

Pendal Sustainable Balanced Fund Class R

ARSN: 637 429 237

Factsheet
Multi-Asset Strategies
31 March 2024

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, diversification across a broad range of asset classes and exposure to companies and issuers (within the Australian and international shares, Australian and international fixed interest and part of the Alternative investments components of the Fund) that demonstrate leading environmental, social and corporate governance (ESG) and ethical practices while avoiding exposure to companies and issuers with material involvement in activities we consider to negatively impact the environment or society and are prepared to accept some variability of returns.

The Fund may also use derivatives. The Fund has a higher weighting towards growth assets than defensive assets.

Sustainable and ethical investment practices are incorporated into the Australian and international shares, Australian and international fixed interest and part of the Alternative investments components of the Fund. All other investments by the Fund are not assessed for sustainable and ethical investment practices. We actively seek exposure to securities and industries that demonstrate leading ESG and ethical practices and exclude companies not meeting the investable criteria.

The sustainability and ethical criteria employed includes factors such as:

- environmental issues
- corporate governance
- social practices
- ethical practices

The Fund applies exclusionary screens, which may be applied differently across the asset classes of the Fund. For more information on how these exclusions are applied go to section 5 of the 'Product Disclosure Statement' at www.pendalgroup.com/PendalSustainableBalancedFundClassR-PDS.

Pendal actively engages with the management of the companies and issuers we invest in to manage risk, effect change and realise potential value over the long term.

The underlying investments in the Fund are primarily managed by specialist teams within Perpetual Group, including Pendal for alternatives, fixed interest and Australian equities, and a range of specialist managers within the Group for international equities. In respect of global listed property, we have outsourced to a specialist global property manager, AEW. The Perpetual Multi-Asset team also manages an active asset allocation process designed to increase portfolio returns within a defined risk budget.

Performance¹

| (%) | Total Returns | | Benchmark Return |
|-----------------------|---------------|-----------|------------------|
| | (post-fee) | (pre-fee) | |
| 1 month | 1.95 | 2.02 | 2.62 |
| 3 months | 5.08 | 5.28 | 6.84 |
| 6 months | 12.04 | 12.49 | 13.81 |
| 1 year | 10.73 | 11.62 | 15.94 |
| 2 years (p.a) | 4.41 | 5.24 | 7.24 |
| 3 years (p.a) | 6.28 | 7.13 | 7.19 |
| 5 years (p.a) | 6.75 | 7.62 | 7.59 |
| Since Inception (p.a) | 9.27 | 10.14 | 9.71 |

Source: Pendal as at 31 March 2024

"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 2024)

| | |
|-----------------------------------|-------|
| Australian shares | 25.0% |
| International shares | 34.5% |
| Australian property securities | 2.3% |
| International property securities | 1.8% |
| Australian fixed interest | 7.3% |
| International fixed interest | 8.0% |
| Alternative investments | 13.2% |
| Cash | 7.9% |

Investment Guidelines

| Asset allocation ranges (%) | *Neutral position | Ranges | | Sustainable assessments and screens applied |
|-----------------------------------|-------------------|--------|-----|---|
| | | Min | Max | |
| Australian shares | 27 | 20 | 40 | Yes |
| International shares | 34 | 20 | 40 | Yes |
| Australian fixed interest | 8 | 0 | 25 | Yes |
| International fixed interest | 9 | 0 | 25 | Yes |
| Australian property securities | 2 | 0 | 10 | - |
| International property securities | 2 | 0 | 10 | - |
| Alternative investments | 14 | 0 | 20 | Yes |
| Cash | 4 | 0 | 20 | - |

*Neutral positions effective from 20 December 2023.



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.

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 <http://www.pendalgroup.com/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 Pendal Multi-Asset Investments Team, merged with the Perpetual Multi-Asset Team.

Other Information

| | |
|---------------------------------|--|
| Fund size (as at 31 March 2024) | \$919 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.

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 | 0.80% pa |
|-----------------------------|----------|

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.

Risks

An investment in the Fund involves risk, including:

- **Market risk** - The risk associated with factors that can influence the direction and volatility of an overall market, as opposed to security-specific risks. These factors can affect one country or a number of countries.
- **Interest rate risk**: The risk associated with adverse changes in asset prices as a result of interest rate movements.
- **International investments risk** – The risk arising from political and economic uncertainties, interest rate movements and differences in regulatory supervision associated with international investments.
- **Currency risk** - Currency exchange rate fluctuation risk arising from investing across multiple countries.
- **Credit risk** - The risk of an issuing entity defaulting on its obligation to pay interest/principal when due.
- **Liquidity risk** - The risk that an asset may not be converted to cash in a timely manner.
- **Counterparty risk** - The risk of another party to a transaction failing to meet its obligations.
- **Class risk** - The Fund has been established as a separate class of units in the Scheme. As the assets are held on trust for all investors, there is a risk that investors of one class, may be exposed to liabilities of another class of units and they could lose some or all of their investment in the Fund. There is also a risk that in the event of an insolvency, the assets of the Fund could be made available to creditors of another class of units of the Scheme.

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

Market review

Global equities rallied in March, supported by resilient economic indicators, robust corporate earnings results, and anticipation of easing monetary policy.

- US Equities (+3.2%) rallied, while value bucked the recent trend outpacing growth stocks as Energy, Materials, Utilities, and Financials sectors all performed strongly.
- Australian equities (+3.3%) rallied and broadly kept pace with global markets. Real Estate was the best performing sector in March, likely helped by a more dovish view on Australian interest rates, given it is among the more highly geared sectors.
- European equities (+4.4%) performed well supported by economic data confirming that a recession was narrowly avoided in the fourth quarter of 2023. Meanwhile, UK equities (+4.8%) slightly outperformed.
- Japanese equities (+3.8%) also performed well, supported by a resilient corporate sector. Chinese equities (+1.0%) generated modest returns on the back of policy announcements intended to prop up the equity market, despite recent economic concerns.
- US 10-year government bond yields (-4bps) fell over March but remain above 4% as underlying inflation reaccelerated in recent months. The Australian yield curve ended the month lower than the month prior with ongoing volatility as investors attempt to anticipate the path of central bank policy.
- The Australian dollar appreciated +0.2% against the Greenback.

Fund performance

The portfolio's allocation to global and Australian equities contributed strongly to absolute return as equities extended their rally throughout March. Australian equity stock selection was constructive while global equity stock selection detracted. The Fund's explicit downside protection detracted slightly as equities rose. The portfolio entered March with neutral overall equity positioning which was pared back late in the month. The fund is slightly underweight equities (Australian and Global) which includes some put option protection in the US. The portfolio's small overweight position in Australian property (AREITS) added value as AREITS rallied strongly, before the position was reduced mid-month.

The portfolio pulled back its overall fixed interest exposure, selling both Australian & international fixed income. A lower sensitivity to higher interest rates should provide resilience if persistent inflation extends the current monetary policy tightening cycle. The final mile of inflation reduction will be the most challenging for central banks and futures markets are now adjusting their pricing for short term rates in the US to reflect the likelihood of less rate cuts than was previously expected. Pulling back the fixed interest exposures proved astute as fixed income markets underperformed the portfolio's composite benchmark.

From a stock selection perspective, the Pendal Sustainable Australian Equities portfolio added to active performance. Overweight positions in miners Northern Star and Evolution Mining added strong performance while the overweight position in Goodman Group fully participated in the strong AREITs rally. The portfolio's international equities stock selection however detracted from returns. Barrow Hanley faced challenging stock selection in the Utilities and Consumer Staples sectors which modestly detracted from relative performance. Driving underperformance within Alternatives was the sustainable listed investment companies, which sold off in line with interest rate uncertainties given their longer dated bond like cashflows.

Positioning at the start of April reflects our latest views on markets. The consensus view today is for the US to experience a soft landing in 2024 but markets pulled a lot of the good news from 2024 into last year's return. This leaves the market with elevated valuations, expected 12-month earnings growth close to double the historic average supported by dovish interest rate expectations. With so much good news already priced in, we remain cautious on the outlook.

Outlook

While the US economy and markets proved more resilient than we expected in 2023 and into 2024, we remain cautious on the market outlook. The consensus view today is for the US to experience a soft landing in 2024 as growth moderated down to a trend-like pace and markets pulled a lot of the returns from 2024 into last year. This leaves the market with elevated valuations, expected 12-month earnings growth close to double the historic average and interest rate expectations aligned to what the US Fed had guided for 2024 with some doubts about the rate cuts they highlighted in 2025 and 26. With so much good news already priced in, we remain cautious and our equity exposure remains focused on high quality markets which have more attractive valuations and where earnings growth expectations have the potential to rise sharply once the economy finds a strong base.

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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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.