PENDAL

# Factsheet

Equity Strategies

30 June 2025

# Pendal Focus Australian Share Fund

ARSN: 113 232 812

### About the Fund

The Pendal Focus Australian Share Fund (**Fund**) is an actively managed concentrated portfolio of Australian shares.

### Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes), that significantly exceeds the S&P/ASX300 (TR) Index over the medium to long term. The suggested investment timeframe is five years or more.

### Description of Fund

This Fund is designed for investors who want the potential for long term capital growth and tax effective income from a concentrated portfolio of primarily 15-30 Australian shares and are prepared to accept higher variability of returns. The Fund may also hold cash and may use derivatives.

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).

Derivatives may be used to reduce risk and can 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.

### Fund Positioning

The Fund is designed to complement a conventional, core share portfolio by providing satellite exposure to selected Australian equities with the potential for performance enhancement.

### 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 Crispin Murray, who has more than 34 years' industry experience. Crispin is also Head of Equity.

### Other Information

| | |
|---|---|
| Fund size (as at 30 June 2025) | $2,157 million |
| Date of inception | April 2005 |
| Minimum investment | $25,000 |
| Buy-sell spread[1]<br>For the Fund's current buy-sell spread information, visit www.pendalgroup.com | |
| Distribution frequency | Half-yearly |
| APIR code | RFA0059AU |

[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.

### Investment Guidelines

| | |
|---|---|
| Ex-ante tracking error | 3.0% - 6.0% |
| Max absolute stock position | 15% |
| Min/max sector position relative to index | +/- 15% |
| Min/Max BARRA style factors | +/- 0.5 SD |
| SIRA style factors | Within 1 SD |
| Maximum cash level | 30% |
| Shorting | No |
| Borrowing | No |

### Performance

| (%) | Total Returns (post-fee) | Total Returns (pre-fee) | Benchmark Return |
|---|---|---|---|
| 1 month | 1.48 | 1.54 | 1.42 |
| 3 months | 9.50 | 9.69 | 9.48 |
| 6 months | 6.52 | 6.95 | 6.36 |
| 1 year | 16.06 | 17.23 | 13.74 |
| 2 years (p.a) | 14.24 | 15.24 | 12.83 |
| 3 years (p.a) | 14.11 | 15.07 | 13.35 |
| 5 years (p.a) | 12.48 | 13.45 | 11.77 |
| Since Inception (p.a) | 9.49 | 10.56 | 8.03 |

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: April 2005.

Past performance is not a reliable indicator of future performance.

### Sector Allocation (as at 30 June 2025)

| | |
|---|---|
| Energy | 4.4% |
| Materials | 14.7% |
| Industrials | 7.2% |
| Consumer Discretionary | 3.0% |
| Consumer Staples | 2.6% |
| Health Care | 7.4% |
| Information Technology | 9.4% |
| Telecommunication Services | 9.7% |
| Utilities | 0.0% |
| Financials ex Property Trusts | 28.4% |
| Property Trusts | 5.3% |
| Cash & other | 8.0% |

### Top 10 Holdings (as at 30 June 2025)

| | |
|---|---|
| Commonwealth Bank of Australia | 8.8% |
| BHP Group Ltd | 7.6% |
| CSL Limited | 7.4% |
| National Australia Bank Limited | 7.1% |
| Telstra Group Limited | 6.1% |
| Xero Limited | 4.6% |
| QBE Insurance Group Limited | 4.0% |
| Qantas Airways Limited | 3.5% |
| Westpac Banking Corporation | 3.4% |
| Santos Limited | 3.3% |

### 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] | 0.75% 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 300 (TR) Index) plus the management fee of 0.75% 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%) losing ground.

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 returned 1.48% after fees in June, versus a 1.42% return from the S&P/ASX 300 index. Over FY25 the Fund gained 16.06%, outperforming the benchmark index by 2.32% after fees.

There was a good mix of positive contributors in June, including energy (Santos (STO)), defensive consumer (Metcash (MTS)), data centres (NextDC (NXT)), fuel refining and distribution (Viva Energy (VEA)) and industrial conglomerate SGH (SGH).

The portfolio's exposure to gold miner Evolution (EVN) detracted, although there was some offset from not owning Northern Star Resources (NST). CSL (CSL) detracted given near-term uncertainties around pricing in the US, although we believe it is well positioned to weather this. Xero (XRO) underperformed as it raised capital to fund an acquisition, however this is widely seen as a strong strategic move.

#### 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.

**Overweight NextDC (NXT, +10.6%)**

NextDC announced a 7% increase in their order book contracted across the KL1 data centre in Kuala Lumpur as well as data centress in Melbourne and Sydney. This is the first contract award internationally for NXT and implies 15% utilisation for KL1 before the facility has been completed. The ramp up on this contract win should be quick with full run-rate in FY28, driving upgrades to consensus numbers. We believe the pipeline remains strong and any further contract wins should drive further upgrades and support sentiment for the stock.

#### Key detractors

**Overweight Evolution Mining (EVN, -12.0%)**

Evolution underperformed in June along with Northern Star, the other of the largest cap gold miners. There were some sell-side changes in ratings following the strong performance of the sector. EVN did downgrade the resource estimate for their Red Lake mine, although there was already a high degree of scepticism in the market that the company could achieve previous estimates. We continue to expect strong free cash flow generation which can drive further deleveraging and shareholder returns.

**Overweight CSL (CSL, -3.0%)**

CSL remained soft, with a degree of uncertainty persisting around the pricing outlook for the US. We continue to see this risk as overdone, given flexibility in supply chains and a strong competitive position. From here, we believe that CSL's return on capital will recover, driven by lower capex and higher margins in the core plasma business as the benefits of investment in new technology begin to manifest. At the same time, the company has recently announced a focus on greater efficiency and cost reduction. We believe this should support both earnings growth and a valuation re-rating.

**Overweight Xero (XRO, -2.4%)**

Xero announced the US$2.5bn acquisition of US company Melio and raised A$1.8bn to fund the transaction. We like the deal's rationale, which is aligned with the company's strategy, improves their product market fit and customer value proposition, offers significant scale opportunities from bringing two very complementary platforms together, and solves a critical need for US small-to-medium businesses in an attractive and growing end-market. There is some sticker-shock on the price and it is expected to be low to mid-teens earnings dilutive in FY27, before being almost breakeven in FY28 and then accelerating accretion from FY29 onwards.

**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 absorb 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