Trillium Asset Management

TRILLIUM ESG GLOBAL EQUITY FUND - A CLASS

December 2023

FUND FACTS

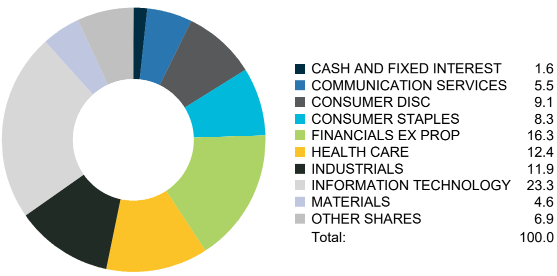
Investment objective: To provide investors with long-term capital growth through investment in quality global shares. To outperform the benchmark (before fees and taxes) over a rolling 3 year period.

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: $24.87 million as at 30 Sep 2023
APIR: PER2095AU
Management Fee: 0.89%*
Investment style: Core
Suggested minimum investment period: Seven years or longer

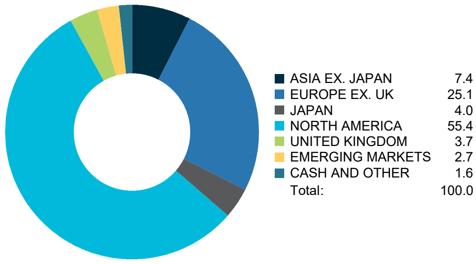
PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
Microsoft Corporation	4.8%
Apple Inc.	4.5%
Alphabet Inc.	3.4%
NVIDIA Corporation	2.3%
Novo Nordisk A/S	1.6%
Visa Inc.	1.4%
Taiwan Semiconductor Manufacturing Co.	1.4%
L'Oreal S.A.	1.3%
Adobe Incorporated	1.3%
Nestle S.A.	1.3%

PORTFOLIO REGIONS



PERFORMANCE- periods ending 31 December 2023

	Fund	Benchmark	Excess
1 month	3.14	1.84	+1.30
3 months	6.31	5.02	+1.29
FYTD	1.58	4.63	-3.05
1 year	18.04	21.45	-3.41
2 year p.a.	-1.04	3.10	-4.14
3 year p.a.	8.31	10.17	-1.86
4 year p.a.	-	-	-
5 year p.a.	-	-	-
7 year p.a.	-	-	-
10 year p.a.	-	-	-
Since incep.	10.76	11.30	-0.54

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	18.2	16.4
Dividend Yield*	2.4%	2.7%
Price / Book	3.3	2.5
Debt / Equity	50.2%	47.3%
Return on Equity*	19.1%	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

The fourth quarter of 2023 capped what was expected to be a lackluster year for equities with a bang, as equity markets raced higher in posting fourth quarter gains of 8-10% or more. In fact, more than 2/3 of the S&P 500's full year 2023 return of 26% came in the last two months of the year. The markets' ability to climb the wall of worry in the face of new and unforeseen developments remains undefeated. The much-anticipated recession failed to materialize, and the artificial intelligence (AI) euphoria that appeared helped rocket growth stocks higher once more. Consumers kept spending as inflation cooled but wages remained strong, and unemployment in the U.S. remains at historically low levels. Despite this, or perhaps because of this, interest rates remained relatively unchanged from January to December as the 10-year Treasury yield held at 3.88%. Even an escalating conflict in the Middle East did little to faze the markets, though West Texas Intermediate (WTI) crude oil prices rose, then fell, and ended the year down a little more than 10%.

PORTFOLIO COMMENTARY

For the quarter ended December 31, 2023, the Trillium Global Equity fund outperformed the benchmark. The portfolio's largest overweight positions included Industria de Diseno Textil, S.A., L'Oreal S.A., and Quanta Services, Inc. The Fund's largest underweight positions include Amazon.com, Tesla, and Meta Platforms, all of which are not held in the fund.

The overweight position in HR technology and business solutions company Recruit Holdings Co (+29.53%) contributed to relative performance. The company outperformed in the quarter as an activist investor took a stake in the company and as a "soft landing" macro scenario took hold in the fourth quarter. Going forward, a strong employment environment would benefit Recruit's various employment platforms, including Indeed.

The overweight position in real estate company Jones Lang LaSalle Incorporated (JLL) (+26.54%) contributed to relative performance. The company's stock outperformed the broader market and its sector peers beginning in early November after U.S. long term interest rates peaked following dovish U.S. Fed monetary policy commentary. Lower interest rates lower the cost of capital for real estate acquirors and could lead to better than expected operating and financial performance for JLL and its peers in the future.

The overweight position in flavour, seasonings, and spices company McCormick & Company (-13.40%), Incorporated detracted from relative performance. While overall quarterly results were in-line, McCormick shares underperformed after reporting Q3 volumes below expectations and EBIT below investor expectations. The stock has also been pressured in the second – half of 2023 given the planned departure of its long-time CEO and general concern around packaged food companies giving back COVID pricing (though we conclude that McCormick is well positioned in this regard).

The overweight position in consumer goods company Unilever (-6.80%) detracted from relative performance. Shares underperformed during the fourth quarter after reporting light volumes, driven by warmer weather affecting ice cream sales, and a further drop in the company's competitiveness measure. While new CEO Schumacher's recently announced turnaround strategy presents a strong opportunity in our view, some investors have been frustrated by the perceived timeline for tangible gains, alongside less favourable sentiment on companies within the more defensive consumer staples sector.

OUTLOOK

While equity markets closed 2023 in a macro-driven, short-term trading fueled expectation of quick rate cuts across the US and Europe in 2024, we remain measured and consistent in our investment approach, analyzing companies bottom-up, seeking both fundamental and ESG quality across our diverse universe with longer -term (~3-5 year) investment horizon. In our view, a baseline expectation of continued equity and fixed income market volatility in CY24 is assumed, given lowering inflation rates, higher credit costs for companies and individuals (versus prior 5-year trends), increasing geopolitical risks (elections in US, UK, India, Taiwan, among other countries) and continued warfare in Ukraine, and now Israel/Gaza. Hopefully, a third war-time theatre will remain closed in 2024. Similar to last year's outlook, we expect better economic conditions to manifest in North America versus other regions. Additionally, like last year, we expect somewhat of an elevated level of management turnover across developed markets, as exhaustion and/or satisfaction with COVID operating challenges gives way to new strategic visions, leadership ideas and competitive realities. Along the way, we expected continued scrutiny of ESG practices and policies by market participants.

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