PENDAL

Factsheet

Equity Strategies

31 May 2025

Pendal Imputation Fund

ARSN: 089 614 693

About the Fund

The Pendal Imputation Fund (**Fund**) is an actively managed portfolio of Australian shares. The Fund invests in a portfolio which we believe will provide a higher yield than the market average. It is intended that the portfolio will-be well diversified across sectors and not biased structurally to invest only in traditional 'yield stocks'.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX 300 (TR) Index over the medium to long term. The suggested timeframe for holding the investment 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, diversification across a broad range of Australian companies and industries and are prepared to accept higher variability of returns. The Fund will primarily invest in Australian shares, including Australian listed property securities and convertible preference shares, that offer above average income 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.

Investment Team

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

Performance

Total Returns (%)	1 mth	3 mths	6 mths	1 Year (p.a.)	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)	Since Inception (p.a.)
Fund (Pre-Fee)	4.99	4.39	2.46	14.98	9.77	13.61	8.30	10.20
Fund (Post-Fee)	4.91	4.15	2.00	13.95	8.79	12.60	7.33	9.19
Benchmark	4.20	4.34	1.64	13.17	9.34	11.99	8.10	8.76
Excess return (Post-Fee)	0.71	-0.19	0.36	0.78	-0.55	0.60	-0.77	0.43

"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: October 1999.

Past performance is not a reliable indicator of future performance.

Franking Credits Returns[1]							
(%)	1 mth	3 mths	6 mths	1 Year (p.a.)	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)
Fund	0.13	0.39	0.57	1.16	1.49	1.40	1.80
Returns Grossed Up For Franking Credits[1]							
Fund (Post-Fee)	5.04	4.54	2.58	15.12	10.27	14.00	9.13

Fund Returns (%) As at 30 June 2024	3 Years (p.a.)	5 Years (p.a.)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Post-Fee	6.75	6.68	-12.25	29.43	-2.31	11.62	11.56
After Tax[2] (Superannuation tax rate)							
Pre-Liquidation[3]	7.61	7.47	-11.59	30.14	-1.21	12.51	12.12
Post-Liquidation[3]	7.37	7.21	-9.99	27.39	-0.52	11.75	11.39
After Tax[2] (highest marginal tax rate)							
Pre-Liquidation[3]	5.70	5.73	-13.18	28.34	-3.27	10.56	10.43
Post-Liquidation[3]	5.11	5.08	-9.44	22.39	-1.68	8.78	8.72

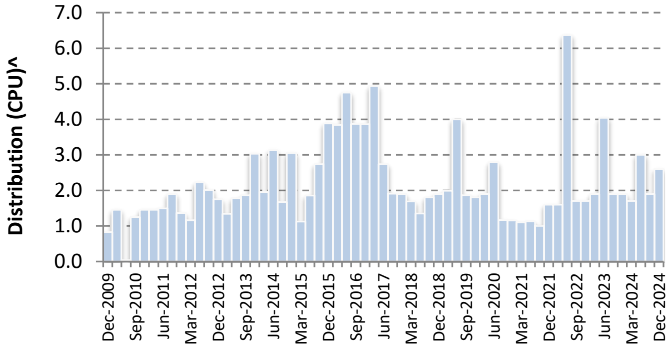
[1] Franking credit returns reflect the value, expressed as a percentage of the Fund's net asset value, of franking credits earned, directly or indirectly, by the Fund on the dividends it has accrued. Returns grossed up for franking are calculated by adding the franking credit returns to the total returns after-fees. The Fund's actual entitlement to franking credits is only known at 30 June each year and therefore amounts during the year are estimates only, subject to revision. Franking credit returns, and returns grossed up for franking, for the Benchmark are calculated on an equivalent basis.

[2] After-tax returns should only be viewed as a guide to the after-tax position of an investor in the Fund. The after-tax returns of the Fund will depend on an investor's individual tax situation and may differ from those shown. There have been a number of assumptions made in the calculation of after-tax returns, which include: investors are Australian resident taxpayers; investors hold their units on capital account; returns assume reinvestment of after-tax distributions on the distribution period end date; returns are calculated using applicable income tax rates at the time of each distribution; capital gains concessions (CGT discount) are always available to the investor; tax credits distributed by the Fund can be fully utilised by the investor; investors will be able to immediately offset any loss made on their units against capital gains from other sources. FY Stands for Financial Year, which runs from July 1 to June 30.

[3] The pre-liquidation returns refer to the after-tax returns assuming a continuing investment in the Fund. It is calculated using the actual discounts that applied to the fund on any realised capital gains and assuming the distributions are reinvested on an after-tax basis. Post-liquidation returns refer to the after-tax returns assuming a full redemption of an investor's units. It is calculated by including, in addition to the reinvestment of after-tax distributions, the unrealised gains, based on the assumption that the asset has been held for more than 12 months and that the CGT discount rate is applied to the unrealised gains and, in the case of unrealised losses, that those losses would be immediately available to the investor.

Sector allocation (as at 31 May 2025)

Energy	6.3%
Materials	20.0%
Industrials	4.6%
Consumer Discretionary	2.8%
Consumer Staples	3.6%
Health Care	10.4%
Information Technology	3.9%
Telecommunication Services	10.0%
Utilities	0.0%
Financials ex Property Trusts	32.2%
Property Trusts	4.9%
Cash & other	1.3%



^Historic distributions are not representative of future distributions.

Top 10 holdings (as at 31 May 2025)

	Weight	12 Mnth Fwd Div. Yield^
Commonwealth Bank of Australia	11.0%	2.9%
BHP Group Ltd	7.2%	4.8%
CSL Limited	6.6%	2.7%
Telstra Group Limited	5.5%	4.7%
National Australia Bank Limited	4.9%	4.4%
ANZ Group Holdings Limited	4.0%	5.6%
Westpac Banking Corporation	4.0%	4.5%
Qantas Airways Limited	3.9%	4.3%
QBE Insurance Group Limited	3.2%	5.8%
Santos Limited	3.1%	8.6%

^Derived from the consensus broker forecast for dividends from FactSet and the stock price as at the end of the fact sheet period.

Investment Guidelines

Ex-ante (forward looking) tracking error	2.0% - 5.0%
Min/max stock position	+/-4%[4]
Min/max sector position	+/-8%[4]

[4] Compared to benchmark

Other Information

Fund size (as at 31 May 2025)	$109 million
Date of inception	October 1999
Minimum investment	$25,000
Buy-sell spread[5] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Quarterly
APIR code	RFA0103AU

[5] 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.

Fees and cost

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[6]	0.90% pa

[6] 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.

Market review

The S&P/ASX 300 maintained the rebound from the lows of early April into May, as the market gained confidence that the Trump Administration is not willing to drive the US economy into recession in pursuit of its policy agenda.

Positive developments in terms of US-China trade talks and a decent US quarterly earnings season were generally supportive for markets, while a spike in concern around the US fiscal situation – prompted by Moody's downgrading the US credit rating and the passage of the "big beautiful" bill of tax cuts and reforms – provided some volatility.

The S&P/ASX 300 (TR) index returned +4.2% in May and returned to the previous February highs at the end of the month.

Domestically, it was helped by a rate cut from the RBA, accompanied by a surprisingly doveish tone the presaged further cuts.

Banks (+4.4%) were in line with benchmark, but this hid a more material divergence with Commonwealth Bank (CBA) +5.6% and National Australia Bank (NAB) +5.2% while ANZ (ANZ) was -2.8% and Westpac (WBC) -0.9%. Financials (+5.1%) were driven more by the insurers and market sensitives rather than the banks.

Large cap Resources (+3.1%) underperformed with the outlook for iron ore seen as more subdued.

Information Technology (+18.83) did best, helped by well-received results from Life360 (360, +51.9%) and Technology One (TNE, +36.8%) as well as broader strength in the global technology sector on the back of positive results and commentary from US tech stocks.

Energy (+8.7%) also outperformed on reduced concern over the risk of recession.

Defensive sectors such as Utilities (+0.3%) and Consumer Staples (+1.2%) lagged, having done well in April, while Health Care (+1.4%) was also weak on lingering concern over tariffs.

Domestic cyclicals such as Qantas (QAN, +19.9%), Nine Entertainment (NEC, +12.9%) and Seek (SEK, +14.1%) also outperformed, helped by the RBA's 25bp interest rate cut and positive signalling on future cuts, as well as Labor's election win which underpins government spending.

Fund performance

The Fund outperformed the benchmark over the month of May.

Key contributors

Overweight Qantas (QAN, +19.9%)

Qantas had sold off in April on concerns over the risk of US recession and global contagion dragging on travel demand – despite the ongoing strength in domestic airline demand. It rebounded in April as these concerns receded, coupled with positive market commentary around QAN, noting the benefits of rationality and resilient demand in the domestic airlines industry as well as the tailwind of lower oil prices.

Overweight Seek (SEK, +14.1%)

Seek was among several more cyclical exposures which underperformed in April, but staged a strong rebound in May as concerns over a tariff-induced recession faded. At the same time the RBA cut rates and a clear Federal election result suggested further government spending – both supportive factors for the domestic economy.

Key detractors

Overweight CSL (CSL, -1.7%)

Uncertainty around the tariff and trade regime for pharmaceuticals in US – including tariffs and most favoured nation pricing – weighed on CSL in May. CSL is in a relatively strong position in that it has manufacturing capability in the US. Should the worst-case scenario on tariffs emerge, it can accelerate already-planned capex to increase production capacity there. The core business continues to perform strongly, the company is improving margin and has a renewed focus on cost control. We believe current uncertainties are overdone in the share price, which looks attractive value.

Underweight Technology One (TNE, +36.8%)

TNE delivered a strong 1H25 result, beating revenue and earnings estimates. Management upgraded guidance from 12-16% to 13-17% profit before tax (PBT) growth as they continue to migrate from a historical target of 10-15% to 15-20% annual growth. However, guidance still looks conservative based on a very strong 1H, in our view. The Rule of 40 measure continues to improve, with revenue growth plus free cash flow margin at 45.5% for the last twelve months.

Outlook

The outlook for tariffs still remains clouded. There is a decent chance that the US Court of International Trade's ruling that the reciprocal and border control/fentanyl-related tariffs are not legal could be upheld by the US Supreme Court.

However tariffs remain in place while that process plays out. At the same time, there are other avenues under the Trade Act that the Trump Administration can pursue.

In our view, they remain a key part of the Administration's five-pronged approach to re-industrialising the US economy and we should assume that they will find a way to apply them.

However the ultimate scale will depend on the ongoing negotiations between the US and other countries – and this remains a source of uncertainty.

On the positive side, the Administration has signalled that they are unwilling to drive the US economy into recession in pursuit of their agenda. The US earnings season and macro data suggests the economy continues to hold up well – although there is risk of deceleration. The "big, beautiful" bill progressing through congress also contains near-term stimulus measures which can help offset tariff-induced weakness.

In Australia, the most recent inflation data was broadly in line with expectations, while retail sales were a bit soft (-0.1% month-on-month, possibly tied to the election) which helps underpin expectations for further RBA cuts.

The July meeting remains live for a cut, with the market at 60% probability, with two more cuts expected by year end.

Overall, the rebound in May means that Australian equities have returned to the top end of its historical valuation band at around 18x, which limits the valuation-driven upside from here and means the market will be earnings driven.

The positive here is FY26 earnings-per-share growth is currently expected to be 6.9% (for the S&P/ASX 200), with resources finally no longer being a headwind.

The current valuation rating does make the market vulnerable to a deterioration in earnings. This looks unlikely in the next few months, however, given the solid economic outlook and supportive fiscal and monetary policy.

At this point uncertainty around the timing and nature of trade deals, the economic impact, and other factors such as tax and rate cuts to offset any slowdown all remains elevated. This warrants against taking large thematic positions in the portfolio and emphasises the importance we place on managing macro risk.

At the same time, increased uncertainty increases the chance of mis-pricing at the stock level, potentially presenting new opportunities to add medium-term alpha. We believe this plays to the strength of our team and process and have been selectively adding to positions in the portfolio.

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

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