Pendal MidCap Fund

ARSN: 130 466 581

Factsheet

Equity Strategies

31 May 2025

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	8.29	8.37	6.03
3 months	6.49	6.73	5.39
6 months	4.87	5.34	3.22
1 year	15.11	16.14	13.50
2 years (p.a)	12.07	13.08	11.90
3 years (p.a)	7.11	8.07	8.66
5 years (p.a)	11.27	12.27	12.01
Since Inception (p.a)	9.72	11.45	7.15

Source: Pendal as at 31 May 2025

"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 May 2025)

Energy	3.7%
Materials	20.4%
Industrials	15.7%
Consumer Discretionary	8.4%
Consumer Staples	3.4%
Health Care	7.2%
Information Technology	10.8%
Telecommunication Services	6.2%
Utilities	0.0%
Financials ex Property Trusts	14.2%
Property Trusts	8.5%
Cash & other	1.5%

Top 10 Holdings (as at 31 May 2025)

Technology One Limited	4.2%
Charter Hall Group	4.1%
SGH Limited	3.7%
Evolution Mining Limited	3.6%
Vicinity Centres	3.5%
Orica Limited	3.3%
Life360, Inc. Shs	3.3%
JB Hi-Fi Limited	3.2%
Genesis Minerals Limited	3.0%
HUB24 Limited	2.8%

Other Information

Fund size (as at 31 May 2025)	$366 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

The S&P/ASX 300 maintained the rebound from the lows of early April into May, as the market gained confidence that the Trump Administration is not willing to drive the US economy into recession in pursuit of its policy agenda.

Positive developments in terms of US-China trade talks and a decent US quarterly earnings season were generally supportive for markets, while a spike in concern around the US fiscal situation – prompted by Moody's downgrading the US credit rating and the passage of the "big beautiful" bill of tax cuts and reforms – provided some volatility.

The S&P/ASX 300 (TR) index returned +4.2% in May and returned to the previous February highs at the end of the month.

Domestically, it was helped by a rate cut from the RBA, accompanied by a surprisingly doveish tone that presaged further cuts.

Information Technology (+31.1%) did best, helped by well-received results from Life360 (360, +51.9%) and Technology One (TNE, +36.8%) as well as broader strength in the global technology sector on the back of positive results and commentary from US tech stocks.

Materials (+9.7%) also outperformed. Gold miners such as Evolution (EVN, +13.0%), Perseus Mining (PRU, +16.1%) and Genesis Minerals (GMD, +22.3%) did much of the heavy lifting, although chemical companies Orica (ORI, +17.3%) and Dyno Nobel (DNL, +18.1%) were also strong, as was copper miner Sandfire Resources (SFR, +15.7%).

Utilities (-4.5%) underperformed on a broad rotation away from defensives, with AGL Energy (AGL, -4.5%) declining.

Communication Services (-0.5%) was also softer, with weakness in REA Group (REA, -3.4%) offsetting strength from Nine Entertainment (NEC, +12.9%)

The Pendal Midcap Fund returned 8.29% after fees for the month, outperforming the 6.03% return from the benchmark index.

Strong results from Life360 and Technology One boosted returns. The latter delivered a robust 1H25 result, beating revenue and earnings estimates. Management upgraded guidance from 12-16% to 13-17% profit before tax (PBT) growth as they continue to migrate from a historical target of 10-15% to 15-20% annual growth. However, guidance still looks conservative based on a very strong 1H, in our view. The Rule of 40 measure continues to improve, with revenue growth plus free cash flow margin at 45.5% for the last twelve months.

There were further notable contributions from gold miner Genesis Minerals (GMD), software company Pro Medicus (PME), datacentre play DigiCo Infrastructure REIT (DGT) and chemical company Orica (ORI).

Avoiding Dexus (DXS), AGL Energy (AGL) and Washington H Soul Pattinson (SOL) was also beneficial.

The largest drag came from Telix Pharmaceuticals (TLX), which consolidated after a strong run - as did the position in SGH (SGH).

The outlook for tariffs still remains clouded. There is a decent chance that the US Court of International Trade's ruling that the reciprocal and border control/fentanyl-related tariffs are not legal could be upheld by the US Supreme Court.

However tariffs remain in place while that process plays out. At the same time, there are other avenues under the Trade Act that the Trump Administration can pursue.

In our view, they remain a key part of the Administration's five-pronged approach to re-industrialising the US economy and we should assume that they will find a way to apply them.

However the ultimate scale will depend on the ongoing negotiations between the US and other countries – and this remains a source of uncertainty.

On the positive side, the Administration has signalled that they are unwilling to drive the US economy into recession in pursuit of their agenda. The US earnings season and macro data suggests the economy continues to hold up well – although there is risk of deceleration. The "big, beautiful" bill progressing through congress also contains near-term stimulus measures which can help offset tariff-induced weakness.

In Australia, the most recent inflation data was broadly in line with expectations, while retail sales were a bit soft (-0.1% month-on-month, possibly tied to the election) which helps underpin expectations for further RBA cuts.

Overall, the economic outlook remains solid and helped by supportive fiscal and monetary policy.

The July meeting remains live for a cut, with the market at 60% probability, with two more cuts expected by year end.

A rate-cutting cycle, coupled with a return of large cap valuations to the top end of their historical trading band, may provide the smaller end of the market cap spectrum with some tailwinds relative to large caps, reversing the trend of the last few years.

Regardless, we continue to find material opportunities to add value at the stock specific level. Elevated uncertainty increases the chance of mis-pricing at the stock level, potentially presenting new opportunities to add medium-term alpha. We believe this plays to the strength of our team and process and have been selectively adding to positions in the portfolio.

At this point uncertainty around the timing and nature of trade deals, the economic impact, and other factors such as tax and rate cuts to offset any slowdown all remains elevated. This warrants against taking large thematic positions in the portfolio and emphasises the importance we place on managing macro risk. At the same time, increased uncertainty increases the chance of mis-pricing at the stock level, potentially presenting new opportunities to add medium-term alpha. We believe this plays to the strength of our team and process and have been selectively adding to positions in the portfolio.