

Sustainable Opportunities

In the second quarter (Q2) of 2020, the Sustainable Opportunities Strategy (SO) outperformed its benchmark net of fees, returning 27.08%, versus its benchmark, the S&P 1500, which reported a 20.77% return.

Our solutions-focused strategy performed well during the pandemic chaos in the markets, with many of our names rebounding strongly during the quarter. In addition, certain companies that provided ballast during the initial downturn in the first quarter continued to march upwards. For example, digital retailing platform Etsy (up 176%), hit new highs as consumers continued to shift to online purchasing, and mobile payments company PayPal (up 82%), reported a large increase in new accounts as consumers moved payments online.

Our portfolio holdings represent all of the sectors comprising the S&P 1500 index except traditional Energy, as this has been a fossil fuel free strategy since inception. During the quarter we were overweight the Consumer Discretionary, Industrials, Materials, Real Estate, Technology, and Utilities sectors, while underweight the Communication Services, Consumer Staples, Financials, and Health Care sectors. At quarter-end, roughly 16% of the holdings were international names as defined by country of risk.

Late in the quarter, we initiated several trades to increase our market cap and lower our volatility characteristics, while protecting recent portfolio gains. We took some profits in ASML, PayPal,

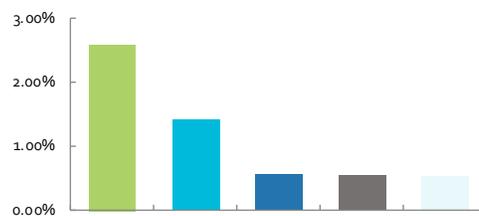
MSCI, and Illumina after their strong appreciation in keeping with our practice. We exited out of Philips as we have concerns about hospital spending and management’s tendency to over promise and under deliver. We replaced it with Swiss pharma company Roche, a leader in oncology, neuroscience, infectious disease, and diagnostic testing, including for Covid. We also re-initiated a position in medication management company Omnicell, which we have owned previously, but has not rallied back as much as other similar Health Care Technology companies and took advantage of the opportunity. We sold out of auto parts distributor LKQ after a recent rebound in the share price, as we conclude that its European exposure and debt service obligations will add volatility to the stock from here. Finally, we added a new position in Taiwan Semiconductor, a technology bellwether and contract chipmaker for Apple, among others, to increase market cap and add more semi exposure. We also added to Trane Technology, Belgian bank KBC, Cree, and Ecolab to boost position sizes for these core names. Given the strategy’s relatively low turnover earlier in the year, we conclude that these trades position us well for the second half of 2020.

Overall sector allocation was slightly positive for the quarter, although our lack of exposure to Energy hurt relative performance as the sector rebounded strongly. We also were hurt by our overweight to the underperforming Real Estate sector. On the

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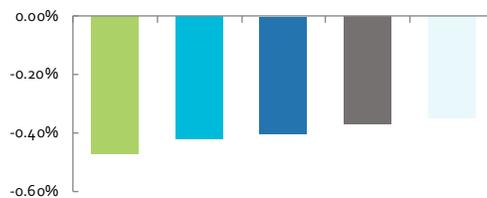
Top 5 Contributors (%)

	Average Weight	Portfolio Return	Relative Contribution
Etsy, Inc.	3.01	176.35	2.59
PayPal Holdings Inc	3.73	81.98	1.42
Hannon Armstrong Sustainable	2.82	42.10	0.56
Cree, Inc.	1.52	66.92	0.55
SVB Financial Group	2.61	42.66	0.53



Top 5 Detractors (%)

	Average Weight	Portfolio Return	Relative Contribution
Xylem Inc.	2.26	0.12	-0.47
Merck & Co., Inc.	2.88	1.31	-0.42
Unilever NV ADR	3.00	10.04	-0.40
Ormat Technologies, Inc.	1.17	-6.02	-0.37
American Water Works Company, Inc.	2.70	8.11	-0.35



This information is not intended as investment advice or a recommendation to purchase or sell specific securities. Sector and stock performance included in portfolio commentary reflects a representative account as of 6/30/2020 and excludes cash. Actual holdings will vary for each client and there is no guarantee that a particular client’s account will hold any or all of the securities/sectors listed. Additional information regarding the calculation methodology, as well as each holding’s contribution to the strategy’s performance is available on request.



positive side, our underweight to the lagging Consumer Staples sector helped relative performance, in a reversal from last quarter.

Overall stock selection was strong in the quarter, with all but one sector (Health Care) contributing positively. Technology, Consumer Discretionary, and Financials were the leading sectors. In addition to PayPal, Technology sector outperformance was driven by Cree, ASML, and Palo Alto Networks. Cree continues to bounce higher as demand expectations increase for its silicon carbide used in both Electric Vehicle and 5G applications. Aside from Etsy in Discretionary, auto supplier Aptiv rebounded sharply (up 58%), as auto sales and production snapped back quicker than expected. In Financials, our regional banks rebounded strongly, with Silicon Valley Bank up 43% and East West Bank up 42%. Renewable energy finance company Hannon Armstrong was up 42%, as its long term contracts proved resilient.

Health care was hurt by Merck (up just 1%), which has a large exposure to physician administered drug treatments, including blockbuster cancer drug Keytruda, which saw a fall-off due to decreased doctor visits because of coronavirus. Health care equipment company Becton Dickinson (up 4%) withdrew guidance after also seeing sales tied to medicine delivery contracting. Outside of Health Care, geothermal company Ormat (-6%) modestly underperformed peers, as Utilities overall were by far the worst performing sector in the benchmark. Water infrastructure

and metering provider Xylem (0%) is facing near-term volume and margin pressures from its exposure to cyclical industrial end markets as well as project delays from its utility clients. The company is taking actions to mitigate these near term margin pressures, but underlying secular drivers for increased investment in water infrastructure remain intact. Food and personal care company Unilever (3%) also underperformed as its international end markets, particularly China and India, languished.

Overall, the SO strategy has performed as designed, with many of our solutions focused names significantly outperforming peers during the recent market snap-back. We believe the ongoing pandemic will ultimately help accelerate the specific secular trends that are active theses in this thematic portfolio, including the shift to online, increases of mobile payments, heightened internet security, the uptake of renewable energy options, and the importance of preventive screening options in health care.

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The S&P Indices are widely recognized, unmanaged indices of common stock. It is not possible to invest directly in an index. The S&P 1500 combines three indices, the S&P 500, the S&P MidCap 400, and the S&P SmallCap 600 to cover approximately 90% of the U.S. market capitalization. Investments in smaller companies generally carry greater risk than is customarily associated with larger companies for various reasons, such as narrower markets, limited financial resources and less liquid stock.

