

# Pendal Monthly Income Plus Fund

Formerly known as the BT Wholesale Monthly Income Plus Fund



## The financial goals and aspirations that once seemed achievable by investing in term deposits now look increasingly out of reach.

With the cash rate at historic lows and inflation a looming threat, the dilemma for many investment professionals is how best to provide consistent income coupled with some capital growth, whilst also aiming to preserve capital. At Pendal we have addressed this and created an investment solution that offers your clients the best of both worlds.

The Pendal Monthly Income Plus Fund (the **Fund**), is designed for investors who are seeking a regular income and the potential for some long-term capital growth, with a strong focus on capital preservation.

The Fund aims to provide an income (after fees, before taxes) exceeding the RBA Cash Rate over rolling three-year periods by investing in liquid cash and fixed income investments. It also seeks to provide the potential for some capital growth to reduce the impact of inflation through exposure to growth assets – Australian shares – and our highly risk-controlled approach aims to minimise the possibility of a negative return.

## The Fund addresses a range of client needs:

- ✓ Aims to provide a monthly income
- ✓ Actively managed in order to minimise capital drawdowns
- ✓ Aims to reduce the effects of inflation
- ✓ Aims to maintain a higher income level than cash, even if interest rates are moving down, with active interest rate management
- ✓ With daily liquidity, investors are generally always able to access their funds

## Key Benefits



### Monthly income

Monthly income is generated by investing in assets that:

- pay reliable and predictable income,
- pay coupons even in stressed market environments and do not put their distributions at risk, and
- are liquid.



### Aims to preserve capital

The Fund's strict risk minimisation process aims to reduce interest rate and equity market risk, aiming to reduce drawdowns and volatility.



### Some capital growth

Potential for capital growth is achieved through exposure to Australian stocks. By carefully managing the extent of this exposure, we aim to keep drawdowns to a minimum.

Importantly for investors, the Fund’s aim of providing regular income, coupled with potential capital growth to give a degree of protection from inflation, are achieved within strict parameters to minimise risk.

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### Flexible investment ranges to manage risks

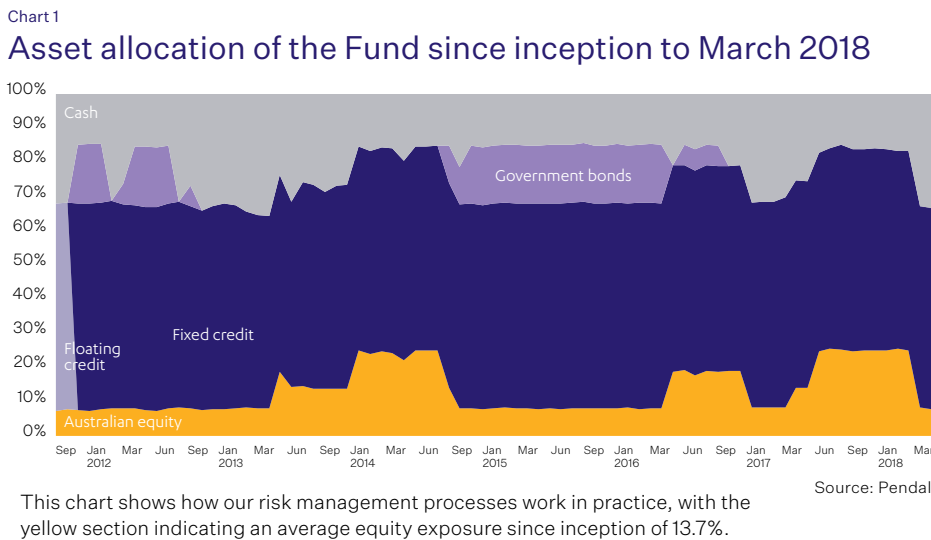
**To ensure the Fund remains defensive in times of stress and can deliver on its conservative, above inflation income target, our experts have the advantage of flexible asset allocation ranges to help manage both equity and interest rate risks.**

When our proprietary, quantitative models indicate increasing equity market risks, such as volatility or negative price movements, we are able to act quickly to reduce our exposure to shares while increasing allocation to more defensive assets like cash and government bonds. This helps to help reduce fund volatility and minimise the risk of capital loss. Once our models indicate that equity markets risks have dissipated, we will consider returning our equity exposures to a neutral position to generate excess returns.

Table 1

Asset allocation ranges

	Neutral	Investment strategy ranges
Cash	15%	15-32%
Government bonds	0%	0-17%
Floating credit	60%	0-60%
Fixed credit	0%	0-60%
Australian equities	25%	8-25%



Liquid growth engine

Many fixed income funds invest in high-yield credit to produce a higher return. This can be a low quality, illiquid investment, which tends to fall with the share market in times of stress.

We prefer to meet investors’ objectives through a small exposure to Australian shares, which have much greater liquidity than low quality credit exposures.

This liquidity means we have the flexibility to actively withdraw our allocation to shares in times of market stress, instead taking advantage of the short-term benefits offered by assets like government bonds, which are typically negatively correlated to shares.

Performance

Historically, the Fund has delivered on its objective of exceeding the RBA cash rate, providing a reliable income for investors with some growth to offset the impact of inflation with minimal capital loss. Since inception in 2009, the Fund has never missed a monthly distribution, has paid distributions in volatile environments and has never had a total return drawdown greater than 2.5%. Past performance is not a reliable indicator of future performance.<sup>1</sup>

Chart 2

Fund unit price stability since inception

One Year Drawdown

Source: Pandal

1 Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Performance data (post-fee) assumes reinvestment of distributions and is calculated using exit prices, net of management costs. Performance data (pre-fee) is calculated by adding back management costs to the post-fee performance.

Fund facts at a glance

Inception date	Responsible Entity	Investment timeframe	Risk level	Management fee	Buy/Sell spread	Distributions
July 2009	Pandal Fund Services Limited ABN 13 161 249 332, AFSL No 431426	3 years	Low to Medium	0.65% pa	0.14% pa	Monthly
Investment objective	Investment approach	Investment guidelines	Benchmark	APIR code	Research ratings	Liquidity
The Fund aims to provide a return (before fees, costs and taxes) that exceeds the RBA Cash Rate over rolling 3-year periods while allowing for some capital growth to reduce the impact of inflation.	The Pandal Monthly Income Plus Fund is an actively managed strategy that invests in a number of income generating securities across a range of asset classes.	Cash 0-50% Fixed Interest 20-100% Shares 0-30%	RBA Cash Rate	BTA0318AU	Recommended June 2017 – Lonsec*  Recommended October 2017 – Zenith**	Daily

What you should know before you invest

Like all investment strategies, an investment in the Fund involves risk. Please refer to the Product Disclosure Statement for the risks of investing in the Fund. In particular, the following significant factors could result in the described benefits of investing in the Fund not or only partially eventuating:

- The income generated in the Fund may be higher or lower than anticipated due to, amongst other things, changes in the level of dividends, coupons from fixed interest or credit investments.
- The Fund may stop paying income or reduce the amount of income paid, and may incur losses, if there are unexpected large defaults in the corporate bonds the Fund is holding and these are then not able to pay coupons
- The Fund may experience losses if there are a significant level of defaults within the credit markets in Australia, defaults by financial institutions with whom the Fund has entered into interest rate swaps and other derivative transactions, or if there are large and unexpected rises in bond yields.
- The Fund’s ability to reduce its exposure to losses may be more or less effective depending on the timing of market falls and the move out of equities exposure.



**Vimal Gor**

Head of Income & Fixed Interest

Years at Pental 7yrs  
Industry Experience 23yrs

## A well-resourced team with global experience

Head of Income & Fixed Interest Vimal Gor is portfolio manager of the Fund and responsible for overseeing over \$19.4 billion as at 31 March 2018. Vimal has more than 23 years' industry experience through senior appointments in the United Kingdom and Australia. In June 2010 Vimal was appointed Head of Income & Fixed Interest and is responsible for setting the strategy, processes and risk management for both the boutique and all funds managed within it.

Pental's large Income & Fixed Interest team comprises dedicated investment professionals with both global and domestic experience, invested across Income, Composite, Pure Alpha, Global and Australian Government strategies. The team also draws on a wide range of knowledge resources including Pental's other specialised investment teams across Equity and Multi-Asset Strategies.

## Fixed Interest & Credit



**Peter Farac**  
Portfolio Manager

Years at Pental 13yrs  
Industry Experience 13yrs



**Amy Xie Patrick**  
Portfolio Manager

Years at Pental <1yr  
Industry Experience 12yrs



**Justin Davey**  
Portfolio Manager/Credit Analyst

Years at Pental 6yrs  
Industry Experience 27yrs



**George Bishay**  
Portfolio Manager/Credit Analyst

Years at Pental 23yrs  
Industry Experience 23yrs



**Steve Campbell**  
Portfolio Manager

Years at Pental 18yrs  
Industry Experience 20yrs

## Quantitative Analysis & Risk



**Tim Hext**  
Portfolio Manager

Years at Pental <1yr  
Industry Experience 25yrs



**Robin Lu**  
Assistant Portfolio Manager

Years at Pental 9yrs  
Industry Experience 14yrs



**Arpit Mathur**  
Quantitative Analyst

Years at Pental 2yrs  
Industry Experience 10yrs



**Oliver Ge**  
Portfolio Analyst

Years at Pental 5yrs  
Industry Experience 8yrs



**Lin Xu**  
Portfolio Analyst

Years at Pental <1yr  
Industry Experience 8yrs



**Ben Connolly**  
Senior Dealer

Years at Pental 1yr  
Industry Experience 24yrs

## Dealing

For more information call us on 1800 813 886  
or visit [pentalgroup.com](http://pentalgroup.com)

**PENTAL**

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