Pendal Smaller Companies Fund

ARSN: 089 939 328

Factsheet

Equity Strategies

30 April 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
	(post-fee)	(pre-fee)	Return
1 month	4.52	4.63	3.33
3 months	-9.51	-9.24	-10.35
6 months	-11.81	-11.26	-7.98
1 year	9.69	11.05	15.32
2 years (p.a)	7.46	8.79	9.37
3 years (p.a)	10.30	11.67	8.70
5 years (p.a)	5.65	6.96	3.66
Since Inception (p.a)	11.56	12.86	7.32

Source: Pendal as at 30 April 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 30 April 2026)

Energy	7.1%
Materials	13.5%
Industrials	13.6%
Consumer Discretionary	12.6%
Consumer Staples	3.6%
Health Care	3.2%
Information Technology	12.7%
Telecommunication Services	5.3%
Utilities	0.0%
Financials ex Property Trusts	18.0%
Property Trusts	4.4%
Cash & other	6.1%

Other Information

Fund size (as at 30 April 2026)	$374 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

[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 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 Small Ordinaries pared its earlier gains, to finish up +3.3%. This was ahead of the broadcap S&P/ASX 300 (+2.3%).

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 (+13.8%) enjoyed some relief after several months of heavy selling. Codan (CDA, +33.3%) led the sector higher, but there was strength across the board. Elsight (ELS) rose 18.0% and Megaport (MP1) 26.3%.

Materials (+6.5%) also outperformed with notable contributions from lithium miner Liontown (LTR, +38.2%), mineral sands producer Iluka (ILU, +22.4%) and scrap metal company Sims (SGM, +15.5%) among the larger index weights.

Health Care (-7.1%) was the weakest sector, although performance within it was mixed. Neuren Pharmaceuticals (NEU, +5.5%) and Regis Healthcare (REG, +7.6%) made gains, but this was offset by stock such as 4D Medical (4DX, -27.9%) and Nanosonics (NAN, -7.5%)

Energy (-1.7%) also fell as some of the beneficiaries of Iran-related disruption gave back some previous gains, with Yancoal (YAL) – 7.8%, Viva Energy (VEA) – 4.5% and New Hope (NHC) -6.6%. Uranium miner Paladin Energy (PDN, +4.3%) bucked the trend.

Fund performance

The Fund outperformed the index in April. There was a good mix of positive contributors including consumer (Zip, Breville), tech hardware (Codan), contractors (Southern Cross Electrical Engineering, NRW Holdings), communications (Aussie Broadband) and financials (Netwealth). The lithium underweight detracted.

Key contributors

Overweight Zip (ZIP, +56.7%)

Zip's Q3 trading update was well received as US bad debts held steady, calming the market's main concern, and management guided to this falling in 4Q versus analyst expectations for this to trend higher. The company achieved this without reducing growth. Cash EBTDA was higher than 2Q and the company upgraded FY26 cash EBTDA. The question now is does the bad debt profile remain consistent here without impacting growth - so far they are signalling that it does. On the consumer, they pointed to strength in non-discretionary categories driving growth, potentially shielding them from more discretionary consumer weakness, which we are not yet seeing in the US. The Australian business grew TTV 5%.

Overweight Southern Cross Electrical Engineering (SXE, +37.1%)

Southern Cross Electrical Engineering (SXE), an electrical contractor servicing the data centre, infrastructure and resources sectors. It rose along with other data centre-related stocks as sentiment turned more favourable on development capex in the sector in April. The company is tendering for ~$1bn in near-term data centre work and has a high expectation of success. This is a key area for growth for SXE.

Key detractors

Underweight Liontown (LTR, +38.2%) and Elevra Lithium (ELV, +62.4%)

Lithium stocks benefitted from a renewed rally in lithium prices. While news was limited, the current energy price shock continues to drive up demand expectations, particularly for energy storage. At the same time diesel shortages are hampering any near-term supply response. CATL, the world's largest battery maker, also reported better-than-expected Q1 results on higher battery demand. The company also announced plans for a new $4.4bn mining unit focused on securing upstream resources. The portfolio is underweight lithium, although it does have some exposure, alongside other future-facing metals such as copper.

Overweight Generation Development Group (GDG, -7.6%)

GDG released its March quarter update, with mixed results. The investment bond business, GenLife, continues to build adviser awareness of its product with improving net flows during the quarter. The managed account business, Evidenture, disappointed with net flows missing expectations. Analyst profit forecasts were revised down ~9% in FY27.

Outlook

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.