

Pendal Multi-Asset Target Return Fund

Multi-Asset Strategies

ARSN: 623 987 968

July 2019

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.

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		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	0.38	0.45	0.13
3 months	0.10	0.31	0.54
6 months	2.34	2.74	0.97
1 year	2.11	2.91	1.91
Since Inception (pa)	2.63	3.44	1.83

Asset Allocation (as at 31 July 2019)

Australian shares	2.0%
International shares	22.0%
Australian fixed interest	2.5%
International fixed interest	29.4%
Australian property securities	0.0%
International property securities	2.0%
Alternative investments	4.9%
Cash	37.2%

Investment Guidelines

Asset allocation ranges (%)	Ranges	
	Min	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 31 July 2019)	\$110 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 Costs²

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

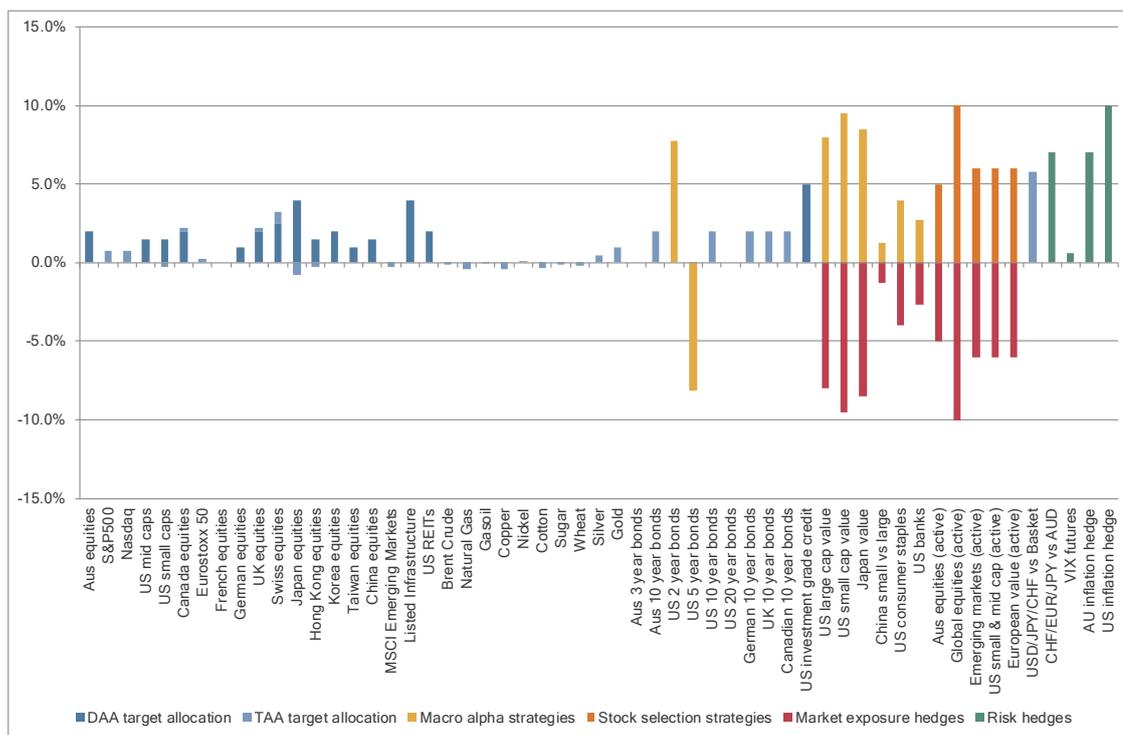
² You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

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).

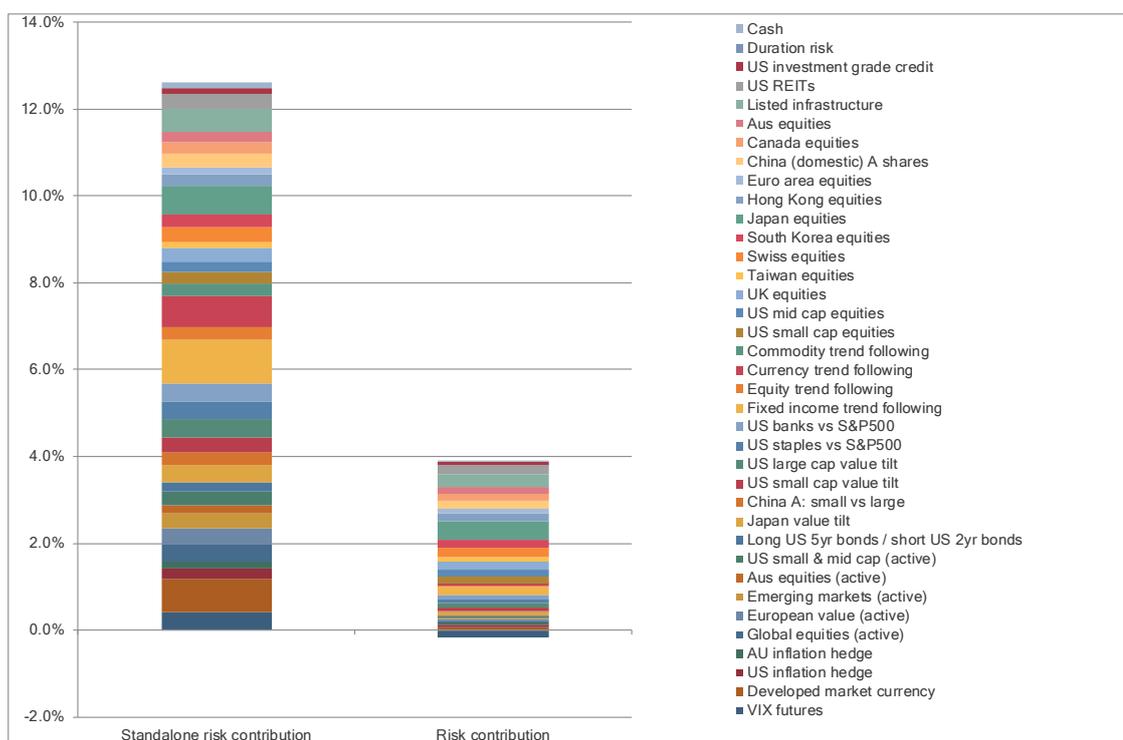
Asset Allocation (as at 31 July 2019)



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.

Bond futures effective exposure is shown on the basis of 10 year equivalents. i.e. In the above chart, the allocations from 'Aus 3 year bonds' through to 'US 20 year bonds' have been adjusted based on the ratio of the modified duration of the bond future in question to the modified duration of the 10 year bond future in that market. This is to ensure greater consistency in how the exposures from bond futures are shown in the chart across instruments with different maturities.

Risk Allocation (as at 31 July 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 its 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 July, the Fund rose 0.38%, bringing the return over one year to 2.11% net of fees.

The primary positive contributor to returns over the month came from the portfolio's exposure to listed infrastructure assets. A combination of low sensitivity to broad equity market volatility, and attractive discount rates on the underlying assets relative to low bond yields, leads these assets to continue to be very attractive. Broad equity markets continued their strong performance over the month, though markets in Asia, where we see the best relative value, struggled relative to US and Australian equities. Sentiment towards South Korean stocks was adversely impacted by a deterioration in trade relations with Japan, together with ongoing economic softness. However, overall equity exposure contributed positively to returns.

Our trend following strategies generally added value over the month, with fixed income trend following continuing to perform strongly as yields make new lows. Commodity trend benefited from a small long position in gold, and our currency trend following strategy also benefited from weakness in the Australian and New Zealand dollars relative to the US dollar.

In our "risk hedges" sleeves we currently hold a mixture of defensive foreign currency exposure (as the Australian dollar tends to fall in times of crisis, making this a good diversifier) and long volatility exposure via futures on the VIX Index. As the Australian dollar weakened vs the Japanese Yen and Swiss Franc this added value. The exposure to VIX futures detracted value slightly, though post-month end was extremely advantageous in the market volatility of early August.

Relative value strategies underperformed over the month due to ongoing underperformance of value stocks. Value stocks (stocks trading at lower levels on fundamental ratios such as price to earnings ratios) have struggled relative to the broader market in recent years as investors have been willing to pay high prices for growth, such that the valuation discount available on these types of companies has reached very attractive levels in a number of markets. While it is impossible to time the exact turning point of the relative performance of value stocks, we do know from past history that returns tend to be stronger following periods where the valuation discount on cheaper stocks is larger – and so we believe that value stocks offer an extremely compelling opportunity at present.

Looking forward, we continue to hold equity exposure focused on the markets offering the most compelling value (primarily in Asia and non-EMU Europe), only small exposure to credit assets given relatively tight spreads, and a range of diversifying assets and "alpha" opportunities (relative value and active management within individual categories of equities). In addition, in response to both the low yield environment, and the compelling opportunity in value stocks mentioned in the previous paragraph, we are progressively increasing the risk budget allocated to these relative value positions. Overall we believe this positioning represents a sensible balance between return seeking and downside risk management, consistent with the portfolio's objectives.

For more information please call **1800 813 886**,
contact your key account manager or visit pendalgroup.com

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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 fact sheet and PFSL reserves the right to vary these from time to time.