PENDAL

Factsheet

Pendal MidCap Fund

Equity Strategies

ARSN: 130 466 581

30 April 2023

About the Fund

The Pendal MidCap Fund (**Fund**) is an actively managed portfolio of Australian mid cap shares.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the Pendal MidCap Custom 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 from a portfolio of primarily 40-60 Australian mid cap shares and are prepared to accept higher variability of returns. Pendal defines the mid cap universe to include companies ranked between 51 and 150 of the S&P/ASX 200 Index. 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

Pendal's Equity team is headed up by Crispin Murray who has extensive experience and a strong record in equities research. The Fund is managed by Brenton Saunders.

A combination of the Australian equities large cap and small cap teams' research is used to construct the Pendal MidCap Fund.

Investment Guidelines

Investable universe	ASX and NZX listed and soon to be listed companies; derivatives; cash
Investment ranges	Australian shares 80 - 100% New Zealand shares 0 - 10% Cash 0 - 20%
Ex-ante tracking error	3 – 8%
Number of stocks	Typically 40 – 60
Absolute stock position	15%
Maximum active stock position	+/- 5%[1]
Maximum active sector position relative to index	+/- 10%[1]

[1] compared to benchmark.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	2.74	2.82	3.26
3 months	-0.81	-0.60	-0.98
6 months	5.98	6.45	5.71
1 year	-4.99	-4.14	-0.63
2 years (p.a)	2.54	3.46	4.11
3 years (p.a)	12.91	13.88	15.57
5 years (p.a)	6.38	7.26	7.90
Since Inception (p.a)	9.55	11.37	6.66

Source: Pendal as at 30 April 2023

"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: June 2008.

Past performance is not a reliable indicator of future performance.

Sector Allocation (as at 30 April 2023)

Energy	4.4%
Materials	26.7%
Industrials	12.5%
Consumer Discretionary	9.4%
Consumer Staples	6.1%
Health Care	4.1%
Information Technology	9.0%
Telecommunication Services	9.2%
Utilities	0.0%
Financials ex Property Trusts	7.6%
Property Trusts	7.6%
Cash & other	3.4%

Top 10 Holdings (as at 30 April 2023)

Orica Limited	4.0%
Wisetech Global Ltd.	3.9%
Carsales.Com Limited	3.9%
Metcash Limited	3.5%
Allkem Limited	3.3%
IDP Education Ltd.	3.3%
Nextdc Limited	3.1%
Premier Investments Limited	2.7%
Viva Energy Group Ltd.	2.6%
Seven Group Holdings Limited	2.6%

Other Information

Fund size (as at 30 April 2023)	$389 million
Date of inception	June 2008
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	BTA0313AU

[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.

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[3]	0.90% p.a.
Performance fee[4]	20% of the Fund's performance (before fees) in excess of the performance hurdle

[3] 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.

[4] This is the fee we charge if the Fund's investment performance exceeds its performance hurdle, and any performance deficit has been recouped. The Fund's performance fee is 20% of the Fund's performance in excess of the performance return hurdle. The performance hurdle is the performance of the Fund's benchmark (Pendal MidCap Custom Index) plus the management fee of 0.90% pa. If a performance fee is payable, it is charged in addition to the management fee. The performance fee is calculated in dollar terms each Business Day based on the investment performance and value of the Fund on that day. If we are entitled to a performance fee, it is paid to us as at 30 June each year.

Fund manager commentary

Australian equities responded well to the RBA pausing rate hikes, as expected, at its early April meeting.

The S&P/ASX 51-150 gained 3.26% for the month, outperforming the 1.85% return from the S&P/ASX 300.

In the US the market seemed inclined to a relatively benign outcome to stress in the banking system, implying that the issue was relatively contained and credit tightening would slow economic growth but not stall it.

Indicators of US inflation continues to ease, but labour market remained tight. Lead indicators of economic growth are slowing, but the economy remains robust, supported by consumer spending.

This has fed through to a US quarterly results season where the feared air-pocket in earnings did not eventuate. Aggregate earnings, while down in the quarter by low single-digits in terms of percentage growth, fell only half of the amount expected by consensus.

Communication Services (+5.01%) outperformed with strong contributions from CarSales.Com (CAR, +7.37%), Nine Entertainment (NEC, +4.57%) and TPG Telecom (TPG, +10.04%).

Information Technology (+4.87%) also did well, led by Wisetech (WTC, +5.25%) and NextDC (NXT, +9.75%).

Consumer Staples (-3.09%) underperformed as sentiment shifted more positively, as did some of the more defensive Health Care (-0.64%) names.

The portfolio underperformed the index in April. There was a strong contribution from NextDC (NXT), which announced a major contract win for its S3 datacentre in Sydney, accelerating the market's expectations around growth in contracted capacity and allaying concerns around NXT's ability to land contracts with major "hyperscale" clients.

Positions in gold miner Evolution Mining (EVN, +14.10%) and insurance brokers AUB Group (AUB, +7.68%) also helped, as did not owning Bank of Queensland (BOQ, -10.63%) and Block (SQ2, -11.12%).

However this was offset by the drag from the position in Mineral Resources (MIN, -8.57%). News that initial drilling at its gas project off Western Australia yielded disappointing results – and that further development of its lithium assets would take longer than expected – weighed on MIN in April. These issue, in combination with higher costs and lower volumes at its iron ore services business, drove near-term downgrades. However the longer-term potential, linked to a good position with regard to lithium and a diversified suite of earnings drivers, remains attractive.

Positions in A2 Milk (A2M, -6.54%) and Champion Iron (CIA, -9.38%) also detracted.

Inflationary pressures may be easing, but not quickly enough for the Fed to feel comfortable.

The Cleveland Fed's inflation "now-cast" has not budged for two months, with Core Personal Consumption Expenditure (PCE) at 4.65% and core Consumer Price Index (CPI) at 5.6% for April. The Fed is looking for these numbers to move into the 3-4% range.

Economic indicators continue to give conflicting views on how weak the economy is.

Lead indicators are still deteriorating and the Conference Board US Leading Index has now reached a point which has signalled previous recessions.

The Continuing Jobless Claims index also continues to climb higher. Its absolute level remains low by historical standards, but this does signal some loosening in labour markets.

That said, there is some evidence that surveys in March may have overstated economic deterioration, on the back of the fear of a banking crisis which has thus far not materialised.

Equity market resilience in the face of the US banking shock has been driven by the prospect of US rates peaking, inflation softening and the economy remaining resilient, all combined with previously bearish positioning.

In sum, the market valuation discount rate effect from the prospect for lower rates has outweighed the negative impact from the financial sector.

This has been bolstered by receding fears of a bank-induced credit shock, retail sales holding up better than expected, bank deposit outflows settling down and a better-than-expected US reporting season.

There are two schools of thought for the economy and markets;

1. The successful soft landing - albeit potentially a mild recession.
2. A sharper economic downturn, driven by the shock to the banking system or the need for rates to be held high for longer as inflation remains sticky, leading to a more significant decline in corporate earnings.

The former scenario keeps the market at current levels with perhaps some upside to valuation rating. The latter sees the market returning towards lows.

In the near-term markets could well remain benign as we enjoy the phase where inflation continues to ease while the economy holds up. We also have the benefit of a reasonable liquidity environment. In this environment volatility stays muted and market focuses more on stock specifics.

Our view is that the risk increases as we approach the debt ceiling negotiations in July and August, which could coincide with emerging signs of the economy weakening more meaningfully.

Given this, we continue to balance the portfolio in terms of skew between cyclicals and defensives and focus on stocks with less exogenous risk and greater control over their outcomes.

Risks

An investment in the Fund involves risk, including:

- **Market risk**: The risk that factors affecting one or more countries that can influence the direction and volatility of an overall market, as opposed to security-specific risks.
- **Security specific risk**: The risks associated with an individual security.

Please read the Fund's Product Disclosure Statement (**PDS**) for a detailed explanation of each of these risks.

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