

## Pendal Smaller Companies Fund

ARSN: 089 939 328

## Factsheet

Equity Strategies

30 September 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	1.76	1.86	3.44
3 months	13.16	13.51	15.31
6 months	21.44	22.19	25.25
1 year	15.11	16.53	21.50
2 years (p.a)	20.34	21.83	20.14
3 years (p.a)	18.76	20.24	15.54
5 years (p.a)	11.25	12.63	9.27
Since Inception (p.a)	12.10	13.41	7.66

Source: Pendal as at 30 September 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 September 2025)

Energy	4.5%
Materials	14.7%
Industrials	12.8%
Consumer Discretionary	15.8%
Consumer Staples	2.9%
Health Care	5.3%
Information Technology	14.3%
Telecommunication Services	5.2%
Utilities	0.0%
Financials ex Property Trusts	15.0%
Property Trusts	5.9%
Cash & other	3.6%

### Other Information

Fund size (as at 30 September 2025)	\$411 million
Date of inception	December 1992
Minimum investment	\$25,000
Buy-sell spread <sup>1</sup>	
For the Fund's current buy-sell spread information, visit <a href="http://www.pendalgroup.com">www.pendalgroup.com</a>	
Distribution frequency	Half-yearly
APIR code	RFA0819AU

<sup>1</sup> 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 <sup>2</sup>	1.22% pa
-----------------------------	----------

<sup>2</sup> 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

Offshore equity markets generally defied concerns around seasonal weakness in September to end the month up.

In the US, the S&P 500 gained 3.5% as data painted a picture of an economy which is slowing, but not tipping into recession. The Fed cut interest rates and are expected to do so again twice more before the year's end.

While the S&P/ASX 300 bucked the broader trend, to finish down - 0.7%, Australian smaller companies continued to do well. The S&P/ASX Small Ordinaries rose 3.4% for the month.

Stronger-than-expected Australian GDP data early in the month reflected observations in reporting season around resilient consumer spending. However it also dampened the market's expectations around further rate cuts. This was reinforced by inflation coming in stronger than expected later in September.

Gold continued to surge, up 11.9% for the month, with silver (+17.4%) also joining the party, while Brent crude oil was down - 1.6%.

Materials (+15.9%) did best, fuelled by strong gains from gold miners such as Capricorn Metals (CMM, +29.3%), Vault Minerals (VAU, +23.4%) and Regis Resources (RRL, +33.7%). Copper miner Capstone Copper (CCS, +20.5%) also outperformed.

Industrials (+7.3%) also surged, due largely to defence-related stock Droneshield (DRO, +41.2%). Contractors NRW Holdings (NWH, +23.1%) and Service Stream (SSM, +12.5%) were also strong.

Health Care (-6.0 %) underperformed. There were gains for Neuren Pharmaceuticals (NEU, +3.8%) and Mesoblast (MSB, +8.7%), but these were offset by EBOS Group (EBO, -10.2%) and Regis Healthcare (REG, -22.5%)

Consumer Discretionary (-3.2%) also fell. Here too, underlying performance was mixed. Eagers Automotive (APE, +7.0%) and Harvey Norman (HVN, +7.1%) were up, but Breville Group (BRG, - 10.6%) and Super Retail (SUL, -10.5%) helped drag the sector down.

## Fund performance

The Fund underperformed the benchmark in September. Within the growth segment, the underweight in Droneshield and overweight in Codan detracted. The underweight in gold miners, while modest, also detracted as the sector ran hard while the overweight in healthcare detracted as it lagged the market.

The underweight in financials – and stock selection within it – were both positive as the portfolio avoided the under-performing market-sensitives during the month. The underweight in REITs was also beneficial, as expectations around the scale and pace of rate cuts moderated.

## Key contributors

### Overweight NRW Holdings (NWH, +23.1%)

NRW Holding is a contractor specialising in the deliverance and maintenance of civil engineering and mining projects. In early September it announced the acquisition of Fredon, an Australian company which provides electrical, mechanical, infrastructure, technology and maintenance services. This expands NWH's capabilities and addressable markets and is expected to be immediately accretive for the combined company's earnings.

### Overweight Aussie Broadband (ABB, +48.5%)

Broadband reseller ABB delivered a well-received result, growing revenue, margins and customer numbers largely in line with expectations over the year. Management announce the divestment of its Buddy division and, more importantly, the agreement to provide exclusive NBN network services to More Telecom and its jointly operated company Tangerine. This boosts ABB's existing network connection by ~250k, to ~1.0 million. This is expected to be around 12% accretive to earnings.

## Key detractors

### Overweight Regis Healthcare (REG, -22.4%)

Regis Healthcare is an aged care provider providing residential aged care, home care, retirement living and day centres. Its FY25 results came in largely in line with expectations, growing revenue by 15% and occupancy levels increasing to 95.7%. However guidance for FY26 disappointed expectations as government funding increases did not sufficiently offset rising staff costs and management flagged delays to development plans as a result. Its growth outlook remains underpinned by an aging population and constrained supply.

### Underweight Droneshield (DRO, +41.2%)

Droneshield develops counter-drone and electronic warfare solutions. It has won several recent contracts. However at this point we believe that valuation has run ahead of fundamentals, with risks skewed to the downside from this level, particularly given a highly competitive industry.

## Outlook

Liquidity is one of the four factors we are watching to see if the market can sustain current levels, with the others being growth, long-end bonds and AI.

Liquidity barometers continue to look supportive for markets, with ETF flows picking up and bitcoin reaching new all-time highs and entering a seasonally strong period.

In aggregate, survey data continues to indicate that while growth in the US remains sluggish, it is not yet at a tipping point.

Our view remains that the US economy begins to re-accelerate in Q2 2026, on the back of the fiscal stimulus from the Big Budget Bill (which is expected to contribute ~0.9% to growth in CY26) plus rate cuts.

Consumption is set to slow from the recent strong pace - which has probably been driven a greater wealth effect than most economists expected - but should remain reasonably supportive of growth.

Investment spending - particularly AI-related - will also slow, but again provides a base level of support for the economy.

At this point demand for AI-related hardware – particularly chips – remains strong and sentiment towards the sector remains bullish. However we do note that some of the recent announcements have been "circular" in nature, with Nvidia's decision to invest \$100bn in OpenAI to build AI data centres a case in point. This will be a factor to watch.

Australia's economy is holding up well, reflected in both a better-than-expected GDP data, but also inflation slightly above consensus expectations. RBA Governor Bullock noted that the upside in inflation was broadly in line with expectations, suggesting inflation will settle around the midpoint of the target band.

Markets are now pricing in no more RBA rate cuts this year. This perspective is in-line with our views coming out of reporting season; that the domestic economy is performing pretty well and does not require a significant cutting cycle to juice it up.

At a broad index level, Australian equity valuations remain at the top end of its historic range, leaving the market largely reliant on earnings for further support and potential vulnerable to pullback in the event of an economic shock.

However the earnings outlook from the broad market is supportive – and particularly so for smaller companies. This is underpinned in turn by a relatively benign economic outlook.

For more information please call **1300 346 821**,  
contact your key account manager or visit [pendalgroup.com](http://pendalgroup.com)



This factsheet has been prepared by Pendal Fund Services Limited (**PFSL**) ABN 13 161 249 332, AFSL No 431426 and the information contained within is current as at the date of this factsheet. It is not to be published, or otherwise made available to any person other than the party to whom it is provided.

PFSL is the responsible entity and issuer of units in the Pendal Smaller Companies Fund (**Fund**) ARSN: 089 939 328. A product disclosure statement (**PDS**) is available for the Fund and can be obtained by calling 1300 346 821 or visiting [www.pendalgroup.com](http://www.pendalgroup.com). The Target Market Determination (**TMD**) for the Fund is available at [www.pendalgroup.com/ddo](http://www.pendalgroup.com/ddo). You should obtain and consider the PDS and TMD before deciding whether to acquire, continue to hold or dispose of units in the Fund. An investment in the Fund is subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested.

This factsheet is for general information purposes only, should not be considered as a comprehensive statement on any matter and should not be relied upon as such. It has been prepared without taking into account any recipient's personal objectives, financial situation or needs. Because of this, recipients should, before acting on this information, consider its appropriateness having regard to their individual objectives, financial situation and needs. This information is not to be regarded as a securities recommendation.

The information in this factsheet may contain material provided by third parties, is given in good faith and has been derived from sources believed to be accurate as at its issue date. While such material is published with necessary permission, and while all reasonable care has been taken to ensure that the information in this factsheet is complete and correct, to the maximum extent permitted by law neither PFSL nor any company in the Pendal group accepts any responsibility or liability for the accuracy or completeness of this information.

Performance figures are calculated in accordance with the Financial Services Council (**FSC**) standards. Where performance returns are quoted "Post fees" then this assumes reinvestment of distributions and is calculated using exit prices which take into account management costs but not tax you may pay as an investor. Where performance returns are quoted "Pre fees and tax", they exclude the effects of management costs and any taxes. Past performance is not a reliable indicator of future performance.

If market movements, cash flows or changes in the nature of an investment (e.g. a change in credit rating) cause the Fund to exceed any of the investment ranges or limits specified, this will be rectified by PFSL as soon as reasonably practicable after becoming aware of it. If PFSL does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified are accurate as at the date of this factsheet and PFSL reserves the right to vary these from time to time.