PENDAL

Factsheet

Equity Strategies

30 November 2024

Pendal Horizon Sustainable Australian Share Fund

ARSN: 096 328 219

The future is worth investing in

About the Fund

The Pendal Horizon Sustainable Australian Share Fund is an actively managed portfolio of Australian shares.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX 300 (TR) Index over rolling 5 year periods. The suggested investment timeframe is five years or more.

Description of Fund

The Fund is designed for investors who want the potential for long term capital growth from a high conviction, values-oriented, concentrated portfolio of typically 15-35 stocks which invests in businesses that in our view, in aggregate, provide a net benefit to Australia's future economy and society.

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 analysis. 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 analysis focuses on valuation, franchise, management quality and risk factors (both financial and non-financial risk).

Pendal takes labour standards, environmental, social and ethical considerations into account when selecting, retaining or realising the investments of the Fund.

We adopt a principles-based approach in identifying the Fund's investments which aims to:

- Avoid companies whose industries, business models and products or services are not sustainable or cause significant harm, having regard to what we believe most investors would want to avoid in a values-based investment portfolio.
- Invest in companies that demonstrate, or offer or enable more sustainable practices, business models or products and services.
- Invest in companies that advance or participate in the transition of the Australian economy to one that is more sustainable.
- Engage with management of companies in which we invest to manage risk, effect change and realise potential value over the long term.

The Fund applies exclusionary screens, for more information on how these exclusions are applied, refer to section 5 'How we invest your money' of the Fund's Product Disclosure Statement at www.pendalgroup.com/PendalHorizonSustainableAustralianShareFund-PDS

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	4.92	5.00	3.68
3 months	8.33	8.58	5.48
6 months	15.06	15.61	11.34
1 year	27.30	28.51	23.22
2 years (p.a)	13.92	15.00	11.63
3 years (p.a)	6.77	7.78	9.12
5 years (p.a)	7.09	8.11	8.20
Since Inception (p.a)	8.44	9.50	8.42

Source: Pendal as at 30 November 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: May 2001.

Past performance is not a reliable indicator of future performance.

Sector Allocation (as at 30 November 2024)

Energy	0.0%
Materials	17.1%
Industrials	6.0%
Consumer Discretionary	2.0%
Consumer Staples	3.2%
Health Care	9.6%
Information Technology	9.1%
Telecommunication Services	8.8%
Utilities	0.0%
Financials ex Property Trusts	33.2%
Property Trusts	4.8%
Cash & other	6.1%

Top 10 Holdings (as at 30 November 2024)

CSL Limited	8.4%
Commonwealth Bank of Australia	8.2%
Telstra Group Limited	6.3%
Westpac Banking Corporation	6.2%
National Australia Bank Limited	6.1%
Rio Tinto Limited	5.7%
Xero Limited	4.9%
Qantas Airways Limited	3.9%
QBE Insurance Group Limited	3.6%
Fortescue Ltd	3.5%

Signatory of: PRI Principles for Responsible Investment

CERTIFIED BY RIAA

The Pendal Horizon Sustainable Australian Share 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.responsiblereturns.com.au for details.

Other Information

Fund size (as at 30 November 2024)	$339 million
Date of inception	May 2001
Minimum investment	$25,000
Buy-sell spread[1]	0.50 (0.25%/0.25%)
Distribution frequency	Quarterly
APIR code	RFA0025AU

[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 (forward looking) tracking error	3.0% - 8.0%
Min/max stock position	+/-10%
Min/max sector position	+/-10%

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]	0.95% 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.

Investment Team

Pendal's nineteen member Australian Equities team is one of the largest in the industry. The portfolio manager is Head of Equities, Crispin Murray, assisted by Elise McKay, Oliver Renton and Patrick Teodorowski on the application of the Fund's investment framework.

Carbon performance

The estimated weighted average carbon intensity (WACI) of the portfolio, using greenhouse gas emissions (scope 1 and 2[1]) data supplied by ISS and weighted by the size of our holding in each company, is shown in the table below. In other words, this provides an indication of a portfolio's exposure to carbon intensive companies. We also compare this to the weighted average emissions for the companies in the aggregated ASX300 index.

We caution that there are limitations of using carbon metrics as an indicator of a portfolio's overall exposure to climate-related risks. For example, not all companies report their emissions data and hence some of the below analysis includes estimates. Also, it does not include scope 3 emissions. Further, portfolio carbon analysis does not capture exposure to physical climate-related risks, or the unique transition risks some companies within the portfolio face. Nevertheless, the WACI metric is recommended by the Task Force on Climate-related Financial Disclosures (TCFD)[2], noting it supports greater comparability of investor reporting.

Weighted Average Carbon Intensity (tonnes CO_2e / $M revenue)

Pendal Horizon Sustainable Australian Share Fund	ASX 300	Relative to ASX300
86.95	100.90	-13.96

Source: ISS, Pendal holdings as at 30 November 2024. Report run on 03/12/2024 using latest ISS data. Currency AUD.

[1] Scope 1 emissions result from sources directly owned or controlled by the company. Scope 2 accounts for GHG emissions from the generation of purchased electricity consumed by the company. Scope 3 emissions result from activities not directly owned or controlled by the company but are associated with its operation such as business travel, waste management, commuting, and the use of sold products and services. https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

[2] *Recommendations of the Task Force on Climate-Related Financial Disclosures, June 2017* https://www.fsb-tcfd.org/recommendations/

Market review

The expectation that the emphatic Republican victory in the US elections will deliver a pro-growth mandate fuelled an equity rally through November.

The potential for tariffs and pressure on labour supply from immigration cuts and/or deportations have seen the market pare back expectations around the pace and scale of Fed rate cuts in 2025. The market is currently pricing 3.3 cuts by the end of 2025.

President-elect Trump placed the first shot across the bow in terms of tariffs late in the month, however it did not prompt a major market reaction, given the attached conditionality and the timeframe involved.

Australian CPI came in lower than expected at 2.1% year-on-year, however there was heavy distortion from government subsidies and underlying inflation remains stubbornly high, leaving little room for the RBA to ease policy.

While macro moves dominated, there was a fair amount of stock-level news flow, particularly from bank reporting season. Banks reported solid results but without any further follow through on the positive thematics that had been building around margins and balance sheet.

The S&P/ASX 300 rose 3.7%.

Information Technology (+10.2%) did best on the back of well-received results from Xero (XRO, +16.3%) and Technology One (TNE, +24.4%).

Utilities (+9.07%) also outperformed, driven largely by Origin Energy (ORG, +12.9%) which saw some upgrades following a solid quarterly update with improvements at both the operating level and to market expectations around depreciation and amortisation charges.

Materials (-2.8%) continued to slide as hopes for further Chinese stimulus went largely unfulfilled. BHP (BHP) fell -4.9%, Rio Tinto (RIO) -0.9% and Fortescue (FMG) -0.9%. The gold sector took a breather after a strong run, as the gold price pulled back on higher bond yields and a stronger US dollar. The non-resources components of the sector were generally stronger, led by James Hardie (JHX, +15.0%).

Energy (-0.66%) also underperformed as the oil price went sideways. Woodside Energy (WDS) gained 3.1% while Santos (STO) fell -2.5%.

Fund performance

The Fund outperformed the benchmark over the month of November.

Key contributors

Underweight BHP (BHP, -4.85%)

BHP was weak, along with most other resource stocks, as sentiment towards Chinese economic growth and commodity demand remained poor. In BHP's case, this was exacerbated by concern that the company may renew its interest in acquiring Anglo American, now that the six month moratorium on further offers has elapsed.

Overweight Technology One (TNE, +24.36%)

Technology One delivered a solid result with revenue and profit before tax (PBT) both up 18% year-on-year. This provided confidence that the company is on track in its aim of a structural uplift in profit before tax from historical levels. While the stock has re-rated materially, we believe consensus is still underestimating the earnings growth over the medium term.

Key detractors

Overweight Rio Tinto (RIO, -0.90%)

Poor sentiment towards Chinese economic growth and continued subdued demand for commodities weighed on the resource sector, including Rio Tinto. There was some offset to this detraction from the underweight position in BHP.

Overweight CSL (CSL, -1.65%)

CSL fell on negative US Healthcare sentiment due to the proposed appointment of Robert F Kennedy Jr as Health and Human Services Secretary. RFK Jr has a negative stance toward vaccines - more so towards vaccine-mandates and MRNA. There appears to be little risk to CSL's exposure in the space.

Strategy and outlook

Overall, the US growth outlook remains encouraging, according to the Atlanta Fed GDPNow indicator which still has Q4 2024 GDP at above 2.5% growth.

There is a concern among some that inflation is not coming down sufficiently for the Fed to cut rates much below 4%. Some of the services components are proving sticky - and the concern is that the personal consumption expenditures index won't be able to break below 2.5% next year, before we begin to get the effects of tariff increases and potential impacts of lower immigration and tax cuts supporting the economy.

This could leave the Fed in a difficult position in terms of predicting the outlook, which may make them more cautious of further rate cuts.

However short-term market signals are positive:

1. The US dollar has not broken above its range and has recently retraced.
2. Bonds yields have also rolled over and didn't get back to the April highs.
3. Market technical like breadth and seasonality are positive. For example 77% of the S&P 500 is trading above its 200 day moving average.
4. Earnings revisions have been positive. This has been driven by mega-cap tech, where FY25 earnings have been revised up 11% over CY 2024. The rest of the tech sector has been revised down -1.6% and the rest of the S&P 500 down -3.8%. However this is well within the normal range of zero to -5% earnings downgrades over the course of a year.
5. Flows into US equities remain strong, with a large spike following the election result.

The challenge is US equity valuations are full. There appears little catalyst to change this currently. But if there was a shift in liquidity, or in the economy, then valuations could reset.

Within Australia, inflation in areas such as rents and new dwelling purchase costs remain high, driven by structural issues in the economy. This provides no cover for the RBA to cut rates.

We continue to see limited risk of a material slowdown in Australian GDP, but confidence is muted and growth seems likely to remains below trend for the next few quarters.

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

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