PENDAL

Factsheet

Multi-Asset Strategies

February 2019

Pendal Multi-Asset Target Return Fund

ARSN: 623 987 968

About the Fund

The Pendal Multi-Asset Target Return Fund (**Fund**) is an actively managed multi-asset class portfolio that invests in Australian and international shares, Australian and international listed property securities, Australian and international fixed interest, cash and alternative investments.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) of Australian CPI^ plus 5% per annum over rolling five year periods. The suggested investment timeframe is 5 years or more.

The Fund benchmark is the Australian Consumer Price Index.

Description of Fund

The Fund is designed for investors who are seeking a return that exceeds inflation, diversification across a broad range of asset classes and are prepared to accept some variability of returns.

The Fund aims to generate its returns by investing in shares, listed property securities, fixed interest and alternative investments, both in Australia and globally. To gain its exposure to these asset classes the Fund may invest in shares, bonds, derivatives, unit trusts, exchange traded funds, and listed investment companies/trusts. The Fund will not invest in illiquid assets such as direct property or direct infrastructure.

The Fund's asset allocation is dynamically managed by Pendal, based on an assessment of market valuations, the market/economic cycle and technical indicators. Pendal also seeks to add value and/or reduce risk by employing other strategies such as tactical trades that seek to take advantage of shorter term market dislocations and relative value strategies that focus on mispricing between similar types of financial assets.

Investment Team

The Fund is managed by Michael Blayney who has more than 21 year's industry experience and leads the multi asset investments team at Pendal. The team has a diverse skill set; combining a range of global and domestic market experience and drawing on the resources of Pendal's other specialist teams: Bond, Income & Defensive Strategies and Equity Strategies.

Risks

An investment in the Fund involves risk, including:

- **Market risk -** The risk associated with factors that can influence the direction and volatility of an overall market, as opposed to security-specific risks. These factors can affect one country or a number of countries.
- **International investments risk** – The risk arising from political and economic uncertainties, interest rate movements and differences in regulatory supervision associated with international investments.
- **Currency risk -** Currency exchange rate fluctuation risk arising from investing across multiple countries.
- **Credit risk -** The risk of an issuing entity defaulting on its obligation to pay interest/principal when due.
- **Liquidity risk -** The risk that an asset may not be converted to cash in a timely manner.
- **Derivative risk -** The risk that the Fund makes substantial losses or has volatile returns through the use of derivatives.
- **Counterparty risk -** The risk of another party to a transaction failing to meet its obligations.

Please read the Fund's Product Disclosure Statement (**PDS**) for a detailed explanation of each of these risks.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	0.68	0.74	0.15
3 months	0.89	1.09	0.47
6 months	0.84	1.23	0.97
Since Inception	1.76	2.46	1.59

Asset Allocation (as at 28 February 2019)

Australian shares	2.6%
International shares	25.9%
Australian fixed interest	2.3%
International fixed interest	19.5%
Australian property securities	0.0%
International property securities	0.0%
Alternative investments	0.0%
Cash	49.7%

Investment Guidelines

Asset allocation ranges (%)	Ranges Min	Ranges Max
Australian shares	0	30
International shares	0	50
Australian and International property securities	0	20
Fixed interest	0	100
Alternative investments	0	30
Cash	0	100

Other Information

Fund size (as at 28 Feb 2019)	$130 million
Date of inception	April 2018
Minimum investment	$25,000
Buy-sell spread[1]	0.24% (0.12%/0.12%)
Distribution frequency	Quarterly
APIR code	PDL3383AU

[1] The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Management Costs[2]

Issuer fee[3]	0.78% pa
Estimated indirect costs[4]	0.08% pa

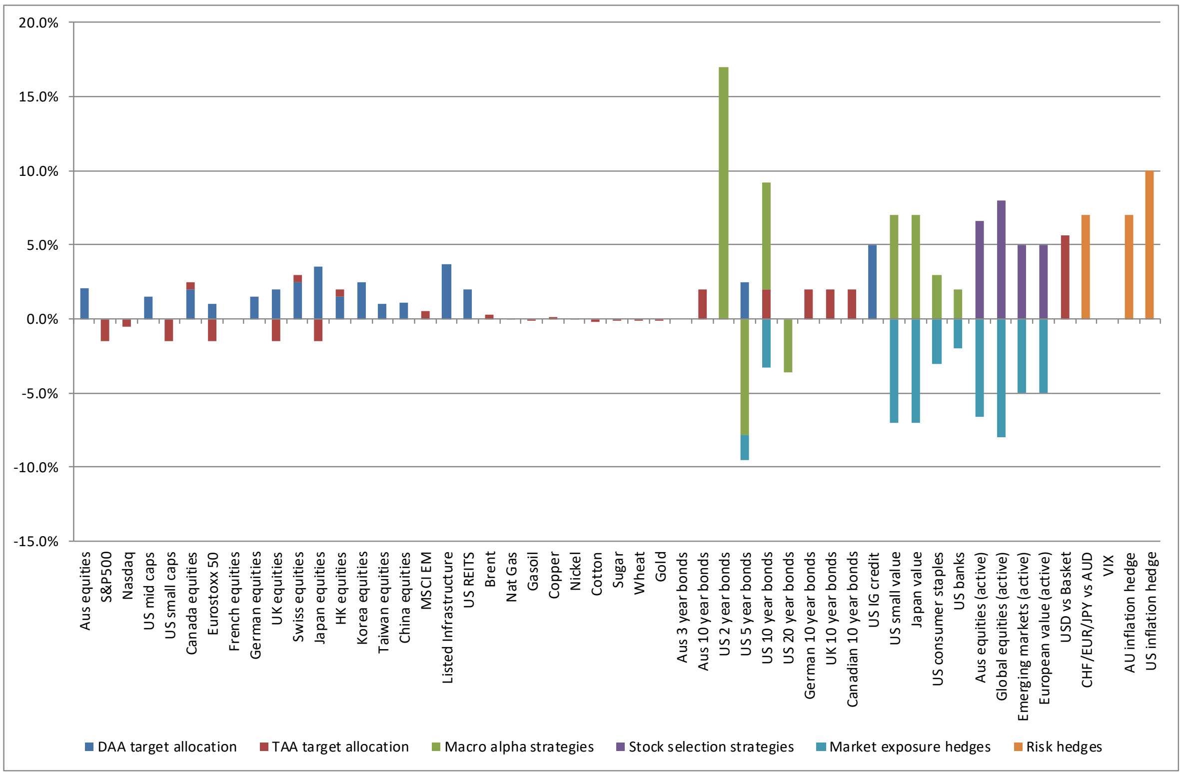
[2] You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

[3] This is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund. The Issuer fee is paid from the assets of the Fund and is reflected in the unit price of your investment.

[4] This is an estimate of the last financial year's indirect costs. These are reflected in the unit price of the Fund and are not charged to you as a fee or retained by us.

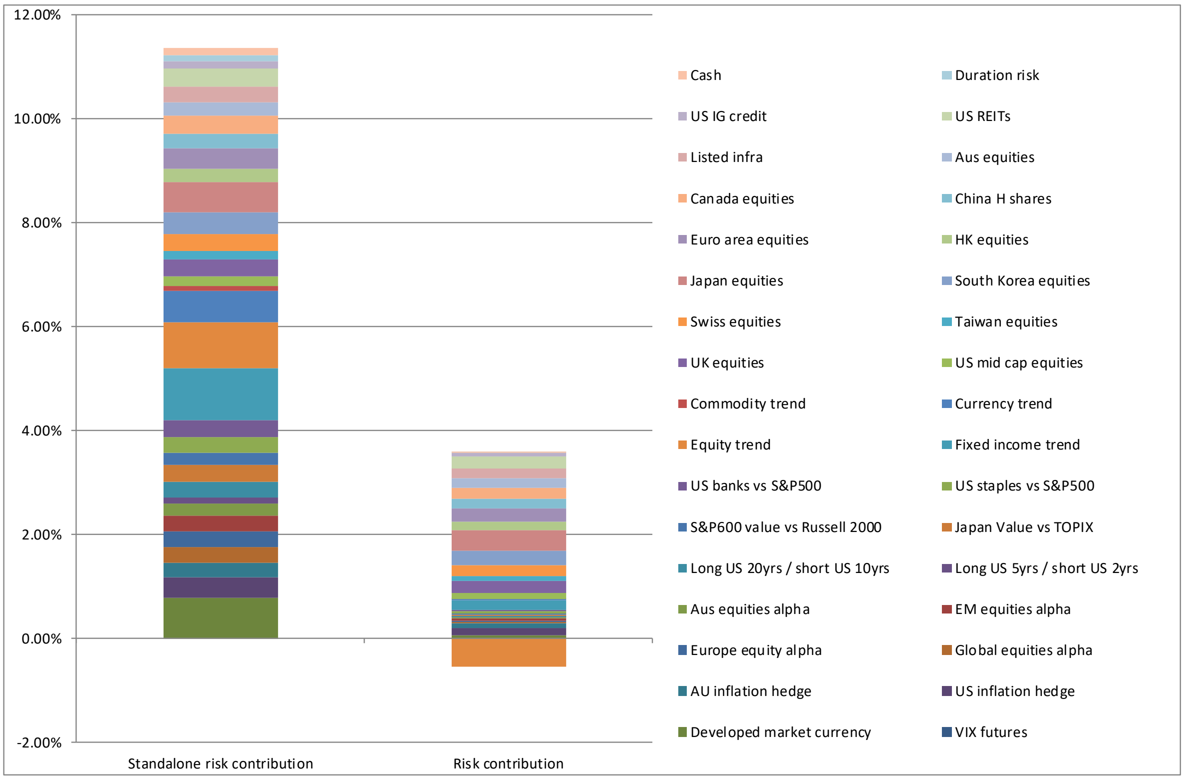
^Australian CPI or Australian Consumer Price Index means the All groups Consumer Price Index (CPI) as published by the Australian Bureau of Statistics (ABS).

Capital Allocation (as at 28 February 2019)



This chart above illustrates the target portfolio weights as at the date shown. Actual weightings may differ from these due to market movements, cash flows and other factors.

Risk Allocation (as at 28 February 2019)



The risk allocations in the chart above are intended to provide an indication of both the total risk taken in respect of the portfolio at a point in time, and how this is divided up among the different positions held within the portfolio. The total of the “risk contribution” bar represents the expected (forward looking) standard deviation of annual returns for the portfolio, based on the target portfolio weights shown. The “standalone risk contribution” for each position shows the level of volatility when the position is considered in isolation; whereas the “risk contribution” for each position puts this into the context of a total portfolio, allowing for the benefits of diversification.

The risk allocations shown in the chart above are based on the target portfolio weights for the date shown, and use proprietary, forward looking, standard deviation and correlation assumptions for each position in the portfolio, which are based on a combination of historical market returns, finance theory and professional judgement.

The standalone risk contribution for each position is calculated by taking the expected standard deviation of returns for the exposure in question multiplied by its target weighting in the portfolio. It does not allow for diversification benefits from investing in multiple asset classes / positions – this is however allowed for in the risk contribution column.

The risk contribution from each position is calculated as the total expected portfolio standard deviation of returns multiplied by the proportionate contribution to this from the position in question, taking into account its weighting in the portfolio, its own expected standard deviation of returns and it’s correlation to every other position in the portfolio. This is presented by way of illustration only, and is not intended to provide any guarantee as to the future performance of any asset class or strategy.

Fund manager’s commentary

Over February the portfolio rose 0.68% net of fees. While returns over the last few months have been fairly flat, it is important to bear in mind that the investment time horizon of the fund is five years, and as the Fund is expected to be exposed to equity and fixed interest markets (to varying degrees) through the cycle, the portfolio is not expected to always generate returns in excess of inflation over short time periods. Rather, the portfolio’s strategy in volatile markets is to seek to protect against downside risk as much as possible, while looking to acquire assets as they become identified as attractive through rigorous in-house analysis.

Exposure to equities contributed positively to returns over the month, however the portfolio’s tactical asset allocation process held back the total size of the portfolio’s equity allocation. During February we made a small allocation to Chinese A-Shares, funded from our exposure to Chinese H-Shares. A-Shares are domestically listed stocks in Shanghai and Shenzhen. They offer a better valued, and more diverse exposure to the Chinese equity market than Hong Kong listed H-Shares. Underperformance over the last year has seen A-Shares become extremely under-valued, both in absolute terms and relative to H-Shares. While there are a number of economic headwinds for China, notably the need to de-leverage from a significant debt build up in the economy, we believe that valuations are nonetheless compelling.

As a way of seeking to enhance returns independent of market direction, the portfolio holds a number of active Pendal strategies across emerging market equities, Australian equities, global equities and European equities. The market and currency exposure associated with these is largely hedged, meaning that the portfolio is exposed to the underlying excess return (or alpha) of each strategy. In aggregate this added 0.2% over the month. At an overall portfolio level, we also employ a number of relative value tilts to attractively valued styles or sectors (including Japan value, US small cap value, US banks and US consumer staples). The market exposure associated with these is fully hedged. Over the month Japan value detracted from returns, however this was more than offset by the other relative value trades, with this sleeve adding 0.14% over the month.

During February we continued building a small exposure in US master limited partnerships (infrastructure vehicles that invest in assets such as oil and gas pipelines). Following the volatility of late 2018, these assets became more attractively priced, warranting modest allocations. Like Chinese A-Shares, master limited partnerships are more volatile investments, which is reflected in a smaller position size at a total portfolio level than lower risk assets.

Looking forward, the portfolio continues to be relatively defensively positioned, given the market environment and risk of further spikes in volatility. At the same time we continue to look to build exposures to assets that are under-valued in either absolute or relative terms, recognising that valuation is the most important determinant of investment returns over the Fund’s five year investment horizon.