PENDAL

Factsheet

Pendal Smaller Companies Fund

ARSN: 089 939 328

Equity Strategies

30 June 2025

About the Fund

The Pendal Smaller Companies Fund (**Fund**) is an actively managed portfolio investing in companies outside the top 100 listed on the Australian Stock Exchange and their equivalent on the New Zealand Stock Exchange that we believe are trading below their assessed valuation, and which we expect to grow their profits quickly.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX Small Ordinaries (TR) 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, diversification across a broad range of smaller companies and industries and are prepared to accept higher variability of returns. The Fund invests primarily in companies outside the top 100 listed on the Australian Securities Exchange. 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

The Pendal Smaller Companies Fund is managed by Pendal's experienced Small Cap team. The Fund is managed by Lewis Edgley and Patrick Teodorowski. They are supported by an experience Small Cap team as well as the insight of Pendal's broader Australian equities team.

Portfolio characteristics

Benchmark	S&P/ASX Small Ordinaries (TR) Index
Number of stocks	Between 45 - 75
Maximum cash weighting	20%
Ex-ante tracking error	Typically between 3% - 9%
Active single stock position	+/-5%

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-0.51	-0.41	0.85
3 months	7.31	7.65	8.62
6 months	2.62	3.25	6.45
1 year	10.79	12.16	12.26
2 years (p.a)	13.71	15.13	10.79
3 years (p.a)	14.28	15.69	10.00
5 years (p.a)	9.92	11.28	7.37
Since Inception (p.a)	11.78	13.08	7.25

Source: Pendal as at 30 June 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: December 1992.

Past performance is not a reliable indicator of future performance.

Sector Allocation (as at 30 June 2025)

Energy	3.2%
Materials	14.4%
Industrials	12.1%
Consumer Discretionary	16.3%
Consumer Staples	2.1%
Health Care	8.1%
Information Technology	14.8%
Telecommunication Services	3.0%
Utilities	0.0%
Financials ex Property Trusts	16.5%
Property Trusts	5.0%
Cash & other	4.4%

Other Information

Fund size (as at 30 June 2025)	$336 million
Date of inception	December 1992
Minimum investment	$25,000
Buy-sell spread[1] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Half-yearly
APIR code	RFA0819AU

[1] 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[2]	1.22% pa

[2] 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

June was largely dominated by geopolitical headlines as Israel launched attacks on Iran, followed by US involvement, culminating in a cease-fire by the month's end.

The market largely shrugged off the conflict; oil prices spiked towards US$75 a barrel, but declined again on de-escalation.

The equity market ploughed on, with the S&P/ASX Small Ordinaries returning 0.9%.

There was further commentary on trade negotiations, with intimations that the US was nearing agreements with several key counterparts ahead of the 9th July deadline.

The Fed continued to take the view that there was no need to cut rates, preferring to keep their powder dry until there was greater clarity on the economic impact of tariffs.

There were indications that US consumer concerns about the impact of tariffs are receding.

In Australia, March quarter GDP data was weaker than consensus, but still reflects a slowing economy, rather than one facing recession. Inflation remains near the lower end of the RBA's target band and underpins expectations of two-to-three more rate cuts in 2025.

Energy (+11.3%) was the best-performing sector, helped by a surge in uranium names such as Boss Energy (BOE, +17.6%) and Deep Yellow (DYL, +24.2%) on news that a Canadian-listed investment trust was raising capital to buy more physical uranium.

Industrials (+8.5%) also outperformed, driven by a news of contract wins for Ventia Services (VNT, +9.5%) and for defence manufacturer Drone Shield (DRO, +73.4%), the latter seeing orders from European militaries.

Materials (-4.2%) was the weakest sector as the gold miners paused for breath following a strong run. Among the larger index-weights Genesis Minerals (DMG) was off -8.9%, Capricorn Metals (CMM) -2,2% and Gold Road Resources (GOR) -3.8%.

Health Care (-2.5%) also underperformed, with mixed outcomes for stocks. Mesoblast (MSB, -2.7%) and Nanosonics (NAN -8.8%) dragged on the sector, while other larger index-weights such as Neuren Pharmaceuticals +1.7%) and EBOS Group (EBO) +3.5% held up reasonably well.

Fund performance

The Fund returned -0.51% after fees in June, versus a 0.85% return from the S&P/ASX Small Ordinaries.

At a thematic level, the underweight in uranium was a notable detractor, while stock selection within defensives – via the position in Aussie Broadband (ABB) – and in growth financials – via the underweight in Zip (ZIP) also dragged.

Selection within cyclicals was positive, helped by contractors SRG Global, Service Stream and SGH Group as well as transport company Kelsian. Quick-service restaurant owner Collins Food (CKF) also made a notable contribution.

Key contributors

Overweight Codan (CDA, +11.7%)

Codan was one of several defence-related stocks that outperformed in June helped by expectations of increased military spending by European countries. CDA has a division that designs and manufactures high-end communication equipment that has defence applications.

Overweight SRG Global (SRG, +14.6%)

SRG Global, which is a diversified infrastructure services company announced that it had secured $850m of contracts with repeat clients across Australia and New Zealand. The work is across a range of sectors including water, energy, industrial and resources, health and education, defence and transport, and datacentre and commercial.

Key detractors

Underweight Zip (ZIP, +54.7%)

Digital payment company Zip bounced back from recent weakness as it upgraded cash EBITDA guidance for FY25, noting that total transaction volume has continued to grow and was above 40% year-on-year. This is despite market concerns around a slowing US economy and the potential impact of tariffs.

Overweight Ora Banda (OBM, -33.2%)

Gold miner OBM issued updated FY25 guidance for the Davyhurst Project, downgrading projected production to 95k ounces, from 100k-105k previously. Management cited downtime at its processing plant due to improvements and the commissioning and ramp-up of the mill taking longer than expected. Cost guidance also came in at 4% above the top end of the previous range. They noted that processing plant works and commissioning are now complete and on track to achieve nameplate capacity.

Outlook

News-flow around tariffs and trade deals is likely to dominate near-term market sentiment.

Macro data and corporate anecdotes suggest that the US economy, while decelerating, is proving reasonably resilient. Most economists expect Q4 CY2025 GDP to fall to a range of 1%-2%.

There are signs that households have been managing budgets carefully and that many companies – including some of the larger retailers – are looking to absorb the impact of tariffs via supply chains rather than passing the cost on to consumers.

This is all bolstering the view that the economy can cope with the impact of tariffs better than many feared.

It is also important in supporting the US equity market. The consensus expectation is for the June quarter S&P 500 earnings to grow 4% year-on-year, versus the 12% growth seen in the March quarter, with softness in the commodity and cyclical sectors expected to contribute to lower growth. Concerns over a tariff-driven margin compression for FY26 guidance is the largest risk around reporting season.

Slower, but positive, economic growth and earnings suggests that equity markets can remain well supported, but are likely to consolidate in coming months as we wait on trade deals and clarity on the economic effects of tariffs.

The Fed has scope to cut rates, given the slowing economy, however they are looking to keep their powder dry given uncertainty over the impact of tariffs on the economy and inflation.

In the Australian market, aggregate earnings-per-share for the S&P/ASX Small Ordinaries are expected to grow in the mid-teens for FY26. At an index level, small caps are trading at the bottom end of the historical valuation range relative to large caps and are at a discount to them. That said, as always we see the outlook for earnings at the individual stock level as the key factor in driving returns.

The outlook for the domestic economy continues to look reasonable, helped by limited direct exposure to tariffs, continued government spending, and signals from the RBA that they are looking to cut rates further before the end of the year. The market continues to price close to three further cuts in 2025.

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

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