PENDAL

Factsheet

Equity Strategies

31 May 2025

Pendal Sustainable Australian Share Fund

ARSN: 097 661 857

About the Fund

The Pendal Sustainable Australian Share Fund (**Fund**) is an actively managed portfolio of Australian shares. Investments are selected based on a range of sustainable, ethical and financial criteria.

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, whilst maximising the portfolio's focus on sustainability. The recommended 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, diversification across a broad range of Australian companies and industries and are prepared to accept higher variability of returns.

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 invest in companies that advance the transition to a more sustainable economy. Pendal's view of a sustainable economy is one which is made up of companies:

– producing or offering products or services that provide social and/or environmental benefits; and/or
– that have leading operational practices with regard to the environment, their employees and community, and conduct their business ethically; and/or
– whose actions, business models and products or services do not cause significant harm.

In managing the Fund, Pendal focuses on sustainable themes (including energy transformation, sustainable environment, human basics and increasing prosperity), and draws on internal and external research to assess companies on their sustainability performance. In addition to employing a sustainability assessment framework, exclusionary screens are applied to avoid exposure to companies with business activities that Pendal considers to negatively impact the environment and/or society.

The Fund will not invest in companies directly involved in:

- tobacco production (including e-cigarettes and inhalers); or
- manufacture or distribute controversial weapons (including cluster munitions, landmines, biological or chemical weapons, nuclear weapons, blinding laser weapons, incendiary weapons, non-detectable fragments, depleted uranium and white phosphorous weapons).

Additional exclusionary screens are applied differently across industries and business activities. For more information on how these exclusions are applied and Pendal's Sustainability Assessment Framework go to section 3 of the 'Additional Information to the Product Disclosure Statement' www.pendalgroup.com/PendalSustainableAustralianShareFund-PDS.

Investment Team

The Fund is managed by Rajinder Singh in Pendal's Australian Equity team who has more than 24 years' industry experience.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	4.38	4.45	4.20
3 months	5.36	5.59	4.31
6 months	3.51	3.95	1.64
1 year	18.15	19.15	13.36
2 years (p.a)	15.24	16.22	13.14
3 years (p.a)	10.10	11.04	9.62
5 years (p.a)	12.08	13.04	12.11
Since Inception (p.a)	8.29	9.23	8.85

Source: Pendal as at 31 May 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: October 2001.

Past performance is not a reliable indicator of future performance.

Sector Allocation (as at 31 May 2025)

Energy	0.0%
Materials	16.5%
Industrials	11.3%
Consumer Discretionary	3.5%
Consumer Staples	0.0%
Health Care	11.8%
Information Technology	5.7%
Telecommunication Services	6.4%
Utilities	0.0%
Financials ex Property Trusts	34.0%
Property Trusts	8.0%
Cash & other	2.8%

Top 10 Holdings (as at 31 May 2025)

Commonwealth Bank of Australia	9.6%
CSL Limited	8.4%
Telstra Group Limited	5.9%
National Australia Bank Limited	5.5%
Rio Tinto Limited	5.1%
Westpac Banking Corporation	4.2%
QBE Insurance Group Limited	3.9%
Xero Limited	3.9%
Brambles Limited	3.6%
Macquarie Group, Ltd.	3.5%

CERTIFIED RESPONSIBLE INVESTMENT™
CERTIFIED BY RIAA

The Pendal Sustainable Australian Share Fund has been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsiblereturns.com.au for details.

The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Other information

Fund size (as at 31 May 2025)	$438 million
Date of inception	October 2001
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	WFS0285AU

[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.

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]	0.85% pa

[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.

Carbon performance

The estimated weighted average carbon intensity (WACI) of a portfolio provides an indication of the portfolio's exposure to carbon intensive companies.

The estimated WACI of the Portfolio, using greenhouse gas emissions (scope 1 and 2[1]) data supplied by ISS and weighted by the size of the Portfolio's holding in each company, is shown in the table below. We also compare this to the weighted average emissions for the companies in the aggregated ASX300 index.

We caution that there are limitations with using carbon metrics as an indicator of a portfolio's overall exposure to climate-related risks. For example, not all companies report their emissions data and hence some of the below analysis includes estimates. Also, it does not include scope 3 emissions. Further, portfolio carbon analysis does not capture exposure to physical climate-related risks, or the unique transition risks some companies within the Portfolio face. Nevertheless, the WACI metric is recommended by the Task Force on Climate-related Financial Disclosures (TCFD)[3], noting it supports greater comparability of investor reporting.

Weighted Average Carbon Intensity (tonnes CO2e / $M revenue)

Pendal Sustainable Australian Share Fund	ASX 200	Relative to ASX 200
78.87	99.04	-20.17

Source: ISS STOXX, Pendal holdings as at 31 May 2025.

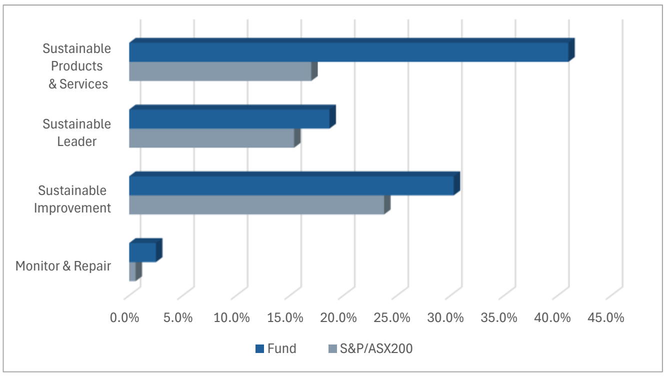
Report run on 04/06/2025 using latest ISS STOXX data. Currency AUD

[1] Scope 1 emissions result from sources directly owned or controlled by the company. Scope 2 accounts for emissions from the generation of purchased electricity consumed by the company.

[2] Scope 3 emissions result from activities not directly owned or controlled by the company but are associated with its operation such as business travel, waste management, commuting, and the use of sold products and services. https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

[3] Recommendations of the Task Force on Climate-Related Financial Disclosures, June 2017 https://www.fsb-tcfd.org/recommendations/

Sustainable holdings by category vs the benchmark (as at 31 March 2025)



	Fund	S&P/ASX200
Sustainable Products & Services[3]	41.0%	17.0%
Sustainable Leader	18.7%	15.4%
Sustainable Improvement	30.3%	23.8%
Monitor & Repair	2.5%	0.6%

Source: Pendal as at 31 March 2025.

[3] The Fund also aims to having its allocation to stocks in 'Sustainable Products and Services' exceeds those stocks' respective benchmark weights in the S&P/ASX 200 Index, as these companies have a key role in advancing the transition to a more sustainable economy.

On 4th April 2025, the Pendal ESG Watchlist Assessment Panel, has temporarily excluded WiseTech Global, from the investible universe for Pendal's sustainable portfolios. Milestones have been set for the company for future removal of the exclusion.

To be considered for the Fund's investments, companies are assessed and must fall into one of the following four categories:

1. Sustainable Product and Services

This category includes:

- Companies producing or offering products and services that are beneficial to the environment and/or society; and
- Companies whose sustainable products are affecting positive change to the environment and/or society.

2. Sustainable Leaders

This category includes:

- Companies conducting activities or product improvements with outcomes that are beneficial to the environment and/or society; and
- Companies with corporate strategies to affect positive change to the environment and/or society.

3. Sustainable Improvement

This category includes:

- Companies with scope to progress their sustainable performance of their products and services or operations; and
- Companies where Pendal will seek to influence the continued progress of company practices through active engagement.

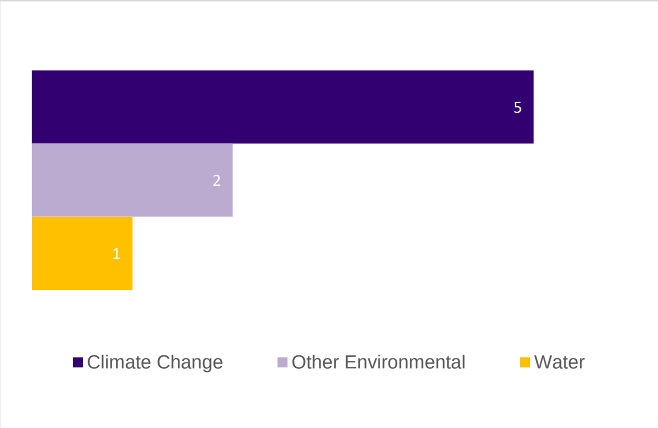
4. Monitor and Repair

This category includes:

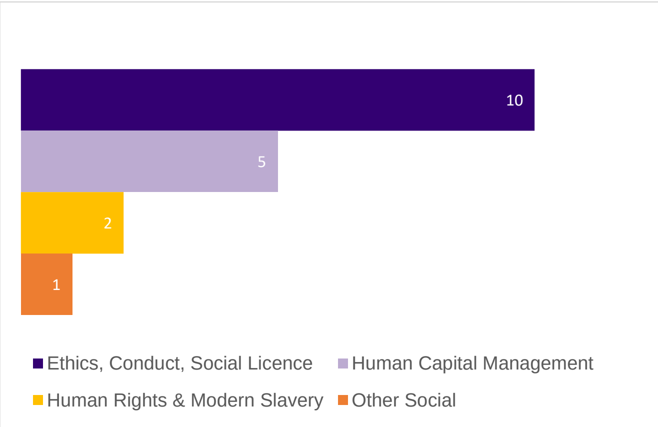
- Companies that have been identified as having elevated ESG risks and are addressing their poor sustainable practices; and
- Companies where Pendal will seek to influence the repair of company practices through active engagement.

Quarterly engagements for the Fund by sustainability theme – 3 months to 31 March 2025.

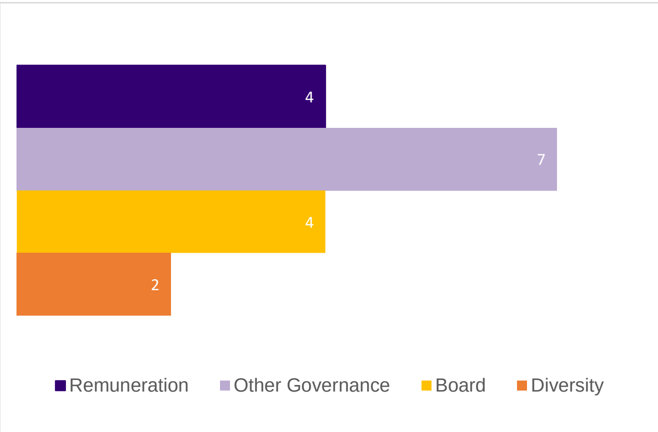
Environment



Social



Governance



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

Underweight BHP (BHP, +0.2%)

The outlook for iron ore demand remains subdued, while China's stimulus efforts seen as more likely to focus on stimulating consumer demand rather than boost construction activity. The iron ore price subsided -1.6% over the month, weighing on BHP.

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.

Key detractors

Overweight Rio Tinto (RIO, -3.8%)

The outlook for iron ore demand remains subdued, while China's stimulus efforts seen as more likely to focus on stimulating consumer demand rather than boost construction activity. The iron ore price subsided -1.6% over the month, weighing on RIO. The company also surprised the market with the announcement that the CEO will be stepping down after just four years in the job.

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.

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.

Aggregate bank valuations remain at extreme levels, with the sector trading at almost four standard deviations above long-term price-to-earnings (P/E) and price-to-pre-provision-profit levels.

However the bulk of this is now the CBA premium over the rest of the big four banks – this has reached record levels at 13 P/E points (23x versus 15x for the other "Big Three") and is the best representation of the distorting effects of index weights.

We remain underweight the banks – however we are mindful of the liquidity and flow factors which continue to underpin valuation here and so are careful in sizing this position and managing the thematic risk elsewhere in the portfolio.

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.