Pendal Quarterly Factsheet

Pendal Macquarie Sustainable Balanced Managed Portfolio
(the Portfolio)

March 2025

Portfolio overview

Balanced Managed Portfolio	
Investment objective	To provide a return (before fees and expenses) that exceeds the portfolio's benchmark over the medium to long term.
Suggested minimum investment timeframe	5+ years
Description	The Pendal Sustainable Balanced Model Portfolio is a managed diversified portfolio that actively invests considering a range of sustainable, ethical and financial criteria. Investments are diversified across Australian and international shares, Australian and international property securities, Australian and international fixed interest, cash and alternative investments. We actively seek exposure to securities and industries that demonstrate leading environmental, social and corporate governance (ESG) and ethical practices while avoiding exposure to companies with activities or behaviour we consider to negatively impact the environment or society.
Benchmark	Composite Benchmark
Asset allocation ranges	Australian Equities 9 - 39% Australian Property 0 - 10% Australian Fixed Income 0 - 29% International Equities 18 - 48% International Fixed Interest 0 - 26% Alternative Assets 0 - 23% International Property 0 - 11% Cash 1 - 20%

Performance

	3 month	6 month	1 year	3 year (p.a.)	Since inception (p.a.)*
Pendal Macquarie Sustainable Balanced Managed Portfolio	-2.14%	0.85%	4.34%	5.29%	3.96%
Benchmark	-1.23%	1.65%	6.17%	7.33%	6.45%
Active return	**-0.91%**	**-0.80%**	**-1.84%**	**-2.04%**	**-2.49%**

Source: Pendal as at 31 March 2025.

*Since Inception - 7 October 2021.

Performance returns track the value of a notional portfolio and are calculated pre-fee. The performance information shown may differ from the performance of an individual investor's portfolio due to differences in portfolio construction or fees. Investors should contact their platform provider for applicable fee rates. Past performance is not a reliable indicator of future performance.

Sector returns – 3 month

Asset class	Portfolio Weight	Sector Returns		
		Portfolio	Index	Active
Alternatives	14.73%	0.71%	1.07%	-0.36%
Australian Equities	26.71%	-1.90%	-2.80%	0.90%
Australian Fixed Interest	9.92%	1.40%	1.29%	0.10%
Australian Property	1.96%	-7.24%	-6.55%	-0.69%
Global Property	1.00%	0.04%	1.21%	-1.17%
International Equities	26.50%	-5.71%	-2.41%	-3.30%
International Equities Hedged	6.96%	-4.15%	-2.62%	-1.53%
International Fixed Interest	8.47%	1.24%	1.14%	0.10%
Cash	3.75%	1.15%	1.07%	0.08%

Source: Pendal as at 31 March 2025.

Market review

A number of themes dominated financial markets during the March quarter. The unravelling of US economic growth and artificial intelligence technology exceptionalism alongside the disruptive impact of the Trump administration's trade policy contributed to softening US equities and rising volatility.

- Developed market equities (-2.6%) sold off on slowing growth concerns and concerns around US trade policy. Equities consolidated their strong 2024 through the first six weeks of the year before stumbling in late February and falling precipitously in March.
- US equities (-4.3%) underperformed the broader developed market, impacted by both the spectre of lower cost Chinese artificial intelligence and later the disruptive impact of tariff policy. Value stocks and sectors starkly outperformed growth with the Russell 100 Value (+2.1%) in positive territory while the growth variant (-10.0%) corrected.
- European equities (+7.7%) outperformed strongly, led by the German DAX (+11.3%) which surged on fiscal policy tailwinds. Easing monetary policy and unwinding of US overweight exposures in the wake of challenges to their assumed tech supremacy also contributed.
- UK stocks (+6.1%) also performed well, led by gains among large caps. The fiscal and economic growth outlook continues to weigh on the broader equity market.
- Japanese equities fell with the Nikkei 225 (-9.9%) selling off sharply
- Australian Equities (-2.9%) declined on a combination of corporate earnings downgrades and concerns around the resilience of Chinese demand under US tariff policy.
- Emerging markets outperformed, led by China (+15.0%) which advanced on the back of positive momentum in the technology sector, increased fiscal stimulus and the weakening US dollar.
- Bond markets were mixed over the March quarter. US bond yields rallied on weakening growth indicators, shaking off concerns around sticky services inflation. The most notable move in European bond yields was in Germany where 10-year bund yields rose 30bps in March following the announcement of increased infrastructure and defence spending.

Portfolio update

The portfolio returned -2.14% vs benchmark return of -1.23%, underperforming by 0.91%. The key driver of underperformance was manager selection whilst asset allocation detracted slightly. In Asset allocation a small overweight in global equities and Australian small caps and an underweight in global property detracted from returns for the quarter, this was partially offset by an underweight in Australian shares.

Within manager selection, Global stock selection underperformed and was partially offset by outperformance of Australian shares. In Australian shares strong outperformance from the Pendal Sustainable Share Fund, which returned -1.74% (pre fees) in Q1 2025, outperforming the -2.85% return from the S&P/ASX 300. Several of the portfolio's active overweights delivered well-received results or updates during the period and made positive contributions. These included Telstra (TLS), Qantas (QAN), QBE Insurance (QBE), A2 Milk (A2M) and Nine Entertainment (NEC). Evolution Mining (EVN) was the single largest contributor, helped by a stronger gold price and improved operational performance at its key assets. The Fund's positions in insurers Medibank Private and QBE Insurance Group contributed as they both released stronger-than-expected results in February, with the former driven by strong execution, good customer retention and lower-than-expected claims, while the latter is benefitting from reinsurance markets proving to be a material tailwind to its margins as well as perils benefit from run-off of its non-core portfolio.

Global manager selection detracted most from performance with underperformance from both the Pendal Global Select Fund and the Vanguard Ethically Conscious Global Equities Fund. With the Vanguard fund the main driver was the Fund's industry exposure, which is influenced by the focus on industries related to resource efficiency and environmental sustainability, contributed significantly to underperformance as sectors under-represented in the Fund's eligible investment universe, such as financial services and energy outperformed, while technology and industrials underperformed. The underperformance of the technology sector impacted a number of the Fund's largest holdings including the MAG 7.

The Pendal Global Select Fund underperformance was driven by stock selection with US mainly financials and technology stocks, where some of the previous quarters best performers saw a reversal in performance impacted by the negative sentiment around tariffs and impacts to US growth.

Market outlook

The recent tariff policy announced by the Trump administration has caused a significant decline in equity markets and an increase in volatility. The situation remains dynamic with considerable uncertainty, and statements from the Trump Administration and other countries, particularly China, are likely to influence market sentiment in the near term. The US market currently lacks valuation support, as it is trading significantly above the average price/earnings multiple observed during recessions. However, the Australian economy appears well insulated from recession risks, bolstered by fiscal stimulus, potential rate cuts, a weaker currency, and limited exposure to US exports.

Active management should help mitigate this volatility, and the allocation to Alternatives within the Pendal Multi Asset Target Return fund can provide diversification away from both bond and equity markets. This approach aims to deliver positive returns and offers some downside protection through the use of equity market options and currency positioning strategies.

For more information contact your
key account manager or visit **pendalgroup.com**

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