Pendal MidCap Fund

ARSN: 130 466 581

Factsheet

Equity Strategies

31 October 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	-6.52	-6.45	-6.68
3 months	-10.89	-10.69	-11.78
6 months	-8.15	-7.73	-8.95
1 year	-2.66	-1.78	-3.75
2 years (p.a)	-4.45	-3.59	-4.74
3 years (p.a)	4.80	5.75	5.00
5 years (p.a)	5.86	6.82	6.37
Since Inception (p.a)	8.62	10.40	5.79

Source: Pendal as at 31 October 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 31 October 2023)

Energy	7.8%
Materials	23.6%
Industrials	12.9%
Consumer Discretionary	12.0%
Consumer Staples	6.0%
Health Care	4.5%
Information Technology	7.6%
Telecommunication Services	6.8%
Utilities	0.0%
Financials ex Property Trusts	8.3%
Property Trusts	5.3%
Cash & other	5.1%

Top 10 Holdings (as at 31 October 2023)

Carsales.Com Limited	4.5%
Viva Energy Group Ltd.	3.7%
Metcash Limited	3.4%
Allkem Limited	3.4%
Nextdc Limited	3.2%
Evolution Mining Limited	3.0%
Worley Limited	2.9%
Seven Group Holdings Limited	2.8%
Technology One Limited	2.8%
AUB Group Limited	2.6%

Other Information

Fund size (as at 31 October 2023)	$334 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

Higher long-term bond yields in both the US and Australia weighed on equity markets in October.

Inflation continued to trend in the right direction in the US. However resilience in the economy, underpinned by several stronger-than-expected economic data points, saw the market shift to a "higher for longer" narrative in its outlook for interest rates.

Instability in the Middle East added to the mix, and saw sharp rallies in both gold and oil, although Brent crude finished off -8.3% for the month.

In Australia, the RBA held rates steady at 4.10%, However the headline monthly consumer price index (CPI) rose 5.6% for September, which was stronger than August's 5.2% gain and is still well ahead of the RBA's target. This underpinned the view that the RBA has to shift rates higher to bring inflation under control.

The S&P/ASX 51-150 fell -6.68%, underperforming the -3.8% return from the S&P/ASX 300.

Weakness was broad=based across the Australian market with only Utilities (+0.19%) recording a gain as AGL Energy's defensive qualities were rewarded in a falling market.

Energy (-4.39%) fell but outperformed, held up by Whitehaven Coal (WHC, +4.08%) on confirmation that it would buy the Daunia and Blackwater coal mines from BHP for what looks to be a good price.

It was the long-duration growth stocks and sectors which bore the brunt of higher bond yields.

Health Care (-11.56%) was weak across the board. Pro Medicus (PME) fell -10.61%, Fisher & Paykel Healthcare (FPH) -4.80% and Telix Pharmaceuticals (TLX) -22.46%.

Information Technology (-8.87%) was likewise weak everywhere. Wisetech (WTC) fell -10.69%, NextDC (NXT, -5.17%) and Altium (ALU) -8.63%).

In energy, resilience in oil prices continued to push

The portfolio finished slightly ahead of its index in October. The portfolio's gold exposure outperformed via positions in De Grey Mining (DEG), Evolution (EVN) and SSR Mining (SSR). Consumer defensive Metcash (MTS) helped, as did the underweight in Telix Pharmaceuticals (TLX). The lithium exposure was a net detractor as the sector remains under near-term pressure.

At this point, our base case remains that both the US and Australian economies continue to "muddle through" with low growth.

The Australian economy is being supported by population growth, a weaker currency, resilient commodity prices and government spending. At this point, consumers have been able to withstand the "mortgage cliff" of variable home loans re-sets better than many feared, although there are strains in some parts of the household sector. Further, domestic real interest rates (ie nominal rates minus inflation) are lower than other developed markets.

In the US, the chance of achieving the "soft landing" of bringing inflation under control without a deep recession has increased.

However the risk of mild recession in early 2024 remains, given the potential combination of the lagged effects of tighter monetary policy, waning fiscal spending and the run-down of excess savings. Potential headwinds from higher oil prices and/or a government shutdown also remain wildcards.

The risk to Australia is more that of persistent inflation leading to the RBA ratcheting rates higher than expected in the next six months, which could lead to a market de-rating. Importantly, at this point we are not seeing any signs of economic weakness affecting revisions.

Other considerations are:

1. Geopolitical risk. Further instability in the Middle East could disrupt oil markets. We are also wary that Russia may seek to restrict oil supply and cause further instability in a US election year.
2. China. The economy is weak, but this is well known. At this point it appears policy will be sufficient to underpin growth, but not lead to an acceleration.

Given the context of continued uncertainty in the potential economic environment, we continue to focus portfolio risk primarily on stock and industry-specifics. As always, our aim is to mainly drive performance primarily via insight at the company level.

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**

PENDAL

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PFSL is the responsible entity and issuer of units in the Pendal MidCap Fund (**Fund**) ARSN: 130 466 581. A product disclosure statement (**PDS**) is available for the Fund and can be obtained by calling 1300 346 821 or visiting www.pendalgroup.com. The Target Market Determination (**TMD**) for the Fund is available at www.pendalgroup.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.

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