Trillium Asset Management

TRILLIUM ESG GLOBAL EQUITY FUND - CLASS A

June 2024

FUND FACTS

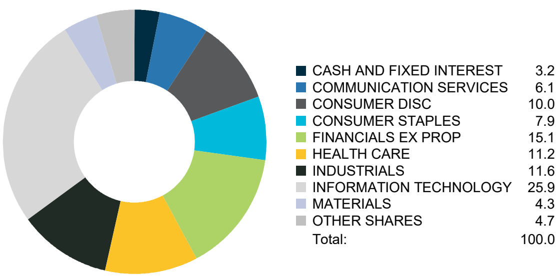
Investment objective: To provide investors with long-term capital growth through investment in quality global shares. To outperform the benchmark (before fees and taxes) over a rolling 3 year period.

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 AC World Net Total Return Index (AUD)
Inception Date: August 2020
Size of Portfolio: $30.88 million as at 31 Mar 2024
APIR: PER2095AU
Management Fee: 0.89%*
Investment style: Core
Suggested minimum investment period: Seven years or longer

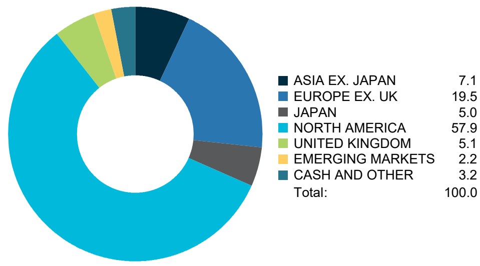
PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
Microsoft Corporation	5.7%
NVIDIA Corporation	5.4%
Alphabet Inc.	4.6%
Apple Inc.	2.9%
Taiwan Semiconductor Manufacturing Co.	2.4%
Novo Nordisk A/S	2.0%
Visa Inc.	1.9%
TJX Companies Inc	1.6%
Unilever PLC	1.6%
Target Corporation	1.5%

PORTFOLIO REGIONS



PERFORMANCE- periods ending 30 June 2024

	Fund	Benchmark	Excess
1 month	0.70	1.80	-1.10
3 months	-0.65	0.49	-1.14
FYTD	11.52	18.98	-7.46
1 year	11.52	18.98	-7.46
2 year p.a.	15.91	19.68	-3.77
3 year p.a.	6.39	9.63	-3.24
4 year p.a.	-	-	-
5 year p.a.	-	-	-
7 year p.a.	-	-	-
10 year p.a.	-	-	-
Since incep.	11.97	13.47	-1.49

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	19.2	17.4
Dividend Yield*	2.2%	2.3%
Price / Book	3.7	2.8
Debt / Equity	44.8%	46.7%
Return on Equity*	20.1%	16.2%

^ 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

Looking back, new all-time highs for the S&P 500 Index and MSCI World Index masked a much cloudier picture below the surface. Headline returns in the second quarter for the two indices were strong but were once again driven by a very narrow group of mega-cap technology stocks. In fact, the quarter saw the fewest stocks beating the broader S&P 500 Index – just three out of 10, one of the most narrow readings in the last 35 years. Similarly, other areas of the market were also weaker, including value stocks and small caps, which declined. Interestingly, earnings have followed a similar pattern to returns with the earnings growth of names like Nvidia overshadowing the broader moderation of corporate earnings growth taking place, perhaps due to the lagged effects of the monetary tightening cycle are finally appearing. In the MSCI World Index, sector performance was skewed to the downside, as just three sectors outperformed the broader index. Technology and Communication Services rose on the back of the Magnificent 7 and Utilities gained on hopes of growing power demand fueled by AI-related data center development. Cyclical areas took the brunt of the pain in the quarter: Materials, Industrials, and Consumer Discretionary were all in negative territory on concerns of slowing economic conditions. Should this continue to spread, valuation multiples remain at-risk of being compressed as growth projections are reigned in.

PORTFOLIO COMMENTARY

For the quarter ended June 30, 2024, the Trillium Global Equity fund reported a return of -0.7% versus the benchmark, MSCI All Country World Index (ACWI), which reported a return of 0.5% over the same period. The Fund's largest overweight positions at June 30 included Alphabet Inc, Microsoft Corporation, and Taiwan Semiconductor Manufacturing. The Fund's largest underweight positions include Amazon.com and Meta, neither of which is held in the portfolio due to sustainability and ESG related concerns, and Apple.

The overweight position in Taiwan Semiconductor Manufacturing (+25.1%) contributed to relative performance. Demand for the company's manufacturing services continues to remain very robust. The sell-through of AI (Artificial Intelligence) chips by key customers, including NVIDIA, is driving recent operational and financial outperformance as well as improving margins while providing above average visibility into year-end.

The overweight position in NVIDIA Corporation (+33.5%) contributed to relative performance. The company continued to show strength in overall financial metrics related to very strong demand for the company's leading-edge AI (artificial intelligence) chips. Earnings estimates are still moving on strong pricing power and robust gross margins. While stock price appreciation has moderated, valuation multiples have expanded leading to a more balanced risk / reward proposition, we remain confident in the company's longer-term market positioning.

The overweight position in CVS Health Corporation (-27.0%) detracted from relative performance. The company's stock underperformed during the second quarter of 2024 after it reported lower than forecasted first quarter 2024 financial results and lowered its full year 2024 financial guidance mostly due to higher-than-expected medical claims expense in its Medicare Advantage (MA) plan health insurance (Aetna) business. While we expect the profitability of MA plans to gradually improve over the next few years, election year volatility around future US health spending is likely to keep shares more range bound.

The overweight position in Target Corporation (-17.8%) detracted from relative performance. Despite decent results, many investors were expecting a higher level of improvement to be reflected in CY24 guidance as the entire Consumer Discretionary sector faces negative investor sentiment. Target has continued to make progress improving its top line with sequential improvement in discretionary categories, albeit still negative. Target is seeing early signs of success with its Circle Rewards program and new value-oriented private label brands.

OUTLOOK

The market environment remains highly uncertain between the economic backdrop and associated interest rate expectations, artificial intelligence, and elections, not only domestically in the US but also abroad. The market continues to root for a Goldilocks soft landing macro scenario with a coming Fed easing cycle, disinflation, strong big-tech earnings, and AI optimism. However, we are concerned about the health of the consumer, the potential for rising unemployment, the impact of sticky services inflation, expensive valuations, crowded positioning, and extremely narrow market breadth. With this backdrop of macroeconomic uncertainty, we expect continued share price premiums for companies with secular growth stories, innovative products, strong market positioning, earnings and cash flow consistency, and management stability. We continue to avoid positioning for extremes and acknowledge that an economic slowdown, combined with high uncertainty about the exact course of that slowdown, means an increased likelihood of rapid rotation, particularly as investors lean heavily on small changes in weekly and monthly data releases. In such an environment, thoughtful analysis of company management, strategies, and prospects assumes added importance. Longer term, we believe that companies will be rewarded for the quality and integrity of their management, and by management's attention to evolving social and environmental considerations. We seek companies with business models that emphasize resilience across a range of scenarios, rather than ones that seek to maximize profit in a single best-case scenario. We expect companies held within our portfolios to act with purpose and to support or take leading roles in creating alternative mechanisms, through external or internal policies, to protect the needs and concerns of their employees, communities, and planet.

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