

Pendal Sustainable Balanced Fund

Class R

ARSN: 637 429 237

Factsheet
Multi-Asset Strategies
31 March 2026

About the Fund

The Pendal Sustainable Balanced Fund (**Fund**) is an actively managed diversified portfolio that invests in Australian and international shares, Australian and international property securities, Australian and international fixed interest, cash and Alternative investments. 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 and expenses) that exceeds the Fund's benchmark 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 income, and diversification across a broad range of asset classes. The Fund invests in Australian and International shares, Australian and International property securities, Australian and International fixed interest, Alternative investments and cash.

The Fund may gain exposure to its asset classes by investing in shares, bonds, cash, or derivatives. The Fund may also invest in managed funds, exchange traded funds (**ETFs**), listed investment companies (**LICs**) and listed investment trusts (**LITs**) which invest primarily in the Fund's asset classes.

The Fund has a higher weighting towards growth assets than defensive assets.

The Fund has assets that are denominated in foreign currencies. This means that changes to the Australian dollar relative to foreign currencies may affect the value of the assets of the Fund. The Fund's International fixed interest and International property securities asset classes are fully hedged to the Australian dollar to the extent considered reasonably practicable. Generally, the Fund's International shares and Alternative investments asset classes are partially hedged, though the extent of this may vary over time.

The Fund may also use derivatives to gain exposure to the Fund's assets and markets. Derivatives may also be used to reduce risk and can act as a hedge against adverse movements in a particular market and/or in the underlying assets.

The Fund applies a sustainable approach to investments and applies exclusionary screens.

The Fund has a sustainability objective which aims to support the transition to a more sustainable economy (the **Sustainability Objective**).

We define a sustainable economy as an economic system which balances environmental, social, and economic factors.

The Fund aims to support the transition to a more sustainable economy by aligning 50% or more of its capital within the Australian and International shares, Australian and International fixed interest and part of the Alternative investments asset classes of the Fund, in aggregate, with investments that advance this transition. We aim to do this by allocating capital to investments that in our view:

- support positive environmental and/or social change via their investment processes, use of capital and/or approach to active ownership; and
- avoid exposure to companies and issuers with business activities that negatively impact the environment and/or society.³

Performance¹

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-5.10	-5.04	-4.60
3 months	-3.94	-3.75	-2.97
6 months	-3.83	-3.45	-2.14
1 year	5.19	6.04	9.03
2 years (p.a)	3.97	4.80	7.74
3 years (p.a)	6.17	7.02	10.41
5 years (p.a)	5.35	6.19	7.41
Since Inception (p.a)	9.01	9.88	9.61

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: August 1984.

Past performance is not a reliable indicator of future performance.

Asset allocation (as at 31 March 2026)

Australian shares	29.3%
International shares	40.5%
Australian property securities	1.8%
International property securities	2.1%
Australian fixed interest	12.9%
International fixed interest	3.9%
Alternative investments	8.8%
Cash	0.7%

Other Information

Fund size (as at 31 March 2026)	\$560 million
Date of inception	August 1984
Minimum investment	\$25,000
Buy-sell spread ² For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Quarterly
APIR code	BTA0122AU

² 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.



CERTIFIED BY RIAA

The Pendal Sustainable Balanced 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.responsibleinvestments.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.

¹ The asset allocation neutral position, asset allocation ranges and the benchmark have changed over time. As it is historical information, the Fund performance reflects the asset allocation neutral positions and ranges that have applied over time. The benchmark performance shown is that of the combined benchmarks that the Fund has aimed to exceed over time.

³ The Fund applies a sustainable approach to investments and applies exclusionary screens. For more information of the Fund's sustainable investment approach and how exclusions are applied, refer to section 5 'How we invest your money' of the Fund's Product Disclosure Statement at www.pendalgroup.com/PendalSustainableBalancedFundClassR-PDS and section 1 of the ['Guide to our Sustainable Investment Process'](#).

The Fund's exclusionary screens may be applied differently across the asset classes of the Fund.

Further information on the Fund's sustainability approach and exclusionary screens can be found in section 5 'How we invest your money' of the Fund's Product Disclosure Statement at www.pendalgroup.com/PendalSustainableBalancedFundClassR-PDS and the 'Guide to our Sustainable Investment Process' at www.pendalgroup.com/PendalSustainableBalancedFund-SIPG.

Benchmark

The benchmark for the Fund is created from a range of published indices. The benchmark is based on the neutral position and the index returns for each asset class. Details of the particular market indices used for the Fund's benchmark can be found at www.pendalgroup.com/products/pendal-sustainable-balanced-fund.

Investment Team

The Fund is managed by Perpetual's Multi-Asset Strategies Team. The team has a diverse skill set, with deep experience in asset allocation and portfolio construction; and draws on the broader resources of Perpetual Group's other specialist teams around the world. During March 2024 the prior responsible investment management team, being the Pental Multi-Asset Investments Team, merged with the Perpetual Multi-Asset Team.

Investment Guidelines

Asset allocation ranges (%)	*Neutral position	Ranges		Sustainable assessments and screens applied
		Min	Max	
Australian shares	31	20	40	Yes
International shares	36	20	40	Yes
Australian fixed interest	13	0	25	Yes
International fixed interest	4	0	25	Yes
Australian property securities	2	0	10	-
International property securities	2	0	10	-
Alternative investments	8	0	20	Yes
Cash	4	0	20	-

*Neutral positions effective from 30 September 2025.

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 ⁴	0.80% pa
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⁴ 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 dominant theme for markets was the Middle East conflict, which sent oil prices surging and shifted investor focus firmly toward inflation, growth and monetary policy risks with equities and bonds selling off in tandem. The early months of the quarter also saw a broadening of investment market returns as large cap US tech and software providers faced increased scrutiny. After US military strikes began, several crowded trades began to reverse including gold and emerging market equities sold off and the US dollar strengthened on safe-haven flows.

- Global shares (-3.2%) declined in the March quarter as markets reacted sharply to the commencement of strikes in Iran and the US market (-4.3%) underperformed given its rich starting valuation and high sensitivity to rising bond yields.
- The March quarter saw a broadening of investment market returns with the MSCI World Value (+1.8%) outperforming the growth index (-8.0%) as markets repriced expectations for software companies in the face of disruption from agentic AI.
- Japanese equities (+3.6%) remained positive, reflecting Yen weakness and anticipated pro-growth policies following the landslide victory of the LDP in the February election.
- UK equities (+3.4%) were also resilient as the FTSE100 composition is largely defensive and this tailwind was supported by a depreciating Sterling which increased the attractiveness of dividends, 55% of which are paid in USD.
- Emerging markets (+2.1%) advanced, supported by strong performance from technology hardware driven markets Taiwan and Korea alongside energy sensitive economies, while Chinese equities declined reflecting global growth concerns.
- Australian shares (-2.0%) declined while outperforming the broader developed market as investors fretted over elevated valuations and the impact of slowing growth being amplified by higher oil prices and recent rate hikes (with the risk of more). While Australia is a net energy exporter, the composition of these exports is skewed to coal and LNG. Reliance on offshore oil means that the supply shock remains a threat to economic activity.
- Short and long-duration global bond yields rose in March as investors priced a potential stagflationary environment where growth slows, inflation rises, monetary policy tightens to combat higher prices, and fiscal policy is used to address growth concerns.
- Commodity markets were dominated by the sharp increase and elevated volatility of energy prices in March. Precious metals continued their advance in January and February before declining in March as investors raised liquidity, and the rally in the USD reversed capital flows.

Geopolitical uncertainty was the key focus for markets throughout the March quarter, culminating in the commencement of US & Israeli strikes on Iran and the closure of the strait of Hormuz. Earlier in the quarter, the US's capture of Venezuelan President Maduro, increased US tensions with NATO allies over Greenland, and civil unrest in Iran shaped market sentiment. While the Middle East situation remains highly fluid, market sentiment and economic risks are currently centred on traffic of oil tankers and the impact of damage to energy infrastructure in the region. The key driver is not how high energy prices go, but rather where they stay, but prices sustained over \$120 per barrel for an extended period would be expected to trigger a material decline in consensus global growth and a rise in global inflation expectations. The inflation rise would be much stronger in headline price gauges than the core inflation basket which is what central bank's target and history indicates that the price increase here is about one-quarter of the rise recorded in the headline index. The US Federal Reserve is well

placed to be able to wait and see given the continued disinflationary process currently underway in the services sector, whereas their Australian, European and UK counterparts have fewer degrees of freedom, and their most recent guidance was clearly hawkish.

The US Federal reserve kept interest rates steady at their January and March FOMC meetings and maintained their one rate cut outlook in 2026. However, the FOMC January meeting minutes (released in February) signalled a more hawkish tilt, with several policymakers indicating that further rate increases may be warranted if inflation does not ease. This was prior to the spike in oil prices as a result of the conflict in Iran. The shift reflects internal forecasts showing unemployment falling below its long run sustainable level by year end while inflation remains above the Federal Reserve's 2% target. Elsewhere, the Bank of Japan also signalled that they are more concerned about inflation risks as opposed to growth risks arising from rising energy costs, and this suggests that rates will be tightened possibly in the June quarter.

The bear case for risk markets would be if oil prices were to remain elevated for the remainder of the year, thereby threatening the duration of the business cycle. However, the bar for an oil spike threatening the business cycle is high given the development of large services industries, the world's reduced energy intensity, the strong state of global corporate balance sheets and more diversified energy supply across regions and energy types. The two 1970s oil shocks saw oil prices at least doubled with high prices persisting for over a year, but the global economy is today less oil price sensitive than it was 50 years ago.

While events in the Middle East dominated headlines and market sentiment during March, there were also material developments on the US trade policy front during the quarter. The US Supreme Court ruled against the use of the International Economic Emergency Powers Act to justify the April 2025 "liberation day" tariffs. The decision has potential fiscal implications with reduced receipts and ~US\$175 billion in duties potentially subject to refunds contingent on litigation. While the administration has used Section 122 to reinstate a 10% across the board tariff for 150 days, the Supreme Court's ruling has complicated the Trump administration trade policy strategy, although several avenues remain open for the Administration to implement import taxes.

The March quarter also saw increased stress in US private credit markets reflecting rising concerns around loan quality and liquidity terms. A private credit manager was forced to change redemption terms on one of its retail funds prompting a wider run on private credit funds, and a selloff in listed managers. Meanwhile in the UK a specialist property finance lender MFS entered administration amid allegations of fraud with creditors and administrators citing double pledging of assets as collateral to secure financing. This highlights liquidity and transparency risks within the industry and raises questions about poorly vetted security in other parts of the ecosystem. Contagion risk exists between private credit markets and the regulated banking sector, as poor collateral means banks are potentially levered in their private credit exposure. The Fund currently has no exposure to illiquid assets including private credit. While illiquids can provide diversification when return drivers are truly distinct, private markets are currently characterised by heavy capital inflows, elevated valuations, high transaction and implementation costs, and low visibility and transparency.

Meanwhile, concerns around software as a service (SAAS) exposures in private credit were also reflected in equity markets where a dichotomy emerged between strong performing supply chain and hardware companies and weakening SAAS and platform names. Market weakness during January and February reflected a shift in leadership as expectations for long duration themes such as digital transformation and AI were reassessed after years of strong price gains, prompting capital to rotate toward companies, sectors and markets with more reasonable valuations and which are under-owned and have beatable EPS expectations.

Notwithstanding a rebound for large cap tech stocks in March, we continue to have concerns around the quality and expected rates of return from the trillions of dollars currently being pledged for capital expenditure in the AI sector, considering the sector is characterised by broad competition. While AI technology itself is transformative, we see some parallels to the first tech boom and question how AI service companies will be able to meet the egregious profit expectations which are baked into forward looking valuations. We look for opportunities outside this cohort.

Quarterly Fund performance

The Fund returned -3.9% (net of fees) for the March quarter, underperforming the benchmark by 1.0%. Equity security selection was the key detractor over the quarter. Negative screens impacted relative performance as oil prices spiked in March.

Global equity alpha was mixed over the quarter. The Barrow Hanley Conscious Global Value Equity Strategy was the key contributor to performance over the quarter. The strategy's value style was rewarded as markets continued to reappraise technology valuations culminating in a broadening of investment market returns which benefitted the portfolio. The Trillium ESG global equity strategy, however detracted with key overweights in the technology sector and underweight exposure to energy detracting.

The broad rotation away from technology continued to drag on the overweights in Seek and Xero. We continue to see fundamental support for all three names and material valuation upside. Likewise, CSL also detracted as the market remains cautious on the outlook. Underweight exposure to BHP as a result of the Sustainable Australian Share Fund's exclusionary screens also detracted, however this was somewhat offset by the overweight allocation to Rio Tinto. The Fund's lack of energy sector exposure detracted in March 2026 as the sector benefitted from the surge in oil prices as a result of the war in Iran. Not holding Woodside Energy Group was one of the key factors detracting from performance.

We continue to manage downside risks by maintaining little or no exposure to the most expensive parts of the global equity and credit markets and have zero exposure to private markets given their liquidity and valuation risks, where a left tail event could spark vulnerabilities and contagion. The Fund complements this with option protection where it has been attractively priced to implement. These include cost-effective S&P 500 put options, risking only premiums if markets rise, while protecting against downturns without predicting timing. The Fund also maintains a USD call option versus the Hong Kong Dollar which provides cheap protection against geopolitical risks.

The Fund is close the benchmark weight in domestic and global fixed interest, comprising active sustainable Australian fixed interest and passive global treasury bonds. The Fund also holds call options on very long dated US government bonds.

The Fund's defensive posture is bolstered by its exposure to cash and alternatives. The Fund maintains a significant foreign exchange exposure, diversified across a number of developed and emerging market currencies. These cash holdings also give investors a good running yield and provide significant optionality as it enables us to quickly allocate capital to take advantage of mispricing in the event of a market selloff.

The Fund maintains its to uncorrelated sources of return including the Risk Parity strategy, Sustainable Infrastructure LICs which are trading at attractive discounts to NAV and the Pandal Multi Asset Target Return Fund which continues to deliver low volatility absolute returns while retaining a relatively low correlation to equity markets.

Outlook

Rising geopolitical, inflation and growth risks are set against a backdrop of still elevated equity market valuations. Meanwhile, government bonds are offering less reliable diversification and are signalling a less certain path for inflation. In these conditions, risk management is paramount, the Fund retains multiple embedded risk protections and sources of portfolio convexity. We continue to carefully manage the Fund's exposure to global equities and maintain diversity in regional and sector allocations.

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

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PFSL is the responsible entity and issuer of units in the Pental Sustainable Balanced Fund (Fund) ARSN: 637 429 237. A product disclosure statement (PDS) is available for the Fund and can be obtained by calling 1300 346 821 or visiting www.pentalgroup.com. The Target Market Determination (TMD) for the Fund is available at www.pentalgroup.com/ddo. You should obtain and consider the PDS and TMD before deciding whether to acquire, continue to hold or dispose of units in the Fund. An investment in the Fund is subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested.

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Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Where performance returns are quoted "Post fees" then this assumes reinvestment of distributions and is calculated using exit prices which take into account management costs but not tax you may pay as an investor. Where performance returns are quoted "Pre fees and tax", they exclude the effects of management costs and any taxes. Past performance is not a reliable indicator of future performance.

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.