PENDAL

Factsheet

Equity Strategies

30 June 2025

Pendal Australian Long/Short Fund

ARSN: 121 948 810

About the Fund

The Pendal Australian Long/Short Fund (**Fund**) is an actively managed portfolio of Australian shares investing in both long and short positions. The Fund utilises Pendal's existing Australian equity research capabilities to capture additional sources of value-add by using both buy and sell ideas.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX 200 (TR) Index over the medium to long term by taking both long and short positions in Australian shares. The suggested investment timeframe is five years or more.

How the Fund is managed

Pendal's investment process for Australian shares is based on our core investment style and aims to add value through active stock selection and fundamental company research. Pendal's core investment style is to select stocks based on our assessment of their long term worth and ability to outperform the market, without being restricted by a growth or value bias. Our fundamental company research focuses on valuation, franchise, management quality and risk factors (both financial and non-financial risk).

The Fund aims to generate investment returns by taking advantage of Pendal's buy and sell ideas using a strategy that combines a long and a short portfolio known as a long/short strategy. To take advantage of the buy ideas, a long portfolio is created consisting of securities that are bought and held, consistent with our view that these securities will outperform the market. These securities are referred to as long positions.

To take advantage of our sell ideas, a short portfolio is constructed with short positions. Short positions are created by selling securities in a process called short selling, where we believe these securities will underperform the market. To implement the Fund's short strategy, the Fund does not borrow money. However, it does borrow securities from a securities lender with the intention of buying back the securities from the market and returning them to the lender at a price lower than the sale price.

Short selling is used by us when we expect that the price of a security will fall. If the price of the security falls in value, the Fund will make a profit because it buys the security back from the market for less than it was sold. This can be contrasted with the Fund's long positions, where the Fund makes a profit from an increase in the price of a security.

The Fund may have long positions of up to 135% and short positions of up to 35% of the Fund's net asset value. This means that at any given time, the Fund's gross exposure to securities held both long and short may range from 95% to 170% while generally maintaining a net market exposure of around 100%.

The Fund may use derivatives to reduce risk and to act as a hedge against adverse movements in a particular market and/or in the underlying assets. Derivatives can also be used to gain exposure to assets and markets.

Investment Team

Pendal's nineteen member Equity team is one of the largest in the Australian fund's management industry. The portfolio manager for the Fund is Jim Taylor.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	1.58	1.63	1.41
3 months	8.64	8.77	9.50
6 months	6.29	6.56	6.44
1 year	13.21	13.80	13.81
2 years (p.a)	12.79	13.38	12.95
3 years (p.a)	13.12	13.70	13.56
5 years (p.a)	12.33	13.07	11.85
Since Inception (p.a)	7.24	8.37	5.90

Source: Pendal as at 30 June 2025

"Post-fee" returns assume reinvestment of distributions and is calculated using exit prices. "Pre-fee" returns exclude the effects of management costs and any taxes. Returns for periods greater than one year are annualised. Fund inception: November 2007.

Past performance is not a reliable indicator of future performance.

Sector Allocation (as at 30 June 2025)

Energy	5.7%
Materials	17.2%
Industrials	6.4%
Consumer Discretionary	4.7%
Consumer Staples	2.4%
Health Care	8.1%
Information Technology	6.1%
Telecommunication Services	7.6%
Utilities	-0.3%
Financials ex Property Trusts	33.1%
Property Trusts	6.0%
Cash & other	2.8%

Top 10 Holdings (as at 30 June 2025)

Commonwealth Bank of Australia	9.1%
BHP Group Ltd	8.0%
CSL Limited	6.5%
National Australia Bank Limited	5.8%
Westpac Banking Corporation	5.5%
Telstra Group Limited	4.4%
Xero Limited	3.7%
Santos Limited	3.4%
Aristocrat Leisure Limited	3.2%
Qantas Airways Limited	3.1%

Investment Guidelines

Risk Limits:	Relative to S&P/ASX 200 (TR) Index	
Investable universe	ASX and NZX listed stocks, large cap and small cap, (or those to be listed within 12 months), cash, derivatives	
Investment Allocation	**Australian equities** Long: 95 - 135% Short: 0 - 35% Net long exposure max 100% **Cash**: 0 - 5%	
Stock Numbers		Long Portfolio 30-70 Short Portfolio up to 40
Ex-ante tracking error		2.0% – 6.0%
Min/max active sector position		+/- 10%
Min/Max active long stock position		+/- 6%
Max active short stock position		- 6%
BARRA risk factors		+/- 0.8 std. dev.

Other Information

Fund size (as at 30 June 2025)	$618 million
Date of inception	November 2007
Minimum investment	$25,000
Buy-sell spread[1] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Half-yearly
APIR code	RFA0064AU

[1] The buy-sell spread represents a contribution to the transaction costs incurred by the Fund, when the Fund is purchasing and selling assets. The buy-sell spread is generally incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Changes to key service providers of the Fund

The Fund changed its custodian and administrator to the Northern Trust Company on 3 October 2022.

Fees and costs

You should refer to the latest Product Disclosure Statement for full details of the ongoing fees and costs that you may be charged.

Management fee[2]	0.50% pa
Performance fee [3]	15% of the Fund's performance (before fees) in excess of the performance hurdle

[2] This is the fee we charge for managing the assets and overseeing the operations of the Fund. The management fee is deducted from the Fund's assets and reflected in its unit price.

[3] This is the fee we charge if the Fund's investment performance exceeds its performance hurdle, and any performance deficit has been recouped. The Fund's performance fee is 15% of the Fund's performance in excess of the performance return hurdle. The performance hurdle is the performance of the Fund's benchmark (S&P/ASX 200 (TR) Index) plus the management fee of 0.50% pa. If a performance fee is payable, it is charged in addition to the management fee. The performance fee is calculated in dollar terms each Business Day based on the investment performance and value of the Fund on that day. If we are entitled to a performance fee, it is paid to us as at 30 June each year.

Market review

June was largely dominated by geopolitical headlines as Israel launched attacks on Iran, followed by US involvement, culminating in a cease-fire by the month's end.

The market largely shrugged off the conflict; oil prices spiked towards US$75 a barrel, but declined again on de-escalation.

The equity market ploughed on, with the S&P/ASX 300 returning 1.4%.

There was further commentary on trade negotiations, with intimations that the US was nearing agreements with several key counterparts ahead of the 9th July deadline.

The Fed continued to take the view that there was no need to cut rates, preferring to keep their powder dry until there was greater clarity on the economic impact of tariffs.

There were indications that US consumer concerns about the impact of tariffs are receding.

In Australia, March quarter GDP data was weaker than consensus, but still reflects a slowing economy, rather than one facing recession. Inflation remains near the lower end of the RBA's target band and underpins expectations of two-to-three more rate cuts in 2025.

Energy (+8.9%) was the best-performing sector, helped by higher oil prices and by a takeover bid for Santos (STO, +16.2%).

Financials (+4.3%) also continued to do well. The banks remain well-supported by flows, which saw Commonwealth Banks (CBA) gain a further 5.0%.

Materials (-3.0%) was the weakest sector, with broad-based underperformance. BHP (BHP, -3.9%), Rio Tinto (RIO, -4.9%), Fortescue (FMG, -0.7%) and South32 (S32, -4.6%) all lost ground, while even the gold miners had a rare soft month with Northern Star (NST, -11.6%) and Evolution (EVN, -12.0%) finishing lower.

Consumer Staples (-2.3%) also underperformed as risk appetite remained sound. Woolworths (WOW) fell -2.3% and Coles (COL) -3.5%. Metcash (MTS, +15.7%) bucked the trend on the back of a well-received result.

Fund performance

The Fund outperformed the benchmark over the month of June.

Key contributors

Overweight Santos (STO, +16.2%)

Santos received a takeover offer from Abu Dhabi National Oil Company (ADNOC) and Carlyle, at a ~30% premium to Santos's previous price, subject to satisfactory completion of confirmatory due diligence. STO is trading at a large discount to the proposed transaction price given uncertainty around regulatory approval as well as due diligence and the expectations that the whole process will take 9 – 12 months. The Board appears favourable to the transaction.

Overweight Metcash (MTS, +15.7%)

Metcash's FY25 result came in at the high end of the pre-announced range, with EBIT 2% ahead of consensus. The key positives came at a divisional level. MTS is holding market share in Supermarkets and winning customers through its distribution network. While the Liquor segment remains tough – driven in part by the base effect of an inflationary bump last year – MTS continues to grow market share. Hardware – which has weighed on the company in recent halves – appears to be bottoming and offers material operating leverage upside as and when margins start to recover. Metcash is being well managed in an environment of earnings headwinds and is well positioned to grow from FY25.

Key detractors

Overweight Northern Star Resources (NST, -11.6%)

Northern Star underperformed in June along with Evolution, the other of the largest cap gold miners. There were some sell-side changes in ratings following the strong performance of the sector. We continue to see NST as attractive within the gold sector. It downgraded production and increased cost guidance for FY26 early in July which, while more negative than expected, has removed uncertainty. NST continues to offer the best growth profile of the larger Australian gold miners.

Underweight Commonwealth Bank of Australia (CBA, +5.0%)

Commonwealth Bank continued to make new highs. Valuations are extreme by historical standards, resulting in asymmetric risks to the downside, in our view and we remain underweight. However we are mindful of the liquidity arguments that have supported CBA's re-rating and have managed position sizing – and portfolio construction to help offset the thematic effect – accordingly. There was some offset to this detraction from the overweight in National Australia Bank, which also outperformed the market, and the underweight in ANZ, which lagged.

Outlook

Newsflow around tariffs and trade deals is likely to dominate near-term market sentiment.

Macro data and corporate anecdotes suggest that the US economy, while decelerating, is proving reasonably resilient. Most economists expect Q4 CY2025 GDP to fall to a range of 1%-2%.

There are signs that households have been managing budgets carefully and that many companies – including some of the larger retailers – are looking to absord the impact of tariffs via supply chains rather than passing the cost on to consumers.

This is all bolstering the view that the economy can cope with the impact of tariffs better than many feared.

It is also important in supporting the equity market. The consensus expectation is for the June quarter S&P 500 earnings to grow 4% year-on-year, versus the 12% growth seen in the March quarter, with softness in the commodity and cyclical sectors expected to contribute to lower growth. Concerns over a tariff-driven margin compression for FY26 guidance is the largest risk around reporting season.

Slower, but positive, economic growth and earnings suggests that equity markets can remain well supported, but are likely to consolidate in coming months as we wait on trade deals and clarity on the economic effects of tariffs.

The Fed has scope to cut rates, given the slowing economy, however they are looking to keep their powder dry given uncertainty over the impact of tariffs on the economy and inflation.

In the Australian market, aggregate earnings-per-share for the S&P/ASX 300 are expected to be modestly negative for FY25, dragged down by the resource sector.

However this is expected to swing back to positive territory in FY26 helped by improved returns from resources and mid-single digits gains from industrials ex-banks.

This earnings support is important for local markets, given that the index has returned to the upper end of its historical valuation range, making it harder for continued re-rating to drive returns.

The outlook for the domestic economy continues to look reasonable, helped by limited direct exposure to tariffs, continued government spending, and signals from the RBA that they are looking to cut rates further before the end of the year. The market continues to price close to three further cuts in 2025.

For more information please call **1300 346 821**,
contact your key account manager or visit **pendalgroup.com**

PENDAL