



Combining Purpose with Performance

Pendal Sustainable
Multi-Asset SMA

PENDAL

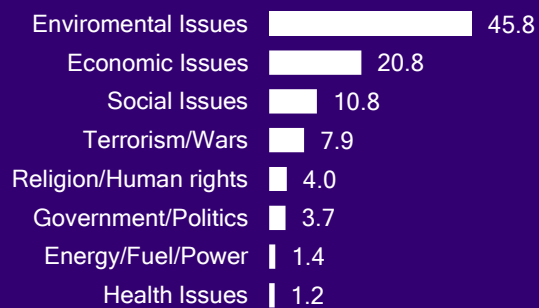


Australians are becoming more aware of the impact of their investments.

Retirees, in particular, are increasingly thinking about how to use their investments to create a better world for their children and grandchildren.

What is the most important problem facing the world today? (% of respondents)

46% of Australians see environmental issues as the most important problem facing the world today



Australians are increasingly concerned about social and not just environmental issues when investing.

74%

For **three-quarters (74%)** of Australians, social issues are important when they think about investing their money. This is up from 64% in 2020



4 out of 5 Australians

(83%) expect their bank account and their super to be invested responsibly and ethically and for over 80% of the population, this means that their investments deliver a positive impact to the world.

Source: Roy Morgan Research (2022), RIAA, From Values to Riches (2022)
https://responsibleinvestment.org/wp-content/uploads/2022/03/From-Values-to-Riches-2022_RIAA.pdf

What is Responsible Investing?

There are a number of approaches within responsible investing (RI)



ESG integration

Considering Environmental, Social and corporate Governance (ESG) factors – both risks and opportunities – in the investment process.

An essential element of RI



Sustainability investing

Investments that target companies with sustainable business practices & products.

Example: 'Best of Sector', thematic investments



Ethical or socially responsible investing

Investments which incorporate ethical and/or other values-based considerations.

Example: exclusions/negative screening



Impact Investing

Investments that seek to achieve targeted environmental and social outcomes in addition to financial returns.

Example: Use of Proceeds Bonds

RI approaches can employ different strategies, depending on what the ultimate objective is, from managing a full range of risks through to seeking to contribute to sustainability-related solutions...

Traditional Investment	Responsible Investments						Philanthropy
	ESG Integration	Negative Screening	Positive Screening	Sustainability-themed Investing	Impact Investing		
					Market rate	Concession	
Limited or no regard for ESG factors	Consideration & analysis of ESG factors as part of decision making	Industry sectors or companies excluded to avoid risk/align values	Invest in companies or industries with better ESG performance	Target sustainability themes (e.g. clean energy)	Target social & environmental impact with market returns	Target social & environmental impact with below market returns	Grants that target positive social & environmental impact with no expectation of financial returns

Pendal Sustainable Managed Portfolio



Total portfolio approach to sustainability



Avoiding material investments & activities such as thermal coal, tobacco, gambling, pornography and controversial weapons



A focus on active ownership

The Pendal Sustainable Managed 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. Sustainable and ethical investment practices are incorporated into the Australian and international shares, Australian and international fixed interest and the alternative investments components.

We employ three main approaches to do this (in descending order of return and risk contribution at the total fund level):

Strategic asset allocation - weighted asset class exposures designed to meet the investment objectives over the long-term investment horizon

Active management - exploitation of market inefficiencies within asset classes

Tactical asset allocation - exploitation of short-term market directionality across asset classes

Pendal's Responsible Investment Philosophy is based on three core beliefs

1

Attention to ESG factors contributes to better informed investment decisions and can improve the quality and consistency of **long-term value creation**.

2

As an active investment manager, we are well positioned to identify a **full range of risks** faced by the entities in which we invest, including ESG risks (and opportunities). We provide investment **solutions to our clients** which **help them manage investment risks** and thus enhance returns, and where relevant, support **additional client objectives** such as around sustainability outcomes.

3

Our actions and decisions **can affect practices in the entities** in which we invest, such as in the way the company manages its risks, or its impact upon the environment or the community. We have both a fiduciary **duty** and an **interest** in **responsibly managing this influence**.

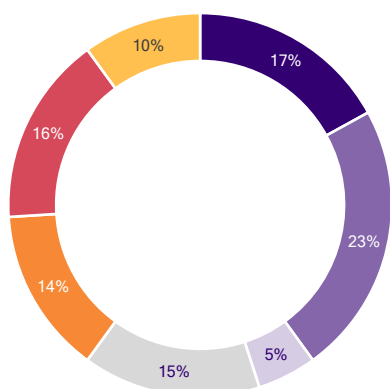
What is the style of asset allocation?

Pendal Sustainable Moderate Managed Portfolio

This managed portfolio seeks to provide moderate returns over the medium term through a diversified portfolio of defensive and growth assets.

Code	SMAPEN05S
Investment management fee	0.47% pa of your portfolio balance
Macquarie SMA Investment Fee	0.154% pa
Total Management fee	0.624%
Total indirect costs	Refer to Macquarie Managed Accounts PDS

Asset allocation



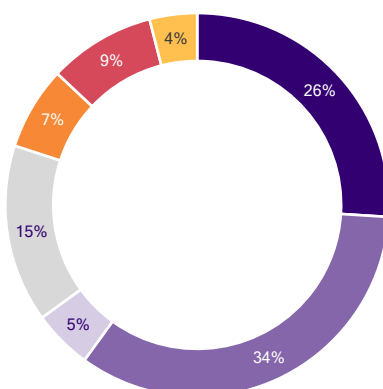
Asset class	Allocation (%)
Growth assets	60
Australian shares	17
International shares	23
Listed property / Infrastructure	5
Alternatives	15
Defensive assets	40
Australian fixed interest	14
International fixed interest	16
Cash	10

Pendal Sustainable Balanced Managed Portfolio

This managed portfolio seeks to provide moderate to high returns over the medium to long term through a diversified portfolio of growth and defensive assets.

Code	SMAPEN03S
Investment management fee	0.54% pa of your portfolio balance
Macquarie SMA Investment Fee	0.154% pa
Total Management fee	0.694%
Total indirect costs	Refer to Macquarie Managed Accounts PDS

Asset allocation



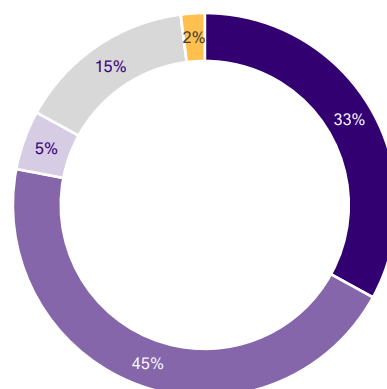
Asset class	Allocation (%)
Growth assets	80
Australian shares	26
International shares	34
Listed property / Infrastructure	5
Alternatives	15
Defensive assets	20
Australian fixed interest	7
International fixed interest	9
Cash	4

Pendal Sustainable High Growth Managed Portfolio

This managed portfolio seeks to provide moderately high returns over the long term through a diversified portfolio of primarily growth assets and some defensive assets.

Code	SMAPEN04S
Investment management fee	0.58% pa of your portfolio balance
Macquarie SMA Investment Fee	0.154% pa
Total Management fee	0.734%
Total indirect costs	Refer to Macquarie Managed Accounts PDS

Asset allocation



Asset class	Allocation (%)
Growth assets	98
Australian shares	33
International shares	45
Listed property / Infrastructure	5
Alternatives	15
Defensive assets	2
Australian fixed interest	0
International fixed interest	0
Cash	2

Pendal Sustainable Managed Portfolios - underlying strategies

Asset class	Strategy/Fund	RIAA Certified	Style / screens	
Australian Shares	Pendal Sustainable Australian Share Fund	Y	Investments are selected based on a range of sustainable, ethical and financial criteria. The Fund seeks increased exposure to companies that are in more sustainable industries or are leaders in sustainable practices while avoiding those that cause significant social and/or environmental harm.	PENDAL
	Pendal Horizon Sustainable Australian Share Fund	Y	Seeks increased exposure to companies that enable and lead in the transition to a more sustainable and future-ready Australian economy, while avoiding those that cause significant harm. It is managed on a more concentrated basis than the Pendal Sustainable Australian Share Fund.	PENDAL
International Shares	Vanguard Ethically Conscious International Shares Index Fund	Y	The Fund's index excludes the securities of companies that have a specified level of business involvement in fossil fuels, nuclear power, alcohol, tobacco, gambling, adult entertainment or weapons. The index also excludes companies that the index provider determines are involved in controversial conduct related to principles of the United Nations Global Compact.	Vanguard
	Regnan Global Equity Impact Strategy	Y	Encouraging positive sustainable social and environmental outcomes for the community. Bottom-up analysis of the UN Sustainable Development Goals (17) and the 169 underlying targets. Investing in mission-driven companies that create value for investors by providing solutions for the growing unmet sustainability needs of society and the environment, using the UN Sustainable Development Goals (SDGs) as an investment lens.	Regnan
	Pendal Global Select	Y	Applies a "quantamental" research approach to stock selection, where a proprietary quantitative investment model is combined with rigorous fundamental analysis to produce a concentrated portfolio of 30-60 stocks. ESG risks are incorporated into the analytical framework and portfolio construction. Further, the Fund employs exclusionary screens to avoid investments in companies that cause significant social and/or environmental harm.	PENDAL
Listed Property	Pendal Property Securities Fund	N	Invests primarily in Australian listed property securities including listed property trusts, developers and infrastructure investments. In addition, up to 15% of the Fund can be invested in international listed property securities and around 5% of the Fund will generally be invested in unlisted property securities.	PENDAL
	Pendal Global Property Securities Fund	N	AEW seeks to identify resilience factors that are most relevant to real estate and that can be appropriately incorporated into the investment and asset management process.	AEW
Alternatives	Pendal Multi-Asset Target Return Fund	Y	A liquid alternatives strategy primarily investing in equities, bonds and listed alternatives (such as listed infrastructure and commodity futures). Unlike a traditional balanced fund it does not have a strategic asset allocation, but rather adopts a dynamic weighting between asset classes to seek to produce better risk adjusted returns through a full market cycle. The Fund also employs a range of "uncorrelated alpha" strategies, such as style based relative value positions as well as a small number of active stock selection strategies. The portfolio screens out securities based on ESG concerns, and also has positive exposure to renewable energy and green bonds.	PENDAL
Australian Fixed Interest*	Pendal Sustainable Australian Fixed Income Fund	Y	Seeks exposure to green, social and sustainable bonds that demonstrate leading ESG and ethical practices while avoiding exposure to issuers with activities that we consider to negatively impact the environment or society.	PENDAL
International Fixed Interest*	Vanguard Ethically Conscious Global Aggregate Bond Index Fund (Hedged)	Y	The Index excludes the securities of issuers that engage in activities in, and/or derive revenue (above a threshold specified by the Index provider) from, fossil fuels, nuclear power, alcohol, tobacco, gambling, weapons and adult entertainment.	Vanguard
Cash	Macquarie Cash	N/A	Cash holding account	* Not included in the Pendal High Growth Managed Portfolio

Pendal Multi-Asset Investments

Accessing a broad array of capabilities and insight



Michael Blayney
Head of Multi-Asset Investments

Industry experience: **25 years** | Years with company: **6 years**



Alan Polley
Portfolio Manager, Multi-Asset Investments

Industry experience: **21 years** | Years with company: **6 years**



Rita Bodrina
Quantitative Analyst

Industry experience: **3 years** | Years with company: **1 years**



Corporate earnings & developing themes

Global, regional & domestic equities



EM country level insights

Global emerging markets team



External input

Purchased research from independent macro research groups

Sell side research

Academic research

Independent risk model



ESG

Dedicated ESG capability, including 100% ownership of Regnan



Global macro & credit

Bond, Income & Defensive Strategies



Support

Dedicated multi-asset class trading, risk & compliance and systems support teams



Combined 60+ years of investment experience across all aspects of the investment industry



Access both internal and external insights



Commitment to ongoing research and improvement

Underlying managers use their influence to be responsible, long-term stewards of investments

Stewardship (also referred to as **active ownership**) refers to activities such as engagement with investee companies, proxy voting and advocacy. Managers within the portfolio engage in stewardship to various degrees.

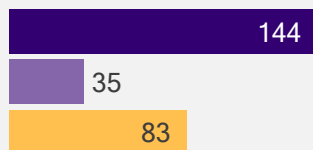
The **Pendal Australian Equities** team's approach is outlined below.

In 2022, Pendal's Australian Equities team held **328** ESG engagements with **127** ASX companies

Environmental



engagements discussed
environmental issues

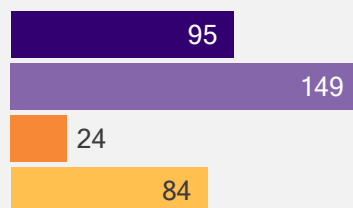


- Climate Change
- Water
- Other Environmental

Social



engagements discussed
social issues

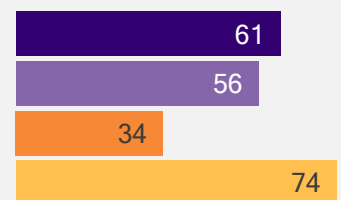


- Human Capital Management
- Ethics, Conduct, Social Licence
- Human Rights & Modern Slavery
- Other Social

Governance



engagements discussed
governance issues



- Remuneration
- Board
- Diversity
- Other Governance

Stewardship Case Study: Rio Tinto

Utilising engagement to effect change

Background: In May 2020 Rio Tinto (ASX:RIO) carried out blasting as part of its Brockman 4 mining operation in the Pilbara Region of Western Australia. This affected a site of particular significance to the traditional owners of the area, the Puutu Kunti Kurrama and Pinikura (PKKP) people.

Issue: The blasting in an archeologically significant area reportedly resulted in the destruction of a 46,000 year old Aboriginal rock shelter in the Juukan Gorge. This caused distress and outrage among the PKKP people and the media at large.

Strategy: We found RIO's initial response was insufficient in acknowledging the gravity of the issue. We also identified failures of culture and oversight that made the Juukan incident possible.

Since then, the incident has been the subject of ongoing engagement. We identified five explicit milestones by which we assessed RIO's progress to rectify this issue.

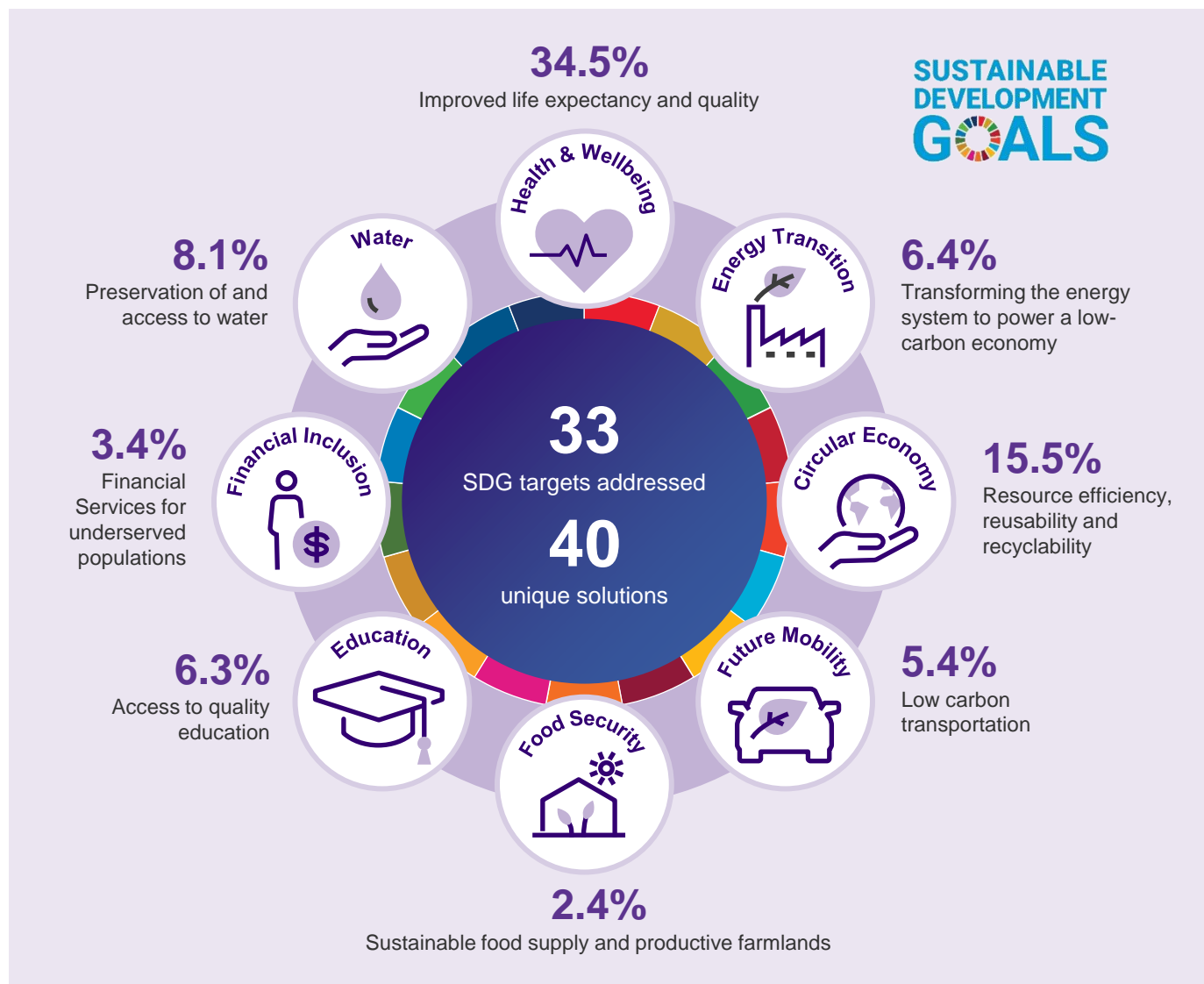
Response: While we are pleased that RIO has made good progress in a number of areas, we still believe the company has further to go.

Outcome: We are watching the degree of support for the Senate Inquiry findings and review of the WA Cultural Heritage Act in particular. We are also seeking further engagement with the new chair and Australian-based board members to confirm the reforms and continued progress.

RioTinto

Underlying manager Regnan use the UN Sustainable Development Goals as an investment framework

Bottom-up analysis of the UN Sustainable Development Goals (17) and the 169 underlying targets. Invest into mission driven companies that are driving change through their own products and services



Source: Regnan / JOHCM as at 31 May 2023. Note: Thematic exposure attribution to eight impact themes based on estimates of company revenues or other relevant metrics. Cash position: 2.7. Neutral impact (11.1%) is estimated where revenues not directly tied to any theme. Negative impact (2.0%) estimated where revenues may be detrimental to UN Sustainable Development Goals (SDG).

Investing in mission-driven companies via the Regnan Global Equity Impact Solutions Fund



Electric Vehicle
charging
Infrastructure

ALFEN



Industrial Waste
Recycling

BEFESA



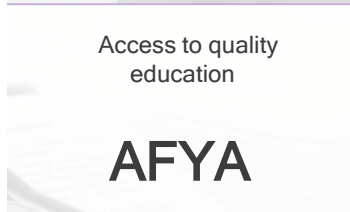
Chemical vapour
deposition
manufacturer

AIXTRON



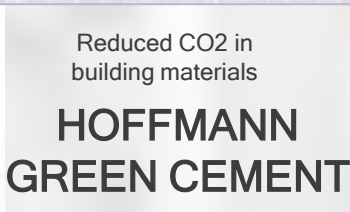
Water Treatment
Solutions

YDUQS



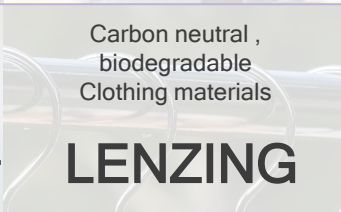
Access to quality
education

AFYA



Reduced CO2 in
building materials

**HOFFMANN
GREEN CEMENT**



Carbon neutral ,
biodegradable
Clothing materials

LENZING



Leading R&D software
reducing design time and
material waste

PTC



About Pental and Regnan

Pental is an independent investment management business focused on delivering superior investment returns for our clients.

Responsible investing is part of our heritage and is a natural extension of our active investment approach.

In 2019 Pental assumed full ownership of Regnan, a responsible investment leader with a long and proud heritage in providing advisory, ESG research and stewardship services.

Regnan continues to provide high quality research, thought

leadership and stewardship services, though primarily to our investment teams. Building on its deep ESG expertise, Regnan has also expanded its capabilities into investment management.

In 2023, Pental became part of Perpetual Limited (ASX:PPT). Perpetual is a diversified, ASX-listed financial services company providing asset management, private wealth and trustee services to local and international clients in Australia, Asia, Europe, United Kingdom and US

PENTAL



6 investment professionals
Portfolio Managers and Analysts
specialising in RI across the
boutiques

- Long history in managing RI strategies, across multiple asset classes
- Large, well resourced and experienced investment teams
- Focused on meeting client needs

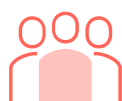


Zenith Sustainable and Responsible
Investments Fund Manager of the
Year - Income



Financial Newswire and SQM
Research Fund Manager of the Year
2022 - Multisector Growth

Regnan



17 team of 17 multi-disciplinary
ESG professionals, with 13 years'
average ESG experience, driving
research and engagement



4 investment professionals
responsible for managing Regnan
impact investing strategies, in
addition to research team

- Deep ESG research, engagement expertise and thought leadership
- Collaboration with and support for Pental teams
- Expanding capabilities into investment management

For more information



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PENTAL

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