



ESG GLOBAL EQUITY FUND

Investment Process

ACTIVE PORTFOLIOS, GLOBAL IMPACT:
Putting Assets into Action since 1982

Trillium ESG Global Equity Fund

Designed to address the risks and opportunities created by the increasing constraints on natural capital.

Fund Overview

- High quality from both an ESG and traditional fundamental angle
- Fossil-fuel free since inception (20+ years)
- Proprietary ESG scoring: over two decades of proprietary ESG research and analysis on hundreds of global companies
- Consistent management; a co-lead manager has managed the fund since inception
- Environmental risk & opportunities mandate
- Long-term orientation, low turnover
- Diversified across market cap, countries, sectors, stocks
- Core global equity fund, with a bias to growth

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|-------------------|--|
| Objective | To provide investors with long-term capital growth through investment in quality global shares; the fund aims to outperform the stated benchmark (before fees and taxes) over a rolling 3-year period. |
| Benchmark | MSCI All Countries World Net Total Return Index (AUD) |
| Inception | 4 August 2020 |
| Holdings | 70-150 |
| Size of Portfolio | \$21.01 million as at 30 June 2021 |

Investment Philosophy

Trillium believes that the incorporation of Environmental, Social, and Governance (ESG) factors into a fully integrated ESG investment analysis can potentially identify the companies that are best positioned for risk-adjusted, long-term outperformance relative to their peers. While many firms have separate teams responsible for ESG and fundamental research, Trillium's analysts conduct ESG, advocacy, materiality, and fundamental analysis for all the companies they cover.

Investment Approach

The Trillium ESG Global Equity Fund is designed to address the risks and opportunities created by the increasing constraints on natural capital. Since 1999, the investment team has searched the globe for companies that meet a dual mandate: environmental leadership and financial quality. Trillium's rigorous selection criteria are fossil fuel free and integrate financial and ESG research to seek high quality growth companies at a reasonable price, resulting in an equity portfolio that seeks positive risk-adjusted returns.

The pillars of Trillium's Approach include:



Fundamental ESG Analysis:

Trillium's bottom-up, ESG-integrated fundamental research process includes both industry and in-depth company analyses, which are led by Trillium's team of dedicated and experienced portfolio managers and equity research analysts and associates.



Proprietary Materiality Review:

Coordinated with Trillium's ESG research specialists, companies within an industry are analysed according to their performance on specific ESG criteria using multiple sources to provide analysts and portfolio managers insight into their performance on a comparative and intrinsic basis.



Shareholder Advocacy:

Trillium's shareholder advocacy team actively engages with the companies they hold to promote positive change on ESG issues. Engaged Ownership happens through the usage of direct communications, coalition building, shareholder resolutions and proxy voting. Trillium focuses on significant areas that align with their priorities as shareholders.

ESG Global Equity Investment Process

The fund leverages a robust, fully integrated process using a proprietary ESG scoring methodology coupled with a time-tested fundamental approach to identify compelling investment opportunities and competitive risk-adjusted returns.

The investment process comprises four distinct areas: idea generation, ESG analysis, fundamental research, and portfolio construction.

The process is designed to be conducted with objectivity and to leverage the deep experience and insights of the portfolio managers, as well as Trillium's team of equity research analysts, ESG specialists, and advocacy professionals. The order in which the following process steps are completed is variable, depending on the specifics on any given situation.

ESG Analysis

- Screen for controversies and business involvement
- Industry materiality evaluation
- In-depth company research
- Analysis of strategy specific criteria

Portfolio Construction

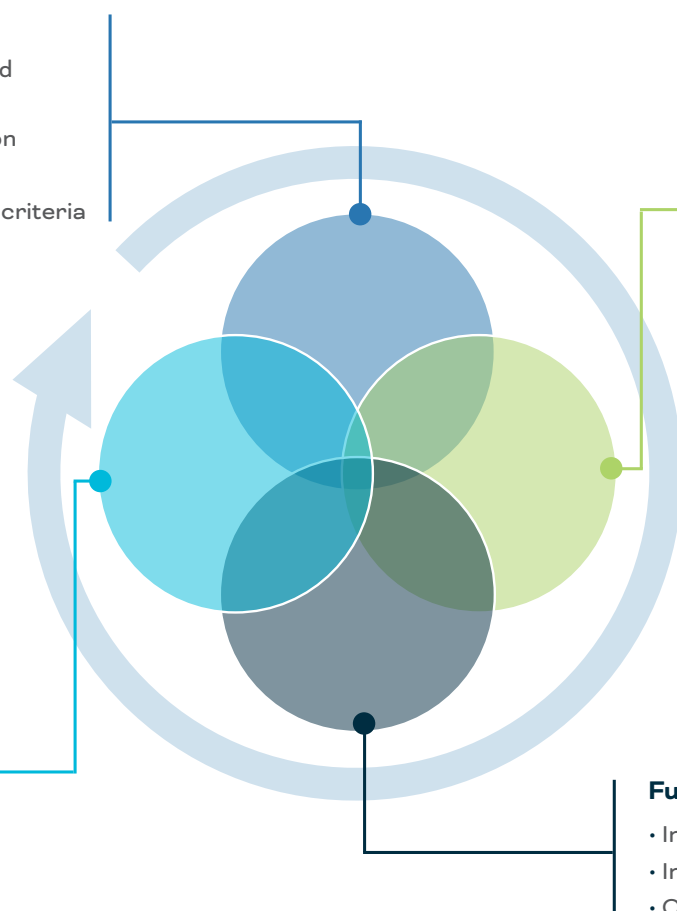
- Stock selection
- Position sizing
- Risk controls
- Sell discipline

Idea Generation

- Company meetings
- Industry research
- ESG reviews
- Quantitative screens
- Sell side input

Fundamental Research

- Industry analysis
- In-depth company research
- Quantitative and qualitative review



The investable universe includes all publicly traded stocks and ADR/ADSs on recognised exchanges, globally. In general, Trillium considers stocks eligible if they have market capitalisations greater than US\$2 billion, a minimum daily average trading volume of US\$1 million and exhibit fundamental (financial and ESG) characteristics consistent with Trillium's investment thesis. The fund's investable universe is not limited to the constituent companies of the benchmark.

Idea Generation

Trillium's fundamental equity analysts, who divide coverage by sector, are responsible for providing in-depth analysis of companies and generating new buy ideas consistent with their high-quality approach. The managers seek to identify companies that they believe are strategic leaders, based on business models they believe are superior and demonstrate the ability to create consistent earnings growth. The team uses financial screening tools to evaluate the following characteristics:

Quality Growth

Balance Sheet Strength

Shareholder Returns

The investment team looks to identify companies with strong board and management quality, transparent and conservative financial reporting, and better management of ESG risks. They use a variety of sources to identify these companies. The team looks at key metrics of Financial Operating Performance including ROIC, ROE, and ROA, as well as supporting metrics such as revenue growth, margin performance, operating efficiency, earnings quality, return of capital to shareholders, and balance sheet strength and stability.

They frequently conduct benchmark analyses relative to cap tier, country, and industry or sub-industry to determine where additional exposure may be needed based on the current Buy List. The managers also often use a thematic approach to identify companies that are taking advantage of high growth ESG trends such as healthy living, energy efficiency, data security, and sustainable foods. Portfolio Managers/Analysts may also attend company investor meetings, sell-side conferences and industry conferences where they may identify potential names through their network of professional connections.

ESG Analysis

In addition to the primary ESG analysis process conducted by Trillium's equity research team, the fund maintains a proprietary framework to assess each portfolio company considered on environmental merits. A comprehensive review of the ecological risk and opportunities analyse seven categories implemented across all sectors:

- Business Model
- Life Cycle
- Investments
- Leadership
- Environmental Management and Disclosures
- Environmental Risks and Liabilities
- Resource Efficiency

Data is gathered and analysed by the Portfolio Managers, Equity Research Analysts and ESG Specialists, utilising a range of resources, including their 20+ years of proprietary ESG company datasets, governmental websites and NGOs. Each company is scored accordingly and monitored to assess any material changes to this initial assessment.

Fundamental Research

Trillium's ESG-integrated fundamental research process includes both industry and in-depth company analysis, which cover both quantitative and qualitative considerations. In terms of industry reviews, the team evaluates the respective secular and cyclical dynamics, along with relevant national and regional aspects of a company's operating environment.

In terms of company-specific analysis, the team considers strategic leadership (business model, competitive advantage, strategy, management quality, etc.) and financial fundamentals (economic translation of that leadership, along with analysis of key quality characteristics including margin profile, cash flow, ROIC, net leverage, etc.). Valuation is derived through a combination of a traditional P/E multiple approach and a discounted cash flow analysis (with a 3-stage model), depending on sector and industry and other considerations.

Portfolio Construction

The investment management team includes Lead Manager Matthew Patsky, and Co-Managers Laura McGonagle, John Quealy, and Patrick Wollenberg. While ultimate decisions regarding each of the fund's investments are made by majority agreement of the investment team, Matthew Patsky initiates portfolio trading decisions.

The team utilises the Trillium stock selection Buy List in addition to the global subset of companies that have been scored via the fund's bespoke framework emphasising environmental merits. Portfolio Managers identify companies with improving fundamentals, attractive valuation, impending catalysts for growth, and appropriate diversification. While bottom-up and quality focus is emphasised, the portfolio is constructed with consideration for sector weights (+/- 50% to 200% from the index), country weights, regional exposure, ACWI-average weighted market cap, and generally holds 70-150 positions.

ESG Criteria: Positive & Negative Screens



Positive Attributes

Following a risk-based screening process, Trillium analysts evaluate company ESG performance, seeking characteristics which may include:

Environmental

- Limits harmful pollutants and chemicals
- Responsible raw material management
- Actively lowers greenhouse gas emissions
- Utilises renewable energy sources

Social

- Pays employees fair wage
- Deploys a robust human capital management strategy
- Encourages diversity and inclusion
- Supports LGBTQ rights
- Operates an ethical supply chain

Governance

- Strives to have a diverse board
- Values separation of CEO role from board chair
- Pays executives reasonable wages
- Dedicated to corporate transparency



Exclusionary Screens

Exclude from consideration companies with material involvement in businesses that have higher risk, such as:

- Agricultural Biotechnology
- Coal Mining/Hard Rock Mining/Tar Sands
- Nuclear & Coal Power
- Private Prisons
- Tobacco
- Weapons & Firearms
- Gaming
- Pornography

Restrict companies with major recent or ongoing controversies in areas such as:

- Animal Welfare
- Environmental
- Governance
- Workplace Discrimination and Human Rights
- Product Safety and Marketing

NOTE: Trillium's risk-based, revenue and asset driven criteria only eliminate a small portion of the investable universe for each of the strategies. While Trillium still considers this as an important risk-mitigation step, they focus the vast majority of their analytical efforts on using ESG information to help identify the best companies, not simply screen out the worst.

There is no regulated or universally accepted definition for fossil fuel free. Trillium believes that fossil fuel free means:

No investments in any company with proven carbon reserves.

No investments in any company that explores for, extracts, processes, refines, or transmits coal, oil, and gas.

No investments in any utilities that burn fossil fuels to produce electricity.

Stock Selection: The Search for Global Leaders

Trillium's holistic stock selection process combines the collective work of the portfolio team, equity research analysts, ESG specialists, and advocacy team. Tasked to identify companies that they conclude are both strategic and ESG leaders, the team looks for superior business models and financial profiles that demonstrate the ability to create consistent earnings growth while maintaining superior environmental, social, and governance characteristics.

Sell Discipline

The team's sell discipline is governed by portfolio strategy and stock-specific analysis; securities may be sold due to a breakdown in the investment thesis, negative change in sector or company fundamentals, a material deterioration in ESG characteristics, excessive relative valuation, active position weight, or to upgrade quality characteristics.

When an equity security deteriorates significantly relative to its sector, the analyst conducts a review, in consultation with the CIO and other investment team members, which may include a discussion at the weekly Investment Management Committee meeting. There are four potential outcomes of this review:

1. the fundamental outlook for the company is unchanged, and the analyst recommends holding the position,
2. the security is undervalued, and the analyst recommends adding to the position,
3. the company no longer meets the current expectations vs. other options on the Buy List and the analyst recommends a sale from the portfolio,
4. the underlying assumptions in adding the security to the long-term Buy List are no longer valid, and the analyst recommends removing the name from the Buy List, which requires an IMC vote.



Investment Professionals



Matthew W. Patsky, CFA, CEO & Lead Portfolio Manager

Matt Patsky is CEO and Lead Portfolio Manager of the Trillium ESG Global Equity Fund and Portfolio Manager of the Trillium Global Sustainable Opportunities Fund. Matt has over three decades of experience in investment research and investment management. He began his career at Lehman Brothers in 1984 as a technology analyst. In 1989, while covering emerging growth companies for Lehman, he began to incorporate environmental, social, and governance factors into his research, becoming the first sell side analyst in the United States to publish on the topic of socially responsible investing in 1994. As Director of Equity Research for Adams, Harkness & Hill, he built the firm's powerful research capabilities in socially and environmentally responsible areas such as renewable energy, resource optimisation, and organic and natural products. Before Trillium, Matt worked at Winslow Management Company in Boston, where he served as director of research, chairman of the investment committee, and portfolio manager for the Green Growth and Green Solutions Strategies.

Matt currently serves on the board of TONIIC and has previously served on the Boards of Environmental League of Massachusetts, Shared Interest, Pro Mujer, US SIF, and Root Capital. He is also a member of the Social Venture Circle (SVC) and is a member of the CFA Society Boston and is a Chartered Financial Analyst charterholder.



Laura McGonagle, CFA, Senior Vice President & Portfolio Manager

Laura is a Portfolio Manager and Research Analyst. She leads the Trillium Small/Mid Cap Core strategy and is on the portfolio management team of the ESG Global Equity, Fossil Fuel Free Core, All Cap Core, and Sustainable Opportunities strategies. She joined Trillium Asset Management in 2001. Prior to joining Trillium she was an equity research analyst at Adams, Harkness and Hill, a Boston-based investment bank that focuses on emerging growth companies. Laura's last position at Adams was as a sell-side equity analyst in the "Healthy Living" group. This group covered specialty consumer stocks which addressed the consumers' growing awareness of the impact of nutrition, environment and lifestyle choices on their well-being.

Laura earned a B.A. in quantitative economics from Tufts University in 1992. Laura is a member of the CFA Society Boston and is a Chartered Financial Analyst charterholder.



John Quealy, CPA, Chief Investment Officer and Portfolio Manager

John Quealy is Chief Investment Officer and Portfolio Manager of the ESG Global Equity Fund. He oversees the management of all investment strategies and portfolio construction at Trillium. He joined the firm in 2018 and has extensive experience in sustainable investing.

Prior to joining Trillium, John spent 17 years with Canaccord Genuity in Equity Research, where he was a Managing Director, specialising in the Sustainability and Industrial Technology sectors. He joined the firm as an Associate in 2000, helping to launch this franchise in the United States. Over his career, John helped lead Canaccord's efforts across this emerging area, having previously served as Sector Head overseeing Sustainability Equity Research in North America and the UK. John has covered a broad array of companies in the Energy Technology, Water, Recycling, Agriculture, and Electrical Equipment sectors. Prior to Canaccord, John worked for Deloitte & Touche, where he was a Manager in the Audit and Assurance practice, serving a wide range of domestic and international, public, and private companies.

John has served on the boards of Rosie's Place (founded in 1974 as the first dedicated Women's Shelter in the U.S.) and the Environmental League of Massachusetts (ELM). John received a B.S. degree in Accounting and Philosophy cum laude from Boston College and is a licensed Certified Public Accountant in Massachusetts.



Patrick Wollenberg, CEFA, Portfolio Manager & Research Analyst

Patrick is a Portfolio Manager of the Trillium ESG Global Equity Fund and a Research Analyst covering the financial sector. Patrick joined as an Analyst in September 2018 with previous experience as a portfolio manager and equity research analyst for several Global and European equity funds at ING Investment Management and Robeco Asset Management, where he started his career in 1994. Immediately prior to joining Trillium, he was an Investment Director at John Hancock Investments (JHI), covering global, international, emerging markets and US equity funds for John Hancock.

Patrick completed his Masters of Science (Honors) in Business Administration in 1992 and Masters of Science Economics (Honors) in 1994 from Erasmus University Rotterdam, The Netherlands. Patrick is a Certified European Financial Analyst.



Shareholder Engagement: Dedicated to Impact

Targets Shareholder Engagement

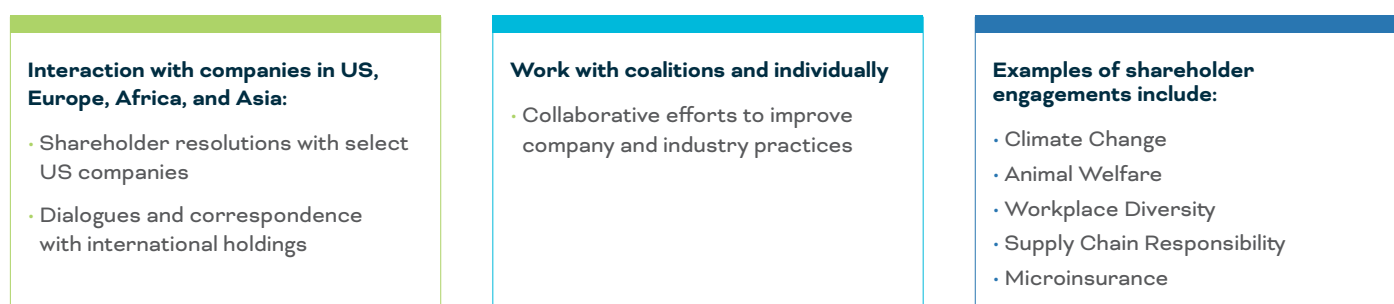
Trillium considers it fundamental to their mission and fiduciary responsibility to engage with the companies that they hold on behalf of their clients to press for positive change on any material ESG concern or opportunity that they believe will help protect or enhance shareholder value.

Trillium's Shareholder Advocacy Team seeks to leverage the tools available to us as share owners to help change corporate behaviour on issues like diversity and inclusion, human rights in the supply chain, climate change, chemical and pesticide reduction, and other pressing ESG issues.

In addition to these important advocacy efforts with portfolio companies, Trillium's advocacy team also plays an integral role throughout the various stages of the ESG-integrated investment process, including their participation in the ESG performance benchmarking, ESG qualitative considerations, and ongoing monitoring of ESG performance.



Global Shareholder Engagement



Measuring Trillium's Impact

In an ever-growing socially responsible investing space, Trillium shows their commitment to transparency and creating an impact through their proprietary impact reports. The reports comprise two sections:

1. proxy voting and shareholder advocacy and
2. portfolio positioning in relation to key ESG metrics.

The first section tracks number of proxy votes, number of resolutions, votes against company management, votes against pay packages, shareholder resolutions, and successfully withdrawn resolutions. The second section tracks the portfolio's carbon footprint, board gender diversity, executive compensation, clean tech exposure, and controversies versus the product benchmark.

Trillium made a commitment to measure and disclose the carbon footprint of all of their strategies, annually, as part of becoming a signatory to the Montreal Pledge. As of 30 June 2021, the ESG Global Equity Fund is 56% less carbon intensive than its benchmark, the MSCI All Countries World Net Total Return Index (AUD).

Source: ISS ESG. Data as of 30/06/21 for the Trillium ESG Global Equity Fund in comparison to the MSCI All Countries World Net Total Return Index (AUD). The Total Carbon Emissions Intensity, or the carbon footprint, represents the Total Carbon Emissions normalised by revenue in USD, which allows for comparison between companies of different sizes. Data reflects 88.9% of the Trillium ESG Global Equity Fund and 58.6% of the MSCI All Countries World Net Total Return Index (AUD) of companies which report reliable emissions in the portfolio and benchmark respectively.

Trillium Asset Management Overview

Trillium offers strategies that advance humankind towards a global sustainable economy, a just society, and a better world.

Firm Overview:

Key audiences: Intermediary | Institutional | High-net worth individuals | Charitable and non-profit organisations

\$4.8 billion in assets under management; over \$900 million in model-driven platform assets (30/06/2021)

Focused exclusively on responsible investing since company inception

Headquartered in Boston, MA with offices in San Francisco, CA, Portland, OR, and Edinburgh, Scotland

'Best for World Overall' Honoree for nine consecutive years

Trillium acquired by Australian Financial Firm Perpetual Ltd. in June 2020

The B Corporation award is not indicative of the future performance of Trillium Asset Management. B Lab, a non-profit organization helping companies manage corporate social responsibility, recognizes businesses that have earned an overall score in the top 5% of approximately 4,000 Certified B Corporations in one of the impact areas assessed: community, customers, environment, governance, and workers. The latest B Corporation 'Best for World Overall' Honoree was awarded in July 2021.

Trillium Asset Management is at the forefront of thought leadership and continues to draw from decades of experience focused exclusively on responsible investing.

Trillium's founder, Joan Bavaria, was a true visionary and served as an early catalyst for change in the investment industry. The firm's innovative approach led to the creation of numerous organisations, the development of the ESG investment field, and the first generation of investors focused on improved environmental, social, and governance outcomes.

Today, the firm is an impact-driven, ESG-focused firm dedicated to aligning values with investment objectives. Trillium's commitment to active ownership and shareholder advocacy has contributed to concrete and positive change.

Why Trillium Asset Management?



Innovators in ESG:

- Exclusively focused on ESG investing since 1982
- Continuously on the forefront of ESG thought leadership
- Uses a holistic, fully integrated fundamental investment process to uncover compelling long-term investment opportunities



Dedicated to Impact:

- Trillium believes 'impact is active'
- Leverages full breadth of company resources to engage with companies and governments, activating stakeholders' assets to create concrete, positive social and environmental change on a global scale
- Current priorities include economic inequality, diversity & inclusion, climate change and pollution.



Commitment to Community:

- Devoted to aligning clients' values and objectives by combining impactful investment solutions with active ownership to provide 'social dividends'
- Certified B Corporation member since 2008 and 'Best for World Overall' Honoree for 9 consecutive years



Trillium's Sustainable Investment Approach

The team's investment approach integrates in-depth ESG research and analysis with rigorous, fundamental financial diligence to help identify companies best-positioned to deliver risk-adjusted, long-term outperformance.

Evaluate Financial Integrity

Measure management and board quality by analysing execution history and financial statement reporting

- **Growth** Focused, Strong Fundamentals
- **Reasonable** Valuations
- Cashflow and Balance Sheet **Strength**

Target Strategic Leaders

Identified through fundamental bottom-up selection

- **Innovators** with competitive advantages
- **Attractive**, Dynamic End Markets
- Long Term Strategy **Aligned** with Stakeholders

Assess ESG Integrity

Analyse ESG risks and opportunities informed by our 30-year track record of proprietary data and insights

- Industry-Specific and Materiality-Based Benchmark **Review**
- External and Independent Information **Sources**
- In-Depth Peer and Competitive **Analysis**

Advocacy

Conduct issue area and company specific analysis to engage with companies to promote positive ESG changes

- **Active** Ownership & Mission
- Strive to **Improve** Returns and ESG Performance
- Depth & **Breadth** of Team and Initiatives



Investable Universe

Global universe of publicly traded securities



Trillium believes it is important to leverage the collective knowledge and expertise of all investment professionals to develop and maintain a single firm-wide buy-list from which all strategies can reference for portfolio construction.

Lead equity analysts prepare in-depth research reports on the merits of the company they propose adding and present their recommendation to the Investment Management Committee (IMC), where it is then debated and voted on with a majority needed to pass.

Weekly IMC meetings, chaired by the CIO, are made up of all of Trillium's investment professionals, with participation from the Advocacy Team.

This unique approach is designed to ensure that every investment they make meets Trillium's high standards and reflects the best thinking of the entire firm.



Find out more

If you have any questions, please contact Perpetual's Adviser Service Centre:

Phone: 1800 062 725

Email: investments@perpetual.com.au

This information has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535 AFSL 234426. PIML is the responsible entity and issuer of the Trillium ESG Global Equity Fund. PIML has appointed Trillium Asset Management, LLC (Trillium) to act as the manager of the Trillium ESG Global Equity Fund. Trillium is an authorised representative (Representative number 001282762) of Perpetual Corporate Trust Limited ABN 99 000 341 533 AFSL 392673. This document is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

The product disclosure statement (PDS) for the Trillium ESG Global Equity Fund, issued by PIML, should be considered before deciding whether to acquire or hold units in the fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au. To view the Perpetual Group's Financial Services Guide, please [click here](#).

No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. Past performance is not indicative of future performance.



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ASSET MANAGEMENT™