

MELIOR AUSTRALIAN IMPACT FUND

Quarterly report | March 2024

PERFORMANCE SUMMARY

FINANCIAL PERFORMANCE	Quarter (%)	6 months (%)	1 Year (%)	2 Years (% p.a)	3 Years (% p.a)	Since Inception* (% p.a)	Since Inception* (%)
Melior Australian Impact Fund (net of fees)	5.4%	13.6%	13.0%	2.9%	5.8%	8.4%	46.9%
S&P/ASX 300 Total Return Index	5.4%	14.2%	14.4%	6.6%	9.4%	7.9%	43.4%
Outperformance/(Underperformance)	0.0%	-0.6%	-1.4%	-3.7%	-3.7%	+0.5%	+3.5%

*Inception 1st July 2019. **Past performance is not a reliable indicator of future performance.** Total returns shown for the Fund have been calculated using exit prices after taking into account all ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. The Melior Australian Impact Fund (Fund) has a long-term outperformance horizon of seven years. This Fund is likely to be appropriate for investors with "High" or "Very High" risk and return profiles. A suitable investor for this Fund is prepared to accept high risk in the pursuit of capital growth with a medium to long investment timeframe. Investors should refer to the Product Disclosure Statement (**PDS**) for further information.

IMPACT PATHWAY PERFORMANCE



Environmental sustainability	Portfolio ¹	ASX 300
Inflation adjusted carbon intensity (t CO ₂ /\$m rev) ²	61.1	126.4
Net zero emissions target	83%	54%
Net zero emissions glidepath	71%	38%
Certified SBTi emissions reduction target ³	14%	6%
TCFD ⁴ aligned reporting	63%	38%
Waste reduction target	37%	21%
Water reduction target	20%	16%
TNFD ⁵ forum member	23%	6%

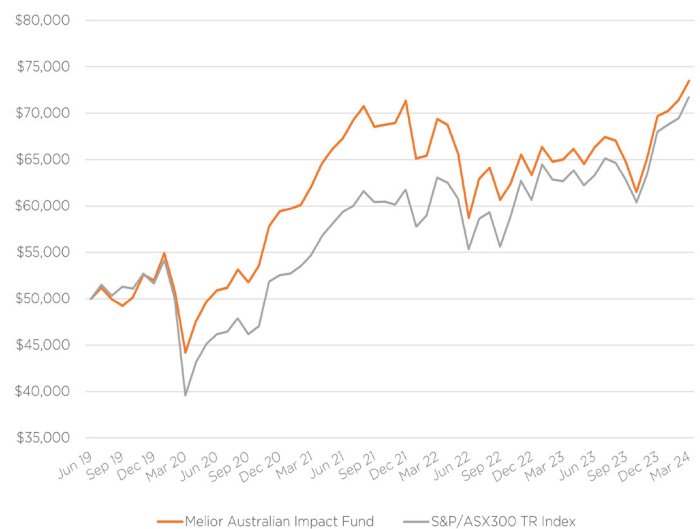


Social inclusion		
% Females on ELTs ⁶	32%	28%
% Females on Boards	40%	34%
Female Leader (CEO and/or Chair)	17%	18%
ELT ⁶ gender target of 40:40:20 ⁷	74%	37%
Gender pay gap target +/- 5%	23%	12%
Modern Slavery performance indicators	20%	16%
Reconciliation Action Plan ⁸	51%	29%
Diversity beyond gender disclosure	69%	42%



Governance & transparency		
% Independent Directors	78%	68%
Board Sustainability Committees ⁸	37%	35%
Directors' ESG ⁹ skills disclosure	6%	7%
Cybersecurity policy	89%	60%
ESG-linked management LTIs ¹⁰	20%	14%

PERFORMANCE SINCE INCEPTION*



*Growth of \$50,000 invested at inception with distributions reinvested. Does not take into account any taxes payable by the investor. Net of fees.



CARBON INTENSITY²

52%
BELOW ASX300

Impact Pathway Performance Notes: These metrics are produced by Melior using its own internally developed methodology. Melior obtains limited assurance on this methodology and these metrics each financial year (as at 30 June 23) (excluding Carbon Intensity). [Point Advisory has provided limited assurance](#) in accordance with Australian Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the Australian Auditing and Assurance Standards Board. SustainCERT has validated that the Melior carbon calculator used to calculate carbon intensity is in line with best practice, as defined by the Principles of the Greenhouse Gas Protocol.

Sources: Estimates derived from 2021, 2022 & 2023 company reports, Workplace Gender Equality Agency data, ASX Announcements, company websites, Glass Lewis, Reconciliation Australia, National Greenhouse and Energy Reporting, Science Based Targets initiative (SBTi), Bloomberg and Melior estimates. Women in Management, Females on Boards and Independent Directors are calculated as an average of each company's own representation percentage. Other KPIs are calculated as the number of companies as a percentage which meet the criteria within either the Fund or the S&P/ ASX300 Index.

¹ Portfolio and ASX300 as at 31st March, 2024.

² Includes Scope 1 & 2 emissions only. Adjusted for inflation using latest available quarterly trimmed-mean CPI released by the ABS/RBA.

³ Science-based targets provide companies with a clearly-defined path to reduce emissions in line with the Paris Agreement goals.

⁴ Task Force on Climate-Related Financial Disclosure

⁵ Task Force on Nature-Related Financial Disclosures

⁶ Executive Leadership Team

⁷ 40% male, 40% female, 20% either gender

⁸ or equivalent

⁹ Environmental, Social and Governance

¹⁰ Long-Term Incentive Plans

MARKET COMMENTARY

The Australian stock market maintained the upward momentum it had at the end of 2023. The S&P/ASX 300 Total Return Index closed the March quarter up 5.4%.

Economic data, particularly in the US, was largely better than expected and saw expectations for interest rate cuts in the US moderated and pushed out into the second half of 2024. The 10 year bond rate in the US increased over 30 basis points from the start of January to finish the quarter at 4.20%. In Australia, the RBA statement and commentary after the March meeting was interpreted to be less hawkish than its prior stance, and potential interest rate cuts were arguably brought forward. The reporting season for company earnings in February delivered stronger than expected results. Revisions to earnings forecasts by stock broking analysts were less negative than is typical.

The Information Technology sector led the market higher in the quarter as the thirst for industries exposed to artificial intelligence demand continued. Artificial intelligence demand also helped drive returns in secondary sectors which enable its implementation such as the Real Estate sector, making it the second-best performing sector. The Materials sector was the weakest in the quarter. Disappointing economic data and government policy response from China played a large part.

PORTFOLIO UPDATE

The Fund recorded a strong gain of +5.4% in the March quarter (after fees), in line with the S&P/ASX 300 Total Return Index.

The Consumer Staples sector was the largest positive contributor to relative performance. A2 Milk (held) continued to benefit from growing expectations of a pick up in the birth rate in China over the coming year. Holdings in stocks with direct or indirect exposure to Artificial Intelligence-driven demand tailwinds, including Next DC and Goodman Group, were also material positive contributors to relative performance.

Battery materials company, IGO (held), was the largest single detractor to the Fund's performance. IGO announced it will mothball its nickel mining project, Cosmos, due to a significant deterioration in nickel prices and the cost of building and maintaining the geographically remote mine.

This quarter, mining technology company, Imdex Ltd which seeks to improve the efficiency of, and reduce the negative impacts from, the extraction of essential metals, was added to the portfolio. A holding in healthcare company, Integral Diagnostics, was reestablished given the improving outlook for medical imaging demand and margins. Sims Ltd was removed from the portfolio off the back of changing scrap market dynamics. The Fund participated in Lifestyle Communities capital raising focused on expanding and accelerating its affordable housing construction pipeline.

IMPACT NEWS

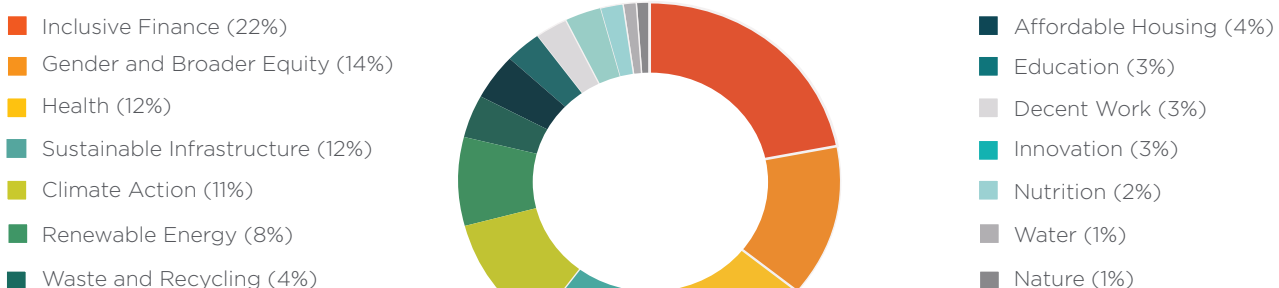
Gender pay gap data for Australian companies made public

The Workplace Gender Equality Agency (WGEA) for the first time publicly published gender pay gap data. The data showed the national median total remuneration gender pay gap is 19% for employees at Australian companies with 100 or more employees. Publishing this information is a critical part of legislative action aimed at closing the gender pay gap. The findings highlight companies leading the way by prioritising actions that are improving gender equality in their workforce.

Renewable energy projects in Australia fall 80 per cent

Spending on large scale renewable energy developments during 2023 fell nearly 80 per cent from the previous year, impacting federal Labor's plan to rapidly accelerate the rollout of new zero emission energy sources. According to a new study by the Clean Energy Council, investment in big solar and wind projects fell to just \$1.5bn in 2023 from \$6.5bn in 2022, a 77 per cent fall. Federal Energy Minister Chris Bowen has set an ambitious target of having renewable energy generate 82 per cent of the country's electricity by 2030. In 2023, 35 per cent of Australia's electricity generation came from renewable energy^.

FUND IMPACT INVESTMENT THEME EXPOSURES**

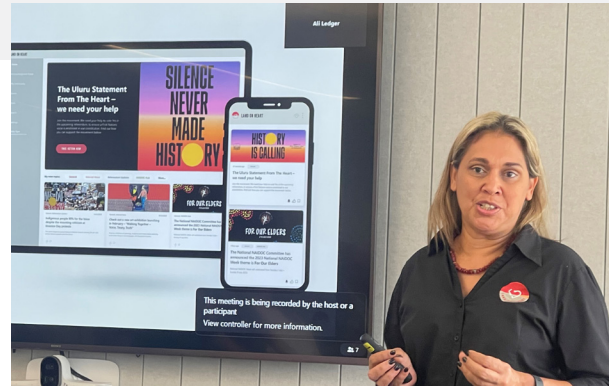


^ Clean Energy Council

** As at 31st March 2024 - portfolio weighted primary and secondary Sustainable Development Goals (SDG) investment themes.

ACTIVE CORPORATE STEWARDSHIP

- In the March quarter, Melior held 12 one-on-one meetings and 11 small group meetings across 16 unique companies, engaging on a range of issues including net zero emission targets, organisational pay gaps, Reconciliation Action Plans and ESG linked incentive structures.
- Melior focused a lot of our company engagement work in the quarter on the WGEA public release of gender pay gap data. During the March quarter, we had 31 engagements with 24 distinct companies, focused on gender pay gaps within their firms. Following this quarter, financial year to date we have had 49 gender-focused engagements across 34 distinct companies.
- Melior also presented to executives of a national retailer on the current bid for a Nature Positive CRC (Cooperative Research Centre). The Nature Positive CRC is important because it ensures Australian industries can align with international agreements and maintain competitiveness by promoting the repair and regeneration of impacted natural systems, rather than contributing to their decline.



Land on Heart CEO, Lisa Sarago presenting at Melior's offices in February.

PROXY VOTING

- During the March quarter there were no AGM proposals put forward by portfolio companies.

PUBLIC ADVOCACY

- **Release of waste thought piece 'Are Australia's waste targets headed for the trash'.** Melior analyst, Sona Fernandes investigates the size of the problem in Australia and the initiatives currently underway to help solve this. Read the thought piece [here](#).
- **Melior & WGEA live webinar: Gender Pay Equality - Mind The Gap.** This live webinar moderated by Melior CEO Lucy Steed fostered a robust discussion between our industry experts; Mary Wooldridge CEO of WGEA, Karen Lonergan Chief People & Stakeholder Engagement Officer at Stockland and Carlos Castillo, Portfolio Manager at Melior.
- **Land On Heart educational event.** Melior hosted an event for Land On Heart, an organisation focused on advancing First Nations' cultural awareness in a digital world. Attendees heard how we can forge a path toward a brighter future for Indigenous communities through technology. Find out more about Land on Heart by visiting www.landonheart.com
- **Panellist at Impact Investment Summit 2024.** Melior Portfolio Manager Carlos Castillo, presented on a panel titled 'Eliminating Waste, Maximising Impact - Resource Reuse for Environmental Gain' at the Summit.
- **Submission of fourth voluntary Modern Slavery Statement.** Melior, together with Adamantem Capital submitted our fourth voluntary Modern Slavery Statement. This reflects our ongoing dedication to identifying and managing the risk of modern slavery in our operations and supply chains. Read the Statement [here](#).
- **Melior in the news.** Over the quarter, Melior have featured in a number of publications including the AFR, ABC News, AICD Company Director Magazine and Bloomberg News. Latest news and updates can be found [here](#).

TOP TEN HOLDINGS***

BHP

BHP is a global producer of future-facing materials such as iron ore, copper and nickel and is pivoting its business away from fossil fuels to materials essential for the transition to global mega trends such as decarbonisation and urbanisation. We view BHP as contributing to SDG 13.3 'climate change mitigation' by demonstrating leadership in setting emissions targets, responsibly managing down its emissions, increasing production of future-facing materials such as potash and reducing its fossil fuels exposure including exiting oil and gas and bringing forward the closure of their NSW thermal coal assets.



BRAMBLES

Brambles (BXB) is the largest provider of pallet pooling in the world. It owns and operates a large pool of mostly timber pallets that it rents to a large number of customers in developed and emerging markets to transport physical goods. We consider BXB's pallet pooling services helps to 'substantially reduce waste generation through prevention, reduction, recycling and reuse' (SDG 12.5).



COMMONWEALTH BANK

Commonwealth Bank (CBA) is Australia's largest bank with over 17 million customers in FY23. Its core services (transaction accounts, loans to small and medium sized enterprises (SMEs) and mortgages) help enable individuals and businesses to productively participate in the economy. We consider CBA helps provide 'access to banking, insurance and financial services for all' (SDG 8.10).



CSL

CSL is the global leader in plasma-derived therapies. Plasma protein therapies produced by CSL are used by thousands of patients around the world every day. We consider CSL's plasma-derived products reduce 'premature mortality from non-communicable diseases' (SDG3.4) such as immunodeficiencies, bleeding disorders, hereditary angioedema and neurological disorders. We also consider its vaccine business contributes to 'end the epidemics' of 'communicable diseases' (SDG 3.3) including influenza and COVID-19.



GOODMAN GROUP

Goodman Group (GMG) develops, owns and manages warehouses and logistics assets that form part of critical infrastructure across Australia and New Zealand, Asia, the Americas and Europe. GMG has committed to a 100% renewable energy target by 2025, powered by a target to install 400MW of solar globally by 2025. We consider GMG's logistics and warehouse assets provide 'reliable, sustainable and resilient infrastructure' (SDG 9.1).



IAG

Insurance Australia Group's (IAG's) core business offers insurance protection for individuals and businesses including motor, home, business property and public liability. The increasing frequency and severity of natural catastrophes is reinforcing the need for individuals and businesses to have adequate insurance protection against financial loss. We consider IAG's portfolio of general insurance brands helps to provide 'access to banking, insurance and financial services for all' (SDG 8.10).



NAB

National Australia Bank (NAB) is one of Australia's largest banks, serving close to 11 million individual and business customers in FY23 predominantly in Australia and New Zealand. Its core services (including transaction accounts, SME loans and mortgages) help enable individuals and businesses to productively participate in the economy. We consider NAB helps provide 'access to banking, insurance and financial services for all' (SDG 8.10).



TELSTRA

Telstra (TLS) is Australia's largest telecommunication services provider, providing essential infrastructure to metropolitan and regional areas. TLS provides mobile coverage to 99.5% of Australia's population including approximately one million vulnerable customers. We consider TLS's mobile network and services help 'increase access to information and communications technology' (SDG 9.8).



WESFARMERS

Wesfarmers (WES) is one of the largest private sector employers in Australia and New Zealand with close to 120,000 employees and plays a significant role in driving improved gender-equality outcomes for women in its workforce via its industry-leading practices. We consider WES, as a large employer with leading gender equality practices, helps 'ensure women's full and effective participation and equal opportunities for leadership' (SDG 5.5).



WESTPAC

Westpac Banking Corporation (WBC) is one of Australia's largest banks with over 13 million customers across Australian and New Zealand in FY23. Its core services (including transaction accounts, SME loans and mortgages) enable individuals and businesses to participate in the economy. We consider WBC helps provide 'access to banking, insurance and financial services for all' (SDG 8.10).



*** On an absolute basis in alphabetical order. Sustainable Development Goal and theme based on Melior impact assessment.

[View the March 2024 Company Spotlight featuring Sandfire Resources here.](#)

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