

Pendal Global Fixed Interest Fund

ARSN: 099 567 558

Factsheet

Bond, Income &
Defensive Strategies

March 2020

About the Fund

The Pendal Global Fixed Interest Fund (**Fund**) actively seeks out investment opportunities within a broad portfolio of international fixed interest securities.

Fund Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the JP Morgan GBI Traded Index, hedged to AUD, over the medium term. The suggested investment timeframe is three years or more.

Investment Strategy

The Fund is an actively managed portfolio of international fixed interest. This Fund is designed for investors who want income and are prepared to accept some variability of returns. The Fund invests in a combination of fixed and floating rate debt and short-term money market securities. This may include investments in government, bank, corporate and structured finance securities. The Fund may also use derivatives.

Investment Process

Pendal's investment process for global fixed interest is based on a diversified approach which utilises a combination of active and enhanced strategies. The Fund does not generally invest directly in traditional international fixed interest securities. The Fund gains benchmark returns through an index swap and excess returns through a variety of credit and duration strategies. The active strategies are managed by the Pendal Bond, Income & Defensive team.

The Bond, Income & Defensive team process has a strong quantitative underpinning which aims to systematically generate potential trade ideas through the use of over 100 proprietary models. The models are used to identify mispricing's in global markets that are based on an economic, market and technical basis to provide the highest probability of success. After this is the qualitative overlay which is based on the judgment and experience of the team and is used to ensure that the positions are optimal from a risk/return basis and also that they are not all exposed to a similar view or outcome. The strategy aims to meet its objective by taking a small number of lowly-correlated positions in global interest rate markets.

Investment Team

Pendal's Bond, Income & Defensive team includes thirteen dedicated investment professionals. The team also draws on a wide range of knowledge resources including Pendal's other specialist investment teams: Equity and Multi-Asset. The Fund is managed by Vimal Gor, Head of Bond, Income & Defensive Strategies who has more than 24 years industry experience.

Performance¹

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	0.19	0.23	0.51
3 months	4.50	4.63	4.63
FYTD	5.68	6.10	5.84
6 months	2.67	2.94	2.86
1 year (pa)	8.84	9.42	8.91
2 years (pa)	6.01	6.58	6.68
3 years (pa)	4.70	5.25	5.43
5 years (pa)	3.27	3.82	4.46

The benchmark for this Fund changed from the Barclays Capital Global Aggregate Bond Index Hedged to AUD to the JP Morgan GBI Global Traded Hedged to AUD from 4th January 2012. Performance before this date may not be directly comparable.

Country Allocation (as at 31 March 2020)

Belgium	1.9%
Denmark	0.4%
France	7.7%
Germany	5.2%
Italy	6.8%
Netherlands	1.5%
Spain	4.5%
Sweden	0.3%
United Kingdom	6.9%
Japan	20.0%
Canada	1.3%
USA	41.9%
Cash & other	1.6%

Other Information

Fund size (as at 31 Mar 2020)	\$34 million
Date of inception ¹	July 2002
Minimum investment	\$25,000
Buy-sell spread ²	For the Fund's current buy-sell spread information, visit www.pendalgroup.com
Distribution frequency	Half-yearly
APIR code	RFA0032AU

¹ The investment manager for this Fund changed on 4th January 2012. Performance before this date may not be directly comparable.

² The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Management Costs³

Issuer fee ⁴	0.53% pa
-------------------------	----------

³ You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

⁴ 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.

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.
- **Security specific risk** - The risk associated with an individual asset.
- **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.
- **Interest rate risk** - The risk associated with adverse changes in asset prices as a result of interest rate movements.
- **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.
- **Valuation risk** – The risk that the value of an investment in a less active or liquid market is lower than what is reflected in the Fund's unit price.
- **Derivative risk** – The risk arising from use of derivatives to manage exposures to investment markets.
- **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.

Market review

March saw the escalating COVID-19 crisis become truly a global pandemic. Risk markets collapsed and bond yields by the end of the month had plummeted. However bonds had a rollercoaster ride getting there. The Fed began the month with an expected 25bp cut and as risk markets deteriorated quickly 10yr US yields fell 60bp in a week. The low of 54bp was reached on March 9th but then massive redemptions kicked in pushing yields up to 1.2% even as the Fed cut 100bp. However massive Fed buying and continuing poor risk sentiment pushed them back to 65bp by month end.

German Bunds also saw early month rallies from -60bp to -85bp before the mid month selloff pushed them back to -20bp before finishing the month at -50bp. Interestingly that was still higher in yield than the start of the month, reflecting our theme that bonds markets globally are converging.

Interestingly due to yield curve control the market which first started the global trend towards zero, Japanese bonds, ended the month at 0bp. The range on the month was -15bp to +5bp. Maybe the Japanese model, once thought of as strange and isolated, is going to become a global standard.

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

Fund performance

The Fund returned 0.23% (pre-fee) during the month and underperformed by 0.28% versus its benchmark which returned 0.51%.

The Fund had positive contributions from duration/yield curve, currency and cross market bond positions, with a US Yield curve steepener earlier in the month providing the most returns. However the funds physical credit exposures whilst high quality saw their spreads widen and cause some mark to market losses which offset the gains on the active overlay.

Outlook

The global pandemic has seen every country experience its own health crisis but also different responses fiscally. Traditional monetary policy is now exhausted but unconventional is in full flight. Countries like Australia and the United States have put in place massive fiscal stimulus, anywhere from 10% to 30% of GDP. This should see them recover quicker than Europe where the structure of the European Union means far greater restrictions on what can be achieved with fiscal policy.

However for the next few months bond yields will continue to be well supported as anchored short rates, massive central bank buying and economies in hibernation see bonds in demand. There will be massive supply but central banks will be soaking it all up. Modern Monetary Theory may not be technically here but many of its principles are now policy.

This factsheet has been prepared by Pental Fund Services Limited (**PFSL**) ABN 13 161 249 332, AFSL No 431426 and the information contained within is current as at the date of this factsheet. It is not to be published, or otherwise made available to any person other than the party to whom it is provided.

PFSL is the responsible entity and issuer of units in the Pental Global Fixed Interest Fund (**Fund**) ARSN: 099 567 558. A product disclosure statement (**PDS**) is available for the Fund and can be obtained by calling 1800 813 886 or visiting www.pentalgroup.com. You should obtain and consider the PDS before deciding whether to acquire, continue to hold or dispose of units in the Fund. An investment in the Fund is subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested.

This factsheet is for general information purposes only, should not be considered as a comprehensive statement on any matter and should not be relied upon as such. It has been prepared without taking into account any recipient's personal objectives, financial situation or needs. Because of this, recipients should, before acting on this information, consider its appropriateness having regard to their individual objectives, financial situation and needs. This information is not to be regarded as a securities recommendation.

The information in this factsheet may contain material provided by third parties, is given in good faith and has been derived from sources believed to be accurate as at its issue date. While such material is published with necessary permission, and while all reasonable care has been taken to ensure that the information in this factsheet is complete and correct, to the maximum extent permitted by law neither PFSL nor any company in the Pental group accepts any responsibility or liability for the accuracy or completeness of this information.

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 factsheet and PFSL reserves the right to vary these from time to time.

PENTAL