Trillium Asset Management

TRILLIUM GLOBAL SUSTAINABLE OPPORTUNITIES FUND - CLASS A

December 2024

FUND FACTS

Investment objective: To provide investors with long-term capital growth through investment in global companies driving the transition to a more sustainable economy. To outperform the benchmark (before fees and taxes) over a rolling 3 year period.

FUND BENEFITS

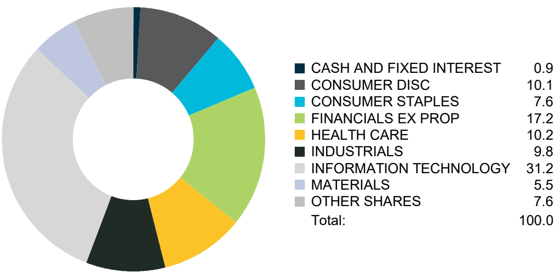
The diversified portfolio is constructed within a framework that is independent of the benchmark in terms of stock and sector weights. Added value is expected to come from the high conviction approach to stock selection.

FUND RISKS

All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

Benchmark: MSCI World Net Total Return Index ($A)
Inception Date: August 2020
Size of Portfolio: $62.30 million as at 30 Sep 2024
APIR: PER4964AU
Management Fee: 0.99%*
Investment style: Thematic
Suggested minimum investment period: Seven years or longer

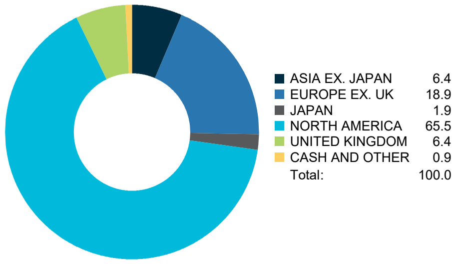
PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
Microsoft Corporation	5.9%
NVIDIA Corporation	5.3%
ServiceNow, Inc.	4.6%
Mastercard Incorporated	3.8%
AstraZeneca PLC	3.3%
Unilever PLC	3.1%
Shopify, Inc.	2.8%
Palo Alto Networks, Inc.	2.6%
Taiwan Semiconductor Manufacturing Co.	2.6%
McCormick & Company, Incorporated	2.5%

PORTFOLIO REGIONS



PERFORMANCE- periods ending 31 December 2024

	Fund	Benchmark	Excess
1 month	0.79	2.47	-1.68
3 months	4.52	11.87	-7.35
1 year	15.61	30.78	-15.18
2 year p.a.	11.50	26.85	-15.34
3 year p.a.	0.70	12.19	-11.49
4 year p.a.	5.94	16.24	-10.30
5 year p.a.	-	-	-
7 year p.a.	-	-	-
10 year p.a.	-	-	-
Since incep.	8.91	16.47	-7.56

Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	19.6	19.1
Dividend Yield*	2.2%	2.1%
Price / Book	3.3	3.2
Debt / Equity	39.6%	51.7%
Return on Equity*	18.2%	17.8%

^ Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating Trillium's investment style in action. These figures are forecast estimates, calculated based on consensus broker estimates where available, and should not be relied upon. Dividend Yield is a dividend forecast of underlying securities for the portfolio and does not reflect the distributions to be determined for the fund.
* Forward looking 12-month estimate.

Information on Management Costs (including estimated indirect costs) and a full description of the Fund's performance fee is set out in the Fund's PDS.

MARKET COMMENTARY

The fourth quarter capped another strong year for asset class returns, particularly in equities. The MSCI World Index rose 19% in 2024, driven by U.S. markets, where the S&P 500 gained 25% and surpassed 6000 in mid-December. Despite solid performances from China (+19%) and tech-focused Taiwan (+34%), emerging markets underperformed their developed counterparts, with the MSCI Emerging Market Index returning a more modest 8%. Outside the third quarter, a narrow group of stocks, including the Magnificent 7, drove markets higher, fueled by growth, momentum, and mega-cap factors. This trend was especially pronounced in the U.S., which recorded its best two-year period since the late 1990s, driven by a handful of technology-related stocks at increasingly high valuations. This narrow market environment has left many sectors undervalued, presenting compelling opportunities for value investors. In Europe, 2024 results were mixed. Germany (+10%) and Italy (+11%) posted strong gains, the UK saw moderate returns (+8%), and France struggled (-5%). We have observed a clear shift from value to growth stocks since early 2023, spurred by expectations that interest rates had peaked, easing inflation, and normalizing supply chains. However, only a narrow set of AI/tech-related stocks and Financials delivered outsized returns, as investors avoided more controversial areas of the market. Despite this concentration, we remain confident that our contrarian, value-focused approach is well-positioned for a market environment where fundamentals regain prominence.

PORTFOLIO COMMENTARY

For the quarter ended December 31, 2024, the Trillium Global Sustainable Opportunities Fund reported a return of 4.5% net of fees versus the benchmark, MSCI World Index, which reported a return of 11.9% over the same period. The Fund's largest active overweight positions at quarter end included ServiceNow, Mastercard, and AstraZeneca. The Fund's largest underweight positions included Apple, Amazon, and Alphabet, all of which are not currently held in the Fund.

The overweight position in ServiceNow contributed to relative performance (+32.9%). ServiceNow excelled as end customers continued to heavily invest in automating IT processes. The company achieved favorable results due to market share gains, robust top-line performance, and margin expansion. This combination has led to above-average visibility compared to peers and exceptionally strong free cash flow generation. These factors have helped the stock maintain its premium valuation relative to the software group.

The overweight position in Shopify contributed to relative performance (+48.5%). Shopify saw a sharp rebound following quarterly results and guidance that exceeded market expectations. Key factors driving the stock included revenue growth and margin expansion. The company's e-commerce platform continues to attract larger customers, and recent price increases and market share gains have translated into strong financial performance. We remain positive on this fast-growing, high-quality company due to its strong fundamentals and favorable ESG profile.

The overweight position in EDP Renovaveis detracted from relative performance (-33.4%). EDP Renovaveis had a challenging fourth quarter in 2024 due to lower power prices and less energy production caused by bad weather and delays in adding new capacity. Higher financial costs from increased debt and lower capital gains compared to the previous year also hurt their performance.

The overweight position in AstraZeneca detracted from relative performance (-5.9%). After outperforming year to date on absolute and relative bases into Labor Day on favorable operating and financial performance and outlooks, AstraZeneca (and many of its pharmaceutical company industry peers) underperformed the remainder of the year, partly due to muted operating/financial performance relative to forecast and some related to macro market sentiment shifts, such as in November after the 2024 Presidential Election outcome.

OUTLOOK

Trump's return to power in the United States is consistent with a worldwide trend of exasperation with political leaders. Last July, we noted that over 60 countries were holding national elections in 2024. By the first week in 2025, government control had changed hands across much of the world. Since the COVID-19 pandemic began in 2020, 75% of incumbent governments have lost power. Worldwide, sustained high inflation, increasing wealth inequality, and economic and supply chain disruption stoked voter dissatisfactions, leading voters to turn to candidates running as outsiders and disruptors. While the specific impacts of most of these elections have yet to play out, we believe the loss of institutional knowledge that accompanies this widespread political turnover presents a risk to international relationship networks, including with respect to economic and regulatory agreements. The Federal Reserve cut its Federal Funds Rate by 50 basis points in the fourth quarter but made clear that further cuts will be dependent on the continued decline of inflation towards their 2% target. As of year-end, the market is pricing in less than 50 basis points of rate cuts in 2025, with inflation expected to plateau around 2.5%. This, in combination with concerns of inflationary trade policy, has kept interest rates high for companies and consumers, which could weigh on economic data and financial market performance in 2025. Lofty valuations, expected moderate economic growth of approximately 2%, and expectations of potentially significant changes in economic and political policies, such as new tariffs, potential changes in political alliances, and promised changes in immigration policies all reduce our expectations of potential return and elevate our perception of potential risk. The significant P/E expansion seen in 2023 and 2024, together with mild to moderate expected economic growth indicate that earnings growth will be the primary source of equity return in 2025 rather than further P/E expansion. Even with positive expectations or earnings growth, returns are likely to be modest, in comparison to the outsized equity returns seen in 2023 and 2024. Additionally, Chairman Powell's caution concerning the inflation outlook indicates a restrained outlook for Federal Reserve rate cuts in 2025, or possibly even potential for rising interest rates if new tariffs spur rising prices. With modest expected upside, we continue to seek quality in our holdings, even as these quality factors have been out of favour for the past year. In a somewhat uncertain economic environment, we favour companies with strong balance sheets, demonstrated profitability, and steadier revenue flows. While we are mindful of having been too cautious in our positioning over the past year, we also need to protect against market overexuberance.

MORE INFORMATION
Adviser Services 1800 062 725
Investor Services 1800 022 033
Email investments@perpetual.com.au
www.perpetual.com.au/trillium

TRILLIUM
ASSET MANAGEMENT