

Pendal Smaller Companies Fund

ARSN: 089 939 328

Equity Strategies

31 March 2026

About the Fund

The Pendal Smaller Companies Fund (**Fund**) is an actively managed portfolio investing in companies outside the top 100 listed on the Australian Stock Exchange and their equivalent on the New Zealand Stock Exchange that we believe are trading below their assessed valuation, and which we expect to grow their profits quickly.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX Small Ordinaries (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, diversification across a broad range of smaller companies and industries and are prepared to accept higher variability of returns. The Fund invests primarily in companies outside the top 100 listed on the Australian Securities Exchange. The Fund may also invest in equivalent companies listed on the New Zealand Stock Exchange, 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).

The Fund may have assets denominated in foreign currencies. This means that changes in the value of the Australian dollar relative to foreign currencies may affect the value of the assets of the Fund. The Fund's foreign currency exposure may be hedged from time to time, in whole or part.

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

The Pendal Smaller Companies Fund is managed by Pendal's experienced Small Cap team. The Fund is managed by Lewis Edgley and Patrick Teodorowski. They are supported by an experience Small Cap team as well as the insight of Pendal's broader Australian equities team.

Portfolio characteristics

Benchmark	S&P/ASX Small Ordinaries (TR) Index
Number of stocks	Between 45 - 75
Maximum cash weighting	20%
Ex-ante tracking error	Typically between 3% - 9%
Active single stock position	+/-5%

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	-10.79	-10.69	-10.96
3 months	-12.50	-12.23	-10.87
6 months	-13.11	-12.58	-9.26
1 year	5.51	6.82	13.65
2 years (p.a)	3.65	4.93	5.93
3 years (p.a)	9.63	10.99	8.50
5 years (p.a)	5.92	7.23	3.99
Since Inception (p.a)	11.44	12.74	7.23

Source: Pendal as at 31 March 2026

"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: December 1992.

Past performance is not a reliable indicator of future performance.

Sector Allocation (as at 31 March 2026)

Energy	6.9%
Materials	13.9%
Industrials	11.7%
Consumer Discretionary	12.3%
Consumer Staples	3.6%
Health Care	5.1%
Information Technology	11.7%
Telecommunication Services	6.2%
Utilities	0.0%
Financials ex Property Trusts	17.9%
Property Trusts	4.9%
Cash & other	5.8%

Other Information

Fund size (as at 31 March 2026)	\$357 million
Date of inception	December 1992
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	RFA0819AU

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	1.22% pa
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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.

Market review

The disruption to commodity production and shipping in the wake of US and Israeli attack on Iran dominated markets in March.

Iran retaliated with strikes on Gulf State energy production infrastructure and effectively closed the Strait of Hormuz.

This saw energy prices surge and prompted concern about the ultimate impact on inflation and interest rates – with the market in the US flipping from pricing rate cuts to rate hikes.

The Gulf and Strait are also important in global production of fertiliser, helium, aluminium and sulphur, among other commodities. The market also started to focus on the possible effect of a period of higher prices – or shortages – of key inputs at a macroeconomic, industry and company level.

The Trump Administration made several statements that suggested a relatively short conflict. However continued attacks and deadlines, bellicose Iranian responses, and threats of escalation to critical infrastructure, saw market sentiment oscillate and extremely volatile markets with sometimes large intra-day swings.

The net effect was the S&P/ASX 300 fell -7.3% for the month and the S&P/ASX Small Ordinaries was down -11.0%.

Energy (+2.0%) did best, although there was a very wide dispersion within it. The coal miners and oil/LNG producers and refiners did well; Yancoal (YAL) rose 43.6%, New Hope (NHC) +27.3% and Viva Energy (VEA) +48.0%. However the uranium miners slumped, with Paladin Energy (PDN) off -17.5%, NexGen Energy (NXG) -10.7% and Deep Yellow (DYL) -33.7%.

Consumer Staples (+0.8%) also held up relatively well on the back of agricultural stocks like Graincorp (GNC, +7.6%) and Cobram Estates (CBO, +7.9%).

Materials (-18.9%) was the worst-performing sector, driven primarily by gold miners as the gold price fell 11.5% in March despite heightened geopolitical risk. A rally in the US dollar was a headwind, as were reports of investors taking recent profits in gold to deploy elsewhere or cover margin calls and some commentary around central banks pausing gold purchases.

Consumer Discretionary (-15.4%) was also weaker given concerns around the impact of higher fuel prices – and interest rates – on consumer spending. Among the larger index weights Harvey Norman (HVN, -14.4%), Breville Group (BRG, -16.9%) and Tabcorp (TAH, -10.9%) all saw falls.

Fund performance

The Fund finished slightly ahead of the index in March.

The underweight in gold was beneficial, with the single largest positive contributions to relative performance coming from underweights in Regis Resources and Greatland Resources, which more than offset the drag from positions in Capricorn Metals and Pantoro Gold.

The relatively defensive exposures also helped, including positions such as AUB Group, Aussie Broadband and Integral Diagnostics.

Key contributors

Overweight Channel Infrastructure NZ (CHI.NZ, +1.8%)

CHI owns and operates New Zealand's largest fuel import terminal at Marsden Point, as well as fuel storage and transport infrastructure. It held up better than the market on the view that current disruptions to fuel supply may prompt customers to increase inventories of stored fuel and accelerate plans to expand storage capacity.

Overweight AUB Group (AUB, -3.0%)

Insurance broking network AUB Group held up better than the market in March following a softer few months, where it had de-rated on concerns over the impact of AI on the broader insurance broking industry. It announced the completed acquisition of UK-based insurance broking and underwriting platform Prestige, which significantly adds to its international footprint. Management expect cost synergies to deliver earnings accretion from the deal.

Key detractors

Underweight Yancoal (YAL, +43.6%) / New Hope (NHC, +27.3%)

The coal price surged in March, reflecting strength in substitutes for oil/LNG as the latter face a period of higher prices and disrupted supply. The portfolio does not hold coal miners Yancoal or New Hope, with a preference instead for uranium exposure, which underperformed in March.

Underweight Viva Energy (VEA, +48.0%)

Disruption in the energy sector saw a rapid expansion in refining margins and buoyed fuel refiner/distributor Viva Energy. The Federal Government also announced an amendment to the terms of the Fuel Security Support Package, the subsidy it pays to VEA (and Ampol) in order to keep their oil refineries operating.

Outlook

The outlook remains highly uncertain. The market is highly sensitive to statements from the Trump Administration; the consensus view on the conflict's likely end could shift quickly in either direction and prompt a rapid relief rally or further drawdowns.

This underpins the case for retaining a balanced portfolio construction, not positioning the portfolio to be reliant on one pathway or outcome, and having stocks that can outperform in either scenario.

Even if the conflict is brought to swift resolution and the Strait returns to something like normal traffic, there will still likely be the "air pocket" of constricted supply to work through the system.

At the same time, the combination of war-related damage to Gulf commodity production infrastructure – and the time required to restart and ramp up shuttered capacity – is likely to further exacerbate a period of disrupted supply.

The risk for Australia is that this will be felt in a period higher prices and lower demand, against a backdrop in which the RBA is raising rates. This could weigh on the earnings outlook for companies tied to domestic consumer demand and we are incrementally more cautious on these stocks.

The counterpoint could be in areas more tied to the global growth outlook. Resource companies look relatively well placed in this regard, helped at the margin by disrupted supply in certain commodities as a result of the conflict. Companies with little exposure to a disrupted supply chains or higher input costs, but which have nevertheless been sold down on broader fears around global demand, are also looking more attractive.

There were some constructive signals from both the US and Iran at the start of April, possibly suggesting the desire to bring the conflict to an end. However this remains uncertain – as does the timeframe, the structure of any agreement, and the implications for supply chains.

As a result we continue to stay close to our companies, understanding the nature and scope of their sensitivity to issues raised by the conflict (both positive and negative), when they are likely to manifest, and what proactive strategies management are employing to deal with them.

Historically, we have been able to use episodes of market volatility to identify and add value via opportunities in individual companies, while balancing the portfolio construction to help deal with a quickly-changing environment. Single stock volatility was already elevated heading into the conflict, suggesting a high degree of mispricing that has only been exacerbated by the spike in uncertainty related to Iran. Current uncertainty is a challenge for investors, but the degree of mispricing suggest a good environment for active investors looking beyond the near-term volatility.

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

PENDAL

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If market movements, cash flows or changes in the nature of an investment (e.g. a change in credit rating) cause the Fund to exceed any of the investment ranges or limits specified, this will be rectified by PFSL as soon as reasonably practicable after becoming aware of it. If PFSL does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified are accurate as at the date of this factsheet and PFSL reserves the right to vary these from time to time.