Quarterly Commentary

June 2024

PELLA

RESPONSIBLE INVESTING

Investment Manager

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Message from the CIO

Jordan Cvetanovski
CIO and Portfolio Manager

Buffett and Munger have imparted considerable investment wisdom over the years, some of which are straightforward, while other aspects are more subtle and often misunderstood. One well-understood piece of advice from Buffett and Munger is to invest in quality companies. However, we believe that their comments on diversification have been widely misinterpreted.

At the 2021 shareholder meeting of the Daily Journal Corporation, Charlie Munger referred to holding many stocks as "*diworsification*," which led many to believe that they should concentrate their investments in just a few sectors. However, Munger was actually criticizing the practice of holding hundreds of stocks about which investors know little, as opposed to maintaining a minimal number to achieve proper diversification.

Our interpretation is supported by the actions of Berkshire Hathaway, which holds investments across various sectors such as IT (Apple), Financials (American Express), Industrials (Burlington Northern Santa Fe Railway), Consumer Staples (Coca-Cola), Consumer Discretionary (Dairy Queen), Utilities (Berkshire Hathaway Energy), and Energy (Chevron Corp). It is difficult to find a company that is more diversified than Berkshire Hathaway.

Pella has long believed in the importance of investing in a diversified portfolio of high-quality businesses. In this note, we will explore the stock market performance of these quality stocks and the sectors where they can be found.

There is a notable link between business quality and stock market performance. Pella defines business quality as companies that generate high returns on capital, consistently grow, and demonstrate low volatility of revenue growth. Stock market returns are assessed through two primary metrics: total return and return volatility.

To explore this relationship, Pella analysed companies listed in the MSCI ACWI ("Index") that have at least a decade of market performance history and reported financials. Out of the 2,761 companies in the Index, 1,816 qualified. For these companies, we computed the ten-year historical median return on equity (ROE) and revenue growth, along with the ten-year standard deviation of revenue growth, and both the total return and its volatility over the same period.

Figure 1 summarizes the results of our analysis. Across the sample, the median ROE was 11.8%, sales/share growth was 5.9% p.a., standard deviation of revenue growth was 12.5%, and total return was 146.1% over the ten years. Using these figures, Pella defined Quality companies that generated a higher than 11.8% ROE and revenue/share grew more than 5.9% p.a. and the standard deviation of revenue growth was less than 12.5%. On the flip side, we define Low-Quality companies as those with ROE less than 11.8% and revenue grew less than 5.9%, and the standard deviation of revenue growth was more than 12.5%. To emphasise the point, Quality companies had to satisfy all three of the requirements, Low-Quality had to fail all tests, and the rest satisfied some, but not all, requirements.

Figure 1 – Measures of quality and return; %

ROE	Growth	StDev(Rev)	Return	Stdev (Returns)
11.8	5.9	12.5	146.1	27.6

Source - Pella

Figure 2 summarises the results of our analysis, which are that Quality companies generated a median ten-year total return of 287% Vs. 141% for Average companies and 73% for Low-Quality companies. In addition, 77% of the Quality companies beat the market, 49% of Average companies beat the Index and only 28% of the Low-Quality companies beat the index. Finally, High Quality companies also offered a lower volatility of share market returns than lower quality companies. These findings strongly support the case for investing in higher quality companies.

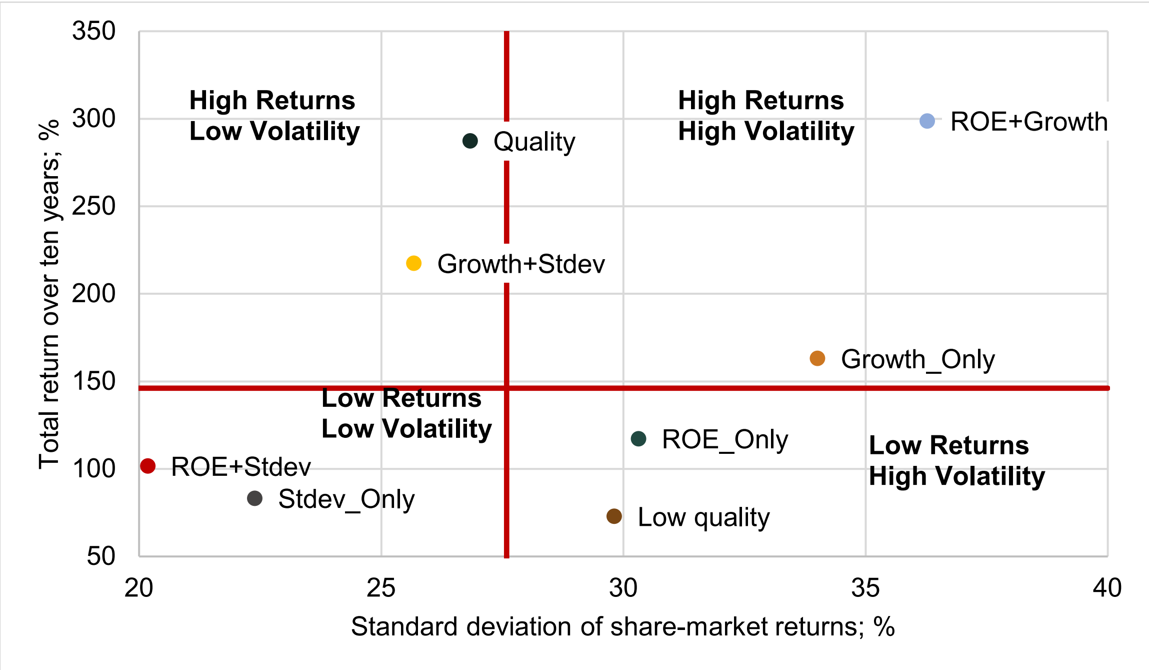
Figure 2 – Results of analysis

	Quality	Average	Low Quality	Total
Number	327	1,155	334	1,816
Median return; %	287	141	73	146
Stdev (returns); %	26.8	27.3	29.8	27.6
No. beat the market	251	562	95	908
% beat the market	77%	49%	28%	50%

Source - Pella

Figure 3 illustrates the combination of stock market returns and standard deviation of stock market returns for every combination of our key measures of quality (ROE, revenue growth, volatility of revenue growth). It demonstrates that stocks that fulfilled all three of our indicators of quality ('Quality') generated high returns and low volatility, meanwhile stocks that satisfied none of our measures of quality (Low-Quality) generated low returns and high volatility. None of the other combinations of our measures of quality generated as good or as bad combinations of stock market returns/volatility as the Quality and Low-Quality stocks.

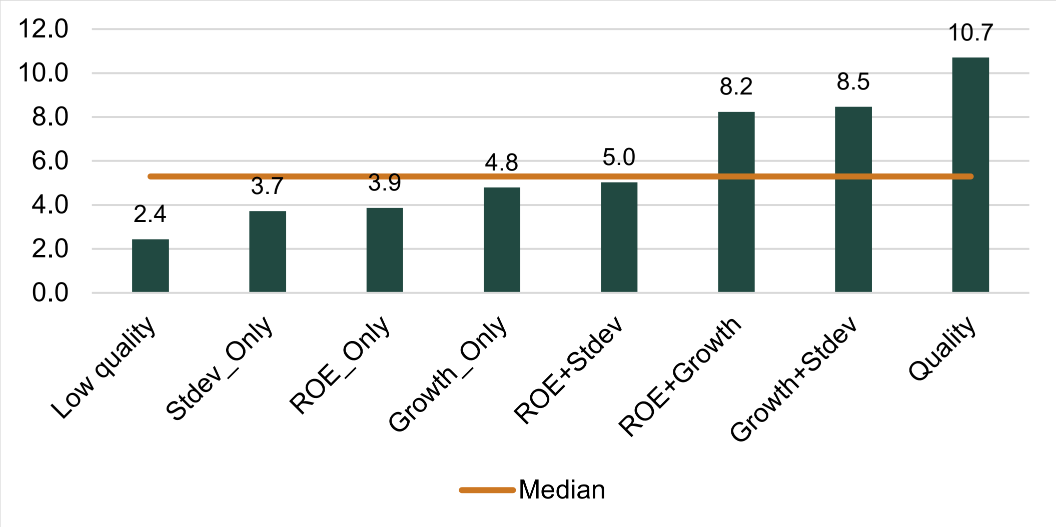
Figure 3 – Stock market returns & stock market volatility



Source – Pella

The argument for quality stocks is perhaps more clearly illustrated in Figure 4 which creates an index by dividing stock market returns with volatility of returns, where a higher figure implies a better relationship. This chart demonstrates that Quality companies have the highest score, by a considerable margin, while Low Quality stocks have the lowest score, again by a considerable margin. This data clearly offers a strong argument for investing in higher quality stocks.

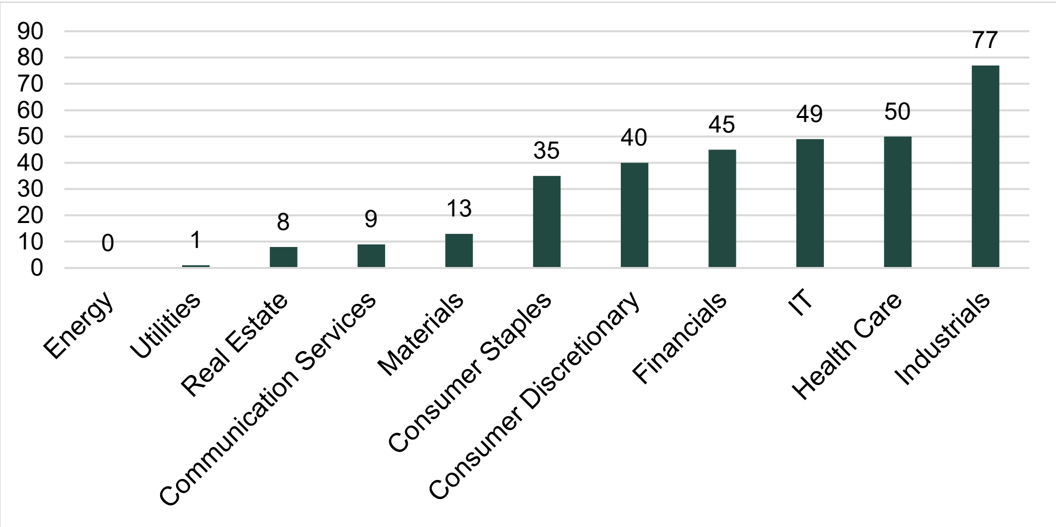
Figure 4 – Stock market total return / Standard deviation of returns



Source - Pella

Now that we know that we should be seeking Quality companies to invest in, the next step is to identify areas to find these stocks. Figure 5 illustrates that number of Quality companies by GICS sector. It demonstrates that several sectors offer a large number of Quality companies with the Consumer Staples, Consumer Discretionary, Financials, IT, Health Care, and Industrials sectors each offering more than 35 quality stocks.

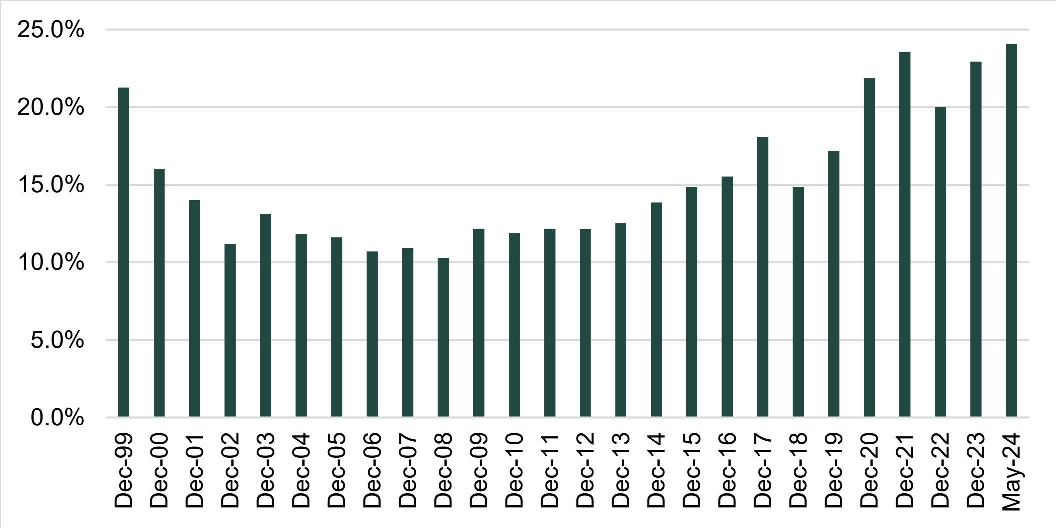
Figure 5 - No. of Quality stocks by GICS sector



Source - Pella

Despite the presence of numerous high-quality companies, the market seems disproportionately focused on the IT sector, often at the expense of others. Figure 6 shows that the weight of the IT sector within the MSCI ACWI has been on a steady rise since 2008, reaching a substantial 24% by May 2024—surpassing levels seen in 1999, just before the Tech Wreck. Moreover, since December 1999, the only other instance when a sector's weight exceeded IT’s current level was the Financial sector between 2004 and 2006, just before the Global Financial Crisis. While these patterns of high sectoral weighting prior to a collapse do not provide enough evidence to make definitive conclusions, they undoubtedly present a warning sign that merits careful consideration.

Figure 6 - IT sector's weight in the MSCI ACWI

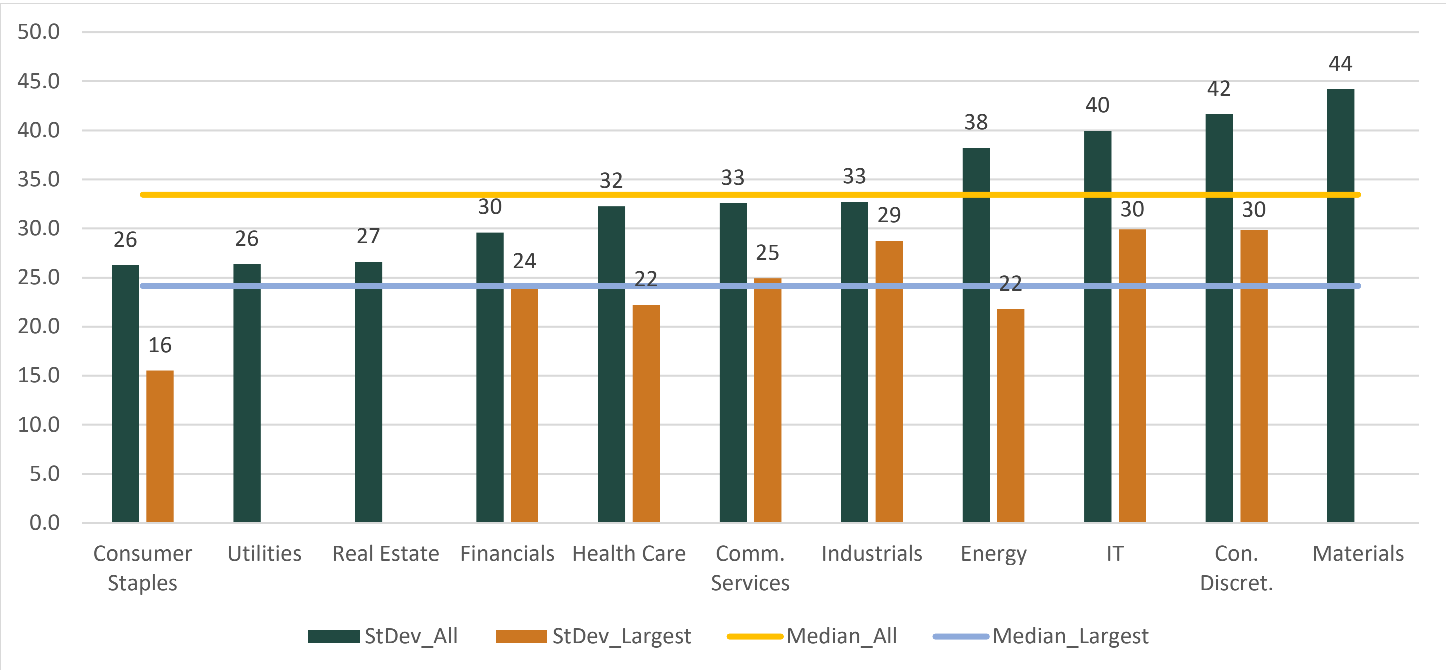


Source – MSCI, Pella

It should also be noted that the IT sector has relatively high volatility of returns. Figure 7 illustrates each GICS sectors' median volatility of return. It is calculated using the standard deviation of annual returns over (up to) 24 years, for every company in the MSCI ACWI that has at least ten years of return data (1,924 companies). The figure reflects the median standard deviation of the companies in that sector. It includes all the companies in the Index that satisfy our data requirements, and the largest 100 companies in the index. We performed the analysis for both groups, to review the analysis through the lenses of the entire Index and also to eliminate smaller companies, which tend to be more volatile than the largest ones.

In both samples, the IT sector's standard deviation of returns was high. We believe it is likely to be higher than what is reported below owing to the growth in the number of IT stocks with less than ten years of trading history, which are likely to be highly volatile due to their (often) lack of profitability. We can say with a high level of certainty that the IT sector demonstrates high volatility.

Figure 7 – Sector median volatility of returns (1)



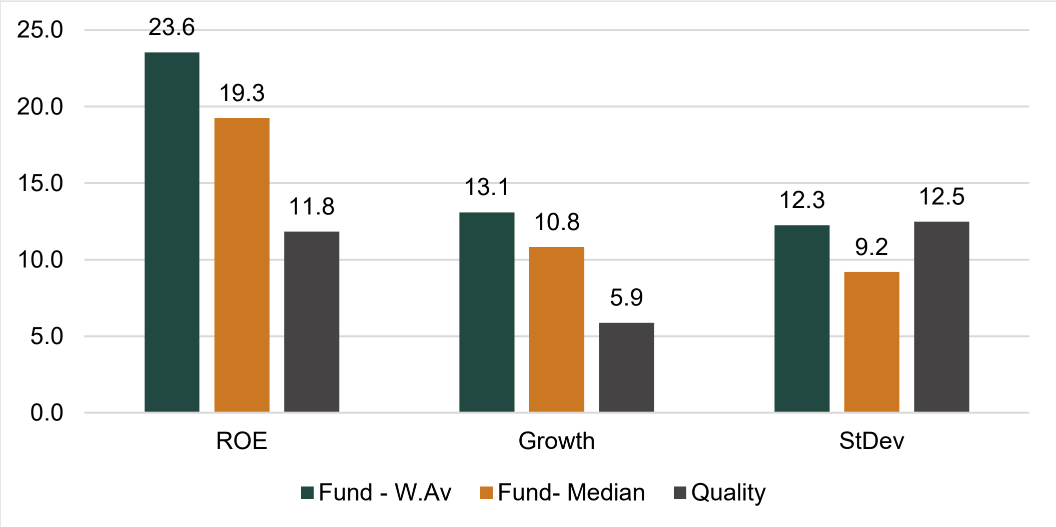
Source – Pella

(1) StDev_Largest and Median_Largest only includes the largest 100 companies in the Index

The market's high exposure to IT, coupled with its volatility, raises cautionary flags but doesn't necessitate complete avoidance of the sector. Instead, it underscores the importance of broadening investment portfolios into other sectors. With quality stocks available across various sectors, achieving such diversification should not pose significant challenges. Over the past two years, Pella has successfully diversified its holdings, including stocks from Ashtead in Industrials, Novo Nordisk in Health Care, Microsoft in IT, Marsh & McLennan in Financials, JD Sports in Consumer Discretionary, Sika in Materials, and Alphabet in Communication Services.

Figure 8 illustrates the Fund's quality metrics on a weighted average basis (by position weight) and a median basis, to correspond with how we measured the Index's quality. It demonstrates that the Fund satisfies all the quality key metrics. This outcome has been delivered with diversified exposures across Health Care, Industrials, IT, Financials, Materials, Communication Services. If history is a guide, this should bode well for future performance, which would be delivered without betting on the performance of a single sector.

Figure 8 – Fund quality metrics as of 30 Jun-24



Source - Pella

The key takeaway from the discussion above is the importance of investing in quality companies across various sectors. Currently, the market is heavily focused on IT, leading to disproportionate investments in this sector and elevating its weight in indexes, which, given the inherent volatility of IT, should prompt some scrutiny. We advocate for the benefits of diversifying investments into quality companies in other sectors as well and we have constructed our portfolio accordingly. Rather than just taking our word for it, consider the actions, rather than a handful of words, employed by Berkshire Hathaway.

Portfolio Positioning

In 2Q24 the Pella Global Generations Fund (“Fund”) delivered a return of 3.0%, outperforming its benchmark[1] by 2.5%, which increased 0.5% with the Information Technology sector making the largest positive contribution and Materials was the worst performing sector.

The most notable feature of the Benchmark’s quarterly performance is the narrowness of that performance, with positive returns generated by only a handful of stocks. Only three sectors—Information Technology, Communication Services, and Utilities—produced positive returns. The strength of the Communication Services sector is entirely explained by Alphabet, which arguably has more similarities to the IT sector than to the Communication Services sector. The strength in Utilities is largely explained by recognition that AI datacentres will increase electricity demand.

Digging deeper, every sector, including IT, had more declining stocks than appreciating ones, with the Benchmark's ratio of declining-to-positive stocks at 1.60. Our analysis indicates that more than 100% of the Benchmark’s total positive return is attributable to just six stocks: NVIDIA, Apple, Alphabet, Microsoft, Amazon, and Meta. Without these stocks, the Benchmark would have generated a negative return of approximately 2% for the quarter.

The Fund’s performance was more dispersed than the Benchmark. Unlike the Benchmark, the Fund had a greater number of appreciating stocks than declining ones, with a ratio of 1.23 appreciating stocks for every declining one. The positive stocks were represented across various sectors, including Health Care (Halozyme, Lantheus, Novo Nordisk), Industrials (Vertiv, Schneider Electric), Financials (AIA Group, HDFC Bank), IT (TSMC, NVIDIA), and Communication Services (Alphabet).

We believe the ability to invest in a broad array of sectors will be important when the technology sectors stops driving the entire 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.

During the quarter, Pella exited seven positions and added four new positions to the portfolio. We exited Shockwave Medical as it was acquired by Johnson & Johnson; Vertiv Holdings, Intuit, and Thermo Fisher on valuation grounds; Vinci due to concerns about France’s political situation after Macron called an early election; and Darling Ingredients due to it hitting our stop loss. The new additions include two European industrials, one emerging market financial, and a fertilizer company.

The biggest change to the Fund’s sector exposure was a reduction in Health Care by 2.6% due to the Shockwave exit and in Consumer Staples by 2.3% due to the Darling Ingredients exit. Meanwhile, exposure to the Materials sector increased by 1.9%, Industrials by 1.2%, and Financials by 1.1%.

Following these changes, Financials ended the quarter as the Fund’s largest sectoral exposure, with a 23% weighting, which is close to the ceiling sector weight limit of 25%. The Fund remains underweight in the IT sector and held 9% in cash at quarter-end.

Portfolio Segments

Core:

The Fund’s exposure to the Core segment remained relatively unchanged at 77%. During the quarter the Fund exited five Core positions (Vertiv, Vinci, Intuit, Rightmove, and Thermo Fisher), added two new positions and increased exposure to Schneider Electric, for reasons discussed in this quarter’s Stock in Focus.

Cyclical:

Exposure to the Cyclical segment was increased from 5% (1Q24) to 7% (2Q24) due to the increased exposure to two emerging market financials, and the investment into a fertilizer company.

Innovation:

Exposure to Innovation was decreased from 10% (4Q23) to 8% (1Q24) due to the Shockwave Medical exit, which was partially offset by the NVIDIA’s strong share price performance, which increased the weight of that stock in the Fund.

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

Stock in Focus

Ryan Fisher
Investment Analyst

We last discussed Schneider Electric in Pella's September 2022 quarterly report. Since then, the narrative has evolved, and the broader "electrification" theme has become even more compelling. Therefore, we believe it is worth revisiting the investment case for this stock. Before diving into that, here's a quick refresher on the company.

Company background

Schneider Electric, headquartered in France and listed on the Paris Stock Exchange, was founded in 1836. Following a major acquisition in 1975, the company shifted its focus from steel and industrial products to electricity and energy. Since then, Schneider has developed a global footprint, with North America and the Asia Pacific now contributing more revenue than Western Europe.

Key areas of business

Over the past decade, Schneider Electric has continued to refine its focus, now dividing its operations into two segments: Energy Management (79% of group revenue) and Industrial Automation (21% of group revenue).

- Energy Management services homes, buildings, data centres, grids/infrastructure, and industrial companies. It provides a comprehensive range of products, systems, software, and services, all aimed at enhancing customers' energy efficiency and reliability.
- Industrial Automation offers products and solutions for the automation and control of machines, manufacturing plants, and industrial sites.

Additionally, the company has a rapidly growing software offering that features full integration of its energy management and automation services, covering the customer's entire process from design to build to operation and maintenance.

A clear beneficiary of electrification, sustainability and digitalisation

Schneider's global market share in electrification, roughly 20%, is driven by its comprehensive product and service offerings and its diverse distribution network. The company holds a clear leadership position in low voltage protection devices (such as circuit breakers and panel boards), co-leadership in medium voltage equipment and grid solutions, and #2 positions in UPS (battery backup), cable management, and wiring devices.

Sustainability is at the core of Schneider's strategy and operations. The company estimates that over 70% of its revenue already comes from climate and resource-efficiency solutions. Its targets include achieving 80% green revenue and saving and avoiding over 800 million tons of CO_2 by 2025 (compared to 2018). Therefore, Schneider is well-positioned to benefit from global energy trends, with the demand for energy, climate, and resource efficiency solutions likely to grow twice as fast as overall industrial demand.

Simultaneously, the ongoing digitalization of the economy and society is increasing the demand for data centre capacity. Schneider has a particularly strong integrated offering in this area, currently generating around 15% of group sales, and has been gaining market share. Additionally, the growth in wireless data traffic and the rise of big data is driving the need for increasingly sophisticated electrical and digital infrastructures within buildings. The emergence of labour shortages and wage inflation in many parts of the world is likely to drive accelerated investment in Schneider's automation and industrial software applications.

These developments have a beneficial knock-on effect for Schneider. For example, installing solar panels and EV chargers in buildings will require renovating and upgrading existing electrical systems, from circuit breakers and panel boards to cable and load management. The rise in renewables, rapid growth in AI and data centres, and growing demand for fast charging stations for EVs will put pressure on existing electrical grids, creating the need for more sophisticated distribution solutions.

An attractive operating model

Schneider's margins have significantly improved over the past decade, now standing well above the peer average. Equally important, the company has developed a relatively flexible cost base and an agile supply chain. Seventy percent of the group's cost base is variable, and its focus on assembly (as opposed to hard-core manufacturing) results in a low energy-intensive and low capital-intensive operating model.

On the supply side, Schneider uses a multi-hub model, enabling it to leverage global scale effects while maintaining a strong local presence with products adapted to local specifics and standards. In 2022, Schneider was ranked second in the Gartner Supply Chain Top 25 study, which identifies companies demonstrating excellence in supply chain management. This enabled Schneider to navigate the challenges of the post-COVID period, including the lockdowns in China, without the same difficulties faced by many other companies.

Schneider has also managed to be net price-positive in recent years, even accounting for high input cost inflation. This is due to its pricing power, stemming from a combination of a high-barriers-to-entry industry, a fragmented customer base, proven innovation capabilities, and the industry's largest distribution network. Additionally, product prices represent only a small portion of total electrical installation costs (compared to labour, which accounts for around 70% of total costs). The cost of electrical installation is only a mid-single-digit portion of the total cost of a new building. Therefore, electricians, who tend to have strong brand loyalty, can generally pass any electrical product price increases on to the final customer quite easily.

Pella has owned Schneider Electric since the inception of the Fund. Our initial rationale for owning the stock can be summarized into three main points:

- Emergence of "electrification" as a very attractive long-term growth opportunity.
- Our belief that Schneider had a best-in-class footprint in this space, was ahead of the curve in reshaping its global manufacturing and distribution model and was also ahead of its European peers in exiting various lower-returning legacy businesses.
- Our view that the equity market was in the early stages of recognizing both the attractiveness of the broader electrification theme and Schneider's strong positioning to benefit from it.

Our three-dimensional valuation model (growth vs. FCF yield vs. risk) indicated that the share price at the time significantly undervalued the company. Our analysis suggested that the market was placing too much emphasis on Schneider's historical performance (mediocre management and a heavy skew towards short-cycle business lines) and not enough on the positive changes that had already taken place (strong management and a greater focus on structural versus cyclical growth).

Since then, two key parts of our original investment thesis have been playing out:

1. Greater recognition by the market of the improvement in Schneider's management quality, operating model, and business mix. This improvement was highlighted by its relatively resilient performance through the global supply chain crisis, followed by an extended streak of "beat and raise" financial results, and the announcement of strong growth targets at the November 2023 Capital Markets Day (2023-27 organic growth target of 7-10% per annum, up from the company's previous growth target for 2022-24 of 5-8%).
2. Rising awareness of the appeal and durability of the broader electrification theme. The increasing demand from data centres, which account for around 15% of group sales, has been attracting significant attention. The energy crisis and surge in power prices in 2022 also raised awareness of the pressing need for governments and commercial entities to accelerate their investments in electrification.

This has resulted in the stock outperforming the MSCI ACWI index by around 25% in the period since our fund's inception (driven by a combination of earnings upgrades and valuation re-rating, with the stock now attracting a premium valuation to its European peers and trading at a much smaller discount than before to its key US peers).

Despite this strong performance, we see room for further upside.

Reason #1: Structural tailwinds have further to run.

- We believe that the well-recognized parts of the structural story (e.g., the strong growth in demand

from data centres) still have many strong years ahead.
- Other parts of the structural story (e.g., the pressing need for grid improvement) are only just beginning to pick up steam.

Reason #2: Cyclical factors have actually been a drag and are set to improve.

- Recently, the Industrial Automation business has been a drag on Schneider's overall results due to the slowdown in industrial activity in China and, to a lesser extent, Western Europe.
- However, recent commentary from Schneider and its peers suggests that demand is bottoming out and, barring a global recession, should recover in the coming years.
- This aligns with another of Pella's key themes: industrial resurgence.

Reason #3: The stock is still priced for attractive returns.

- While the stock is no longer distinctly "cheap" on our valuation model, it is still priced well enough to meet our absolute return requirements, which are above what the market as a whole is currently pricing.

The key risk to the stock would be a major downturn in the global economy, which the company would not be immune to. However, we believe its leadership in a structurally expanding space, along with its diversified profile across geographies and end markets, position it relatively well.

With the company headquartered in France and listed on the Paris exchange, another near-term risk relates to the upcoming French parliamentary election. In the event of an adverse outcome, the stock could be affected by broader market weakness in Paris. However, Schneider's fundamentals and its performance beyond the initial period of volatility should be buffered by the fact that it is a truly global business, with only 6% of revenue from France and about 25% from Western Europe as a whole. Evidence of this resilience can be seen in the stock's performance since the European parliamentary surprise in early June, which triggered the snap announcement of the elections in France. The French market as a whole has fallen more than 5%, while Schneider has declined less than 1%.

We have consolidated our AI/datacentre exposures and added a new stock.

We recently sold our position in Vertiv, one of our higher risk-reward AI/datacentre plays. With the stock having performed very strongly, our analysis indicated that it had already realized much of its upside potential.

We elected to roll part of that position into an expanded portfolio weighting for Schneider, which we view as a lower-risk, less expensive, and more diversified play. Additionally, we made a new investment in Prysmian.

Prysmian is the world's leading producer of high voltage power cables (used for renewables transmission), medium voltage cables (used for power distribution/grids), and low voltage cables (used for electrification purposes), as well as copper and fibre optic cables (used by telcos and, increasingly, data centres). The company generates high returns on capital and is very well positioned to benefit from several structural tailwinds, notably the rising demand for renewable power transmission and the pressing need for grid enhancement in both the US and Europe. We aim to write a more detailed piece on Prysmian in a future publication.

Responsible Investing

During 2Q24, Pella was successfully certified as a B Corporation. As a B Corp, we are part of a global community of businesses that meet high standards of social and environmental impact. While this is not directly related to related to the Fund's portfolio attributes, Pella has long believed that our behaviour is critical for the delivery of Responsible Investing funds.

As part of our Pledge 1% commitment, during the quarter Pella volunteered at the Jesuit Refugee Service (JRS) Food Bank. This essential service sustains refugees and asylum seekers in a modern world. Australia hosts nearly 60,000 refugees and 80,000 asylum seekers, many of whom face significant challenges upon arrival. JRS provides crucial support, offering food, household staples, and guidance.

Following the 3Q23 launch, Pella's Monthly Sustainability Reports are continuing to develop a deeper track record. These reports provide a succinct and quantifiable summary of the Fund's key sustainability measures. We believe the positive impact table is particularly useful. One of the key issues with positive impact reporting is that some companies are classified as positive impact due to a portion of their revenue being derived from positive impact activities, while other elements do not have a positive impact. Our solution is to report our calculation of the bands of positive impact revenue generated by the Fund's positions.

During the quarter, Pella completed an extensive review of its ESG rating providers, focusing on the methodologies used by MSCI and Sustainalytics. We scrutinized the mathematical approaches and logic that underpin these methods, resulting in an internal document of over 40 pages to thoroughly analyse their approaches. This is crucial because Pella places significant emphasis on external ESG ratings, and our confidence in this emphasis has been reinforced following our review. We found that the approaches of both MSCI and Sustainalytics are comprehensive, logical, and unbiased. While both providers offer excellent processes, we have decided to continue our partnership with MSCI.

Pella ensured that the Fund complied with its Responsible Investment guidelines. Approximately 33% of the Fund is invested in companies rated AAA by MSCI and 100% of the Fund is invested in companies with a rating equal to or higher than a BBB rating. In addition, the Fund's carbon intensity is significantly lower than its target, 30% below the benchmark.

During the quarter, Pella conducted its biannual outreach to each portfolio holding that is not yet a signatory of the United Nations Global Compact (UNGC), encouraging them to commit to its principles. We were particularly pleased this quarter as Ashtead Group became a signatory, following our three prior attempts since 2022 to encourage their commitment. We extend our congratulations to Ashtead for their public commitment to the Ten Principles of the United Nations Global Compact, which focus on human rights, labour, the environment, and anti-corruption.

The second quarter is the busiest one for shareholder votes. Pella participated in every vote and Figure 10 summarises the voting string for all the meetings we participated in.

Figure 9 – Pella's 2Q24 voting track record

Company	Meeting Type	Vote String
3i Group	Annual	FFFFFFFFFFFFFFFFFFFF
Adobe	Annual	FFFFFFFFFFFFFFFAA
AIA Group	Annual	FFFFFFFFFFFF
Alphabet	Annual	FFFAAFAFAAFAAAAFFFFFFFF
Arthur J. Gallagher	Annual	FFFFFFFFFFF
ASML Holding	Annual	FFFFFFFFFFFFF
CME Group	Annual	FFFFFFFFFFFFFFFFFFF
Darling Ingredients	Annual	FFFFFFFFFFFFFF
Deutsche Boerse	Annual	FFFFFFFFFFFFFFFFFF
Halozyme Therapeutics	Annual	FFFFF
IMCD NV	Annual	AFFFFFFFFFFF
IQVIA Holdings	Annual	FFFFFFFFF

Lantheus Holdings	Annual	FFFFFF
Marsh & McLennan	Annual	AFFAAFAAFFFFFF
NVIDIA	Annual	FFFFFFFFFFFFFFF
Rightmove	Annual	FFFFFFFFFFFFFFFFFAFF
Schneider Electric	Annual/Special	FFFFFFFFFFFFFFFFFFFFFF
Shockwave Medical	Special	FAF
Thermo Fisher Scientific	Annual	FFFFFFFFFFFFFA
UnitedHealth Group	Annual	FFFFFFFFFFFFF
Vertiv Holdings	Annual	FFFFFFFFFFFFF
VINCI	Annual/Special	FFFFFFFFFFFFFF

Below is the explanation for our voting on key ESG-related issues:

Adobe – voted AGAINST the proposal to require *Report on Hiring Persons with Arrest or Incarceration Records*. We are concerned that report would work against people with incarceration records, making it more difficult for them to get a job and making them pay twice for prior mistakes.

Alphabet – voted AGAINST the election of John Hennessy, Frances Arnold; as they are governance committee members, and our vote is a protest against the company's multi-class structure without a sunset clause. Voted AGAINST the election of John Doerr, K. Ram Shriram, and Robin Washington, who are members of the compensation committee, due to the absence of a say-on-pay proposal on the ballot.

Voted AGAINST the proposed *Amend Bylaw regarding Stockholder Approval of Director Compensation; Report on Risks of Omitting Viewpoint and Ideological Diversity from Equal Opportunity Policy; Report on Electromagnetic Radiation and Wireless Technologies Risks*; as we believe those proposals are overly prescriptive.

Voted AGAINST the proposal to A*dopt Policy to Require Board of Directors Members to Disclose their Political and Charitable Donations*, as we believe in those individuals' right to privacy.

Voted FOR a *Report on Climate Risk in Retirement Plan Options* in line with our Sustainability targets.

Vote FOR a *Report on Lobbying Payments and Policy* as we believe all companies should report on those payments and policies to help the general public assess political conflicts of interest.

Vote FOR the proposal to *Approve Recapitalization Plan for all Stock to Have One-vote per Share*, which would improve corporate governance and would be in minority shareholders' best interests.

Voted FOR the proposed *Report on Reproductive Healthcare Misinformation Risks*, as Google is a leading providing of information, and the general public could be assisted by understanding misinformation risks while babies in in-utero.

Voted FOR the proposed *Report on Risks Related AI Generated Misinformation and Disinformation* as we believe it is in the public's interest to understand and assess the risks associated with misinformation and disinformation generated by and/or amplified by AI, and what steps the company plans to take to remediate those harms.

Voted FOR the proposal to *Publish Human Rights Risk Assessment on the AI-Driven Targeted Ad Policies*, which would help shareholders better evaluate the company's management of risks related to the human rights impacts of its targeted advertising policies and practices.

Voted FOR the company to *Adopt Targets Evaluating YouTube Child Safety Policies* due to our concerns related to mental health, child sexual exploitation, cyberbullying, and data privacy.

IMCD – voted AGAINST the *Remuneration Report* as serious concerns regarding the sign on award of €1m for CEO, Valerie Diele-Braun, without any compelling rationale. Furthermore, the company applied discretion for the STI payout of Valerie Diele-Braun, awarding a 2023 STI maximum payout, without any compelling rationale.

Marsh & McLennan – voted AGAINST the election of Anthony Anderson, H. Edward Hathway, Judith Hartmann, Tamara Ingram, and Jane Lute. Those directors are members of Marsh's ESG committee, and our vote is a protest against that committee's decision not to accept our request for the company to report more extensively on its involvement in fossil fuel related activities. Furthermore, we voted contrary to the company's recommendation and voted FOR the

proposal for the company to *Provide [shareholders the] Right to Act by Written Consent*, which would enhance shareholder rights.

Rightmove – voted AGAINST a proposal to *Authorise UK Political Donations and Expenditure* as Pella generally does not support corporate political donations, which we believe can create political conflicts of interest.

Shockwave Medical – voted AGAINST the proposal to *provide name executive offices golden parachutes* as the company did not provide compelling rationale for them.

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Pella Global Generations Fund

Performance

Net of all fees	PGGF Class B	MSCI ACWI (AUD, net)	Relative
1 month	1.7%	1.8%	-0.1%
1 quarter	3.0%	0.5%	2.5%
1 year	18.0%	19.0%	-0.9%
2 years – p.a.	21.7%	19.7%	2.0%
Inception to date – p.a. (1)	9.0%	7.9%	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 31 May 2024

Holdings Name	Sector	Country
3i Group	Financials	United Kingdom
Adobe	Information Technology	United States
AIA Group	Financials	China
Alphabet	Communication Services	United States
Arthur J Gallagher & Co.	Financials	United States
Ashtead Group	Industrials	United Kingdom
ASML	Information Technology	Netherlands
CME Group	Financials	United States
Coloplast A/S	Health Care	Denmark
Darling Ingredients	Consumer Staples	United States
Deutsche Börse	Financials	Germany
Halozyme Therapeutics	Health Care	United States
HDFC Bank	Financials	India
IMCD NV	Industrials	Netherlands
Intuit	Information Technology	United States
IQVIA	Health Care	United States
JD Sports Fashion	Consumer Discretionary	United Kingdom
Lantheus Holdings	Health Care	United States
Marsh & McLennan	Financials	United States
Microsoft	Information Technology	United States
Novo Nordisk	Health Care	Denmark
NVIDIA	Information Technology	United States
ResMed, Inc.	Health Care	United States
Rightmove	Communication Services	United Kingdom
Schneider Electric	Industrials	France
Shockwave Medical	Health Care	United States
Sika AG	Materials	Switzerland
Thermo Fisher Scientific	Health Care	United States
TSMC	Information Technology	Taiwan
UnitedHealth Group	Health Care	United States
Vertiv Holdings	Industrials	United States
VINCI	Industrials	France

Fund Analytics

As of 30 June 2024

Geographic & Asset Allocation

Asset Class	Fund	Benchmark
Developed Markets	**78%**	**90%**
United States	39%	63%
Europe	39%	15%
Japan	0%	5%
Others	0%	7%
Emerging Markets	**14%**	**10%**
Emerging Asia	14%	9%
Latin America	0%	0%
Others	0%	1%
Cash	**9%**	**0%**

Source – Pella Funds Management

Top Ten Holdings

Company	Sector	Country
3i Group	Financials	UK
Alphabet	Comm. Services	USA
ASML	Information Technology	Netherlands
Marsh & McLennan	Financials	USA
Microsoft	Information Technology	USA
Novo Nordisk	Health Care	Denmark
NVIDIA	Information Technology	USA
Schneider Electric	Industrials	France
TSMC	Information Technology	Taiwan
UnitedHealth Group	Health Care	USA

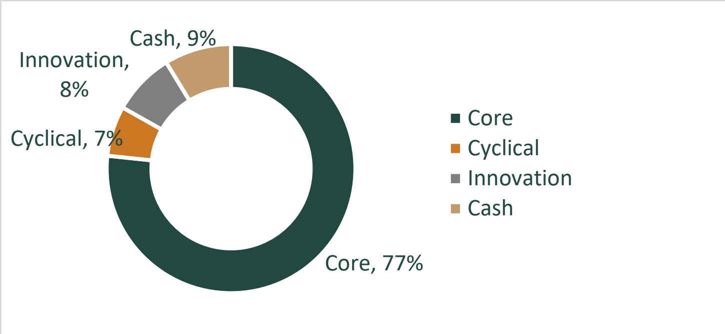
Source – Pella Funds Management

Currency Exposure

Currency	Direct	Exposure
USD	54%	54%
EUR	17%	17%
GBP	11%	11%
DKK	7%	7%
HKD	4%	4%
SEK	3%	3%
CHF	3%	3%
AUD	1%	1%

Source – Pella Funds Management

Fund Segment Allocation



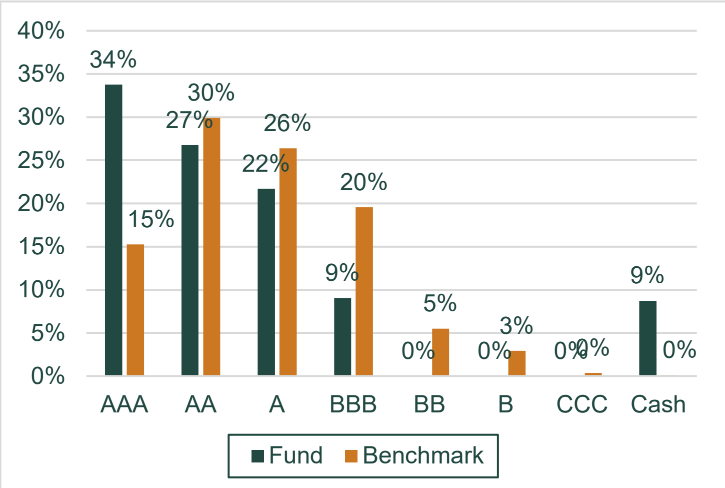
Source – Pella Funds Management

Sector (GICS) Allocation

Sector	Fund	Benchmark
Financials	23%	16%
Health Care	21%	11%
Information Technology	21%	26%
Industrials	15%	10%
Materials	4%	4%
Communication Services	4%	8%
Consumer Discretionary	3%	10%
Consumer Staples	0%	6%
Utilities	0%	2%
Real Estate	0%	2%
Energy	0%	4%
Cash	9%	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)	$1.47
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 Praemium BT Panorama 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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