

Australian Equities

How we invest

Pendal is an active manager that applies proprietary, fundamental research at the company level to gather insights, inform investment decisions and focus on generating excess returns. We offer a comprehensive suite of Australian equity strategies to meet a range of investor objectives.

We take a 'Core' approach to investment, maximising our opportunity set. This reflects our belief that every stock has the potential to outperform the market, depending on the stage in the cycle or specific developments at that company. It means that our portfolios do not display a persistent style bias.

We believe that a deep and continuous knowledge of companies is crucial in determining investment success. This, in turn, requires a large, experienced and stable team that is able to deliver timely insight, not merely information. Our Australian equities team covers the full market and includes small cap and listed property specialists.

This team works to isolate the factors which can change a company's earnings or the quality of those earnings. We also recognise other factors which can change the market's perception of a company, taking the pragmatic view that there are a multitude of factors which can drive stock prices. Anticipating such change – either to earnings or perception – is critical in driving outperformance.

Risk management is at the heart of portfolio construction. Specifically, it means taking the risks you get paid for. It is about matching our risk with our insight and conviction at a stock level.

We believe our 'edge' lies in identifying idiosyncratic, stock-specific drivers of return. We construct portfolios in a manner that delivers our expected outperformance from this source, rather than from large sector or thematic positions. In this sense, risk management involves maximising our exposure to the stock-level drivers that we have identified, while tempering any thematic or style exposures.

The result of our stock-focused approach has been consistent outperformance across our flagship Australian equities funds, under a range of market conditions. The Pendal Australian Share Fund, Pendal Focus Australian Share Fund and Pendal Ethical Share Fund, managed by Pendal Head of Equities Crispin Murray, outperformed their benchmark over 1, 3 and 5 years, post fees (as at 31 March 2018).

Here's how each stock is assessed for consideration in our portfolios



Research

A team of 21 analysts and fund managers research stocks across the market



Identify

Research identifies triggers that change earnings or market perception



Construct

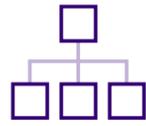
Construct portfolios driven by stock-specific factors



Debate

Constantly test and appraise investment ideas via questioning and debate

One of Australia's largest equities teams scrutinise companies for factors that can change earnings, or the quality of those earnings



Industry structure

What is the nature of the industry and the company's position within it? Is it stable or changing? Improving or declining? Is it under threat from regulation or low-cost entrants... or likely to become so?



Cyclical trends

Are they helping or hindering? There are almost always pockets of growth to be found, even in a sluggish broader economy.



Capital allocation decisions

Are management acting to maximise value to the shareholder? Do new investments have an acceptable return on capital? Are payout policies sensible and sustainable?



Business innovation

Do we have confidence in a company's ability to compete successfully? Do they have the right products, services or channels at the right time? Does management have a good track record?



Self-help measures

How is a challenged company responding to headwinds? Are there potentially helpful factors within their control? Do they have a clear and credible strategy and the ability to deliver? Is the market convinced?

We have a share fund for a broad range of investor needs

 <p>Pendal Focus Australian Share Fund Formerly known as the BT Wholesale Core Australian Share Fund.</p> <p>Fewer stocks and larger positions provides a higher risk/reward profile.</p>	 <p>Pendal Australian Share Fund Formerly known as the BT Wholesale Focus Australian Share Fund.</p> <p>A broad share market exposure that has delivered consistent, risk-adjusted returns.</p>	 <p>Pendal Imputation Fund Formerly known as the BT Wholesale Imputation Fund.</p> <p>Our innovative, tax-effective approach to Australian shares.</p>	 <p>Pendal MidCap Fund Formerly known as the BT Wholesale MidCap Fund.</p> <p>An award-winning fund that has delivered strong returns in a high-growth sector.</p>	 <p>Pendal Smaller Companies Fund Formerly known as the BT Wholesale Smaller Companies Fund.</p> <p>A high quality small cap strategy, with a long track record of success.</p>	 <p>Pendal Property Securities Fund Formerly known as the BT Wholesale Property Securities Fund.</p> <p>A long-term, proven strategy for exposure to listed property.</p>
<p>11.06% 5 year return pa¹ versus 7.62% 5 year benchmark return pa²</p>	<p>8.89% 5 year return pa¹ versus 7.62% 5 year benchmark return pa²</p>	<p>6.99% 5 year return pa¹ versus 7.62% 5 year benchmark return pa²</p>	<p>14.92% 5 year return pa¹ versus 12.09% 5 year benchmark return pa²</p>	<p>10.51% 5 year return pa¹ versus 6.45% 5 year benchmark return pa²</p>	<p>10.26% 5 year return pa¹ versus 10.79% 5 year benchmark return pa²</p>
<p>Why invest?</p> <ol style="list-style-type: none"> 1. Concentrated growth portfolio – one of the largest equities teams in the industry bring together their best investment ideas from the ASX 300 to generate higher alpha. 2. Bottom-up approach – stock-driven portfolios mitigate the effect of themes, delivering a better risk/reward trade off. 3. Track record – the fund has delivered an average 3.44% pa outperformance versus benchmark over 5 years. <p>Manager – Crispin Murray</p>	<p>Why invest?</p> <ol style="list-style-type: none"> 1. Full market coverage – a large team and core style maximises the source of alpha. 2. Bottom-up approach – stock-driven portfolios mitigate the effect of themes, delivering a better risk/reward trade off. 3. Track record – the fund has delivered an average 1.27% pa outperformance versus benchmark over 5 years. <p>Manager – Crispin Murray</p>	<p>Why invest?</p> <ol style="list-style-type: none"> 1. Innovative approach – avoids sector biases and sacrificed capital gains often seen in imputation funds. 2. Delivering income – in FY 2017 it delivered a Distribution Return of 8.71% plus franking credits of 2.84% to give a grossed up for franking Distribution Return of 11.55%. 3. Full market coverage – a large team and core style maximises the source of outperformance versus benchmark. <p>Managers – Jim Taylor & Andrew Waddington</p>	<p>Why invest?</p> <ol style="list-style-type: none"> 1. Strong diversification benefits – the ASX 51-150 has less exposure to resources and more exposure to the health care, consumer and industrial sectors. 2. A source of growth – mid caps have outperformed both large and small caps over the past 15 years, but are underrepresented in client portfolios. 3. Track record – our strong coverage of this market segment has delivered an average 2.83% pa outperformance versus benchmark over 5 years. <p>Manager – Andrew Waddington</p>	<p>Why invest?</p> <ol style="list-style-type: none"> 1. A source of growth – some new and exciting sectors lie outside the traditional blue-chip names which dominate the Australian market. 2. A rejuvenated universe – the small cap sector used to be about resources stocks – but this has fallen from 42% in 2010 to less than 14% today. 3. Track record – the fund has delivered an average 4.06% pa outperformance versus benchmark over 5 years. <p>Managers – Paul Hannan & Noel Webster</p>	<p>Why invest?</p> <ol style="list-style-type: none"> 1. Full market coverage – our team covers every AREIT in the market, including emerging niches such as aged care. 2. Experienced managers – the two managers bring together 55 years of experience in seeking the best outcome for investors. 3. Award-winning – The Smart Investor Best Listed Property Fund for 2015 and Money magazine's Best Property Securities Fund 2016 and 2017. <p>Managers – Peter Davidson & Julia Forrest</p>

¹ Performance as at 31 March 2018 net of fees. Past performance is not an indicator of future performance.
² Benchmark performance as at 31 March 2018. Information on Fund benchmarks can be found at www.pendalgroup.com/products.



Crispin Murray
Head of Equities

Years at Pental 23yrs
Industry Experience 27yrs

We have one of the largest, experienced and most stable teams in the industry

Head of Equities Crispin Murray oversees our flagship Australian share portfolios, leading one of the largest teams of equities analysts and portfolio managers in Australia. Since appointment as Head of Equities in 2003, funds under Crispin's watch have outperformed the market over multiple periods. The Pental Australian Share Fund, Pental Focus Australian Share Fund and Pental Ethical Share Fund, managed by Crispin, outperformed their benchmark over 1, 3 and 5 years, post fees (as at 31 March 2018).



Jim Taylor

Years at Pental 17yrs
Industry Experience 27yrs



Andrew Waddington

Years at Pental 20yrs
Industry Experience 31yrs



Paul Hannan

Years at Pental 18yrs
Industry Experience 25yrs



Peter Davidson

Years at Pental 24yrs
Industry Experience 34yrs



Julia Forrest

Years at Pental 15yrs
Industry Experience 24yrs



Noel Webster

Years at Pental 14yrs
Industry Experience 24yrs

Sondal Bensan

Years at Pental 19yrs
Industry Experience 19yrs

Darron Mitchell

Years at Pental 6yrs
Industry Experience 26yrs

Graeme Petroni

Years at Pental 7yrs
Industry Experience 16yrs

Oliver Renton

Years at Pental 14yrs
Industry Experience 14yrs

Brenton Saunders

Years at Pental 5yrs
Industry Experience 25yrs

Rajinder Singh

Years at Pental 16yrs
Industry Experience 16yrs

Anthony Moran

Years at Pental 2yrs
Industry Experience 14yrs

Damien Diamant

Years at Pental 2yrs
Industry Experience 7yrs

Patrick Teodorowski

Years at Pental 8yrs
Industry Experience 13yrs

Lewis Edgley

Years at Pental 5yrs
Industry Experience 16yrs

John Foundas

Years at Pental 11yrs
Industry Experience 13yrs

Julia Maksymow

Years at Pental 11yrs
Industry Experience 20yrs

Elise McKay

Years at Pental <1yr
Industry Experience 10yrs

Joanne Comninos

Years at Pental <1yr
Industry Experience 11yrs

What you need to consider before you invest

All investments carry risk. The likely investment return and the risk of losing money is different for each investment product as different strategies carry different levels of risk depending on the underlying mix of assets that make up each fund. Those assets with potentially the highest long term return (such as shares) may also have the highest risk of losing money in the shorter term. The significant risks for Pental's Australian equity strategies are:

- Market risk: The risk that the market price of an asset will fluctuate as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events and environmental and technological issues. Market risk may have different impacts on each type of asset, investment style and investor.
- Security specific risk: The risk associated with an individual asset. The price of shares in a company may be affected by unexpected changes in that company's operations such as changes in management or the loss of a significant customer.

Risk can be managed but it cannot be completely eliminated. It is important to understand that:

- the value of your investment will go up and down;
- investment returns will vary and future returns may be different from past returns;
- returns are not guaranteed and there is always the chance that you may lose money on any investment you make; and
- laws affecting your investment may change over time.

The appropriate level of risk for you will depend on your age, investment time frame, where other parts of your wealth are invested and how comfortable you are with the possibility of losing some of your money in some years. The Fund in which you invest may also have additional risks. You should read the Product Disclosure Statement for the Fund to understand those risks.

For more information call us on 1800 813 886 or visit pentalgroup.com

PENTAL

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Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Performance data is quoted post-fee as at 31 March 2018, assumes the reinvestment of distributions and is calculated using exit prices, net of management costs. Past performance is not a reliable indicator of future performance.