

MELIOR AUSTRALIAN IMPACT FUND

Quarterly report | December 2020

This information has been prepared for wholesale clients only

Impact News

Climate Action – A major new study released by the [Climate Change Performance Index](#) ranks the performance of countries in decarbonizing their economies. Australia was ranked amongst the bottom countries in the climate change index, ranking 54th out of 61 countries and ranking particularly poorly on climate policy. In contrast, Australia's three largest thermal coal and gas export destinations (China, Japan and South Korea) set net zero carbon targets during the quarter.

Gender and Equality – In November the Workplace Gender Equality Agency (WGEA) presented their latest insights and trends from their world-leading dataset on the status of gender equality in Australian workplaces. The 2020 WGEA data showed that the gender pay gap is 20.1%. Across Australia, men earn on average \$25,534 a year more than women.

Health - The rollout of COVID-19 vaccines began in some countries, including the UK and US, following the approvals of the Pfizer/BioNTech, Moderna and Oxford-AstraZeneca candidates. Australia's Therapeutic Goods Association (TGA) is yet to approve a vaccine but has committed to purchasing 53.8m doses of the Oxford-AstraZeneca vaccine, the majority of which will be manufactured locally by CSL (held), and 10m doses of the Pfizer/BioNTech vaccine.

Decent Work – The Australian Border Force (ABF) published the first tranche of modern slavery statements submitted under the Commonwealth Modern Slavery Act 2018.

Inclusive Finance – The Australian Sustainable Finance Initiative (ASFI) released its [Roadmap](#) for embedding sustainability into the financial services sector, as well as mobilising capital towards clean and sustainable industries and businesses to deliver on the Paris Agreement and SDGs.

Renewable Energy – The New Zealand Government brought forward the country's 100% renewable generation target from 2035 to 2030. In Australia, renewable power surged again to provide just over a quarter of Australia's electricity needs in the three months to September. The NSW government unveiled a 20-year energy road map that supports private investment in energy infrastructure, targeting 12 GW of renewables and 2 GW of storage in pumped hydro and batteries.

Waste & Recycling – The Western Australian government committed to taking action against single-use plastics. The "Plan for Plastics" will initially phase out single-use plastic items such as cutlery, plates, stirrers, straws, thick plastic bags, polystyrene food containers and helium balloons over the next three years, with a phase-out of other items to follow.

FUND IMPACT INVESTMENT THEME EXPOSURES*



*As at 31st December 2020 - portfolio weighted primary and secondary Sustainable Development Goals (SDG) investment themes.

ADVOCACY

- **Conducted 73 advocacy engagements** across all industries framed around our 3 key Strategic Advocacy Themes; Gender Equality (SDG5), Reduced Inequalities (SDG10) and Climate Action (SDG13), plus sector or company specific ESG issues. Major advocacy meeting and discussion points for the quarter included:
 - Ramsay Health Care's (held) emissions reduction and diversity including gender
 - Spark NZ's (held) diversity and emissions reduction
 - Fisher & Paykel Healthcare's (held) diversity including gender, and culture
 - Woolworths' (not held) health & safety, tobacco retailing, supply chain, and diversity
 - Costa Group's (held) modern slavery risk and ethical supply chain
 - Fortescue's (held) indigenous engagement and emissions targets.
- **Made a submission to the inquiry into the Climate Change Bill 2020** in support of a 2050 net zero emissions target.
- **Released a thought piece on Water** during National Water Week which examines the pressures on water resources and how Melior considers water risk.
- **Released a thought piece on Gender inequality and COVID19** which addresses why Gender Equality is one of our Key Strategic Advocacy Themes for engaging with Corporate Australia.
- **Submitted our first Reflect RAP to Reconciliation Australia** for approval, which we expect to release in early 2021.
- **Conducted 27 proxy votes for the quarter.** Two key principles guided our proxy voting; linkage of management remuneration to material ESG factors, and appropriate board composition.



Melior on the “virtual” road

- **Met with 76 listed companies or industry experts** during the December quarter.
- **Participated in the creation of UTS Business School's Sustainable Finance micro-credential** as a part of a module on 'ESG integration for equity investing'.
- **Participated in a panel discussion at AIRA's 2020 Half Day Virtual Conference** on “Navigating ESG & Stewardship through the COVID Lens: What are the Emerging Trends?”
- **Featured in the Australian Financial Review and Financial Standard** on topics such as sustainability, gender equality and greenwashing. Also recognised in the AFR as in the top 5 sustainable investment funds by excess return over the year to September (source: Morningstar).
- **Virtually attended Sustainability Market briefings** from a number of listed companies including Lendlease, Telstra and Fortescue Metals. We are pleased to see more and more companies elevating the importance of investor discussions on ESG strategy.
- **Joined local community events to celebrate NAIDOC Week 2020** along the theme “Always was, always will be.” These included live-streamed panel discussions hosted by NCIE at Redfern, and a virtual Acknowledgement of Country training.
- **Virtually attended several broker conferences** featuring leading global experts and company management teams across a wide variety of topics including the latest developments in vaccine technology, geopolitics, shifts in consumer behaviour and the future of nutrition.

COMPANY SPOTLIGHT - RAMSAY HEALTH CARE

Ramsay (RHC) is one of the world's largest private healthcare companies with >500 facilities across 10 countries including Australia, the UK, France, Scandinavia, and parts of Asia.

The company employs more than 77,000 staff and treats 8.5 million patients per annum in its hospital and primary care clinics. RHC delivers a range of acute and primary healthcare services and caters for a broad range of health care needs from primary care to highly complex surgery, as well mental health care and rehabilitation.

RHC has strong relationships with governments in all jurisdictions that it operates in. This was evident with RHC providing supplementary support to public services in a number of regions as part of a COVID-19 response. This is expected to continue as extended elective surgery waiting lists from the pandemic are addressed, particularly in the UK and France.

Over 70% of RHC's workforce is female and therefore we were encouraged to see earlier this year RHC pledge allegiance with HESTA's 40:40 Vision campaign for at least 40% women in ASX200 executive roles by 2030.

KPI

- >8 million patient admissions / visits



RHC Sub-Goal Alignment:

SDG 3.4: Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.



TOP 5 HOLDINGS*

*In alphabetical order

Commonwealth Bank	CSL	Fortescue Metals	Wesfarmers	Westpac Bank
Inclusive Finance	Health	Sustainable Infrastructure	Gender and Broader Equity	Inclusive Finance

PERFORMANCE SUMMARY

	Quarter (%)	Six months (%)	1 Year (%)	Since Inception*
Melior Australian Impact Fund (net of fees)	14.7%	16.8%	14.3%	18.8%
S&P/ASX 300 Total Return Index	13.8%	13.7%	1.7%	5.1%
Outperformance/(Underperformance)	+0.9%	+ 3.1%	+12.6%	+13.7%

*Inception 1st July 2019. Past performance is not a reliable indicator of future performance.

The Melior Australian Impact Fund finished the quarter up 14.7%, outperforming the S&P/ASX 300 Total Return Index by 0.9%. The fund benefitted from strong performance in the Renewable Energy and Sustainable Infrastructure themes. Key detractors from performance included the fund's underweight positions in the IT and Energy sectors, which both produced strong gains during the quarter. The fund has a long-term outperformance horizon of 7 years and seeks to avoid a short-term focus on returns.

Based on latest emissions data available, our portfolio currently has a carbon intensity of ~62% below the ASX300. The fund outperformed on all 12 environmental, social and governance KPIs tracked.

** Sources: Estimates derived from 2018, 2019 & 2020 company reports, Carbon Disclosure Project data, Workplace Gender Equality Agency data, ASX Announcements, company websites and Melior estimates.

*** As at 31st December, 2020. Green indicates outperformance and red underperformance versus benchmark.

Environmental KPIs**	Portfolio***	ASX 300
Carbon Intensity (t CO2/\$m Rev)	119.5	314.2
Net Zero Emissions Target	39%	15%
TCFD Supporter	43%	14%
Waste Reduction Policy	68%	41%
Water Reduction Policy	61%	33%
Social KPIs**		
Women in management	33%	25%
Female Leader (CEO and/or Chair)	43%	13%
Modern Slavery Policy/Statement	61%	40%
Reconciliation Action Plan	29%	13%
Governance KPIs**		
Females on Boards	36%	27%
Independent Directors	83%	73%
AGM Strike	0%	5%

The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235 150 (Perpetual) is the responsible entity of Melior Australian Impact Fund (the Trust). This report has been prepared by Melior Investment Management Pty Ltd ABN 27 150 646 996, AFSL 416 146 (Melior), the investment manager of the Trust. The information is of a general nature only and has been prepared without taking into account your objectives, financial situation or needs. Before making an investment decision, you should consider obtaining professional investment advice that takes into account your personal circumstances and should read the current product disclosure statement (PDS) of the Trust. The PDS for the Trust is available from www.meliorim.com.au. Neither Perpetual nor Melior guarantees repayment of capital or any particular rate of return from the Trust. All opinions and estimates included in this report constitute judgments of Melior as at the date of the report and are subject to change without notice. Past performance is not a reliable indicator of future performance. Whilst Melior believes the information contained in these materials are based on reliable information, no warranty is given to its accuracy and persons relying on this information do so at their own risk. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. This information has been prepared for wholesale clients only.

W: www.meliorim.com.au

T: +61 2 9004 6071

E: info@meliorim.com.au

