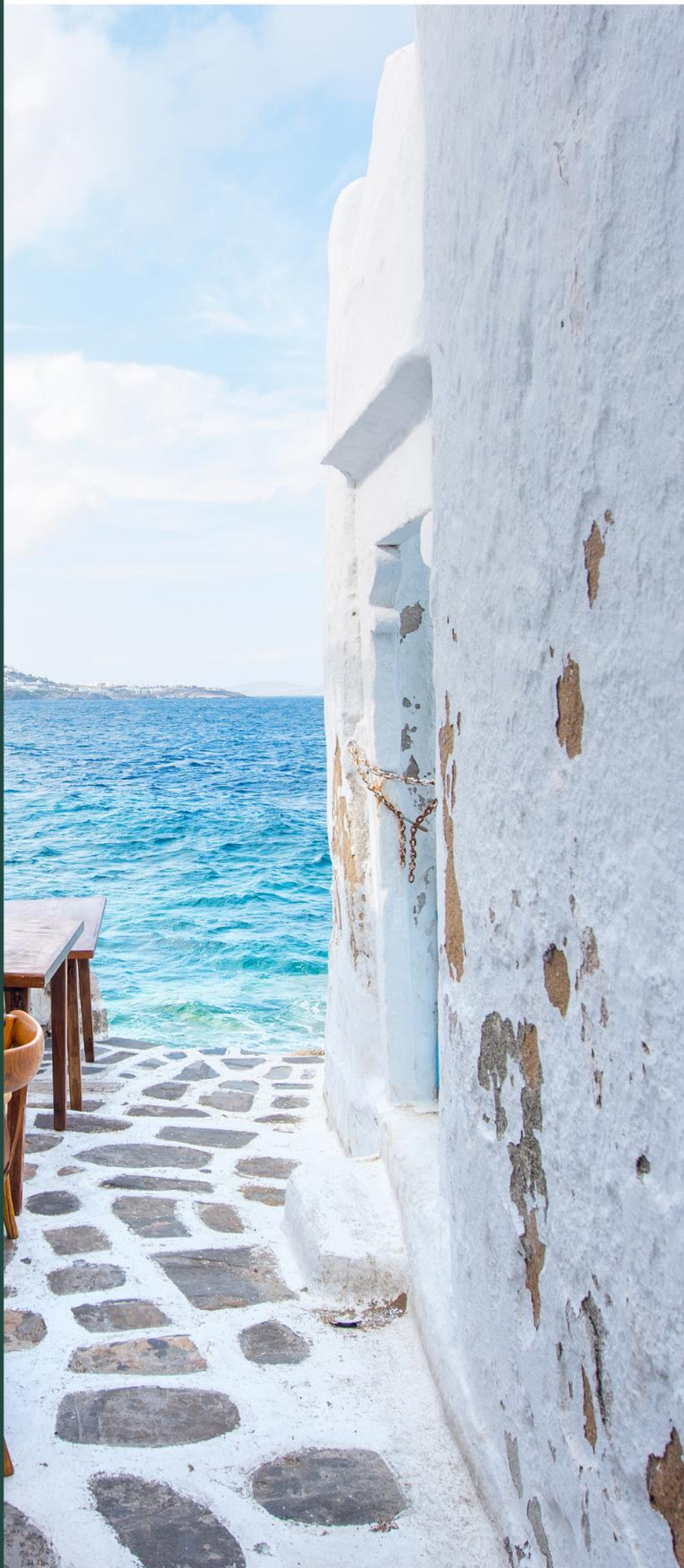
PELLA
RESPONSIBLE INVESTING



Quarterly Report
June 2025

GLOBAL MARKETS
QUARTER IN REVIEW

With the US consumer near a potential peak, we're positioning for stronger fundamentals and better value offshore.

With structural supports like excess savings and easy credit fading, and sentiment beginning to soften, we believe it's prudent to look toward regions and sectors with stronger fundamentals and more compelling valuations.

"The greatest returns often come when you're at your bravest"

Jordan Cvetanovski
Chairman & Chief Investment Officer

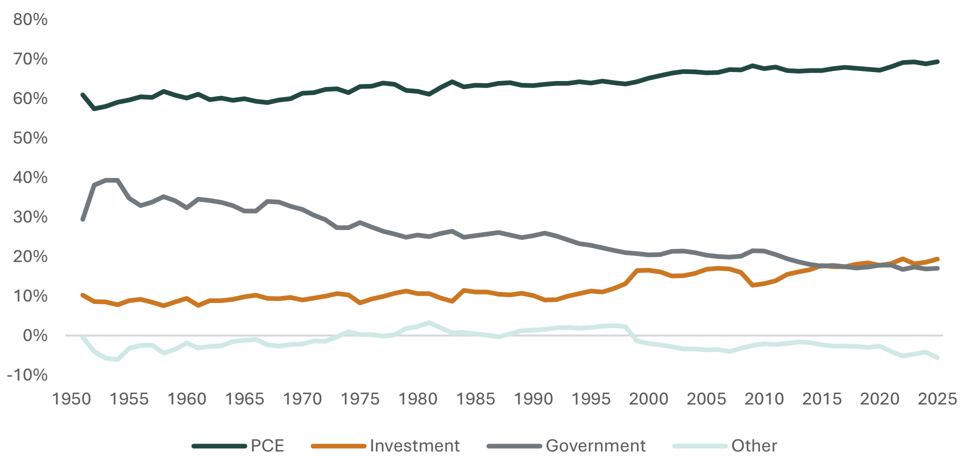
For decades, the consumer has been the key engine of US demand, consistently driving economic growth and corporate earnings. However, recent data suggests this momentum may be fading. Rather than chase past returns, we believe it is prudent to focus on regions where underlying fundamentals remain stronger and where valuations are more compelling.

Given this backdrop, it is important to consider the scale of the US consumer's role in the broader economy. Personal consumption expenditure (PCE) is not just a key driver; it is the largest component of US GDP. The following section examines the significance of consumer spending and the implications of any potential slowdown.

More than two thirds of US GDP comes from consumer spending

Figure 1 shows the breakdown of US GDP by component. PCE currently accounts for more than two-thirds of the total. Over the past 75 years, this share has increased by almost 10%.

Figure 1: US GDP – Breakdown by component



Source – US Bureau of Economic Analysis

Figure 2: US real GDP growth (2015 to 2024) – contribution by component

Personal consumption expenditure accounted for an average of 74% of real GDP growth

Contribution to US real GDP Growth (%)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Personal consumption expenditures	2.3	2.7	1.8	2.9	2.5	-2.7	5.8	2.1	1.7	1.9
Gross private domestic investment	1.1	0.0	0.8	1.0	0.6	-0.8	1.5	1.1	0.0	0.7
Net exports of goods and services	0.8	0.2	0.2	0.3	-0.1	-0.2	1.3	0.4	0.5	-0.4
Government consumption expenditures and gross investment	0.4	0.4	0.1	0.4	0.7	0.6	0.1	0.2	0.7	0.6
Real GDP growth	**2.9**	**1.8**	**2.5**	**3.0**	**2.6**	**-2.2**	**6.1**	**2.5**	**2.9**	**2.8**
PCE growth as % of total US GDP growth	**78%**	**92%**	**72%**	**62%**	**56%**	**77%**	**96%**	**82%**	**59%**	**67%**

Source: U.S. Bureau of Economic Analysis, Pella

The consumer's contribution to US GDP growth has been just as significant. As shown in Figure 2, personal consumption expenditure has accounted for an average of 74% of real GDP growth over the past decade.

Over this period, the consumer's lowest contribution to GDP growth was 56% in 2019, while the highest was 96% in 2021. Notably, the only time personal consumption contracted, during COVID lockdowns in 2020, was also the only time US real GDP growth turned negative.

Looking back to the previous decade (2005-2014), a similar picture emerges. The consumer contributed an average of 65% to GDP growth. In 2008, when consumption was flat, real GDP was also flat. In 2009, when personal consumption declined, GDP contracted.

Figure 3: US real GDP growth (2005 to 2014) – contribution by sector

Personal consumption expenditure accounted for an average of 65% of real GDP growth

Contribution to US real GDP Growth (%)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Personal consumption expenditures	2.4	2.0	1.6	0.1	-0.9	1.3	1.2	0.9	1.2	1.9
Gross private domestic investment	1.3	0.6	-0.5	-1.5	-3.5	1.8	1.0	1.7	1.2	1.1
Net exports of goods and services	-0.3	-0.1	0.5	1.0	1.1	-0.4	0.1	0.1	0.2	-0.3
Government consumption expenditures and gross investment	0.1	0.3	0.3	0.5	0.7	0.0	-0.7	-0.4	-0.5	-0.2
Real GDP growth	**3.5**	**2.8**	**2.0**	**0.1**	**-2.6**	**2.7**	**1.6**	**2.3**	**2.1**	**2.5**
PCE growth as % of total US GDP growth	**68%**	**70%**	**82%**	**100%**	**34%**	**49%**	**73%**	**41%**	**56%**	**76%**

Source: U.S. Bureau of Economic Analysis, Pella

Given this track record, it is understandable that, when inflation spiked in 2022 and the Federal Reserve raised interest rates from zero to 5% within 12 months, the consensus expectation was for a sharp slowdown in consumer spending. This, in turn, was expected to weigh heavily on the broader US economy. However, that slowdown never materialised.

As shown in Figure 2, the growth in real consumer expenditure barely slowed down in 2023 and 2024, despite higher inflation and interest rates. This resilience led to stronger US GDP growth in those years. That strength helped support US equity markets through what should have been the most challenging stage of the rate cycle.

As we enter a period marked by heightened geopolitical risk, potential disruptions to global trade, and renewed concerns about US inflation, it's worth stepping back to ask three key questions:

1. What enabled the US consumer to remain so resilient in 2023/24?
2. What conditions are needed for that resilience to continue?
3. What are the implications for stock selection and portfolio positioning?

What enabled the US consumer to remain so resilient in 2023/24

Our analysis identified five key factors supporting US consumer spending during this period:

#	Factor	Comment
1	Residual savings	Accumulated during the COVID lockdowns and via government stimulus payments
2	Easy access to credit	Including credit cards, personal loans, and the growth of Buy Now Pay Later (BNPL) services
3	Fixed-rate mortgages	Helped mitigate the impact of rising interest rates
4	Strong employment market	Provided confidence and spending power
5	Positive “wealth effect”	Tied more to the equity market than to property values, differing from other countries.

Factors 1 (savings) and 2 (credit) were widely anticipated and closely monitored following the pandemic. Together, they provided consumers with additional capacity to sustain spending.

However, the significance of Factor 3 (fixed-rate mortgages) was substantially underestimated. This played a crucial role in softening the impact of rising rates on US consumers and set the US apart from other regions.

The typical benefit of fixed-rate mortgages is well-known: higher interest rates do not immediately translate into higher monthly payments, thus protecting disposable income. Yet the US is not unique in this regard.

The key difference is that refinancing penalties for fixed-rate mortgages in the US are relatively modest. As a result, when rates fall, many mortgage holders quickly refinance to lock in lower rates.

Post-COVID, we witnessed a refinancing surge as the Fed Funds Rate dropped to near zero, bringing fixed mortgage rates down to around 3%. The New York Fed estimates that 14 million, out of approximately 50 million total mortgages, were refinanced during this period. In 2023, Black Knight estimated that nearly half of US mortgages were originated or refinanced since 2020, at very low rates.

From a consumption perspective, this refinancing wave had two main effects, which many forecasters underestimated: (1) Households that refinanced at lower rates immediately boosted their disposable income, which the NY Fed estimated generated an aggregate reduction of $24 billion in annual housing costs for the US consumer. (2) About 5 million of those households also withdrew equity, estimated at around $430 billion, much of which likely fuelled consumption and investment in stocks and ETFs.

Factor 4 (a robust employment market) provided consumers with the confidence to maintain spending, drawing on savings and credit as needed. Although hiring activity slowed somewhat in 2023/24, the US job market remained historically strong; near full employment with wage growth outpacing inflation. Historically, consumer spending confidence is closely linked to job and wage prospects, creating a virtuous cycle between employment strength and consumer resilience.

Factor 5 (the positive “wealth effect” from a strong US equity market), caught many economists by surprise, for two reasons:

First, the wealth effect in the US operates differently than in other countries. Elsewhere, consumer confidence is often tied to property prices, which tend to soften or decline with rising rates, negatively impacting spending on discretionary goods. In contrast, the US wealth effect is more linked to equity markets. This likely reflects a lower proportion of wealth tied up in property compared to countries like Australia and the UK, with many Americans’ wealth concentrated in investments such as 401(k) retirement accounts, investment portfolios, or stock and ETF holdings.

Second, contrary to early post-pandemic narratives attributing the spending boom to younger consumers (due to stimulus depletion and credit card use), granular data revealed that wealthier and older Americans were the main drivers of the ongoing strength in spending. This relatively small but affluent group benefited the most from the post-COVID equity market rally and continued to drive significant consumption across shopping, travel, and dining.

This dynamic created a "chicken-and-egg" scenario in US markets: the health of the consumer supports the equity market, and vice versa. It remains a critical relationship to monitor closely.

What conditions are needed to sustain this consumer resilience

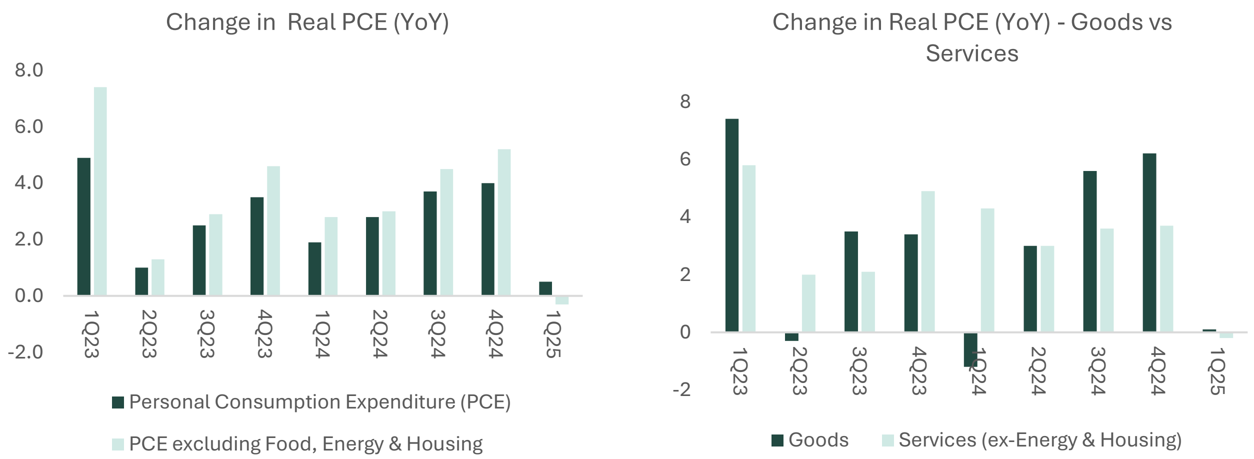
To assess the sustainability of consumer strength, we examine each of the five supporting factors and consider:

- How each factor is likely to evolve
- Which will remain tailwinds, and which may turn into headwinds
- Whether any "straws" might break the camel's back

Factors 1 (excess savings) and 2 (credit growth) have largely run their course, especially among younger and lower-income Americans. While overall consumer debt remains manageable by historical standards, access to additional credit has tightened for those segments most in need.

However, this group is not the largest driver of total consumption. Therefore, despite reduced discretionary spending among lower income earners, overall personal consumption expenditure (PCE) stopped growing in real terms in early 2025 but has yet to contract meaningfully (see Figure 4).

Figure 4: Growth in US Real Personal Consumption Expenditure (PCE)



Source: U.S. Bureau of Economic Analysis, Pella

Factor 3 (fixed-rate mortgages) no longer provides an incremental boost but has yet to become a drag. Most borrowers who locked in low rates still have several years before refinancing at higher current rates will be necessary.

Therefore, the net result for the first three factors is two headwinds and one neutral factor likely to become a headwind over time.

This makes the final two factors, employment strength and the wealth effect, even more critical. Since the wealth effect is circular in nature, there seems little point in debating that factor. Suffice to say, a major correction in equities would reverse the wealth effect and negatively impact the real economy. Until that occurs, however, it is more productive to focus on the other factors.

The employment market remains critical. Fed Chair Powell's June 18 remarks summarized the current situation well: "*Labour market conditions have remained solid. The unemployment rate, at 4.2%, remains low and stable. Wage growth has moderated but still outpaces inflation. Overall, labour market indicators suggest conditions consistent with maximum employment*."

That said, some recent data points hint at a mild softening. Nothing alarming yet, but a trend to watch carefully.

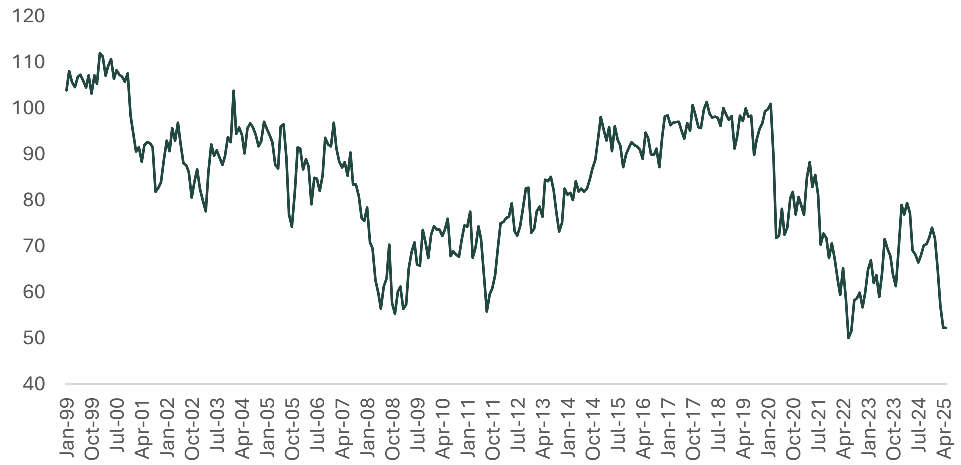
The elephant in the room: ongoing trade tensions.

Despite our focus on consumer resilience, we cannot ignore the persistent uncertainty surrounding the trade war.

To date, the US consumer has withstood various challenges, including rising rates, political turmoil, and global risks, without a significant breakdown in spending. Recent data shows consumption trends flattening, but no decisive downturn.

However, sentiment will ultimately be the key factor. A sustained decline in consumer confidence (perhaps triggered by higher inflation) or a deterioration in business confidence (impacting employment) could topple the consumer. We saw the size of the hit to consumer confidence post Liberation Day and then we saw the speed of the rebound as soon as the TACO ('Trump Always Chickens Out') trade kicked in (Figure 5).

Figure 5: Consumer Sentiment Index
Sentiment will ultimately be a key factor



Source: University of Michigan Consumer Sentiment

Trade tensions may represent a more significant risk than many other issues faced in recent years. The impact of tariffs on consumer and business confidence remains uncertain. We have seen quick rebounds in consumer sentiment before, but ongoing uncertainty has gradually eroded business confidence, particularly among small businesses which is a vital component of the employment market.

Implications for stock selection and portfolio positioning

Predicting the outcome of the evolving tariff regime is difficult without clarity on its final form. What is clear is that the new trade environment will be no more favourable than before, with the question being the extent of the negative impact.

Pella's regional portfolio positioning reflects this outlook:

US: We see negative asymmetry. The consumer is strong but likely near a peak, with downside risks outweighing upside risks. Possible tax cuts may offset but not significantly improve this. Consequently, we continue to avoid direct exposure to US consumer discretionary sectors.

Europe: The outlook is more balanced. Trade war uncertainty is weighing on sentiment, but mitigating factors include lower inflation risk, more aggressive ECB rate cuts, earlier consumer spending pullbacks, and scope for fiscal stimulus. The European consumer expenditure appears less tied to the Wealth Effect and more wages, making consumer spending more responsive to income changes. We remain comfortable with selective exposure, such as discount retail via 3i Group.

China: Chinese consumption is coming from a depressed starting point. This offers positive asymmetry. Government stimulus is underway, though challenges remain, particularly in the property sector. We have positioned accordingly with holdings in companies benefiting from targeted stimulus, including Midea and Anta Sports.

Conclusion

While consumer-facing businesses can have attractive features, the current operating environment for the US consumer creates some reasons for caution. Key tailwinds, such as excess savings and easy credit, are fading, while labour market strength and consumer sentiment are beginning to soften. Compounding the risk is the sector's high sensitivity to equity markets via the wealth effect. As a result, Pella continues to hold minimal exposure to the US consumer, favouring regions offering more favourable risk/reward skews and better value. For example, the Fund holds a 5% position in Chinese consumer companies, well above the Benchmark's 1%, including Anta Sports, discussed in this quarter's Stock-in-Focus.

STOCK IN FOCUS

ANTA SPORTS

Anta Sports is the largest sportswear group in China. As a high-quality business with a strong execution track record, sound financials, and an attractive valuation, Anta Sports offers a compelling opportunity to gain exposure to both the cyclical recovery in Chinese consumer spending and the structural growth of the domestic sportswear market.

Business Overview

Anta Sports is a Chinese sportswear group that designs, manufactures, and sells sporting apparel, footwear, and accessories. It operates a diversified brand portfolio that spans performance, fashion, and outdoor segments. Its key brands include:

Anta: Positioned in China's mass market, Anta offers functional, affordable products and is known for its strong "value-for-money" appeal.

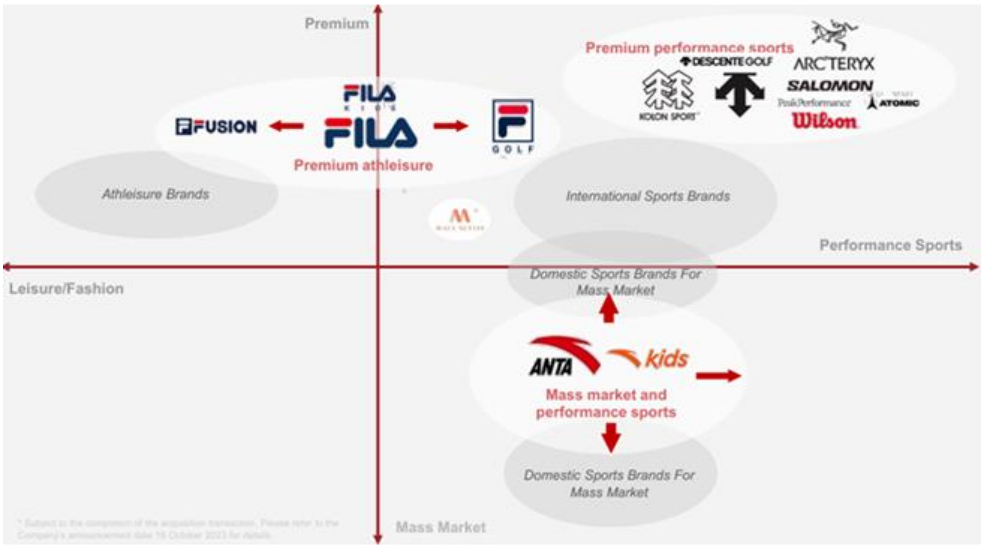
Fila: Acquired in 2009, Fila is a premium, fashion-driven sportswear brand aligned with the athleisure trend.

Descente: Acquired in 2016 (ex-Japan), Descente is a high-end professional brand rooted in winter sports, now expanding into golf, triathlon, and training.

Kolon Sport: Acquired in 2017, this premium outdoor brand blends fashionable design with function, catering to a range of scenarios from city commuting to extreme outdoor conditions.

Anta, Fila, and the other brands accounted for 47%, 38%, and 15% of group revenue respectively in FY24. The group is also the largest shareholder of Amer Sports, which is a US-listed sporting goods company with internationally recognized names such as Arc'teryx, Salomon, Wilson, and more.

Figure 6 : Market position of Anta Sports and Amer brands

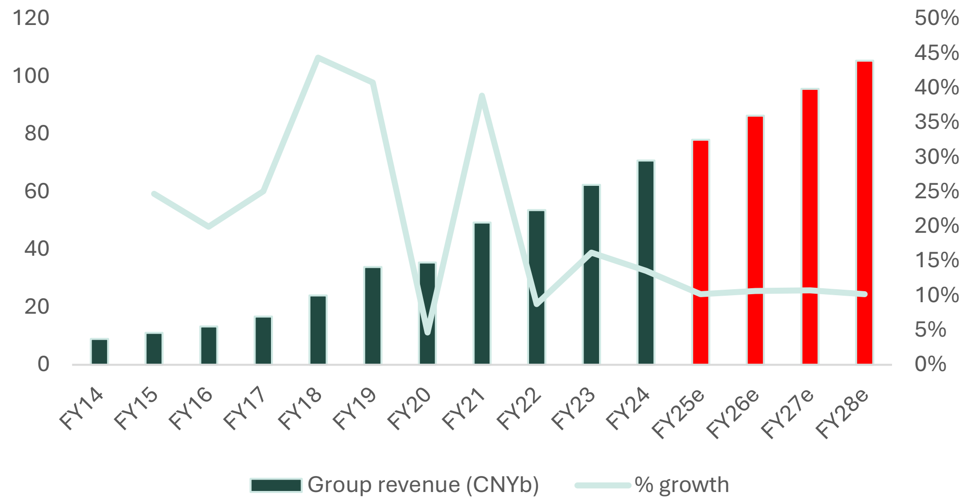


Source - Amer


FILA

Figure 8 – Anta Sports Revenue

The group did not report a single year of negative revenue growth over the period



Source: Anta Sports, Bloomberg, Pella estimates

Why Invest in Anta Sports?

Anta Sports has a strong execution track record and today is China's largest sportswear group over the past three decades. Originating as a footwear contract manufacturer in the 1990s, the company transitioned into a branded sportswear player by leveraging its supply chain expertise.

Anta's rise to market leadership reflects consistent strategic foresight and operational discipline, identifying growth opportunities, adapting to industry shifts, capitalising on competitor missteps, and avoiding major strategic errors.

Unlike many domestic competitors that pursued aggressive, unrestrained store expansion during the 2000s, often leading to inventory build-ups and widespread closures, Anta adopted a more disciplined growth strategy. For example, when Li Ning shifted focus to brand elevation in the early 2010s, Anta capitalised on the gap in the value segment by reinforcing its value-for-money positioning.

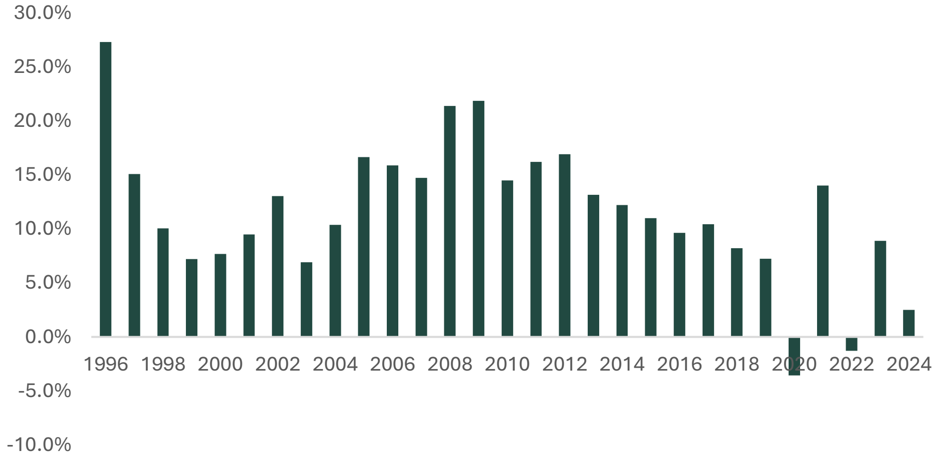
Anta successfully revived Fila by aligning the brand with the emerging athleisure trend and further diversified its portfolio with the acquisitions of Descente and Kolon Sport, anticipating the rise of winter and outdoor sports in China. The group adapted quickly to changing market dynamics, entering live streaming during COVID, extending Anta's price points downward amid China's consumption downgrade, and being the first domestic sportswear group to meaningfully expand overseas. In 2025, it demonstrated continued agility through the rapid rollout of new store formats.

Recovery in Chinese consumer spending

Anta remains highly exposed to the Chinese consumer market, which has been subdued in recent years (Figure 9). The wealth effect in China is closely tied to its property sector, and retail spending has remained weak since the property market collapsed in 2022. Since then, real retail sales have delivered a modest CAGR of just 3.3%.

In response, the Chinese government introduced a broad range of policy measures to stabilise the property market. These include repeated cuts to mortgage rates, down-payment requirements, and the Loan Prime Rate (LPR), as well as relaxed purchase restrictions for homebuyers. The People's Bank of China has also provided targeted funding and liquidity support to help complete unfinished housing projects and expand affordable housing. In parallel, fiscal support has been increased for infrastructure, education, healthcare, and urban renewal, all aimed at boosting confidence and reducing oversupply. For further detail on these initiatives, please refer to our 3Q24 Quarterly Report.

Figure 9: Real Growth in Retail Sales of Consumer Goods in China



Source – National Bureau of Statistics China, Pella

The Chinese government has a strong track record of successfully executing large-scale policy initiatives, and Pella expects this time to be no different. Moreover, we are now more than three years into the downturn, and historical precedent suggests that resolution often comes through the passage of time alone.

We believe—both in principle and based on fundamentals—that Anta is well positioned to benefit from any recovery in domestic consumption. In addition to this cyclical tailwind, Anta stands to gain from the structural growth of China's underpenetrated sportswear market, where sportswear accounted for just 14.5% of total apparel and footwear sales in 2023—well below Singapore (27.6%), South Korea (23.5%), and the global average (21.4%). The government is actively promoting sports participation through initiatives focused on physical education, public fitness, and the development of winter and outdoor sports. With this supportive socio-economic backdrop, Euromonitor projects that sportswear will outgrow overall apparel and footwear by ~3% annually from 2024 to 2027, providing a strong structural tailwind for Anta, Descente, and Kolon Sport.

Valuation

Anta Sports is trading at a FY25 free cash flow yield of over 8%, with a projected revenue CAGR exceeding 10% over the next three years, offering a more attractive valuation than its developed market sportswear peers. As China's leading sportswear group, Anta is supported by a diversified brand portfolio, strong execution capabilities, and consistently strong financial performance. With exposure to both the cyclical recovery in domestic consumption and the structural growth of the underpenetrated sportswear market, Anta presents a compelling investment opportunity.

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PORTFOLIO COMMETARY

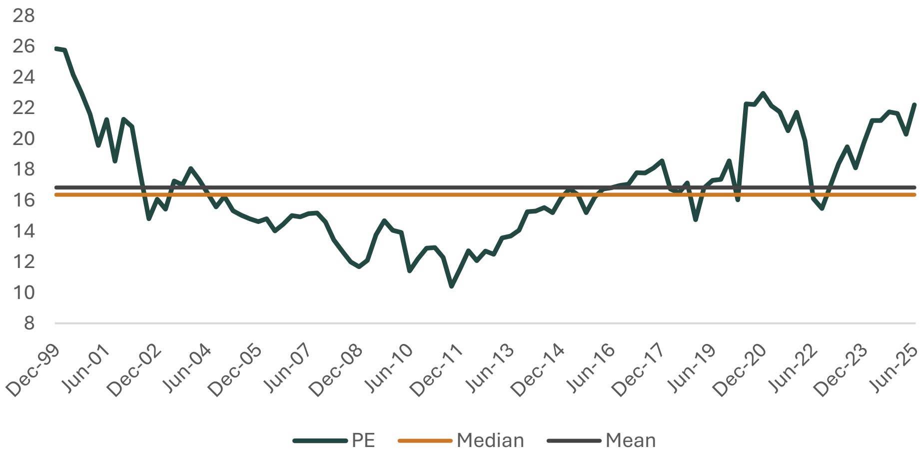
In 2Q25, the Fund returned 6.20%, outperforming the MSCI ACWI (A$, net) ('Benchmark') by 0.15% due to stock selection. The key contributors were the Fund's AI-related holdings (Vertiv, TSMC, ASML, and Broadcom), which were discussed in the 1Q25 Quarterly. Other notable, more idiosyncratic contributors included 3i Group, Spotify, Vinci, and Schneider Electric (refer to 3Q22 Quarterly). The largest detractors were concentrated in Healthcare (UnitedHealth, Lantheus, Coloplast, and Novo Nordisk) as well as insurance brokers Marsh & McLennan and Arthur J Gallagher.

Following on from the CIO Report, the Fund's underweight exposure to the US Consumer Discretionary and Consumer Staples were a marginal headwind.

Accounting for a record 62% of the Benchmark, the US market has an outsized influence on overall Benchmark returns. In 2Q25, it demonstrated notable resilience. The S&P500 reached an all-time high despite a series of geopolitical and domestic headwinds, ongoing conflicts in the Middle East and Ukraine, the imposition of Liberation Day tariffs, growing concerns over US debt tied to the potential passage of the "Big Beautiful Bill", and political pressure.

This performance was primarily driven by multiple expansion rather than earnings growth. During the quarter multiple expansion accounted for 9.4% of the S&P500's 10.6% return in 2Q25, while earnings revisions contributed just 1.1%. This latest move extends a trend of multiple expansion observed over prior quarters. Figure 10 illustrates that the index now trades on 22x forward earnings, approaching its recent peak of 23x (Dec-20) and not far below its historical high of 26x (Dec-99).

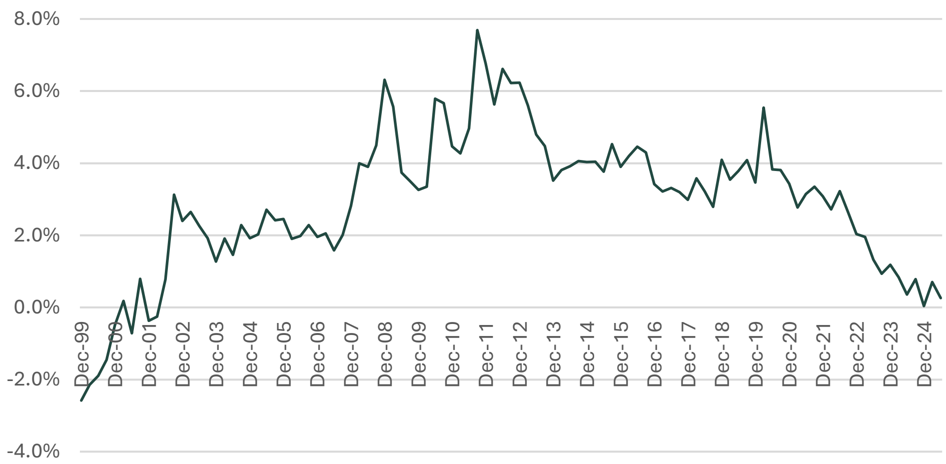
Figure 10 – S&P500 One-Year Forward PE Multiple



Source – Factset, Pella

Equally notable than the rise in valuation multiples is the decline in the implied equity risk premium (ERP), calculated as the S&P500's earnings yield (earnings/price) minus the 10-year US Treasury yield. As shown in Figure 11, the ERP stood at just 0.3% on 30 June 2025, levels last seen at the turn of the century, just before the Tech Wreck.

Figure 11 – S&P500 ERP



Source – Factset, Federal Reserve, Pella

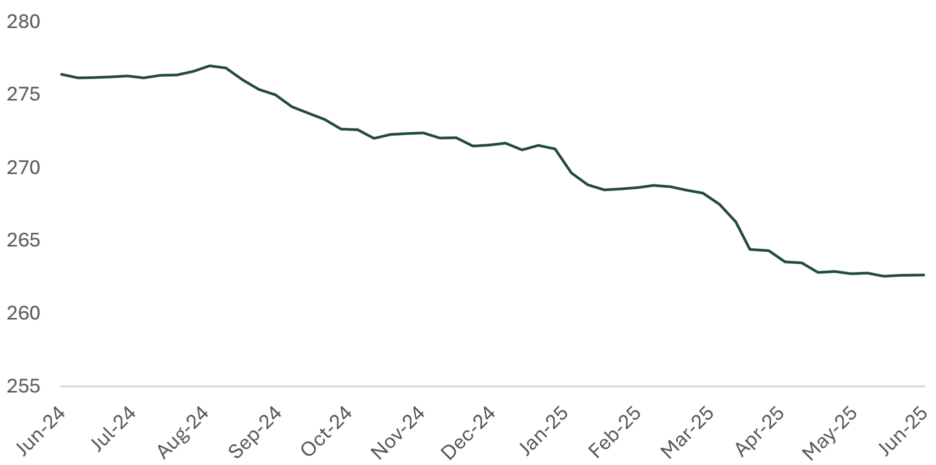
When market performance is driven by multiple expansion, it is typically sentiment that acts as the catalyst. While sentiment is difficult to measure and impossible to predict, it is inherently fickle. It is likely to deteriorate if earnings fail to accelerate or if macro conditions shift towards a more negative economic or market narrative.

Tariffs could be a catalyst for a more negative narratives. In the five days following the announcement of Trump's Liberation Day tariffs (2 Apr-25), the S&P500 fell 11.9%. This was followed by a 9.5% rebound on 9 Apr-25, after a 90-day suspension of new tariffs on most countries was announced. These sharp moves in both directions illustrate how sensitive markets, and market sentiment, remain to shifts in US trade policy.

Attention is now turning to 1 August, which is the new deadline for the US to finalise trade agreements with key partners. While a full-scale tariff shock appears unlikely, recent developments such as the abrupt cancellation of trade talks with Canada underscore the potential for sudden policy changes. Although a new framework has been established with China, the relationship remains fragile. Any renewed tensions or trade barriers could disrupt global supply chains and heighten market volatility.

The S&P500's earnings per share (EPS) is expected to grow 9% in 2025 compared to 2024, which is above the 25-year median growth of 5.6%. However, expectations for 2025 have been consistently revised down and are now 5% lower than they were a year ago (Figure 12). The downgrades are largely due to cost pressures, weaker demand, and margin compression. If these trends persist, there is a valid concern that further earnings downgrades could weigh on sentiment and, in turn, drive a de-rating of the S&P500.

Figure 12 – S&P500 EPS Estimate, $



Source - Factset

Fund Strategy and Positioning

Pella's strategy remains anchored in four key principles:

- Invest in quality, growing businesses.
- Valuation matters.
- Change our mind only when there is a clear reason.
- Stick to our process.

These principles have served us well over time. However, in recent quarters, our valuation discipline has been a headwind. As discussed above, the S&P500's multiple has continued to expand even as earnings estimates have declined, and the equity risk premium has fallen to levels last seen just before the Tech Wreck.

Despite this, we remain valuation disciplined. We target a long-term expected return of ~9%, compared to ~7% for the broader U.S. market. This valuation gap underpins our underweight position in the U.S. Ignoring valuation may work in the short term, but it does not hold over the long term. Our process is structured for long term favourable outcomes through patience, discipline, and common sense.

Outlook

We expect the U.S. tariff situation to be resolved with moderate outcomes, but the risk of failure remains. If talks break down, the U.S. consumer and economy will likely be affected. Regardless of the outcome, the uncertainty has already created disruption.

We also expect the U.S. dollar to weaken further, driven by debt concerns and pressure on Fed independence. Interest rates are unlikely to decline due to persistent inflation risk and supply-side pressure on bond markets.

The strength of U.S. equities will likely remain dependent on continued strength in the Artificial Intelligence (AI) sector, and investor sentiment. If capital expenditure remains strong and new AI applications demonstrate productivity gains, there may be further upside in semiconductors and software. If not, the market's current tech concentration will become a vulnerability. We can't speculate on what might cause sentiment to change, but we remain vigilant to the risks.

European markets remain more attractively valued than the U.S., but recent outperformance has mostly come from lower-quality value names, such as banks and construction materials that do not meet our quality and growth criteria.

Several Fund holdings are trading below what we view as fair value, despite strong long-term earnings potential. Many are facing temporary headwinds or have lagged due to the market's momentum bias. We believe these dislocations present opportunity, and that patient capital will be rewarded.

Portfolio Adjustments

During the quarter, we exited five positions: Amazon, Volvo, Adobe, B&M European Value Retail, and Vertiv. We initiated four new positions, one of which, Anta Sports, is featured in this quarter's *Stock in Focus*. The remaining additions might be featured in future updates.

At a sector level, the most notable changes were an increase in Information Technology exposure via additions to existing holdings, and a reduction in Financials, where we trimmed AIA, HK Exchange, and 3i Group following strong share price performance.

As of 30 June 2025, the Fund was notably overweight Industrials and Health Care, and underweight Consumer Discretionary, Consumer Staples, and Communication Services. It was marginally underweight Information Technology and broadly in line with the Benchmark in Financials.

Geographically, exposure to the U.S. was largely unchanged. We modestly increased our allocation to Asia and reduced exposure to Western Europe. At quarter-end, the Fund remained materially underweight the U.S. and overweight Europe and Emerging Asia. By style bucket, 78% of the Fund was allocated to Core (up 4% from 1Q25), 10% to Cyclical (up 2%), and 5% to Innovation (down 1%).

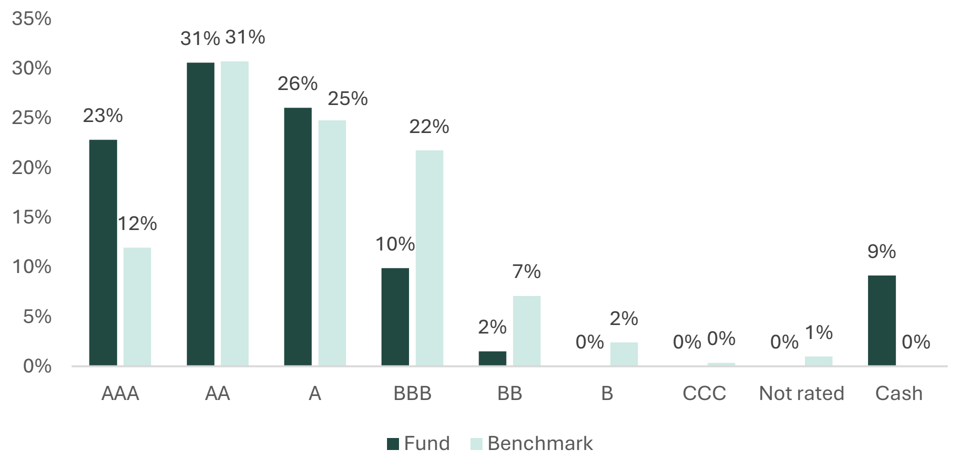
Based on this positioning, the Fund is well placed to benefit from a potential shift away from the U.S., particularly the U.S. consumer. It is also positioned to gain if Health Care comes back into favour and stands to benefit from any renewed momentum in fiscal stimulus through its Industrials exposure. Finally, a market environment that places greater emphasis on valuations tied to foreseeable free cash flow over the next three years would be supportive.

RESPONSIBLE INVESTING

During 2Q25, Pella met its Responsible Investing targets. The Fund avoided investing in companies on its [exclusion list], achieved superior ESG metrics to its Benchmark (MSCI ACWI) and maintained portfolio carbon intensity of at least 30% lower than the Benchmark. Additionally, Pella was an active steward of investors' capital and engaged in several initiatives that exemplify the corporate alignment with the principles it expects from its investments.

Figure 13 illustrates that the Fund's average exposure to stocks with MSCI ESG ratings of AAA or AA was 53%, compared to 43% for the Benchmark. Additionally, the Fund had 11% exposure to companies rated BBB or lower, versus 31% for the Benchmark. We believe this supports our view that the Fund had superior ESG characteristics relative to the Benchmark during the quarter.

Figure 13 – Fund Vs. Benchmark ESG rating distribution [1]



Source – Pella, MSCI ESG Manager

(1) Calculated using each stock's average weight over the quartile and their quarter end MSCI ESG rating

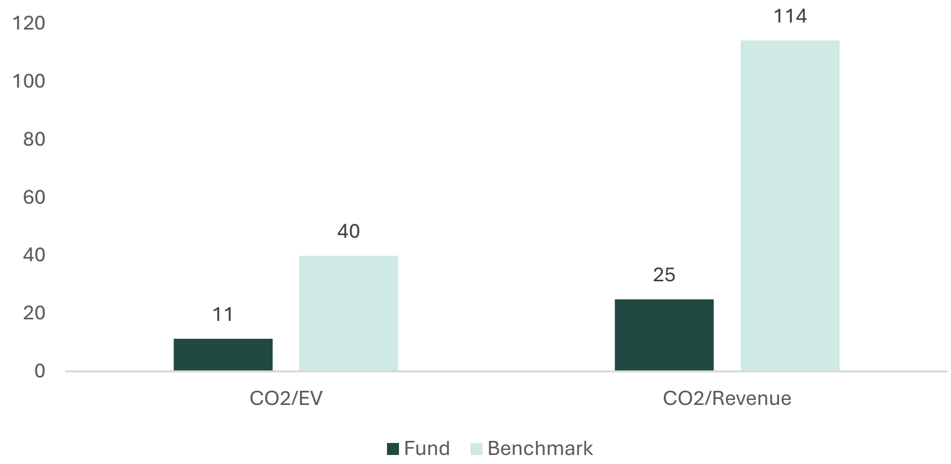
The Fund held a position in Vertiv during the quarter, with an average weight of 1.5%. Vertiv had a BBB ESG rating at the time of investment, but MSCI downgraded it to BB during Pella's holding period. In such cases, Pella's process involves engaging with the company to support ESG improvements. In Nov-24, Pella met with Vertiv's Head of Sustainability and sent a letter to the CEO outlining actions to enhance its ESG profile. In 2Q25, we held a follow-up meeting to assess progress.

Vertiv has implemented several of our suggestions, including launching an annual employee satisfaction survey, formalising its parental leave policy, enhancing non-pay employee benefits, and adopting a Cleantech strategy. It also committed to increasing female representation on its Board and will proceed with an appointment if a suitable candidate is identified.

Following these improvements, we believe Vertiv is positioned for an ESG rating upgrade. Pella exited the position during the quarter, not due to ESG concerns, but because the share price exceeded our valuation target. We may reinitiate the position if the valuation becomes attractive and the company maintains satisfactory ESG practices.

Figure 14 compares the Fund's carbon intensity, measured relative to enterprise value (EV) and revenue. It illustrates that the Fund's carbon intensity relative to enterprise value and relative to revenue was c72% and 78%, respectively, lower than the Benchmark. This means the Fund surpassed its carbon intensity target of being of at least 30% lower than the Benchmark.

Figure 14 – Fund Vs. Benchmark carbon intensity [(1), (2), (3)]



Source – Pella, MSCI ESG Manager

(1) Calculated using average stock weights over the quarter

(2) Carbon intensity to EV = tonnes (mils) of CO2 (scope 1 and 2) per US$m of EV

(3) Carbon intensity to sales = tonnes (mils) of CO2 (scope 1 and 2) per US$m of sales.

The second quarter is an active one for shareholder meeting. Pella participated in all its shareholder votes during the quarter, and our voting strings are summarised in Figure 15.

Figure 15 – Pella's 2Q25 voting track record

Company	Meeting Type	Vote String
3i Group PLC	Annual	FFFFFFFFFFFFFFFFFFFFF
Adobe Inc.	Annual	FFFFFFFFFFFFFFF
AIA Group Limited	Annual	FFFFFFFF
Amazon.com, Inc.	Annual	AFFFFFFFFFFFFAFAFFFFFF
ANTA Sports Products Limited	Annual	FFFFFFFFAFA
Arthur J. Gallagher & Co.	Annual	FFFFFFFFFFFF
ASML Holding NV	Annual	FFFFFFFFFFFFFFFF
Broadcom Inc.	Annual	FFFFFFFFFFF
Edwards Lifesciences Corporation	Annual	FFFFFFFFFFFFF
Epiroc AB	Annual	FFFFFFFFFFFFFFFFFFFFFAFFAFFFFAFFFFFFFFFF
HCA Healthcare, Inc.	Annual	FFFFFFFFFFFFFFFF
Hong Kong Exchanges and Clearing	Annual	FFFFFF
IMCD NV	Annual	FFFFFFFFF
Lantheus Holdings, Inc.	Annual	FFFAFFF
Marsh & McLennan Companies	Annual	FFFFFFFFFFFFFF
Mastercard Incorporated	Annual	FFFFFFFFFFFFFFFFFFA
Midea Group Co., Ltd.	Annual	FFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFF
Nutrien Ltd.	Annual	FFFFFFFFFFFFFF
NVIDIA Corporation	Annual	FFFFFFFFFFFFFFFFAAF
Prysmian SpA	Annual/Special	FFFFFFFFFFF
Schneider Electric SE	Annual/Special	FFFFFFAFFFFFFFFAAAAAFFFFFFFFFFFFFFFF
Spirax Group Plc	Annual	FFFFFFFFFFFFFFFFFFFFFFF

Taiwan Semiconductor Manufacturing Co.	Annual	FF
Uber Technologies, Inc.	Annual	AFFFFFFFFFFF
UnitedHealth Group Incorporated	Annual	FFFFFFFFFFFA
Vertiv Holdings Co.	Annual	FFFFFFFFFFFF
VINCI SA	Annual/Special	FFFFFFFFFFFFFFFFFFFFFFFFFFFF
Volvo AB	Annual	FFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFFF

Source - ISS

Below are explanations of Pella's votes where those votes either differed from the investee company's management recommendation or the proposal is related to material environmental, social, or governance issues.

Amazon – Pella voted AGAINST the proposal to elect Director Jeffrey Bezos. The company has faced significant ESG controversies that pose material risks to shareholders, indicating a failure by the board to effectively oversee and manage environmental, social, and governance issues. As chair of the board, Mr. Bezos holds the greatest responsibility for this oversight failure and should therefore be held accountable.

Pella also voted AGAINST the advisory vote to ratify Named Executive Officers' (NEO) compensation. While CEO Andy Jassy received negligible compensation in FY24, other NEOs were granted sizable time-vesting stock awards, with each receiving amounts near or above the median CEO pay at peer companies. Although these grants are typically made on a periodic basis and the company has provided a rationale for the structure, it remains a concern that no portion of NEO compensation is tied to pre-set performance criteria.

Pella voted AGAINST the proposal to report on risks of discrimination against ad buyers and sellers based on religious or political views. The board already has relevant oversight committees, and the company has established policies that adequately govern service use and content restrictions.

Pella voted FOR the proposal for Amazon to disclose all material Scope 3 emissions. Unlike many of its peers, Amazon does not report emissions from third-party sales, which could expose the company to regulatory risk and reputational damage. Greater disclosure would improve transparency and allow shareholders to better assess Amazon's environmental risk profile and sustainability performance.

Pella also voted FOR the proposal requesting a report on the impact of data centres on Amazon's climate commitments. A comprehensive assessment would help shareholders evaluate the credibility of the company's net-zero targets.

Pella voted FOR commissioning a third-party assessment of the board's oversight of human rights risks associated with AI. Such a review would enhance transparency and enable shareholders to assess the effectiveness of existing governance policies.

Pella voted FOR a report on Amazon's efforts to reduce plastic packaging. Further information on this issue would help the company identify and mitigate environmental risks.

Pella voted FOR an independent audit and report on warehouse working conditions. Given recent workplace violations and adverse media attention, an audit would help identify risks and offer a basis for improving workplace safety policies.

Pella voted FOR a report on the unethical use of external data in developing AI products. Enhanced disclosure would allow shareholders to assess the associated risks and ensure responsible use of external data in AI development.

Anta Sports – Pella voted AGAINST the proposal to Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights. A vote against this proposal is warranted given the absence of a specified limit on the discount at which the shares could be issued for both cash and non-cash consideration.

Pella also voted AGAINST the proposal to Authorize Reissuance of Repurchased Shares. This proposal would allow Anta to reissue repurchased shares, which would result in the total share issuance exceeding 10% of the relevant class of shares.

Epiroc – Pella voted AGAINST the proposals to re-elect Johan Forssell and Ronnie Leten as directors, and Ronnie Leten as Chair of the board. This decision was based on their non-independent status while serving on the remuneration committee, which contributes to an insufficient level of overall board independence.

HCA – Pella voted FOR the proposal to Amend HCA's Patient Safety and Quality of Care Committee Charter to require the Committee to review staffing levels and their impacts on patient safety and quality of care. Given the correlation between staffing levels, quality of patient care, and patient satisfaction, granting the Committee the authority to review staffing levels and their impacts would not only enhance the company's ability to manage related controversies and risks more effectively, but also enable shareholders to better assess the effectiveness of the company's efforts toward its core goals of patient satisfaction and quality of care.

Pella also voted FOR the proposal for HCA to Report on Healthcare Consequences of its Acquisition Strategy. Additional information on the company's policies aiming to address areas of concern regarding quality of care and patient satisfaction during and following acquisitions would allow shareholders to better understand how the company is managing associated risks and related controversies

Lantheus – Pella voted AGAINST the resolution to elect Director Samuel Leno. As the Governance Committee chair is not on the ballot, a vote against Governance Committee member Samuel Leno is warranted given the board's failure to remove, or subject to a sunset requirement, the classified board structure (also known as a staggered board structure) which adversely impacts shareholder rights.

Mastercard – Pella voted FOR the proposal to Oversee and Report on a Racial Equity Audit. While Mastercard has made progress in its diversity, equity, and inclusion efforts, a third-party racial equity audit would enhance transparency and help identify opportunities for improvement supporting the company's long-term commitment to building an inclusive and sustainable digital economy.

NVIDIA – Pella voted FOR the proposal to Enhance Workforce Data Reporting. Additional diversity-related disclosures would allow shareholders to better assess the effectiveness of the company's existing diversity initiatives and its management of related risks.

Schneider Electric – Pella voted AGAINST the proposal to Approve Compensation of Peter Herweck (CEO) from 1-Jan-24 to 1-Nov-24. This vote is warranted because the reason for triggering the termination payment is unclear. The proposed payment also appears inconsistent with the approved remuneration policy. In addition, the amount of the termination payment is larger than the total cash compensation the former CEO received during his time in the role.

Pella voted AGAINST the proposals to Elect François Durif, Alban de Beaulaincourt, Venkat Garimella, Gérard Le Goueffec, and Amandine Petitdemange as Employee Shareholders Representatives to the Board. These votes are warranted as only one candidate can be elected and the proposed elections are not supported by the board.

Uber – Pella voted AGAINST the re-election of Alan Sugar. Significant risks to shareholders stemming from severe ESG controversies have been identified at the company, which reflects a failure by the board to proficiently guard against and manage material environmental, social, and governance risks.

Votes against board chair Ronald Sugar are warranted given that the chair of the board ultimately shoulders the most responsibility amongst all board members for failing to effectively supervise the management of risks to the company and its shareholders and should therefore be held the most accountable for poor board oversight of ESG risk exposures at the firm.

In addition to engaging with Vertiv and participating in all shareholder votes, Pella undertook further stewardship activity during 2Q25 by contacting portfolio companies that have not yet aligned with the Science Based Targets initiative (SBTi). The SBTi is the leading framework for setting greenhouse gas reduction targets in line with the Paris Agreement's 1.5°C objective. Several companies provided limited responses, and this remains an ongoing engagement priority for Pella.

On the corporate front, during the quarter Pella Funds Management received Climate Active carbon neutral certification. Climate Active is Australia's government-backed certification for carbon neutrality, recognising organisations that measure, reduce, and offset their greenhouse gas emissions in line with the Paris Agreement's 1.5°C goal. Certification requires compliance with a robust standard, third-party verification, and public disclosure. Being Climate Active certified enhances credibility, demonstrates a genuine commitment to climate action, improves stakeholder confidence, and can identify operational efficiencies.

Finally, during the quarter Pella volunteered at Monika's Rescue, which operates a no-kill shelter, rescuing dogs (and sometimes cats and small animals) from government pounds where they face euthanasia.

PERFORMANCE

Pella Global Generations Fund - Class B, net of fees and expenses, AUD

Inception 1 Jan 2022	Class B	Benchmark	Relative
1 month	1.6%	2.6%	-1.0%
3 months	6.2%	6.0%	0.2%
1 year	8.9%	18.4%	-9.5%
3 years	17.3%	19.2%	-2.0%
Inception to date - p.a.	9.0%	10.8%	-1.8%

Pella Global Generations Fund - Class C, net of fees and expenses, AUD

Inception 11 April 2025	Class C	Benchmark	Relative
1 month	1.6%	2.6%	-1.0%
3 months	-	-	-
Inception to Date	8.3%	11.0%	-2.7%

The Fund's investment objective is to obtain returns greater than the MSCI All Country World Index Total Return (AUD, net), ("Benchmark") and with lower volatility than the Benchmark, over the medium to long term by investing in long-only equities, subject to Pella's responsible investing processes. Returns are net of fees and assume reinvestment of distributions. Actual investor performance may differ due to the investment date, date of reinvestment of income distributions, and withholding tax applied to income distributions. Past performance is not indicative of future performance.

FUND HOLDINGS

Class B and Class C

Name	Country	Sector (GICS)
3i Group	United Kingdom	Financials
Adobe, Inc.	United States	Information Technology
AIA Group Ltd.	Hong Kong	Financials
ANTA Sports Products Ltd.	China	Consumer Discretionary
Arthur J. Gallagher & Co.	United States	Financials
ASML Holding NV	Netherlands	Information Technology
B&M European Value Retail SA	Luxembourg	Consumer Discretionary
Broadcom Inc.	United States	Information Technology
Coloplast A/S	Denmark	Health Care
Contemporary Amperex Technology Co., Ltd.	China	Industrials
Edwards Lifesciences Corp.	United States	Health Care
Epiroc AB	Sweden	Industrials
HCA Healthcare, Inc.	United States	Health Care
HDFC Bank Ltd.	India	Financials
Hong Kong Exchanges & Clearing Ltd.	Hong Kong	Financials
ICICI Bank Ltd.	India	Financials
IMCD NV	Netherlands	Industrials
Lantheus Holdings, Inc.	United States	Health Care
Marsh & McLennan Cos., Inc.	United States	Financials
Mastercard, Inc.	United States	Financials
Microsoft Corp.	United States	Information Technology
Midea Group Co. Ltd.	China	Consumer Discretionary
Novo Nordisk A/S	Denmark	Health Care
Nutrien Ltd.	Canada	Materials
NVIDIA Corp.	United States	Information Technology
Prysmian SpA	Italy	Industrials
ResMed, Inc.	United States	Health Care
Schneider Electric SE	France	Industrials
Sika AG	Switzerland	Materials
Spirax Group Plc	United Kingdom	Industrials
Spotify Technology SA	Luxembourg	Communication Services
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology
Uber Technologies, Inc.	United States	Industrials
UnitedHealth Group, Inc.	United States	Health Care
Vertiv Holdings Co.	United States	Industrials
VINCI SA	France	Industrials

Holdings as of 31 May 2025, alphabetically ordered. For full holdings data, including segmentation please refer to the month end Fact Sheet.

KEY INFORMATION

CIO & PM	Jordan Cvetanovski
Launch Date Class B / Class C	1 Jan 22 / 11 Apr 25
Price Class B / Class C	A$1.53 / A$1.31
Management Fee Class B / Class C	0.65% / 0.85%
Performance Fee	15% (on outperformance) / Nil
Buy / Sell Spread	+0.25%/-0.25%
Minimum Investment	A$25,000 / AU$500 per month
Pricing Frequency	Daily
Distribution	Annual
APIR Code Class B / Class C	PIM5678AU / PIM9694AU
Benchmark [1]	MSCI ACWI (net, AUD)

Platform Availability

Name	Class B	Class C
BT Panorama	✓	✓
CFS Edge	✓	✓
HUB24	✓	✓
Macquarie Wrap	✓	
North	✓	✓
Netwealth	✓	
Online Direct Application	✓	✓
Praemium/Powerwrap	✓	

** The fund's investable universe differs to its benchmark. The fund's negative screen excludes several activities that are included in the benchmark such as fossil fuel mining, transportation, or electricity generation; weapons; alcohol; and casinos. The fund also excludes companies that are rated CCC by MSCI. In addition, the fund can invest in companies that are not included in the benchmark, provided those companies satisfy the fund's liquidity requirements. Thus, the fund may be of a different return and risk profile then the benchmark.*

Contact Us

Joy Yacoub
Head of Distribution
M: 0414 226 007
E: joy.yacoub@pellafunds.com

Pella Funds Management

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