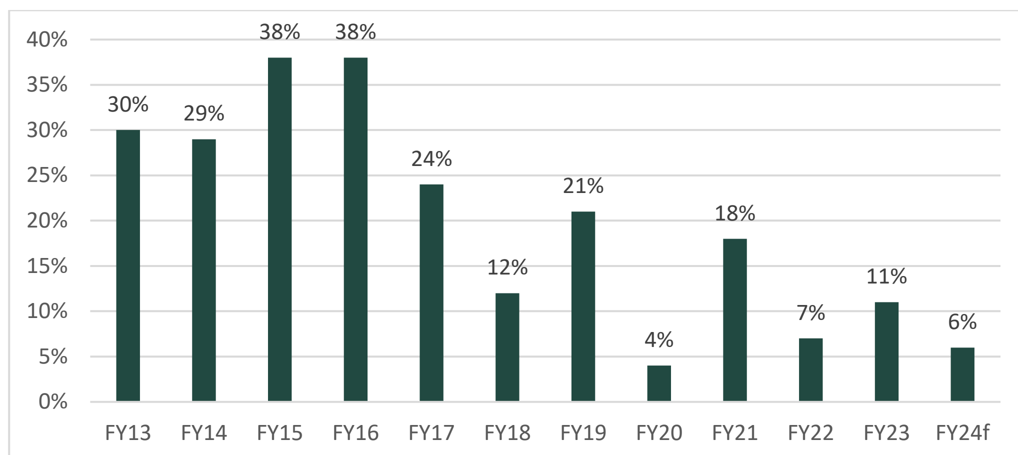
Edwards Lifesciences allocates nearly 20% of its sales to research and development, approximately double the level of its peers. This investment is even more pronounced when prorated based on sales of structural heart therapies. Such a significant commitment to research and development, both in absolute and relative terms, positions Edwards Lifesciences to maintain its leadership in transcatheter aortic valve replacement and to achieve global market leadership in transcatheter mitral and tricuspid valve replacement and repair.

The company's premium pricing strategy supports a best-in-class gross profit margin of nearly 80%, well above the ~70% margins typical of other medical device companies. Edwards Lifesciences also leads in adjusted operating income margin, achieving 28% compared to the ~25% average of its peers. This margin is expected to expand further, driven by an optimised product mix, operational efficiencies, stringent cost control, and increased scale.

Key concern – slowdown in transcatheter aortic valve replacement growth

Underlying sales growth in the Transcatheter Aortic Valve Replacement product group has slowed from an average of 27% between FY13 and FY19 to 10% between FY20 and FY23, with further deceleration to ~6% expected in FY24. The reasons for this post-COVID-19 slowdown have been widely debated. Some investors attribute it to structural factors such as excess deaths from COVID-19, a smaller-than-expected patient pool, and increasing competitive pressures. In contrast, Edwards Lifesciences cites temporary challenges, including post-COVID-19 staffing shortages and capacity constraints in hospitals, which we find to be plausible explanations.

Figure 8 – Underlying sales growth in Transcatheter Aortic Valve Replacement product group



Source: Company reports, Pella estimates

While sales growth in the Transcatheter Aortic Valve Replacement product group has slowed, there is potential for reacceleration. This could be driven by expanded approvals for treating asymptomatic severe aortic stenosis and moderate aortic stenosis patients, as well as the easing of hospital capacity constraints through improved training and workflows. Additionally, stronger-than-expected sales growth in the Transcatheter Mitral and Tricuspid Therapies product group is well-positioned to offset any shortfall in the TAVR product group.

Valuation

Edwards Lifesciences is trading on a FY25 free cash flow yield of 3.0% and based on Pella's growth-value framework, Edwards Lifesciences requires a revenue growth rate of 8.5% per year, which is below Edwards Lifesciences' target of 10% per year from FY26.

Conclusion

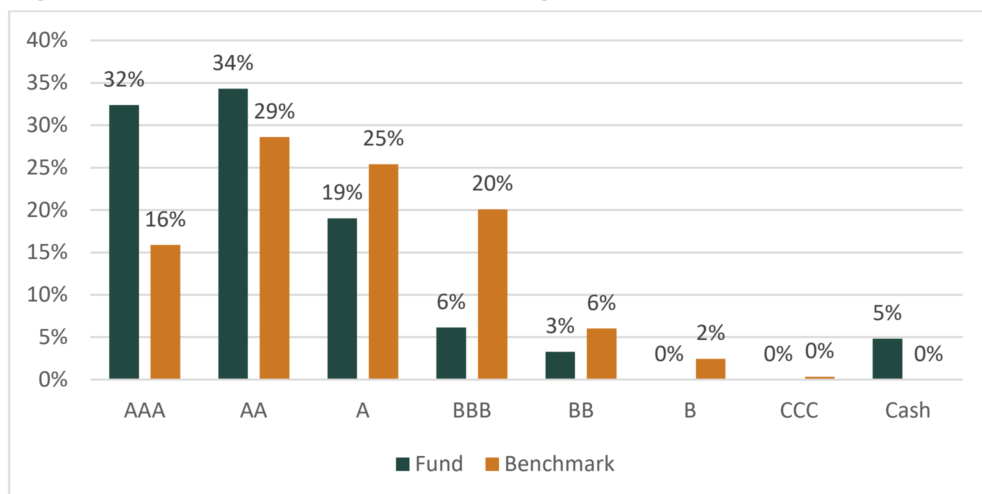
Edwards Lifesciences is a high-quality business that has experienced a significant valuation decline due to an unexpected slowdown in sales growth. However, we view this as an attractive entry opportunity, as the slowdown is likely temporary. We expect sales growth to reaccelerate, driven by expanded approvals and the resolution of hospital capacity constraints. Additionally, strong growth from the Transcatheter Mitral and Tricuspid Therapies (TMTT) product group positions Edwards Lifesciences to achieve at least high single-digit sales growth, complemented by improving margins.

Responsible Investing

During 4Q24, Pella met its Responsible Investing targets. The Fund avoided investing in companies on its exclusion list, achieved superior ESG metrics to its Benchmark (MSCI ACWI)., and maintained portfolio carbon intensity of at least 30% lower than the Benchmark. Additionally, Pella was an active steward of investors' capital and engaged in several initiatives that exemplify the corporate alignment with the principles it expects from its investments.

Figure 9 illustrates that the Fund's average exposure to stocks with MSCI ESG ratings of AAA or AA was 66%, compared to 45% for the Benchmark. Additionally, the Fund had less than 10% exposure to companies rated BBB or lower, versus 28% for the Benchmark. We believe this supports our view that the Fund had superior ESG characteristics relative to the Benchmark during the quarter.

Figure 9 – Fund Vs. Benchmark ESG rating distribution [1]

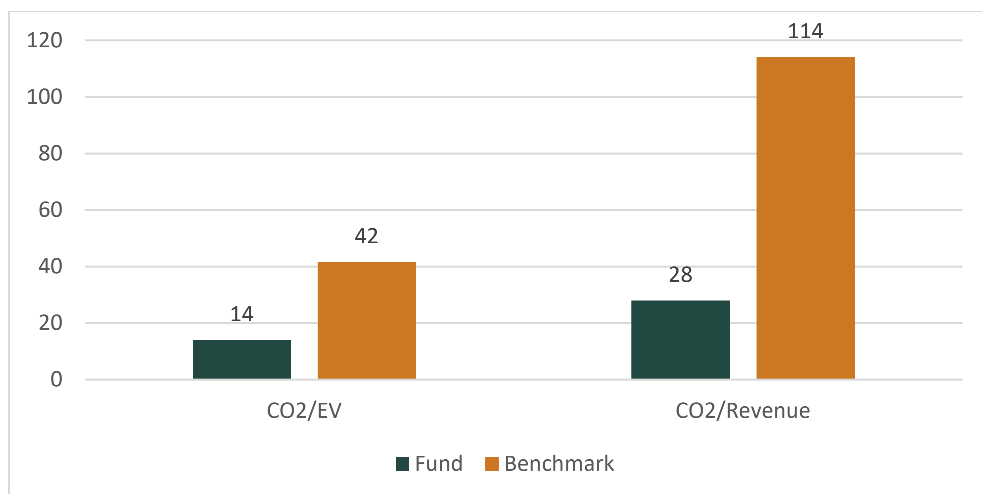


Source – Pella, MSCI ESG Manager

(1) Calculated using each stock's average weight over the quartile and their quarter end MSCI ESG rating

Figure 10 compares the Fund's carbon intensity, measured relative to enterprise value (EV) and revenue. It illustrates that the Fund's carbon intensity relative to enterprise value and relative to revenue was c66% and 75%, respectively, lower than the Benchmark. This means the Fund surpassed its carbon intensity target of being of at least 30% lower than the Benchmark.

Figure 10 – Fund Vs. Benchmark carbon intensity [1], [2], [3]



Source – Pella, MSCI ESG Manager

(1) Calculated using average stock weights over the quarter

(2) Carbon intensity to EV = tonnes (mils) of CO_2 (scope 1 and 2) per US$m of EV

(3) Carbon intensity to sales = tonnes (mils) of CO_2 (scope 1 and 2) per US$m of sales..

Our primary corporate engagement during the quarter focused on Vertiv, a Fund holding, following its MSCI ESG rating downgrade from BBB to BB. Pella analysed the causes of the downgrade and developed a plan for Vertiv to address the underlying issues. This plan was shared with Vertiv's CEO and discussed with the company's investor relations team. Many of the identified issues are readily addressable, and we will monitor and report on Vertiv's progress in future updates.

Pella also participated in all its shareholder votes during the quarter, and our voting strings are summarised in Figure 11.

Figure 11 – Pella's 3Q24 voting track record

Company	Meeting Type	Vote String
Midea	EGM	F
ResMed	AGM	FFFFFFFFFFFFF
Coloplast	AGM	FFFFFBFFFFFF
Microsoft	AGM	FFFFFFFFFFFFFFFAFFFF

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Below are details of ballots where we either voted contrary to Management recommendations, or the vote has a material ESG element.

Coloplast – ABSTAINED from the vote for the re-election of Niels Peter Louise-Hansen as director because the candidate is the primary beneficiary of the unequal voting rights share structure.

Microsoft – vote FOR the proposal for the company to *Report on Risks of Weapons Development*. We believe a vote for this resolution is warranted as the requested report would allow shareholders to better understand Microsoft's management and oversight of risks related to weapons development.

Voted FOR the company to ***R**eport on Risks of Operating in Countries with Significant Human Rights Concerns*. We believe shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries.

Voted FOR Microsoft to *Report on Risks of Using Artificial Intelligence and Machine Learning Tools for Oil and Gas Development and Production*. Pella believes shareholders would benefit from additional disclosure related to the potential risks associated with the use of the company's artificial intelligence and machine learning tools for new oil and gas development and production.

Voted FOR the company to Report on Risks Related to AI Generated Misinformation and Disinformation. Increased disclosure and greater transparency regarding risks related to misinformation and disinformation, including from generative AI, would benefit shareholders on its potential business impacts and how the company is managing these risks.

Voted FOR the company to Report on AI Data Sourcing Accountability. We believe a vote for this resolution is warranted as Microsoft is facing increased risks related to copyright infringement. Although it discloses information about its assessment of AI risks generally, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models.

On the corporate front, Pella was involved in several activities that demonstrate our commitment to Sustainability. We prepared a Blog, ESG Investing: Pure Capitalism, that analysed the historical impact ESG considerations have had on equity investment performance. In addition, we prepare an online course, Seven Flavours of Responsible Investing, that explains the different approaches to Responsible Investing and is accredited for CPD points. The course is publicly available, and we highly encourage anyone interested in Responsible Investing strategies to view it.

Pella completed its carbon neutral audit with support from Pangolin Associates and C&N Audit. To offset our emissions, we purchased carbon credits from the Mai Ndombe REDD+ Project, which is a forest conservation initiative located in the Democratic Republic of Congo. Additionally, we submitted our application for Climate Active certification and are optimistic about achieving carbon neutral status by the end of 1Q25."

In addition, during the quarter Pella participated in Climate Action 100+, where we have started exploring initiatives to improve sustainable fishing reporting, and we volunteered at Thread Together, as part of our Pledge 1% commitment. Finally, we received our United Nations Principles of Responsible Investment (UN PRI) 2024 Transparency Report, which we have made publicly available on our website.

In recognition of our focus on Responsible Investing, we were named a Responsible Investment Leader by the Responsible Investment Association Australasia (RIAA) for the second consecutive year. We are honoured by this acknowledgment and remain committed to maintaining our position among the leading investment managers demonstrating a strong dedication to responsible investing.

Pella Global Generations Fund

Performance

Net of all fees	PGGF Class B	MSCI ACWI (AUD, net)	Relative
1 month	1.0%	2.7%	-1.7%
1 quarter	4.6%	10.9%	-6.3%
1 year	23.0%	29.5%	-6.5%
2 years – p.a.	21.7%	25.4%	-3.7%
Inception to date – p.a. (1)	10.2%	11.2%	-1.1%

(1) Per annum 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 30 Nov 2024

Holdings Name	Sector	Country
3i Group	Financials	United Kingdom
Adobe	Information Technology	United States
AIA Group	Financials	China
Amazon	Consumer Discretionary	United States
Arthur J Gallagher & Co.	Financials	United States
Ashtead Group	Industrials	United Kingdom
ASML	Information Technology	Netherlands
B&M European Value Retail SA	Consumer Discretionary	United Kingdom
Coloplast A/S	Health Care	Denmark
Edwards Lifesciences	Health Care	United States
Epiroc	Industrials	Sweden
HDFC Bank	Financials	India
Hong Kong Exchanges & Clearing	Financials	Hong Kong
ICICI Bank	Financials	India
IMCD NV	Industrials	Netherlands
Lantheus Holdings	Health Care	United States
lululemon athletica	Consumer Discretionary	United States
Marsh & McLennan	Financials	United States
Mastercard, Inc.	Information Technology	United States
Microsoft	Information Technology	United States
Midea	Consumer Discretionary	China
Mosaic	Materials	United States
Novo Nordisk	Health Care	Denmark
Nutrien Ltd.	Materials	Canada
NVIDIA	Information Technology	United States
Prysmian Group	Industrials	Italy
ResMed, Inc.	Health Care	United States
Schneider Electric	Industrials	France
Sika AG	Materials	Switzerland
TSMC	Information Technology	Taiwan
UnitedHealth Group	Health Care	United States
Vertiv Holdings	Industrials	United States

Fund Analytics

As of 31 December 2024

Geographic & Asset Allocation

Asset Class	Fund	Benchmark
Developed Markets	**78%**	**90%**
United States	45%	65%
Europe	29%	13%
Japan	0%	5%
Others	4%	7%
Emerging Markets	**15%**	**10%**
Emerging Asia	15%	8%
Latin America	0%	0%
Others	0%	2%
Cash	**7%**	**0%**

Source – Pella Funds Management

Top Ten Holdings

Company	Sector	Country
3i Group	Financials	UK
AIA Group	Financials	China
Amazon	Consumer Discretionary	USA
ASML	Information Technology	Netherlands
Marsh & McLennan	Financials	USA
Microsoft	Information Technology	USA
NVIDIA	Information Technology	USA
Schneider Electric	Industrials	France
TSMC	Information Technology	Taiwan
UnitedHealth Group	Health Care	USA

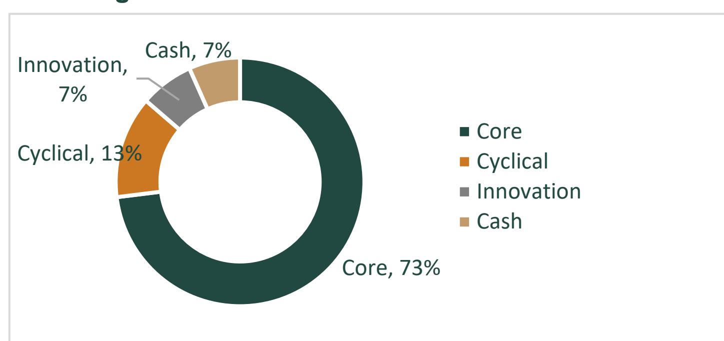
Source – Pella Funds Management

Currency Exposure

Currency	Direct	Exposure
USD	54%	54%
EUR	14%	14%
HKD	10%	10%
GBP	8%	8%
DKK	6%	6%
AUD	4%	4%
SEK	2%	2%
CHF	2%	2%

Source – Pella Funds Management

Fund Segment Allocation



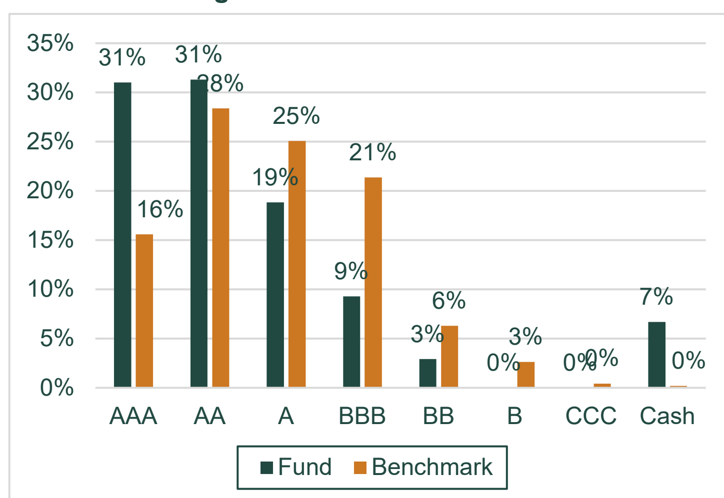
Source – Pella Funds Management

Sector (GICS) Allocation

Sector	Fund	Benchmark
Financials	24%	17%
Information Technology	21%	26%
Health Care	18%	10%
Industrials	16%	10%
Consumer Discretionary	10%	11%
Materials	3%	3%
Communication Services	0%	8%
Consumer Staples	0%	6%
Utilities	0%	2%
Real Estate	0%	2%
Energy	0%	4%
Cash	7%	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)	$1.52
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	BT Panorama HUB24 DASH Macquarie Wrap Netwealth North/MyNorth Praemium 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.

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