

Pendal Focus Australian Share Fund

ARSN: 113 232 812

Equity Strategies

31 May 2026

About the Fund

The Pendal Focus Australian Share Fund (**Fund**) is an actively managed concentrated portfolio of Australian shares.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes), that significantly exceeds the S&P/ASX300 (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 from a concentrated portfolio of primarily 15-30 Australian shares and are prepared to accept higher variability of 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.

Fund Positioning

The Fund is designed to complement a conventional, core share portfolio by providing satellite exposure to selected Australian equities with the potential for performance enhancement.

Investment Team

Pendal's nineteen member Equity team is one of the largest in the Australian fund's management industry. The portfolio manager for the Fund is Crispin Murray, who has more than 34 years' industry experience. Crispin is also Head of Equity.

Other Information

Fund size (as at 31 May 2026)	\$2,453 million
Date of inception	April 2005
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	RFA0059AU

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.

Investment Guidelines

Ex-ante tracking error	3.0% - 6.0%
Max absolute stock position	15%
Min/max sector position relative to index	+/- 15%
Min/Max BARRA style factors	+/- 0.5 SD
SIRA style factors	Within 1 SD
Maximum cash level	30%
Shorting	No
Borrowing	No

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	1.96	2.03	1.25
3 months	-4.28	-4.10	-4.03
6 months	3.61	4.00	2.80
1 year	2.90	3.66	7.02
2 years (p.a)	8.86	9.81	10.05
3 years (p.a)	10.28	11.20	10.97
5 years (p.a)	7.03	7.84	7.93
Since Inception (p.a)	9.14	10.19	7.95

Source: Pendal as at 31 May 2026

"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: April 2005.

Past performance is not a reliable indicator of future performance.

Sector Allocation (as at 31 May 2026)

Energy	5.2%
Materials	29.3%
Industrials	6.3%
Consumer Discretionary	4.5%
Consumer Staples	1.0%
Health Care	4.7%
Information Technology	7.7%
Telecommunication Services	6.1%
Utilities	0.0%
Financials ex Property Trusts	26.6%
Property Trusts	5.4%
Cash & other	3.1%

Top 10 Holdings (as at 31 May 2026)

BHP Group Ltd	15.2%
Commonwealth Bank of Australia	8.4%
National Australia Bank Limited	5.2%
Evolution Mining Limited	4.9%
Telstra Group Limited	4.6%
Rio Tinto Limited	4.4%
Santos Limited	4.1%
ANZ Group Holdings Limited	4.0%
Goodman Group	3.9%
QBE Insurance Group Limited	3.8%

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	0.75% pa
Performance fee ³	15% of the Fund's performance (before fees) in excess of the performance hurdle.

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.

³ 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 15% of the Fund's performance in excess of the performance return hurdle. The performance hurdle is the performance of the Fund's benchmark (S&P/ASX 300 (TR) Index) plus the management fee of 0.75% 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.

Market review

Equities made a second consecutive month of gains despite the Strait of Hormuz remaining closed and a deal between the US and Iran remaining elusive.

Continued hope around a more sustained resolution to the conflict, coupled with a lesser shortage than expected, has seen the oil price decline. This, in combination with continued strength in the AI-related capex trade, has been enough to buoy markets.

The S&P/ASX 300 gained 1.3% in May and is up 3.5% quarter to date. The market has lagged the rebound in US equities due to the latter's greater exposure AI capex-related stocks.

The Reserve Bank of Australia hiked rates, however softer CPI inflation and labour data later in the month saw tempered expectations around another imminent increase.

Brent crude oil fell -19.3% over the month to US\$92. Lithium was down -2.0% and gold -1.2%. Other commodity moves were positive, with iron ore +1.7%, copper +7.3%, aluminium +6.9%.

Materials (+10.3%) outperformed on the back of resilient commodity prices and a rotation away from the banks. Among the larger-cap miners BHP (BHP, +16.0%), Rio Tinto (RIO+10.9%), Fortescue (FMG, +13.5%) and South32 (S32, +19.4%) all made solid gains. Returns were more muted among the gold miners.

Consumer Discretionary (+4.6%) enjoyed a bit of a bounce late in the month as some moderation in CPI inflation saw expectations of a further rate hike in June recede, although underlying performance was mixed. Wesfarmers (WES) ended the month up +9.4%. A well-received quarterly update from Aristocrat Leisure (ALL, +7.0%) also helped.

Health Care (-8.9%) underperformed, driven largely by an earnings downgrade from CSL (CSL, -22.3%) although ResMed (RMD, -3.2%), Sonic Healthcare (SHL, -1.3%) and Pro Medicus (PME, -1.6%) all traded lower. Sigma Healthcare (SIG, +5.4%) and Cochlear (COH, +6.9%) bucked the trend.

Utilities (-7.64%) underperformed as stocks seen as beneficiaries of higher energy prices gave back some recent gains.

Fund performance

The Fund finished ahead of the benchmark in May. Decent commodity prices and a rotation away from banks helped the resource exposure via BHP and Rio Tinto – while the portfolio is also underweight banks. While Australia lacks the AI hyperscalers of the US, data centres are seen as local beneficiaries and sentiment has been underpinned by recent hefty contract wins. Positions in NextDC and Goodman Group have been beneficial. Underweights in Brambles, Westpac, ASX and Commonwealth Banks have been helpful.

The underweight in CSL dragged as management downgraded earnings – although the effect on performance was tempered by the lower active position size than was the case last year. Lower oil and fuel prices saw Viva Energy and Santos give back recent gains – although there was some offset from being underweight Woodside Energy.

Key contributors

Overweight BHP (BHP, +16.0%)

BHP continued to benefit from resilience in commodities and a rotation away from the banks. Its most recent quarterly production update, in April, was solid with copper production now expected to be at the high end of FY26 guidance and costs for its Escondida operation lowered. Iron ore pricing was flat quarter/quarter, calming fears of a softer outcome on the back of China Mineral Resources Group (CMRG) -related disruption. It confirmed that dispute over pricing with the CMRG had been resolved and the discount to the products under dispute appears in the order of 1.8%.

Underweight Brambles (BXP, -26.8%)

BXP issued a trading update cutting FY26 underlying profit growth guidance from 8–11% to 3–5%, citing an estimated US\$60 million earnings hit from pallet repair capacity constraints across parts of its US subcontracted service centre network. This downgrade came as a material negative surprise to the market, given how resilient earnings growth has been, even as the company has downgraded revenue guidance the past two years. Whilst there was no explicit guidance on financial impacts into FY27, consensus expectations were downgraded 6%.

Overweight Qantas (QAN, +12.3%)

Qantas calmed market concerns with some general positive commentary at the Macquarie investment conference. Disruption to international flights via the Middle East has led to strong demand for Qantas's international network, particularly to Europe and the US. Overall travel demand remains resilient, with limited impact of higher prices. The company remains optimistic on fuel supply, securing alternate fuel from the US, Mexico, and India and giving visibility on the future pipeline.

Key detractors

Overweight CSL (CSL, -22.3%)

CSL downgraded earnings guidance for FY26. Instead of NPATA growing 4-7%, they now expect earnings to be down by 4%. The market was slightly below the bottom end of guidance but needed to move down further. The new information is that they are taking some inventory out of a lower-priced channel in US for immunoglobulins - the hit to revenue is ~\$300M. While a disappointing outcome, this should set up for a tighter market and a better result in FY27. Albumin, which has been dealing with a regulatory change in China, was also below expectations as the company attempts to find new channels to market. Despite some signs that the business should perform better in FY27 the market still reduced earnings by 13% in forward years with only minor growth forecast in FY27.

Underweight Wesfarmers (WES, +9.4%)

Softer inflation and labour data saw diminished expectations of another rate hike in June and a bounce in Wesfarmers given its exposure to discretionary spending via Bunning, Officeworks and Kmart – which together deliver around 75% of its revenues. Concern over the outlook for the consumer off the back of higher rates and fuel prices has seen a material valuation de-rating for WES. However at this point we prefer our more defensive consumer exposure via Metcash and have a preference for Telstra among the large-cap blue-chip names.

Overweight Viva Energy Group (VEA, -13.8%)

Viva gave back some recent gains as the oil price fell and fuel shortages are not as acute as first feared, for now. It updated the market on the refinery fire, with a revised timetable to get back to 90% of production within six weeks and a negligible impact on earnings. We continue to see the outlook for oil and refined product prices to be elevated relative to where they were before the conflict for a period, even if the Strait is reopened imminently, as the supply disruption works through. The company is also likely to benefit from the government's announcement of a fuel security package of more than \$10bn, although detail here is limited.

Outlook

The impact on oil prices from a still-closed Strait of Hormuz has not been as great as feared and supply remains reasonable, for now.

This is from a combination of material reduction in imports from China, as they shift to alternatives and draw down on their own reserves, further demand destruction elsewhere in the world (primarily petrochem industries), increased US exports, strategic reserve withdrawals, and the use of other sources of supply such as commercial stocks.

It is estimated that this situation could continue for another two months, helping keep oil and fuel prices contained. Beyond that, strategic reserves and commercial stocks outside of China may reach a tipping point, requiring further demand destruction.

The AI capex trade continues apace, supported by strong earnings for related companies such as Dell which is seeing revenue surging and supply constraint on the back of enterprise demand for upgraded infrastructure.

Importantly, there seems to be some sign that the market is becoming more discerning with regard to AI's impact on software companies. Snowflake, a US company providing a cloud-based platform allowing organisations to store, analyse and share data - and which had previously fallen 56% as part of the "SAASpocalypse" - reported a second quarter of accelerating revenue as companies look for a control plane on which to run their AI agents. The stock saw a sharp rebound in response. This does not mean that there are not software businesses facing structural threats, but may indicate the market is treating the issue in a less indiscriminate way, with implications for stocks such as Xero in Australia.

Data is signalling that the US economy is holding up well, underpinned by a resilient consumer and strong investment spending. Inflation stubbornly high, although not getting worse. Given labour market trends appear to be improving, and an environment where inflation risk is perceived as being higher, it is difficult to see how the Fed can make a case for easing.

Domestically, April's CPI inflation data was better-than-expected at a headline level, prompting optimism that the RBA's hiking path may be on pause.

The issue for the RBA is that non-discretionary items (electricity, rents, insurance, education & health) is running at 5.1%. A number of these are structural, such as the impact of the housing shortage.

The RBA needs the economy to run below trend for a period and that probably equates to 1.5% GDP growth. The challenge is while the consumer may be slowing, data indicates the investment side of the economy is accelerating, which does put pressure on the RBA to slow other parts of the economy.

The argument for balanced portfolio construction and managing thematic risk against such an unpredictable background remains imperative. The investment opportunity at a stock level is encouraging, in our view, with significant mispricing providing multiple attractive alpha opportunities.

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

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