

Pendal Imputation Fund

ARSN: 089 614 693

Factsheet

Equity Strategies

31 March 2024

About the Fund

The Pendal Imputation Fund (**Fund**) is an actively managed portfolio of Australian shares. The Fund invests in a portfolio which we believe will provide a higher yield than the market average. It is intended that the portfolio will be well diversified across sectors and not biased structurally to invest only in traditional 'yield stocks'.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX 300 (TR) Index over the medium to long term. The suggested timeframe for holding the investment 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 Australian companies and industries and are prepared to accept higher variability of returns. The Fund will primarily invest in Australian shares, including Australian listed property securities and convertible preference shares, that offer above average income returns. The Fund may also 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).

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 nineteen member Equity team is one of the largest in the Australian funds management industry. The portfolio manager for the Fund is Jim Taylor.

Performance

Total Returns (%)	1 mth	3 mths	6 mths	1 Year (p.a.)	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)	Since Inception (p.a.)
Fund (Pre-Fee)	3.62	5.64	13.57	13.11	10.13	9.09	8.39	10.12
Fund (Post-Fee)	3.54	5.40	13.06	12.10	9.14	8.12	7.42	9.12
Benchmark	3.26	5.43	14.24	14.40	9.43	9.15	8.27	8.74
Excess return (Post-Fee)	0.28	-0.02	-1.18	-2.30	-0.29	-1.04	-0.84	0.38

"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: October 1999.

Past performance is not a reliable indicator of future performance.

Franking Credits Returns¹

(%)	1 mth	3 mths	6 mths	1 Year (p.a.)	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)
Fund	0.25	0.40	0.59	1.24	1.62	1.45	1.91
Benchmark	0.23	0.42	0.62	1.30	1.42	1.29	1.37

Returns Grossed Up For Franking Credits¹

Fund (Post-Fee)	3.79	5.80	13.65	13.34	10.76	9.56	9.33
Benchmark	3.49	5.84	14.86	15.70	10.85	10.44	9.63

Fund Returns (%)	3 Years (p.a.)	5 Years (p.a.)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
As at 30 June 2023							
Post-Fee	12.17	6.14	8.77	-12.25	29.43	-2.31	11.62

After Tax² (Superannuation tax rate)

Pre-Liquidation ³	13.10	7.05	9.90	-11.59	30.14	-1.21	12.51
Post-Liquidation ³	12.36	6.84	9.46	-9.99	27.39	-0.52	11.75

After Tax² (highest marginal tax rate)

Pre-Liquidation ³	11.28	5.19	7.66	-13.18	28.34	-3.27	10.56
Post-Liquidation ³	9.45	4.68	6.64	-9.44	22.39	-1.68	8.78

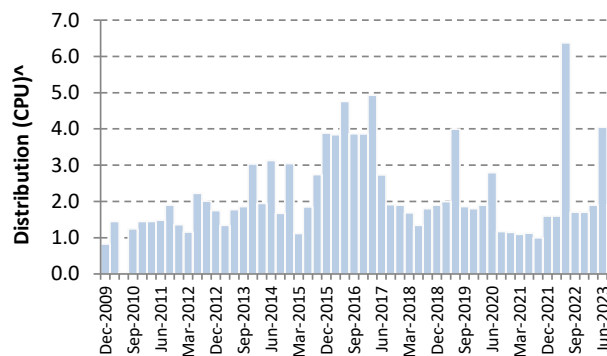
¹ Franking credit returns reflect the value, expressed as a percentage of the Fund's net asset value, of franking credits earned, directly or indirectly, by the Fund on the dividends it has accrued. Returns grossed up for franking are calculated by adding the franking credit returns to the total returns after-fees. The Fund's actual entitlement to franking credits is only known at 30 June each year and therefore amounts during the year are estimates only, subject to revision. Franking credit returns, and returns grossed up for franking, for the Benchmark are calculated on an equivalent basis.

² After-tax returns should only be viewed as a guide to the after-tax position of an investor in the Fund. The after-tax returns of the Fund will depend on an investor's individual tax situation and may differ from those shown. There have been a number of assumptions made in the calculation of after-tax returns, which include: investors are Australian resident taxpayers; investors hold their units on capital account; returns assume reinvestment of after-tax distributions on the distribution period end date; returns are calculated using applicable income tax rates at the time of each distribution; capital gains concessions (CGT discount) are always available to the investor; tax credits distributed by the Fund can be fully utilised by the investor; investors will be able to immediately offset any loss made on their units against capital gains from other sources. FY Stands for Financial Year, which runs from July 1 to June 30.

³ The pre-liquidation returns refer to the after-tax returns assuming a continuing investment in the Fund. It is calculated using the actual discounts that applied to the fund on any realised capital gains and assuming the distributions are reinvested on an after-tax basis. Post-liquidation returns refer to the after-tax returns assuming a full redemption of an investor's units. It is calculated by including, in addition to the reinvestment of after-tax distributions, the unrealised gains, based on the assumption that the asset has been held for more than 12 months and that the CGT discount rate is applied to the unrealised gains and, in the case of unrealised losses, that those losses would be immediately available to the investor.

Sector allocation (as at 31 March 2024)

Energy	7.0%
Materials	20.3%
Industrials	3.1%
Consumer Discretionary	3.4%
Consumer Staples	3.8%
Health Care	9.4%
Information Technology	2.6%
Telecommunication Services	8.8%
Utilities	2.5%
Financials ex Property Trusts	31.4%
Property Trusts	6.4%
Cash & other	1.3%



^Historic distributions are not representative of future distributions.

Top 10 holdings (as at 31 March 2024)

	Weight	12 Mnth Fwd Div. Yield^
BHP Group Ltd	9.7%	5.1%
Commonwealth Bank of Australia	9.2%	4.0%
CSL Limited	8.0%	2.1%
Telstra Group Limited	5.1%	5.6%
ANZ Group Holdings Limited	4.3%	5.6%
Goodman Group	4.1%	1.0%
Westpac Banking Corporation	4.0%	5.4%
Santos Limited	3.8%	5.5%
Macquarie Group, Ltd.	3.8%	4.2%
National Australia Bank Limited	3.8%	5.0%

^Derived from the consensus broker forecast for dividends from FactSet and the stock price as at the end of the fact sheet period.

Investment Guidelines

Ex-ante (forward looking) tracking error	2.0% - 5.0%
Min/max stock position	+/-4% ⁴
Min/max sector position	+/-8% ⁴

⁴ Compared to benchmark

Other Information

Fund size (as at 31 March 2024)	\$161 million
Date of inception	October 1999
Minimum investment	\$25,000
Buy-sell spread ⁵	
For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Quarterly
APIR code	RFA0103AU

⁵ 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 cost

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 ⁶	0.90% pa
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⁶ 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

Australian equities extended recent gains in March, with the S&P/ASX 300 finishing the month up 3.26%.

The RBA held rates at 4.35%, as expected. However its commentary took a more dovish turn, removing explicit reference to the possibility of further rate hikes and helping drive equity market gains.

The US Federal Reserve also left rates unchanged but, importantly, the "dot plots" of expected future rates continued to indicate three cuts before the year's end. This is well down from the seven cuts the market was pricing at the start of the year and reflects some stronger-than-expected data on inflation and the view that the "last mile" of disinflation may be tougher to achieve.

US data continues to suggest that the economy is holding up. Likewise, Australian data painted a picture of an economy which is slowing, but still growing, albeit with some softer pockets. Australia's GDP increased 0.24% in Q4 2023 and 1.55% for the year.

Real Estate (+9.21%) was the best performing sector in March. A more dovish view on Australian interest rates likely helped, given it is among the more highly-gearred sectors, which drove broad-based strength. Goodman Group (GMG, +13.08%), the largest stock in the sector, continued to surge in the wake of a well-received result. It is also seen as a beneficiary of the AI-thematic given a pipeline of data centre developments.

Energy (+5.57%) rose on the back of a further 4.6% increase in the price of Brent crude, which was up 13.6% for the quarter. Woodside Energy (WDS) was up 3.54% and Santos (STO) gained 9.46%.

Communication Services (-0.78%) was the only sector to lose ground, driven largely by weakness in the online classifieds such as Car Group (CAR, -0.87%), REA Group (REA, -4.01%) and Seek (SEK, -3.79%). Telstra (TLS, +1.05%) bucked the trend.

Consumer Discretionary (+0.82%) also underperformed. Wesfarmers (+2.64%) lagged the market's gain, while Aristocrat Leisure (ALL, -7.78%) fell after management sounded a note of caution about demand in their key US market.

Fund performance

The Fund outperformed the benchmark index in March. Continued momentum in Goodman Group (GMG) and QBE Insurance (QBE) was helpful, while Qantas (QAN) and Santos (STO) rebounded from weakness in February. Underweights in Transurban (TCL) and Fortescue (FMG) were also helpful.

Key contributors

Overweight Santos (STO, +9.46%)

Santos recouped much of ground lost in February when it announced that the possibility of a potential merger with Woodside was off the table. The oil price rose 4.6% (Brent crude) in March and is up 13.6% for the year as concerns over supply disruption in

the Middle East have intensified, at the same time that the US economy continues to hold up well.

Overweight Goodman Group (GMG, +13.08%)

Goodman Group develops, owns and operates industrial property globally and is benefiting from structural tailwinds of increased demand. More recently it has benefited from the prospect of lower interest rates and from the AI thematic via its data centre developments, given the intensity of data use underpinning the development of AI models. Data centres now accounts for 37% of GMG's work in progress.

Key detractors

Overweight Aristocrat Leisure (ALL, -7.78%)

Aristocrat fell after a management update which, while not making any changes to guidance and highlighting expectations for continued market share growth, also conveyed a relatively downbeat assessment of slot machine demand in their key US market.

Overweight Seek Limited (SEK, -3.79%)

Online job platform Seek has remained somewhat volatile following its result in February, where it missed expectations and downgraded guidance. Management are doing a good job on controlling those things it can, such as costs and driving higher yield from its advertising. The Asian business also continues to develop. However weakness was driven by volumes, which softened in November and have stayed at that level. New guidance is based on a continuation of the current environment which is at or below historical mid-cycle levels.

Market outlook

Multiple data points suggest the global economy is holding up just fine and inflationary pressures continue to ease, which is a benign background for equity markets.

ISM manufacturing purchasing managers indices (PMIs) are inflecting higher globally. This is supportive for global growth and strength in commodities, particularly when combined with a tighter supply environment.

The Atlanta GDPnow index is estimating that US GDP growth is tracking towards 2.5% for 1Q24 (as at 4th April 2024).

Meanwhile the Evercore ISI Trucking survey has improved to the highest level since October 2022 and is showing signs of stabilisation, although still at depressed levels by historical standard. There is usually good correlation between trucking survey and US real GDP growth.

On the inflation front, the US core personal consumption expenditures (PCE) index – the Fed's preferred measure of inflation – rose 0.26% in February and is tracking at +2.8% year-on-year.

Importantly, February's Prices Paid subindex of the ISM Services index dropped to a 4-yr low of 53.4 (from 58.6) suggesting that upward pressure on prices from labour costs is easing further. This has also been a good lead indicator for underlying core personal consumption expenditures (PCE) services ex. housing index, suggesting further downward pressure on inflation.

In the US average hourly earnings are continuing to trend downwards, but at 4.1% annual growth in March remain ahead of the 3.5% annual rate that is considered consistent with the Fed's 2% inflation target.

All in all, it suggests progress on inflation should keep the Fed on track to cut rates this year, but good economic data may limit the pace of the cutting cycle. As of early April the market has now moved to price 53% probability of a cut in June 24 and the total of implied expected cuts for 2024 has fallen to 67bps.

In Australia, inflation data for February came in below expectations, moderating to 3.4% (consensus at 3.5%) and unchanged from January which is the equal slowest since November 2021.

Stronger unemployment data offset the RBA's shift to a more neutral stance, with a full cut now not priced in until November (versus September previously). The RBA will also need to monitor the effect of tax cuts which begin to kick in from July.

While the current environment of slowing inflation and economic resilience remains supportive, there are two risk scenarios to consider. The first is that we start to see a material deceleration in the economy as the lagged effects of monetary tightening take hold. This could potentially force central banks to cut rates, but would also come with material risk to earnings.

The second scenario is a rebound in inflation, which could see central banks delay rate cuts and comes with economic risk. At this point we don't see these two scenarios as a high probability, but are mindful of them in portfolio construction.

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](https://www.pendalgroup.com)

PENDAL

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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, except where returns are shown as "Grossed up for franking" or "Post-tax". Post-tax returns are explained in the footnotes to the relevant performance tables. 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.