PENDAL

Factsheet

Multi-Asset Strategies

November 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.

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	0.30	0.37	0.14
3 months	0.23	0.43	0.45
6 months	1.95	2.35	1.01
1 year (pa)	3.17	3.98	1.93
Since Inception (pa)	2.46	3.27	1.87

Asset Allocation (as at 30 November 2019)

Australian shares	2.2%
International shares	19.8%
Australian and International property securities	2.0%
Fixed interest	15.7%
Alternative investments	4.2%
Cash	56.1%

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 30 Nov 2019)	$124 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]	0.04% pa

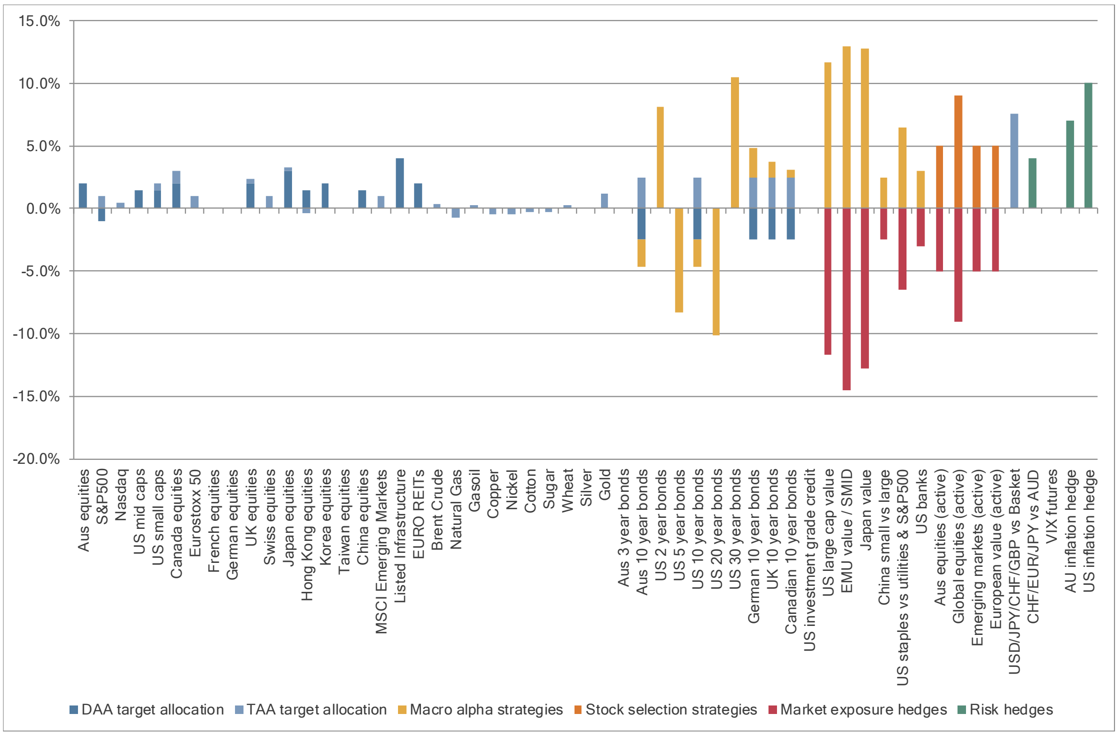
[2] You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

[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).

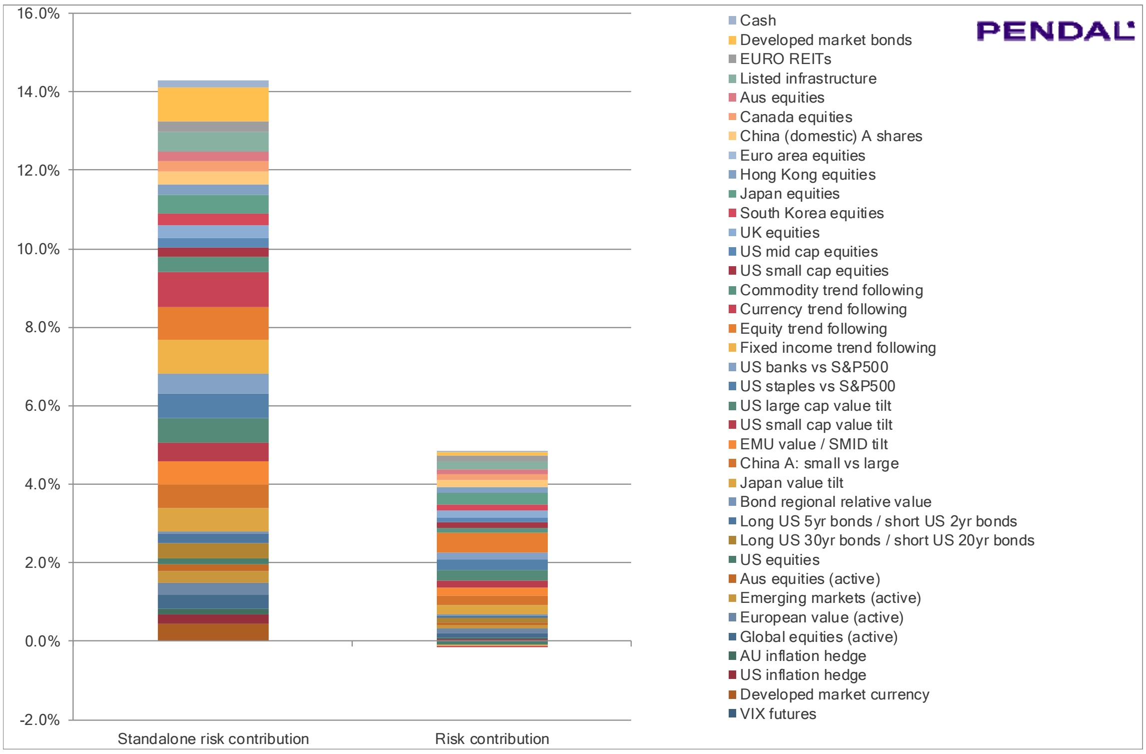
Asset Allocation (as at 30 November 2019)



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 30 November 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 November, the Fund returned 0.3%, bringing the return over one year to 3.2% net of fees.

The portfolio's approach to investing combines active asset allocation, tactical risk hedging, and uncorrelated alpha in pursuit of its dual return and risk objectives. The active asset allocation approach combines a value-oriented approach to its asset allocation, seeking exposure to well-valued assets (dynamic asset allocation) with quantitative trend following strategies across equities, fixed income, commodities and currencies (tactical asset allocation).

"Uncorrelated alpha" refers to strategies that seek to enhance returns without materially increasing the portfolio's overall exposure to equity or fixed income market risk. Alpha generation focuses on macro alpha (relative value) strategies that seek to exploit relative mis-pricings between similar classes of assets; and also incorporates stock selection alpha (currently predominantly fundamental stock picking strategies with the corresponding market exposure hedged out via futures).

Active asset allocation – Dynamic & Tactical

Equity markets were generally up over the month, though Asian markets (which represent the portfolio's largest equities exposure) generally lagged. Overall however exposure to equity markets via the valuation oriented (dynamic) component of the active asset allocation process added value.

Trend following strategies added value, with trend following in equities and fixed income performing strongly, trend following strategies in currency slightly negative, and commodity futures the largest detractor. Trend following in equities and bonds did well as equities continued their upward climb, and bond yields in Australia and Germany fell. Since the inception of the Fund, trend following strategies have made a slightly positive contribution to returns. Through a full market cycle we expect trend following strategies to make a positive contribution to risk adjusted outcomes as (i) trend is highly complementary to the core value orientated dynamic asset allocation process and (ii) historically trend following strategies have exhibited some of their best performance in more difficult market conditions.

Risk hedges

In our "risk hedges" sleeves we held a mixture of defensive foreign currency exposure (as the Australian dollar tends to fall in times of crisis, making this a good diversifier), and strategic inflation hedges ("break-even" inflation – which is the rate of inflation implied by market pricing of inflation linked bonds vs nominal bonds). Risk hedges had a fairly neutral impact month.

Macro alpha (relative value)

Value stocks still remain extremely cheap in a number of markets, and we have over the last year been steadily increasing exposure to this theme. Exposure to US large cap value style stocks vs US large caps added a modest amount of value over the month as value stocks slightly outperformed. Our relative value position in Chinese small caps vs large caps also added value. We continue to see compelling value in both these positions.

Yield curve relative value positioning was positive for returns over the month. The yield curve relative value process looks to exploit relative pricing differences between different parts of yield curves in various government bond markets. Our valuation models indicated that, in the US, the shorter end of the yield curve (between 2 year bonds and 5 year bonds) was too flat and the long end of the yield curve (between 20 year and 30 year bonds) was too steep. We have in place long positions in futures representing the cheaper parts of the curve, with hedges on the more expensive parts of the curve. Over the month, the yield curve became steeper at the shorter end and flatter at the long end, which benefitted these positions.

Stock selection

Stock selection detracted slightly from returns over the month.

Positive contributions from Australian equities and the Concentrated Global Equities Fund were offset by negative contributions from the European Concentrated Value Strategy and underperformance within the Global Emerging Market Opportunities Fund.

We note however that since the inception of the strategy, the contribution to returns from stock selection remains positive overall.

Overall Portfolio Strategy

Looking forward, we continue to hold equity exposure focused on the markets offering the most compelling value (primarily in Asia and non-EMU Europe), no 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 particular, in response to both the low yield environment, and the compelling opportunity in value stocks mentioned in the previous paragraph, we maintain a significant exposure 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.