Trillium Asset Management

TRILLIUM GLOBAL SUSTAINABLE OPPORTUNITIES FUND - CLASS A

September 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.

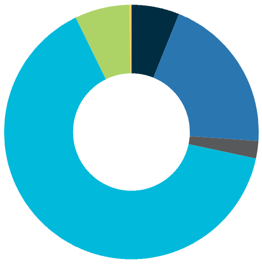
Benchmark: MSCI World Net Total Return Index ($A)
Inception Date: August 2020
Size of Portfolio: $61.94 million as at 30 Jun 2024
APIR: PER4964AU
Management Fee: 0.99%*
Investment style: Thematic
Suggested minimum investment period: Seven years or longer

PORTFOLIO SECTORS

TOP 10 STOCK HOLDINGS

	% of Portfolio
Microsoft Corporation	5.7%
NVIDIA Corporation	4.0%
AstraZeneca PLC	3.7%
ServiceNow, Inc.	3.6%
Mastercard Incorporated	3.3%
Unilever PLC	3.3%
American Tower Corporation	2.9%
Roche Holding Ltd	2.7%
Alcon AG	2.6%
McCormick & Company, Incorporated	2.6%

PORTFOLIO REGIONS



PERFORMANCE- periods ending 30 September 2024

	Fund	Benchmark	Excess
1 month	-0.85	-0.41	-0.44
3 months	3.59	2.39	+1.19
1 year	15.41	23.20	-7.79
2 year p.a.	11.18	22.34	-11.17
3 year p.a.	0.66	10.56	-9.90
4 year p.a.	8.03	14.64	-6.62
5 year p.a.	-	-	-
7 year p.a.	-	-	-
10 year p.a.	-	-	-
Since incep.	8.32	14.42	-6.11

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	20.5	19.0
Dividend Yield*	2.1%	2.1%
Price / Book	3.1	3.2
Debt / Equity	51.7%	51.8%
Return on Equity*	17.2%	17.4%

^ 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 third quarter was marked by significant market-moving headlines, with major global indices reaching new all-time highs, including in the U.S. Unlike the previous quarter, where a limited number of stocks drove gains, the MSCI World Equal-Weighted Index outperformed the MSCI World Index, with the S&P 500 Equal-Weighted Index similarly surpassing the S&P 500. Value stocks outperformed growth stocks by over 600 basis points, while small-cap stocks rallied despite trailing year-to-date performance. The Federal Reserve ended a 14-month pause, making headlines with a larger-than-expected 50 basis point rate cut, instead of the anticipated 25 basis points. This move steepened the previously inverted yield curve, as the Fed projected an additional 200 basis points of cuts through 2024 and 2025. Amid rising recession fears, cooling consumer price index data in June and July allowed the Fed to shift focus from inflation to addressing employment concerns. In contrast, the Bank of Japan unexpectedly raised rates, causing increased volatility and a drop of over 25% in the MSCI Japan Index peak-to-trough, ultimately closing down 6.0% in local currency. In China, negative sentiment persisted due to a sluggish economy, but a significant stimulus package announced at the quarter's end boosted market optimism, leading to the MSCI China Index's strongest weekly gain since 2008 and a quarterly return of +23.5%.

PORTFOLIO COMMENTARY

For the quarter ended September 30, 2024, the Trillium Sustainable Opportunities fund reported a return of 3.59% versus the benchmark, MSCI World Index, which reported a return of 2.39% over the same period. The Fund's largest active overweight positions at quarter end included ServiceNow, AstraZeneca, and Unilever. The Fund's largest underweight positions included Apple Inc., Alphabet Inc., and Amazon.com, all of which are not currently held in the portfolio.

The overweight position in AIA Group (+28.2%) contributed to relative performance. AIA shares sharply rebounded in late Sep along with most Chinese stocks due to potentially more monetary and fiscal stimulus coming in China.

The overweight position in SunRun Inc. (+46.4%) contributed to relative performance. SunRun outperformed in the quarter as the prospect of rate cuts fueled expectations of a rebound in the residential solar industry. The company remains competitive well positioned as the secular growth profile of residential installation of PV systems remains positive.

The overweight position in ASML Holding (-21.3%) detracted from relative performance. ASML was a bottom performer as the stock reacted negatively to reports of potential increased export restrictions on semiconductor related equipment into China. While we continue to view this risk as manageable for the company and will be monitoring any further developments in this area, the company's unique technology capabilities remain critical to the expansion of the international semiconductor market.

The overweight position in Wolfspeed (-44.3%) detracted from relative performance. Wolfspeed has been a persistent bottom performer as the company had several missteps in its execution of ramping up the first automated 200mm silicon carbide fab. We expect that financing and operational headwinds will continue to plague the stock in the future and have decided to fully exit the position.

OUTLOOK

As we look ahead, we anticipate a dynamic economic environment influenced by several key factors. U.S. employment conditions have softened but remains solid relative to historical levels. Signs of slowing job creation have emerged, and wage growth is moderating, suggesting the potential for continued easing in consumer spending. The 2024 U.S. presidential election will be a significant driver of market sentiment in the near term. As election day approaches, we expect increased market volatility, driven by uncertainty over policy outcomes. Investors will closely watch for clues on the candidates' economic policies, particularly regarding taxation, regulation, and fiscal spending. Elections tend to inject volatility into equity markets, and this cycle is likely to follow suit, especially as it coincides with economic uncertainty and corporate earnings and commentary during the quarter. We are preparing for periods of heightened volatility as polls fluctuate and new political developments emerge. Another key focus is the Federal Reserve's expected shift in monetary policy. With inflation showing signs of moderating and the economy cooling, markets anticipating further Fed rate cuts. If inflation continues to trend downward and economic growth weakens, a rate cut would be a supportive factor for markets, particularly stocks of companies whose financial results are more rate sensitive. However, further cuts also introduce risk: if inflation proves sticky, the Fed could pivot back to a more restrictive stance, hampering economic growth. Global events, including China's large stimulus package as well as ongoing conflict between Ukraine and Russia as well as conflict between Israel and Hamas, Hezbollah, and Iran remain critical variables influencing energy prices, trade, and global investor sentiment. We see the related potential for rising oil prices and any resultant slowing in economic activity) as the most proximate risk for the portfolio.

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

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