

## Pendal Monthly Factsheet

### Pendal Australian Shares Portfolio (the Portfolio)

April 2026

#### Market review

The Australian equity market continued the rebound from late March into early April as a ceasefire in the Iran conflict saw hopes rise of a peace deal and a re-opening of the Strait of Hormuz.

However these hopes faded over the course of the month. While the ceasefire has largely held, the Strait remained effectively shut, exacerbating the disrupted supply of oil, LNG and other commodities.

The S&P/ASX 300 pared its earlier gains, to finish up +2.3%. This was well below the +10.4% return from the S&P 500, which was further bolstered by a strong quarterly earnings season and strength in the tech sector on the AP capex theme.

The Q1 consumer price index (CPI) rose 1.4% quarter/quarter and the trimmed mean was 3.5% year/year, which saw underpinned rising expectations of another interest rate hike from the RBA in May.

The oil price oscillated along with sentiment around the likelihood of a peace deal. Brent crude finished down -3.7% for the month, at US\$114 a barrel, which is up 87.4% for the calendar year to date. Iron ore (+1.2%) and aluminium (+0.6%) were steady, while Copper gained +5.4%. Gold slipped another -1.1%.

Information technology (+12.1%) enjoyed some relief after several months of heavy selling, with data centre-related names particularly strong. Xero (XRO) gained 6.6%, NextDC (NXT) +27.8%, and Wisetech (WTC) +12.4% among the larger index weights.

Real Estate (+8.1%) also outperformed, although much of this was due to a 15.8% gained in sector heavyweight Goodman Group (GMG), on the data centre theme. Scentre Group (SCG, +11.8%) was also strong, on a well-received quarterly update.

Health Care (-8.4%) was the weakest sector. A downgrade by Cochlear (COH, -44.4%) made a major contribution, but several of the larger companies were weaker, such as CSL (CSL, -11.7%) and ResMed (RMD, -7.4%), in part due to a stronger Australian dollar.

Consumer Staples (-3.8%) also underperformed. Woolworths (WOW, -5.6%) downgraded its outlook, as did A2 Milk (A2M, -26.0%). The latter has been hit by supply chain disruption as the product testing process in China has been expanded.

#### Portfolio overview

<b>Investment strategy</b>	Pendal employs a bottom up, fundamental approach to build a diversified portfolio of Australian shares where the majority of active risk and outperformance is driven by stock selection. The portfolio will focus primarily on capital growth.
<b>Investment objective</b>	To deliver outperformance relative to the benchmark after fees over a rolling three year period.
<b>Benchmark</b>	S&P/ASX 300 (TR) Index
<b>Number of stocks</b>	15 - 35 (35 as at 30 April 2026)
<b>Sector limits</b>	Australian Shares 60 - 98% Australian Property 0 - 30% Cash 2 - 10%
<b>Dividend yield</b>	3.45%#
<b>Income target</b>	No target

#### Top 10 holdings

Code	Name	Weight
BHP	BHP Group Ltd	12.62%
CBA	Commonwealth Bank of Australia	8.13%
NAB	National Australia Bank Limited	6.03%
TLS	Telstra Group Limited	4.86%
RIO	Rio Tinto Limited	4.71%
ANZ	ANZ Group Holdings Limited	4.50%
CSL	CSL Limited	4.46%
STO	Santos Limited	3.84%
QBE	QBE Insurance Group Limited	3.62%
GMG	Goodman Group	3.36%

Source: Pendal as at 30 April 2026.

#### Top 5 overweight versus S&P/ASX 300

Code	Name	Weight
STO	Santos Limited	2.88%
QAN	Qantas Airways Limited	2.76%
TLS	Telstra Group Limited	2.65%
BHP	BHP Group Ltd	2.56%
RIO	Rio Tinto Limited	2.41%

Source: Pendal as at 30 April 2026.

#### Top 5 underweights versus S&P/ASX 300

Code	Name	Weight
WES	Wesfarmers Limited (not held)	-3.05%
WBC	Westpac Banking Corporation	-2.97%
CBA	Commonwealth Bank of Australia	-2.59%
WDS	Woodside Energy Group Ltd (not held)	-2.35%
TCL	Transurban Group Ltd. (not held)	-1.61%

Source: Pendal as at 30 April 2026.

# The Portfolio's dividend yield represents the weighted average 12-month forward-looking dividend yield of the Portfolio's holdings (excluding cash), as at the date of this factsheet. Each individual security's dividend yield is calculated using market consensus forecast data, collated by Pendal, for dividend per share (DPS) before tax and franking credits, and divided by the closing market price of the security as at the date of this factsheet. The Portfolio dividend yield is therefore only an estimate and predictive in nature. It does not reflect the actual dividend yield of the Portfolio which will be affected by market movements in the price of the individual securities, the returns on other assets such as cash holdings and variances of an individual security's actual dividends from the forecasted DPS.

## Performance

	1 month	3 month	6 month	1 year	3 year (p.a.)	5 year (p.a.)	Since inception (p.a.)*
Pendal Australian Shares Portfolio	2.42%	-2.32%	-2.81%	6.13%	8.38%	7.25%	9.08%
S&P/ASX 300 (TR) Index	2.25%	-1.52%	-1.14%	10.14%	9.57%	8.16%	8.37%
<b>Active return</b>	<b>0.17%</b>	<b>-0.79%</b>	<b>-1.66%</b>	<b>-4.01%</b>	<b>-1.19%</b>	<b>-0.91%</b>	<b>0.71%</b>

Source: Pendal as at 30 April 2026.

\*Since Inception - 15 June 2015.

Performance returns track the value of a notional portfolio and are calculated pre-fee. The performance information shown may differ from the performance of an individual investor's portfolio due to differences in portfolio construction or fees. Investors should contact their platform provider for applicable fee rates. Past performance is not a reliable indicator of future performance.

### Top 5 contributors - monthly

Code	Name	Value Added
NXT	Nextdc Limited	0.38%
COH	<i>Cochlear Limited (not held)</i>	0.20%
WDS	<i>Woodside Energy Group Ltd (not held)</i>	0.16%
WBC	<i>Westpac Banking Corporation</i>	0.15%
GMG	Goodman Group	0.13%

Source: Pendal as at 30 April 2026.

Underweight positions are in *italics*.

### Top 5 contributors - 1 year

Code	Name	Value Added
MIN	Mineral Resources Limited	1.13%
RIO	Rio Tinto Limited	0.70%
BHP	BHP Group Ltd	0.68%
STO	Santos Limited	0.54%
COH	<i>Cochlear Limited (not held)</i>	0.52%

Source: Pendal as at 30 April 2026.

Underweight positions are in *italics*.

### Top 5 detractors - monthly

Code	Name	Value Added
CSL	CSL Limited	-0.36%
S32	South32 Ltd.	-0.11%
MQG	<i>Macquarie Group, Ltd.</i>	-0.10%
NAB	National Australia Bank Limited	-0.10%
MTS	Metcash Limited	-0.09%

Source: Pendal as at 30 April 2026.

Underweight positions are in *italics*.

### Top 5 detractors - 1 year

Code	Name	Value Added
CSL	CSL Limited	-2.48%
XRO	Xero Limited	-2.32%
WDS	<i>Woodside Energy Group Ltd (not held)</i>	-0.92%
SEK	Seek Limited	-0.82%
ALL	Aristocrat Leisure Limited	-0.72%

Source: Pendal as at 30 April 2026.

Underweight positions are in *italics*.

## Stock specific drivers of monthly performance relative to benchmark

### Three largest contributors

#### Overweight NextDC (NXT, +27.8%)

NXT announced a 250 megawatt contract win at its S4 data centre. This came alongside a large capital raising - including \$1.5bn in equity - to support the roll out of this contract. The market has been concerned about NXT's balance sheet and the new debt and equity raised has resolved this issue for the moment. This is NXT's largest ever contract win, taking contracted EBITDA to >\$1bn, resulting in a business which is four times larger than it is today.

#### Underweight Cochlear (COH, -44.4%)

COH issued a large downgrade on weaker expected revenue growth. In emerging markets, there are impacts from the Middle East as well as reimbursement challenges in China. In developed markets there are issues in Europe while the US was blamed on a weak consumer. On the cost side there may be some receivables issues in Middle East and the company has taken the opportunity to re-shape the cost base to be better positioned for future. Looking forward, growth appears difficult to come by in our view and COH may need to spend to try and invigorate it.

#### Underweight Woodside Energy (WDS, -4.3%)

Woodside had a volatile month as sentiment on a resolution to the Iran conflict and re-opening of the Strait of Hormuz oscillated sharply, but ultimately finished down, along with the oil price. Its quarterly production report was solid and tracking to full year guidance.

## Three largest detractors

### Overweight CSL (CSL, -11.7%)

CSL drifted lower in March, with the market moving to the low end of management's guidance - or just below it - for FY26 earnings, with uncertainty over the near-term level of Chinese demand for albumin a key factor. The stock is now at a material valuation discount to the market, reflecting fears over structural issues in the key plasma market and the market's desire to see proof of better performance. We believe these fears are overdone.

### Overweight South32 (S32, -5.6%)

S32 announced a weaker Q3 production report offset by better free cash flow. FY26 production guidance was unchanged with the exception of Gemco which was cut 6% on cyclone impacts. Weather also impacted Sierra Gorda, Cannington and Worsley, but guidance there was held. The key was the cash generation. Net cash rose by US\$121m to US\$96m, or US\$279m excluding Hermosa capex. That equates to a 7.2% free cash flow yield, which is likely bettered in Q4 given an unwind of inventory at Cannington and Mozal.

### Underweight Macquarie Group (MQG, +16.4%)

MQG announced the sale of its UK and German smart meters asset in the final days of March which adds 10% to FY26 NPAT. This, in addition to what should be a strong result from its Commodities division given US weather benefits, is setting it up for a strong FY26 result. It appears the stock has been given a further leg up by a view that MQG will benefit from the Iran conflict via LNG prices, although this is less apparent, in our view.

## Performance and outlook

The Portfolio model was a touch ahead of the index in April. There were strong gains from the portfolio's data centre exposure via NextDC and Goodman Group, helped by the continued surge in hyperscaler AI capex. The resources exposure - notably BHP - and software holdings in Xero were also beneficial.

CSL was the largest detractor. There was also some reversal of the previous month's trends defensive exposure Telstra giving back some of its gains.

Financial markets continue to suggest the Iranian conflict will not trigger a further significant rise in energy prices, suggesting some form of resolution is close.

Its worst fears around supply shortages have not eventuated, yet, due to the availability of more inventory and higher-than-expected demand reduction.

When the crisis started the market would have expected that a nine-week closure of the Strait, with only 4% of product getting through, would lead to far higher oil prices than we have seen.

Reasons for the more benign reaction include 1) reserve / inventory drawdowns have been more significant than expected, 2) demand has fallen more than expected at a given oil price, and 3) higher crude exports from other regions - notably the Americas - running at around 3m barrels per day.

The market seems to have been quite efficient in adapting to the shock and this has given confidence to broader financial markets.

However, a large part of this reflects the ability to draw on stockpiles, both visible and invisible. We do not know where the tipping point may be which, if hit, would require far more material demand destruction.

The US economic backdrop remains supportive, evidenced by a strong quarterly reporting season.

Employment data shows that the flow on effects of the fuel shock, while affecting confidence, is not impacting the economy. Nor is AI leading to meaningful labour shedding. It is currently in the sweet spot of not being strong enough for the Fed to worry about wages responding to the energy shock, but also not weak enough to put pressure on the central bank to cut rates.

Combined with strong corporate earnings, this has given the market confidence to look through the short-term input cost issues.

Australian interest rates have returned to the previous cycle high, with the RBA driven by concerns of firms passing on costs given the tight labour market, the strength of the economy's momentum prior to the Iran war, and domestic industry structures which gives corporates pricing power.

Governor Bullock did indicate that the board now sees policy as slightly restrictive and having risen three times in a row - and given the uncertainty - we would expect a pause. The market is still expecting one further rise, potentially in August.

Corporate results and updates domestically suggest that the Australian economy and earnings continue to hold up. Everyone is looking for signs of weakness, but very few have emerged to date - and those tend to be in more structurally-challenged franchises.

## New stocks added and/or stocks sold to zero during the month

### **Sell to zero in Insurance Australia Group (IAG).**

### **Buy new position in Evolution Mining (EVN).**

We have further reduced the portfolio's exposure to the domestic general insurance sector via the removal of Insurance Australia Group (IAG), taking advantage of the recent share price recovery.

That recovery has been driven by defensive appeal and potential benefits from lower motor vehicle traffic. But the Iran conflict also brings inflation risk for the housing supply chain.

More importantly, we remain concerned about peak cycle conditions in domestic general insurance. Top line growth has moderated to low single digit, reflecting price competition, with no sign of change. This is likely to start placing pressure on out-year margins.

Longer term, there is also a risk that incumbents reduce customer cross-subsidisation as a defensive measure to ward off challengers and defend against AI price discovery.

We prefer offshore general insurer QBE Insurance (QBE) at this stage in the cycle - and retain our exposure here - given stronger claims provisions and a cheaper multiple.

In recent months we have also been increasing the position in Medibank Private (MPL), which is our preferred defensive exposure amongst insurers (and financials more broadly).

Like IAG, it has also been de-rated over the past year for fear of peak cycle conditions. But the franchise is strongly positioned to hold margin given longstanding investment in hospital terms and customer benefits. And longer-term growth remains much more appealing in private health insurance relative to general insurance.

We are adding to the portfolio's gold exposure via the addition of Evolution Mining (EVN).

The gold price and gold mining sector has fallen sharply in response to the conflict in the Middle East. There are various factors at play here, including a stronger US dollar (which is typically negatively correlated with the gold price) and reports that Middle Eastern central banks have paused gold purchases given the conflict as energy revenues have dried up. There is also a view that gold, having done so well, was being sold as a source of liquidity during forced deleveraging in a volatile market.

Beyond this near-term volatility, we see reasons why gold can recover and continue to benefit from structural trends. These include the continued buying by central banks looking to diversify assets. The People's Bank of China, for example, has continued buying through the period of weakness. The long-term trend also seems to point to a weaker US dollar, given the preferences of the Trump Administration and continued fiscal pressure.

The portfolio is not taking a large active position on gold given it is highly macro-dependent. However we are using this period of weakness to neutralise the pre-existing modest underweight.

Evolution Mining owns and operates six gold mines; Cowal and Northparkes in NSW, Ernest Henry and Mt Rawdon in Queensland, Mungari in Western Australia and Red Lake in Canada. Several of its assets also produce copper and/or silver.

This addition diversifies and complements our existing gold exposure in Newmont (NEM) and Northern Star Resources (NST). EVN and NEM are trading at a higher free cash flow yield than NST, but NST has the strongest production growth profile of the larger-cap gold miners via the expansion of its KCGM operation and development of the recently acquired Hemi project. While NEM is in a strong position in terms of operations and cash flow, there is some M&A risk given negotiations with Barrick Mining over the latter's plan to spin off its stake in several of their joint venture projects.

Operationally, Evolution is performing reasonably well. Importantly, a higher gold price has underpinned a surge in free cash flow, which was almost \$800m in FY25. This is being used to reduce debt and improve the balance sheet, as well as improve capital returns to shareholders via a dividend uplift. In its most recent update, EVN announced that it has returned to net cash three months earlier than expected. At current gold prices, it is expected to deliver up to \$1bn in free cash flow in FY26. This equates to a free cash flow yield of ~6%, which is high relative to most of the mining sector. The interim dividend was a material uplift at a 67% payout ratio versus a policy of 50%, and in the absence of M&A EVN remains well placed to continue higher capital returns.

For more information contact your  
key account manager or visit [pendalgroup.com](https://pendalgroup.com)

# PENDAL

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