

Responsible Investing

Annual Report

2024



PELLA

RESPONSIBLE INVESTING

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Letter to Stakeholders

The past year was incredibly busy for Pella's corporate sustainability initiatives. We delivered on our sustainability commitments, including achieving carbon neutrality, and contributing 1% of our time to community causes. Stewardship functions remained front and centre as we engaged with regulators and our investments. We conducted an in-depth study into MSCI and Sustainalytics ESG methodologies to validate those approaches. Transparency was enhanced with the addition of a monthly sustainability report that included a unique and enhanced approach to reporting positive impact. These efforts were assessed and recognized by bodies such as B Lab, the United Nations Principles for Responsible Investment (UNPRI), and the Responsible Investment Association Australasia (RIAA). These are a few steps in our long journey of using investments to create a better world.

When Pella launched in 2021, we set a goal to achieve carbon neutrality by 2023. In July of that year, we successfully reached our target with the assistance of Pangolin Associates, who conducted a comprehensive carbon emissions analysis of

Pella. The study determined that Pella's Scope 1 and 2 emissions totalled 143 tonnes of carbon dioxide equivalent. To offset those emissions, we purchased an equivalent amount of certified carbon credits from the [Rimba Raya Biodiversity Reserve Project](#) in Indonesia. While we chose not to pursue formal carbon neutral certification in 2023, we are actively seeking [Climate Active](#) certification from the Australian government this year. This is important because it helps legitimize our target for portfolios with low carbon intensity.

During the year, Pella fulfilled its [Pledge 1%](#) commitment. Companies participating in this program pledge 1% of either their equity, time, product, or profit back to the community. Pella contributes by having its entire team volunteer one day per quarter.

Pella contributes one day per quarter to a volunteer organisation

This year, Pella volunteered at [Thread Together](#), [One&All Hub](#), [ReLove](#), and the [Jesuit Refugee Service](#). These outstanding organizations significantly and positively

FY24 Responsible Investing Highlights ⁽¹⁾



Avoided all companies with activities or behaviour included in our exclusions list.



Aggregate ESG score of the Fund was superior to the Benchmark ⁽²⁾.



The Fund's carbon intensity was approximately 65% lower than the Benchmark ⁽²⁾.



Approximately 47% of the Fund was invested in companies with activities that have a positive impact.



Pella voted in all the shareholder meetings and undertook projects to improve the behaviour of its investments.



Pella provided complete and timely communication on sustainability and financial performance.



Pella Global Generations Fund delivered greater financial returns than its Benchmark ⁽²⁾

⁽¹⁾ Past performance is not indicative of future performance

impact our community. The volunteer days not only help Pella fulfill its responsibilities as a good corporate citizen but also reinforce our expectation that our investments should demonstrate similar social responsibility.

During the year, Pella petitioned the [US Securities Exchange Commission \(SEC\)](#) to establish rules mandating public companies operating in the retail sector and involved in selling tobacco products to disclose their revenue from such sales. We believe this disclosure is crucial for both ethical and economic reasons. Our research indicates that many retailers are reluctant to report this data simply because their competitors do not. This issue can be effectively addressed by requiring all US-listed retailers to disclose their tobacco-related revenue. While the SEC posted our petition on their website and may have initiated a preliminary analysis, the request has not yet progressed, and we plan to revisit this matter this year.

Pella continued its initiative to encourage all its investments to become signatories of the [United Nations Global Compact \(UNGC\)](#). This commitment requires action from the most senior executive in a company, as signing the pact signifies that the executive is personally endorsing the commitment and

will dedicate time annually to assess whether they have fulfilled their pledge. We believe this is a straightforward yet impactful step towards becoming a better corporate citizen. During the year, we received confirmation that ASML and Ashtead, multibillion dollar market cap companies, became signatories following our requests. However, considerable work remains, as several significant positions in the portfolio have yet to become signatories.

ASML & Ashtead became UNGC signatories following Pella's requests

ESG ratings are an important part of Pella's Responsible Investment process and during the year we completed an intensive review of MSCI and Sustainalytics' ESG rating process. This involved a deep dive into the math underpinning the ratings and culminated in a 40-page document that analyses the respective ESG processes. We found that both providers have deep, broad, and logical approaches, providing a solid foundation for any fund manager's ESG requirements. Following that review Pella chose to remain with MSCI as our core ESG research provider.

Pella was certified as a [B Corporation](#). B Corp Certification is a designation that a business meets high standards of verified performance, accountability, and transparency on factors ranging from employee benefits and charitable giving to supply chain practices and input materials.

Pella was certified as a B Corporation

Pella considers B Corp certification the world's premier badge of a corporation's commitment to social and environmental factors. We are extremely proud to achieve this designation, and we believe it reinforces our legitimacy as a responsible fund manager and our commitment to actively seek high levels of social and environmental behaviour from our investments.

The UNPRI and RIAA assessed our Responsible Investment practices. The UNPRI's complete [Transparency Report](#) and [Summary Scorecard](#) are available on our website; and we were pleased to receive four or five stars (out of five) for each module.

RIAA's assessment culminated in Pella being designated as a [Responsible Investment Leader](#), placing us in the top quintile of all the investment managers

evaluated on RIAA's Investment Scorecard. We are honoured to receive this recognition and remain committed to upholding this position.

RIAA designated Pella as a Responsible Investment Leader

To provide our stakeholders with a deeper understanding of the Pella Global Generations Fund's sustainability credentials, we began releasing a monthly [Sustainability Report](#) in July 2023. This report includes more comprehensive information than our Monthly Factsheet, with one of the most notable additions being the Fund's exposure to positive impact themes.

Pella's positive impact themes directly align with United Nations Sustainable Development Goals (SDGs) and are categorized by revenue bands. This approach solves the issue of classifying an entire company as having a positive impact when it may only generate 20% of its revenue from activities aligned with positive impact themes. Our more granular approach offers valuable insights into a portfolio's true positive impact exposure, and we hope others will adopt this methodology as well.

We are hopeful others adopt our approach to reporting positive impact investments

The irony of such a busy year is that the more we do, the more we recognize there is to be done. Going forward, Pella wants to take a more active role in initiating positive change, and we appreciate that this will require collaboration. We intend to reach out to our peers to help reinvigorate our petition to the SEC to require improved tobacco reporting. We have joined [Climate Action 100+](#), which organizes institutional investors to collaborate on the climate credentials of listed companies in tangible and measurable ways. There is also little doubt that other projects will emerge throughout the year.

About This Report

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

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

- Monthly Fund Factsheets – key fund summary data.
- Monthly Sustainability Reports – ESG rating distribution, carbon intensity, E/S/G scores, other key ESG metrics, and portfolio exposure to positive impact themes.
- Quarterly Reports – all the items included in the Monthly Fund Factsheets and a full list of portfolio holdings, CIO opinion piece, Responsible Investing commentary, and a stock example.
- Investment and Portfolio Summary – overview of the portfolio and each holding. This is made available to the Fund's unitholders.
- Regular articles – during FY24 Pella prepared four articles covering several

issues, with one related to the need for improved tobacco regulation.

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

Pella operates a single strategy over two funds, Pella Global Generations Fund ('PGGF' - Australia domiciled), and Pella Global Securities Sustainable Fund ('PGSS' - Luxembourg domiciled). For ease and simplicity, this report refers to the Fund, which includes PGGF and PGSS.

The analysis includes:

Disclosure

Full disclosure of every position held by the Fund during FY23

Transparency

Full description of excluded activities

Explanations

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

Reporting

ESG performance and attribution and Carbon intensity

Stewardship

Pella provides a summary on stewardship activities

Positive impact

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

Pella's approach to positive impact reporting

Positive impact calculations are at high risk of 'Greenwashing'. We have observed companies like McDonald's being included in the anti-poverty impact, HelloFresh (a German meal kit company) as a resource efficiency investment, and J.B. Hunt (one of the US's largest semi-trailer trucking businesses) as a Sustainable Transport business. Pella believes these claims are spurious, which is a view shared with the major European regulators that are increasingly cracking down on greenwashing where funds make spurious positive impact claims.

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

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



Responsible Investing

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

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

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

There are a dizzying number of strategies and tautologies that could be used in value-based investing, including: ethical; environmental, social and governance (ESG); socially responsible investing (SRI);

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



About Pella

Pella was established in 2021 with a team that goes back to 2015 and a process developed in 2005. Pella is a young company with an established heritage.

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

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



Jordan Cvetanovski
CIO & Portfolio Manager



Steven Glass, CFA
Managing Director &
Investment Analyst



Joy Yacoub
Head of Distribution



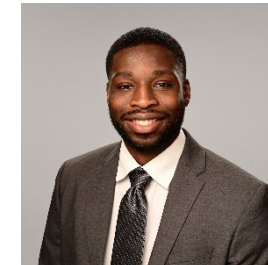
Ryan Fisher
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Associate



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



Leanne Bradley
Advisory Board
Previous Head of
Investment Governance,
AMP Capital



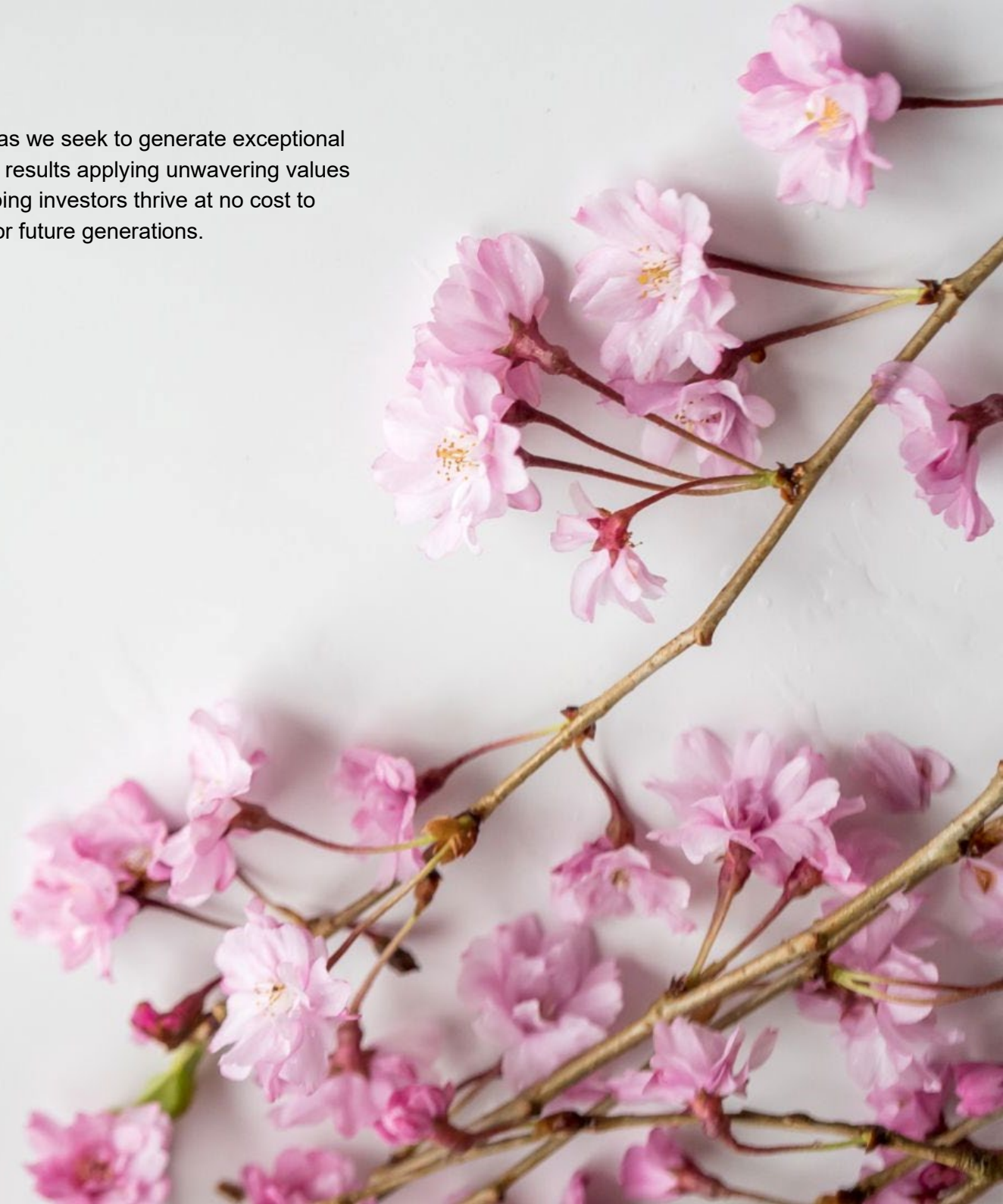
Prof. Greg Kaplan
Advisory Board
Prof. economics Uni. of
Chicago

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

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

Pella has embraced all these principles but acknowledges there is more to be done. Responsible Investing is a journey that we have embraced and are excited to be on. It is our hope that ten years from today we will look back on our performance communicated in this report and acknowledge how much further we have developed. We invite you to join us on our

journey as we seek to generate exceptional financial results applying unwavering values and helping investors thrive at no cost to current or future generations.



Analysis Scorecard

Table 1 summarises Pella’s FY24 Responsible Investing scorecard. Pella believes that it broadly delivered against all key metrics ⁽¹⁾. The key improvement versus FY23 was the introduction of a monthly Sustainability Report, marginally lower carbon intensity; Pella achieved carbon neutrality; and we engaged with regulators to improve tobacco reporting. Areas that lagged FY23 include not submitting votes at one AGM in FY24, due to technical issues; the Fund had less exposure to positive impact themes in FY24; we participated in two positive impact initiatives in FY24 versus four in FY23.

In FY23 we shared that the key goals for this year would be the following:

- Prepare a submission at Marsh & McLennan’s AGM for that company to improve its fossil-fuel-related disclosure.
- Prepare a submission to the SEC to establish a requirement for retailers to disclose their tobacco-related revenue.
- Convince more investee companies to become UN Global Compact signatories.
- Pella (the company) to achieve carbon neutrality.

Table 1 – FY24 Responsible Investment Scorecard

Area	Discussion
Transparency	Pella provided full fund portfolio positions in its Quarterly Reports and all positions held during FY24 in this report. Pella also shared key fund Sustainability data in each monthly Sustainability Report and Quarterly Report.
Excluded activities	The Fund did not invest in any companies involved in excluded activities during FY24. The Fund did have an investment in Texas Instruments, which does not directly contravene the exclusion list, but Pella determined it contravened the spirit of the exclusion list, prompting us to exit that position.
Norms-Based Requirements	During the year, the Fund did not invest in a position that subsequently contravened our norms-based requirements. The most important controversy that Pella is currently managing is Marsh & McLennan’s exposure to the fossil fuel industry.
Environment, Social, Governance	The Fund’s Environment, Social, Governance, and total MSCI ESG scores were superior to the Benchmark’s. This performance was predominantly delivered through stock selection rather than sector selection. In addition, 79% of the Fund’s investments were in companies rated A or higher and 100% of the Fund investments were in companies rated BBB or higher. The Fund had no exposure to companies rated BB, B or CCC.
Carbon Intensity	<ul style="list-style-type: none"> • The Fund - carbon intensity as measured by CO2/EV was 71% below the Benchmark, and as measured by CO2/Revenue was 69% below the Benchmark. • The company (Pella) – achieved (uncertified) carbon neutrality during the year by purchasing carbon offsets in the Rimba Raya Biodiversity Reserve Project, based on Pangolin Associate’s calculation of Pella’s emissions.
Positive Impact	The Fund held positions in companies with positive impact whenever Pella identified such companies that satisfied its financial requirements. During FY24, Pella calculates that approximately 39% of the Fund was invested in companies that generated some revenue from activities falling within Pella’s positive impact themes;

We delivered on most of those goals with the only unmet goal being the submission to Marsh & McLennan’s AGM. This is due to Pella’s understanding that we did not satisfy all the requirements to make that submission at the last AGM, an issue that will be resolved in Marsh & McLennan’s next AGM.

In FY24, our main goals include:

- Prepare a submission at Marsh & McLennan’s AGM for that company to improve its fossil-fuel-related disclosure.
- Encourage the SEC to re-engage with our petition for listed retailers to disclose their revenue from tobacco-related products.
- Write at least two education insight pieces that relate to sustainability issues.
- Convince more companies to become UNGC signatories.
- Make meaningful contribution to Climate Action 100+.

and 33% of the portfolio was invested in companies that generated at least 20% of their revenues from activities falling within Pella’s positive impact themes. The Fund’s largest positive theme exposure was *Improved Health*.

Voting	Pella submitted virtually all the votes in all the meetings it was able to do so. The only missed submission(s) were at Sika’s AGM, which is explained by a technical issue with Pella’s proxy voting service.
	Pella was involved in two initiatives in FY24.
Initiatives	<ol style="list-style-type: none"> 1. Pella’s ongoing efforts to encourage all the Fund’s investee companies to become signatories to the UN Global Compact. 2. Petitioned the SEC to require all retailers listed in the US to disclose their revenue from the sale of tobacco-related products.

Source – Pella

Investments

Table 2 lists every investment held by the Fund during FY24. The list includes the sector the company operates in, which can be helpful for

identifying excluded activities, the company's MSCI ESG rating, and its carbon intensity relative to enterprise value and revenue.

Table 2 – Fund investments during FY24 ⁽¹⁾

Name	GICS Sector	ESG rating	CO2/EV ⁽²⁾	CO2/Revenue ⁽³⁾	Name	GICS Sector	ESG rating	CO2/EV ⁽²⁾	CO2/Revenue ⁽³⁾
3i Group	Financials	AAA	0.01	0.09	Intuit	Information Technology	AAA	0.14	1.6
Adobe	Information Technology	AAA	0.23	3.62	Intuitive Surgical	Health Care	A	0.22	4.2
Adyen	Information Technology	A	0.11	0.48	IQVIA	Health Care	AA	1.14	4.5
AIA Group	Financials	AA	0.41	1.6	JD Sports Fashion	Consumer Discretionary	A	5.96	6.67
Albemarle Corp.	Materials	A	42.25	124.2	Lantheus Holdings	Health Care	BBB	11.39	59.3
Alphabet	Communication Services	BBB	1.46	9.1	Marsh & McLennan	Financials	A	1.27	6.7
Antofagasta	Materials	AA	73.32	362.7	Microsoft	Information Technology	AA	2.5	32.89
Arthur J Gallagher	Financials	A	0.96	6.4	Mosaic	Materials	A	279.3	229.5
Ashtead Group	Industrials	AA	11.04	37.45	Novo Nordisk	Health Care	AAA	0.2	3.62
ASML	Information Technology	AAA	0.13	1.69	Nutrien Ltd.	Materials	AA	313.72	350
BMW	Consumer Discretionary	AA	4.51	5.2	NVIDIA	Information Technology	AAA	0.1	5.8
Boliden	Materials	AAA	84.85	102.1	Ping An Insurance	Financials	A	0.63	1.61
Cigna Corp.	Health Care	AA	0.85	0.6	ResMed, Inc.	Health Care	A	0.74	7
CME Group	Financials	BBB	0.25	2.7	Rightmove	Communication Services	AA	0.03	0.44
Coloplast A/S	Health Care	AA	1.89	16.9	Schneider Electric	Industrials	AAA	3.98	14.11

Darling Ingredients	Consumer Staples	AA	154.72	300.3	Shockwave Medical	Health Care	A	0.0	1.0
Deutsche Börse	Financials	AAA	0.18	1.5	Sika AG	Materials	AA	5.35	27.9
Enphase Energy	Information Technology	AA	0.55	4.55	Texas Instruments	Information Technology	AAA	14.98	124.71
Epiroc	Industrials	AA	1.52	8.2	Thermo Fisher	Health Care	BBB	3.18	17.1
Halozyme Therapeutics	Health Care	BBB	3.19	44.6	TSMC	Information Technology	AAA	24.21	175.22
HDFC Bank	Financials	AA	2.32	13.49	UnitedHealth Group	Health Care	AA	0.91	1.56
ICICI Bank	Financials	A	1.47	6.6	Vertiv Holdings	Industrials	BBB	9.63	36.3
IMCD NV	Industrials	A	1.02	2.4	VINCI	Industrials	A	19.95	33.3

Source – Pella, MSCI

(1) Alphabetical order

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

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

Excluded Activities

Negative Screens are applied at the start of the research process. Companies generating revenue from the activities listed in Table 3 are excluded from Pella's investment universe. Pella identifies these companies using its own fundamental analysis, supplemented with research from external research providers. Pella calculates there are approximately 860 companies with market capitalizations of >US\$1.5Bn that fall into the excluded activities list.

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

During the year in review, Pella did not invest in any companies whose activities fell into the excluded list. One company that Pella did invest in and exited due to concerns about it potentially contravening our negative screen, is Texas Instruments.

Texas Instruments is a US-based designer and manufacturer of analogue integrated chips. Unlike digital ICs, which have broad applications, analogue ICs are often made for specific use cases.

Texas Instruments has a division that specifically focuses on defence, and we are concerned that it makes ICs that are specifically and exclusively used in bombs. While investing in companies that make components specifically for weapons is not contravening the letter of our exclusion list, Pella believes it is a grey area, and it contravenes the spirit of the exclusion list. This prompted us to exit the position.

Pella believes that it complied with the requirements of its exclusion screen and, by exiting Texas Instruments, we demonstrated a reverence for complying with the spirit of screen.

Activity exclusions



Uranium



Tobacco



Animal Cruelty



Weapons



Gambling



GMO Seeds



Fossil Fuels*



Prisons



Pornography



Alcohol



Norms-Based



Deforestation

Table 3 - Negative screen revenue materiality

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

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

Source – Pella

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

Norms-Based Requirements

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

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

In the [FY22 Responsible Investment Report \(RIR\)](#) and the [FY23 RIR](#), we communicated that Pella would seek to resolve a controversy related to Marsh & McLennan ('MMC'), an insurance broker the Fund has a position in. During FY22, MMC facilitated insurance for a controversial oil pipeline in Africa, which we learned about following an article prepared by The Bureau of Investigative Journalism.

Pella's position is that MMC's behaviour was not a breach of the Norms-Based requirements because MMC's role is peripheral to the pipeline and there is an

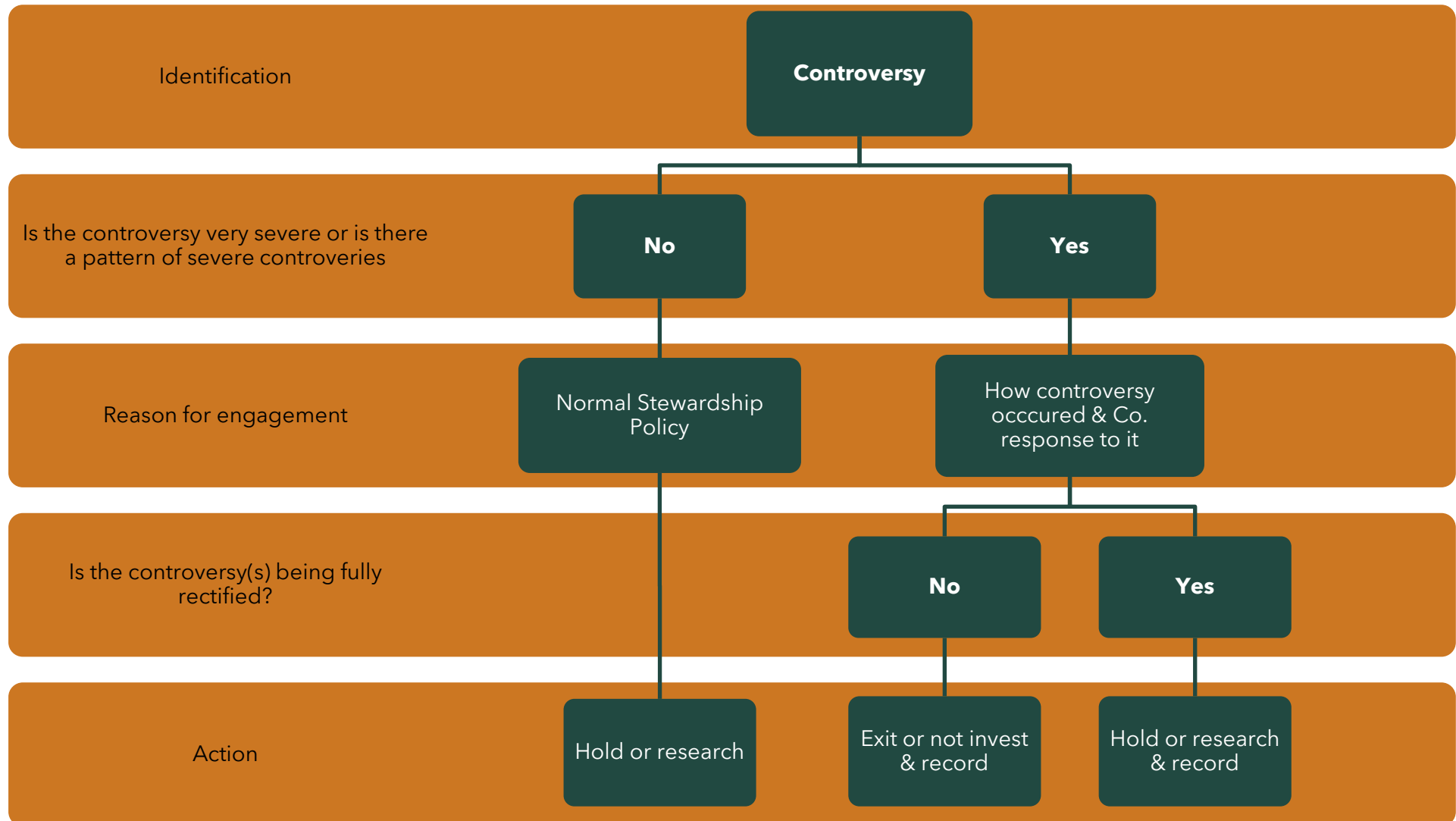
opportunity to work with MMC to improve the insurance broking industry's approach to these matters. However, we were concerned about the lack of disclosure.

Our initial intention was to submit a resolution to that effect at MMC's AGM. However, we learned that Pella had not held a sufficiently large position in that company for long enough to submit the proposal at MMC's AGMs in FY23 or FY24. However, we have satisfied all requirements to submit the proposal and we will do so at the next AGM in 2025.

In the interim, Pella prepared a letter for MMC's ESG Committee requesting that MMC *"makes additional disclosures regarding its exposure to the fossil fuel sector. Specifically, Pella is requesting that MMC issue a report, at reasonable cost and omitting proprietary information, addressing whether and how it intends to measure, disclose, and reduce the GHG emissions associated with its underwriting, insuring, and investment activities in alignment with the Paris Agreement's 1.5°C goal."*

MMC responded that it does *"not currently plan to disclose engagements (or related revenue) with any specific industries at this time"*. Pella is unsatisfied with MMC's response, and in the FY24 AGM we voted against the re-election of all MMC's directors who were members of the board's ESG committee.

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



Source – Pella

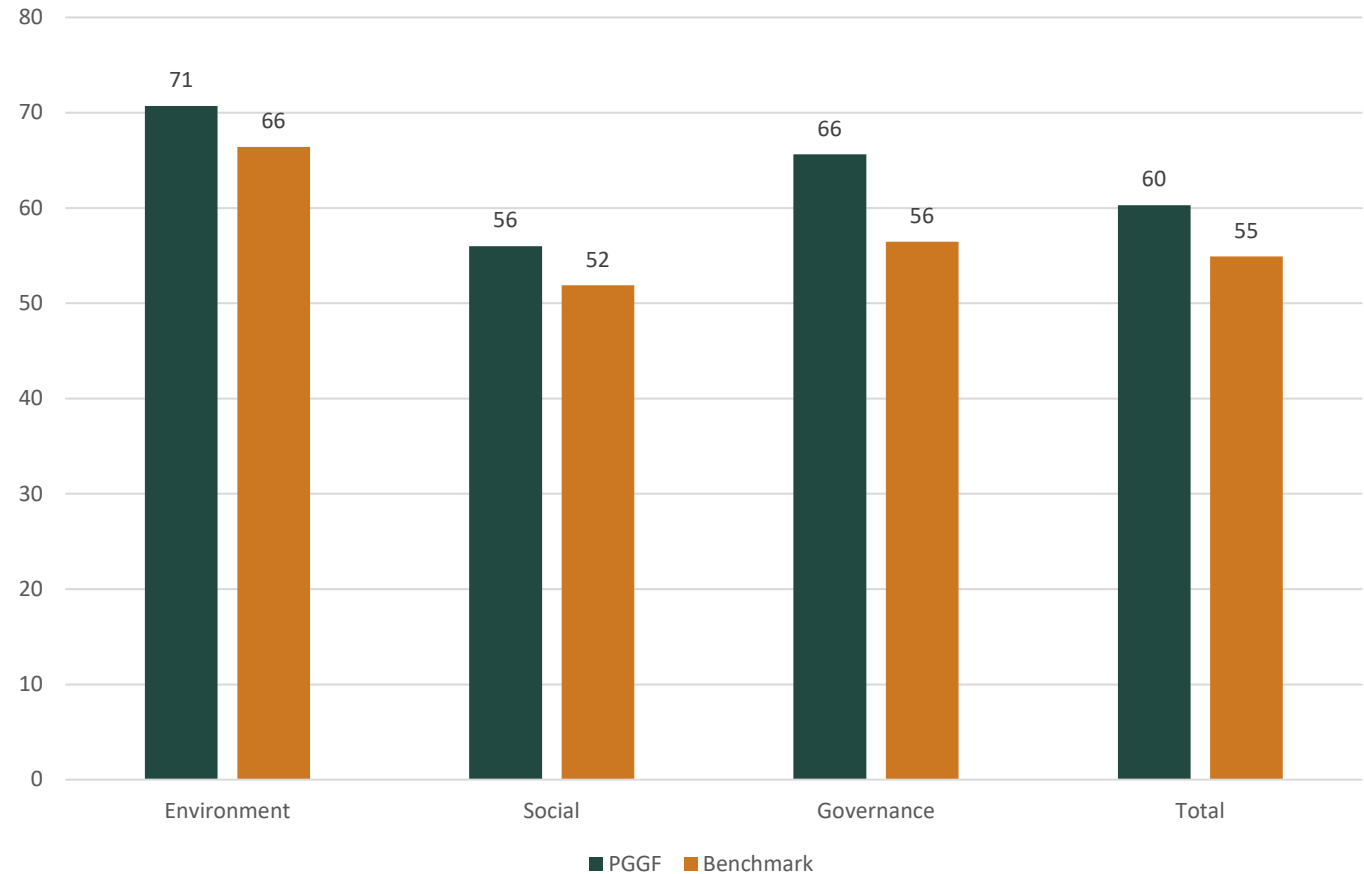
ESG Performance

ESG Score vs Benchmark

Figure 2 illustrates the MSCI ESG scores for the PGGF and its Benchmark. The figures are calculated using the average weights of each stock over the period of analysis and the rating at the end of the financial year.

Based on these figures, the Fund delivered higher scores across the Environment, Social, and Governance measures, resulting in a superior overall ESG score.

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



Source – Pella, MSCI ESG Manager

(1) Past performance is not indicative of future performance

ESG Score Attribution

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

Measured by Stock Selection, the Fund's best performing sectors were the Health Care and Financials segments. The main contributors to Health Care's performance were Novo Nordisk, IQVIA, and Coloplast. The main contributor to Financial's performance was 3i, while Marsh & McLennan, AIA Group, and Deutsche Borse also made meaningfully positive contributions.

The Fund's weakest sector by Stock Selection was Industrials, which is explained by VINCI and Vertiv marginally underperforming sector peers.

This analysis demonstrates that the Fund delivered a higher MSCI ESG score than its Benchmark.

Table 4 – ESG score attribution analysis ⁽¹⁾

	Weighted ESG Score		Attribution		
	PGGF	Benchmark	Sector Allocation	Stock Selection	Total
Health Care	82	54	(0.1)	7.3	7.2
Financials	81	54	(0.1)	6.5	6.4
Communication Services	80	46	0.3	1.6	1.9
Information Technology	65	59	(0.2)	1.2	0.9
Consumer Discretionary	51	50	0.3	0.0	0.3
Consumer Staples	48	53	0.1	(0.1)	0.0
Real Estate	0	60	(0.1)	0.0	(0.1)
Energy	0	57	(0.1)	0.0	(0.1)
Materials	52	53	(0.1)	(0.1)	(0.1)
Utilities	0	64	(0.2)	0.0	(0.2)
Industrials	53	57	0.0	(0.5)	(0.4)
Total	71	55	(0.2)	16.0	15.8

Source – Pella

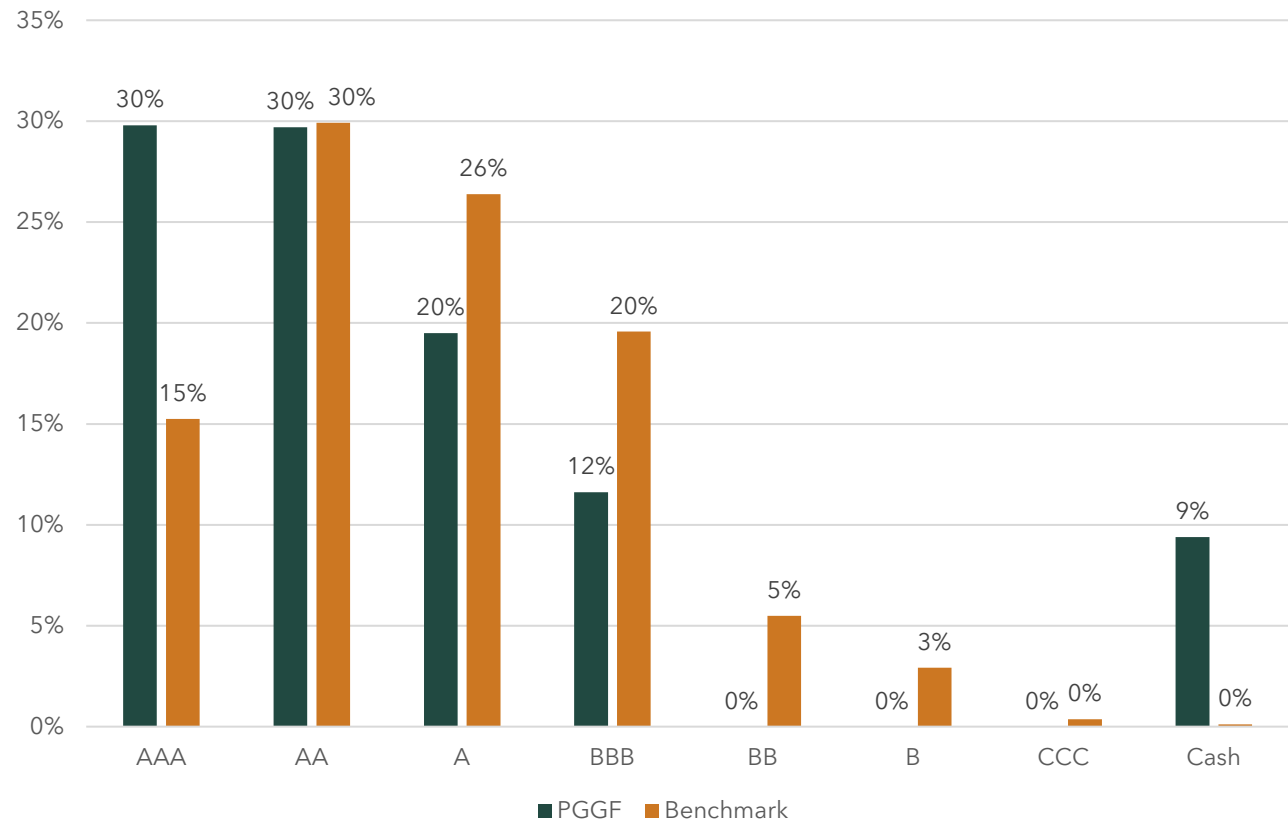
(1) Past performance is not indicative of future performance

ESG Rating Distribution

Figure 3 illustrates the ESG rating distribution for the Fund and the Benchmark. The data points to the Fund having 80% of the portfolio invested in stocks rated 'A', 'AA', or 'AAA', which is materially ahead of the required 30% floor. Further, 100% of the invested portion of the Fund was invested in stocks rated 'BBB' or higher, which is ahead of the required 70% minimum. The Fund had zero exposure to stocks rated BB, B, or CCC.

This analysis demonstrates that the Fund complied with its ESG rating targets.

Figure 3 – ESG rating distribution ^{(1), (2)}



Source – Pella, MSCI ESG Manager

(1) PGGF is grossed up for cash and Benchmark is grossed up for stocks that are not rated by MSCI

(2) Past performance is not indicative of future performance

Carbon Intensity

The Fund

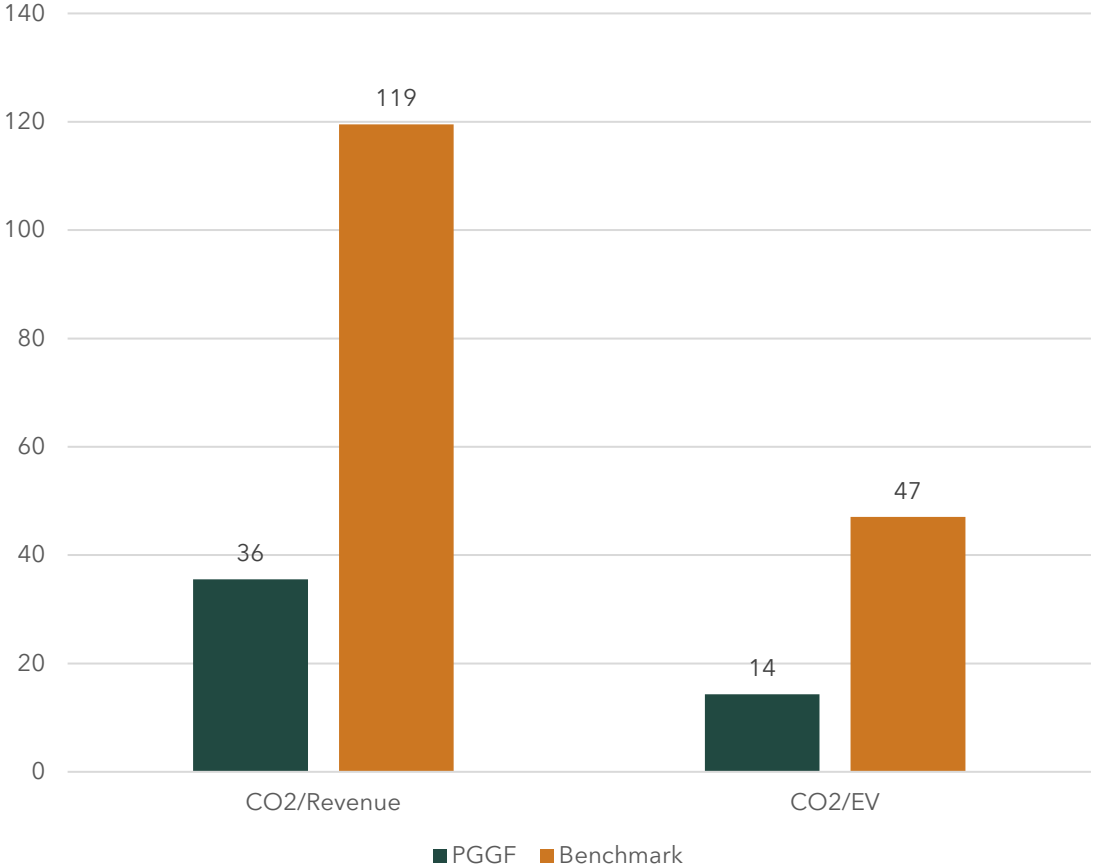
Pella targets portfolio CO₂ intensity to be at least 30% below the Benchmark, with CO₂ intensity measured using Scope 1 and Scope 2 carbon emissions relative to revenue as calculated by MSCI.

Figure 4 illustrates the Fund's and its Benchmark's carbon intensity (Scope 1 and 2) measured relative to enterprise value (EV) and revenue. Based on both measures the Fund's carbon intensity was c70% lower than the Benchmark, which exceeds the target 30% lower than the Benchmark.

The Company

Pella reached its carbon neutrality target with the assistance of Pangolin Associates, who conducted a carbon emissions analysis of Pella. The study determined that Pella's Scope 1 and 2 emissions totalled 143 tonnes of carbon dioxide equivalent. To offset these emissions, we purchased carbon credits from the [Rimba Raya Biodiversity Reserve Project](#) in Indonesia. While we chose not to pursue formal carbon neutral certification in 2023, we are actively seeking [Climate Active](#) certification from this year. This is important because it helps legitimize Pella's target for portfolios with low carbon intensity.

Figure 4 – Carbon intensity ^{(1), (2), (3)}



Source – Pella, MSCI ESG Manager

- (1) CO₂ to sales = millions of tonnes of carbon emissions (scope 1 and 2) per US\$m of sales
- (2) CO₂ to EV = millions of tonnes of carbon emissions (scope 1 and 2) per US\$m of enterprise value
- (3) Past performance is not indicative of future performance

Positive Impact

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

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

Pella's Positive Impact Themes

1. **Cleaner Energy** - replace fossil fuel derived energy with energy from renewable sources such as wind or solar. This theme also includes batteries where the batteries can be charged with renewable energy.
2. **Conservation & Resource Efficiency** - assist in the conservation of the

natural environment by using fewer natural resources.

3. **Improved Health** - goods and services that have positive health outcomes, including medicines, medical and health-related equipment, and health-related services.
4. **Safety** - technologies and services that improve societal safety, including technologies that reduce pollution, increase vehicle safety, or improve water quality.
5. **Inclusiveness** - services, products or conduct that create equal opportunities for all women, men, and children.
6. **Economic participation** - activities that serve lower demographics or encourage economic growth in emerging markets.



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

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



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

Source – Pella, UN Global Compact



Positive Impact Exposure

Pella calculates that during FY24 39% of the Fund was invested in companies that generate at least some of their revenues from activities that fall in Pella’s positive impact themes and 33% of the Fund was invested in companies that generate more than 20% of their revenues from positive impact activities.

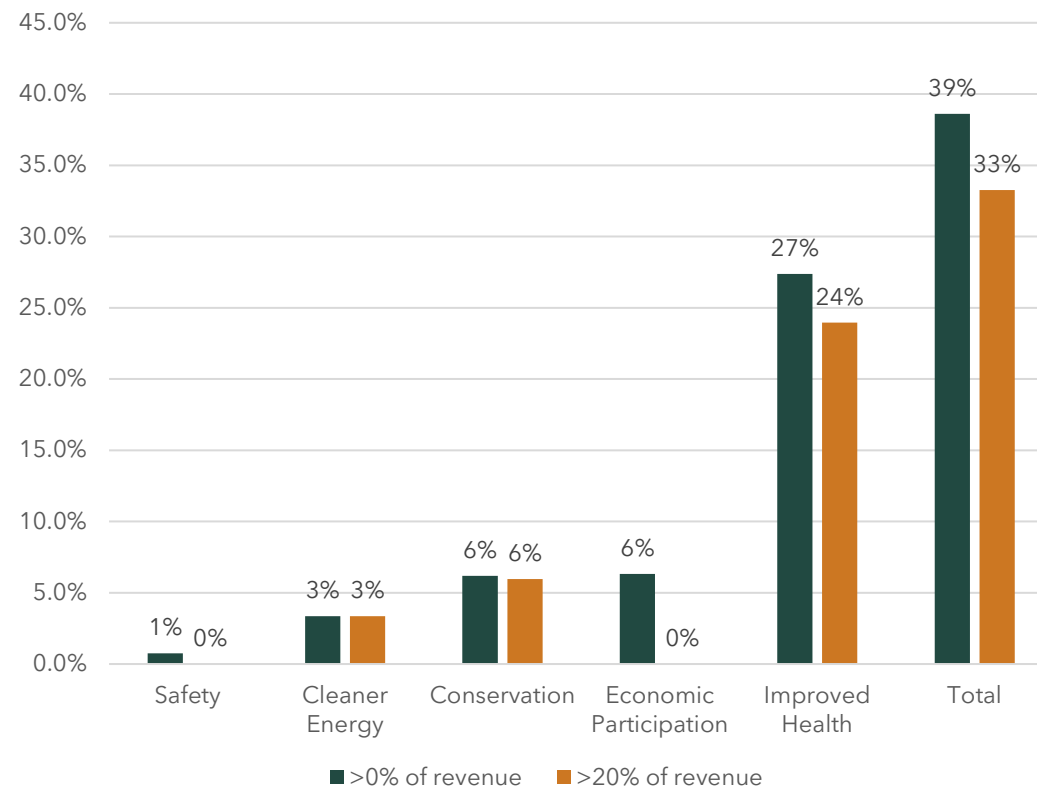
The Fund’s largest positive theme exposure was Improved Health, followed by Conservation and Economic Participation.

The FY24 exposure was lower than FY23 when 46% of the Fund was invested in companies that generated at least some of their revenues from positive impact themes and 34% of the Fund was invested in companies that generated more than 20% of their revenues from positive impact themes.

The decline in positive impact exposure was on account of less exposure to the Cleaner Energy and Conservation themes. This is explained by the Fund exiting Orsted and Sunrun, which are both green energy stocks, during FY23.

Pella always seeks to increase its exposure to positive impact theme companies. However, exposure to those companies will be influenced by Pella’s requirement that all companies in the Fund **must always** also satisfy Pella’s financial requirements and we will not invest in a company based on positive impact alone.

Figure 5 – Fund exposure to companies with positive impact themes (1), (2), (3)



Source – Pella

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

Stewardship

Pella targets submitting votes in all shareholder meetings with its voting position informed by research provided by a third-party proxy voting advisor (ISS) and Pella's internal research.

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

During FY24, Pella submitted votes in all the meetings Pella was eligible to vote in, bar one, Sika's AGM. Pella submitted its votes via our proxy voting tool, but the ballot was stuck in Approved status and was not submitted. It was the first time we experienced that technical issue, and we will ensure it does not reoccur.

Table 6 - Pella Global Generation Fund's FY24 voting track-record

Name	Meeting Type	Vote String
3i Group	Annual	FFFFFFFFFFFFFFFFFFFF
Adobe	Annual	FFFFFFFFFFFFFFFFFAA
AIA Group	Annual	FFFFFFFFFFFF
Alphabet	Annual	FFFAAFAFAAFAAAAF
Arthur J. Gallagher	Annual	FFFFFFFFFFFF
ASML Holding	Annual	FFFFFFFFFFFF
CME Group	Annual	FFFFFFFFFFFFFFFFFFFF
Coloplast A/S	Annual	FFFFFFFFFFFFFFFFFFFF
Darling Ingredients	Annual	FFFFFFFFFFFF
Deutsche Boerse	Annual	FFFFFFFFFFFFFFFFFFFF
Halozyme Therapeutics	Annual	FFFFF
IMCD NV	Annual	AFFFFFFFFFFFF
Intuit	Annual	FFFFFFFFFFFF1FFA
IQVIA Holdings	Annual	FFFFFFFFFFFF
JD Sports Fashion Plc	Special	F
Lantheus Holdings	Annual	FFFFF
Marsh & McLennan	Annual	AFFAAFAAF
Microsoft Corporation	Annual	FFFFFFFFFFFF1FAAAFFFAF
Novo Nordisk	Annual	FFFFFFFFFFFFFFFFFFFF
NVIDIA	Annual	FFFFFFFFFFFFFFFFFFFF
ResMed Inc.	Annual	FFFFFFFFFFFF1
Rightmove	Annual	FFFFFFFFFFFFFFFFFAFF
Schneider Electric	Annual/Special	FFFFFFFFFFFFFFFFFFFF
Shockwave Medical	Special	FAF
Thermo Fisher Scientific	Annual	FFFFFFFFFFFFFA
UnitedHealth Group	Annual	FFFFFFFFFFFF
Vertiv Holdings	Annual	FFFFFFFFFFFF
VINCI	Annual/Special	FFFFFFFFFFFF

Source – ISS

It is impractical and unnecessary for Pella to provide explanations for all its votes. Most of the resolutions are procedural or unlikely to be of material interest to the readers of this document. Further, it would require material use of space to explain each vote.

However, several of the votes are likely to be of interest to you. This includes instances where Pella voted contrary to the investee companies' Directors recommendations, or resolutions that have notable ESG implications. Table 7 is a list of these

resolutions and an explanation for Pella's vote.

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

Company	Vote	Pella's vote	Explanation
Adobe	Report on Hiring of Persons with Arrest or Incarceration Records	AGAINST	People who have previously been arrested or incarcerated have paid their penalty and should not face additional potential discrimination.
Alphabet	Election of John Hennessy, Frances Arnold	AGAINST	These directors are governance committee members, and our vote is a protest against the company's multi-class structure without a sunset clause.
Alphabet	Election of John Doerr, K. Ram Shriram, and Robin Washington	AGAINST	These directors are members of the compensation committee, and our vote is a protest against the absence of a say-on-pay proposal on the ballot.
Alphabet	Amend Bylaw regarding Stockholder Approval of Director Compensation;	AGAINST	The proposal is overly prescriptive.
Alphabet	Report on Risks of Omitting Viewpoint and Ideological Diversity from Equal Opportunity Policy	AGAINST	The proposal is overly prescriptive.
Alphabet	Report on Electromagnetic Radiation and Wireless Technologies Risks	AGAINST	The proposal is overly prescriptive.
Alphabet	Adopt Policy to Require Board of Directors Members to Disclose their Political and Charitable Donations	AGAINST	Those individuals have a right to privacy.
Alphabet	Report on Climate Risk in Retirement Plan Options	FOR	Earlier in the year we voted AGAINST an equivalent proposal at Intuit (see below). However, we revisited that reasoning and determined it would be more aligned with our Sustainability targets to vote FOR such proposals.
Alphabet	Report on Lobbying Payments and Policy	FOR	Companies should report on those payments and policies to help the general public assess political conflicts of interest.

Alphabet	Approve Recapitalization Plan for all Stock to Have One-vote per Share	FOR	This would improve corporate governance and is in minority shareholders' best interests.
Alphabet	Report on Reproductive Healthcare Misinformation Risks	FOR	Google is a leading provider of information, and the general public could be assisted by understanding misinformation risks while babies in in-utero.
Alphabet	Report on Risks Related AI Generated Misinformation and Disinformation	FOR	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.
Alphabet	Publish Human Rights Risk Assessment on the AI-Driven Targeted Ad Policies	FOR	Helps shareholders evaluate the company's management of risks related to the human rights impacts of its targeted advertising policies and practices.
Alphabet	Adopt Targets Evaluating YouTube Child Safety Policies	FOR	Concerns related to mental health, child sexual exploitation, cyberbullying, and data privacy.
IMCD	Remuneration Report	AGAINST	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.
Intuit	Report on climate risks in its retirement plan options	AGAINST	The retirement plan is managed by a third-party fiduciary and employees are offered an option for investing more responsibly. Later in the year, we changed our policy on these proposals (see Alphabet).
Marsh & McLennan	Election of Anthony Anderson, H. Edward Hathway, Judith Hartmann, Tamara Ingram, and Jane Lute	AGAINST	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.
Marsh & McLennan	Provide [shareholders the] Right to Act by Written Consent	FOR	This would enhance shareholder rights.
Microsoft	Report on cost/benefit analysis of diversity and inclusion	AGAINST	Such an analysis would be unreasonably burdensome, and Microsoft already provides shareholders with sufficient information to assess its diversity and inclusion efforts.
Microsoft	Report on hiring persons with arrest or incarceration records	AGAINST	Such reports could create an additional barrier for people with such records to obtain employment.
Microsoft	Assess and report on the company's retirement funds' management of systemic climate risk	FOR	The information would complement and enhance Microsoft's existing commitments regarding climate change and allow shareholders to better evaluate the company's strategies and management of related risks.

Microsoft	Report on development of products for military	AGAINST	Software does not kill or injure people and the company provides adequate information on its product principles, due diligence, and oversight related to government use of its technology.
Microsoft	Report on tax transparency	AGAINST	Already provides information regarding its tax contributions in its Form 10-K, and the GRI Tax Standard is not commonly used in the U.S. or among the company's peers.
Rightmove	Authorise UK Political Donations and Expenditure	AGAINST	Pella generally does not support corporate political donations, which we believe can create political conflicts of interest.
Shockwave Medical	Provide named executive officers golden parachutes	AGAINST	The company did not provide compelling rationale for them.

Source – Pella, ISS



Initiatives

United Nations Global Compact (UNGC)

The UN Global Compact (UNGC) is a non-binding United Nations initiative designed to encourage businesses to adopt sustainable and socially responsible policies and report on their implementation. Pella believes that the initial step for businesses to adopt these practices is to become signatories of the UNGC.

Pella has an ongoing goal for all its investments to become UNGC signatories. To achieve this, we biannually reach out to every position in our portfolio that is not currently a signatory. Table 8 summarizes our historical track record and results.

To date, six companies have become signatories following our requests: Ashtead, Antofagasta, ASML, Flow Traders, Samsung Electronics, and Sunrun.

There is still work to be done, as several important companies have not become signatories despite at least four requests from us, including Adobe, Alphabet, CME, JD Sports, Marsh & McLennan, and UnitedHealth. We will persist with this initiative and hope to report more signatories next year.

Table 8 – Companies Pella encourage to become UNGC signatories ⁽¹⁾

Company	Jan-22	Sep-22	Jun-23	Dec-23	Jun-24	In Fund?	Status
3i Group			✓	✓	✓	Yes	No
Adobe		✓	✓		✓	Yes	No
Alphabet	✓	✓	✓	✓	✓	Yes	No
Ashtead		✓	✓	✓	✓	Yes	Signatory
CME Group	✓	✓		✓	✓	Yes	No
HDFC Bank				✓	✓	Yes	No
ICICI Bank					✓	Yes	No
JD Sports Fashion		✓	✓	✓	✓	Yes	No
Marsh & McLennan	✓	✓	✓	✓	✓	Yes	No
ResMed				✓	✓	Yes	No
UnitedHealth	✓	✓	✓	✓	✓	Yes	No
Adyen			✓			No	No
Amedisys	✓					No	No
Antofagasta	✓	✓	✓	✓		No	Signatory
ASML Holding		✓	✓			No	Signatory
B&M Euro. Value Retail		✓	✓			No	No
Darling Ingredients				✓	✓	No	No
Dollar General	✓	✓	✓			No	No
Enphase Energy			✓			No	No
Fiserv	✓	✓				No	No
Flow Traders	✓					No	Signatory
Halozyme				✓		No	No
Intuit			✓	✓		No	No
Intuitive Surgical		✓	✓	✓		No	No
Lumentum Holdings	✓					No	No



Company	Jan-22	Sep-22	Jun-23	Dec-23	Jun-24	In portfolio	Status
Medtronic	✓					No	No
Moderna	✓					No	No
Ping An Insurance	✓	✓	✓			No	No
Rakuten Group	✓					No	No
Rightmove						No	No
RingCentral	✓	✓				No	No
Samsung Electronics	✓					No	Signatory
Sunrun	✓	✓				No	Signatory
Teladoc Health	✓					No	No
Texas Instruments	✓	✓	✓			No	No
Vertiv Holdings						No	No
Visa	✓					No	No
Vulcan Materials	✓					No	No
Weyerhaeuser	✓	✓				No	No

Source - Pella

(1) Pella only contacts companies that we have an investment in

Tobacco related disclosure

Pella is seeking improved tobacco-related disclosure retailers. During FY23 we wrote to retailers we had an investment in, requesting them to disclose the proportion of revenue they generate from tobacco sales. Those companies declined our request as the disclosures are not an industry standard.

In response, in FY24 Pella made a submission to the US Securities and Exchange Commission (SEC) requesting that regulator establish a requirement for retailers to disclose their tobacco-related revenue. The SEC confirmed receipt of that submission, but we have not witnessed any progress. We intend to reengage with the SEC on this request during FY25.



PELLA

RESPONSIBLE INVESTING

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