PENDAL

# Factsheet

Bond, Income & Defensive Strategies

April 2020

# Pendal Global Fixed Interest Fund

ARSN: 099 567 558

### 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 ultilises 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.

### Performance[1]

| (%) | Total Returns (post-fee) | Total Returns (pre-fee) | Benchmark Return |
|---|---|---|---|
| 1 month | 0.47 | 0.52 | 0.65 |
| 3 months | 2.60 | 2.74 | 2.91 |
| FYTD | 6.18 | 6.65 | 6.53 |
| 6 months | 3.73 | 4.01 | 4.08 |
| 1 year (pa) | 10.05 | 10.63 | 9.88 |
| 2 years (pa) | 6.59 | 7.16 | 7.27 |
| 3 years (pa) | 4.61 | 5.17 | 5.40 |
| 5 years (pa) | 3.69 | 4.24 | 4.72 |

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 30 April 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 | 1.6% |

### Other Information

| | |
|---|---|
| Fund size (as at 30 Apr 2020) | $34 million |
| Date of inception[1] | July 2002 |
| Minimum investment | $25,000 |
| Buy-sell spread[2]<br>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 Costs[3]

| | |
|---|---|
| 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

April saw relative calm after an extraordinary March. Risk markets had a positive month as the massive monetary and fiscal support announced in March underpinned assets. Bonds however traded largely sideways as the more positive risk news was met with equally negative economic news. US 10yrs had relatively narrow 20bp range, between 0.57% and 0.77% ending the month midrange at 0.66%. Bunds had more volatility as the European Union structure prevented the large scale action, speed and decisiveness of other markets. The ECB partly got there eventually and 10yr Bund yields ended the month on the lows of -0.58%, having traded as high as -0.30% in early April.

Short ends of markets were even more stable as all central banks have said they have cash rates on full throttle. The Fed and the RBA are extremely reluctant to go negative, the RBNZ is willing but not there yet whilst the ECB does not want to go further negative. None of these are written in stone but markets are reluctant to price further moves but on the other side they realise short rates are here for a number of years. We expect this to continue but with the risk still to lower rates are happy to remain long duration.

## Fund performance

The Fund returned 0.52% (pre-fee) during the month and underperformed by 0.13% versus its benchmark which returned 0.65%.

Over the month, the Duration and cross market strategies performed well while the Macro and the FX strategies slightly underperformed.

The Duration strategy was the strongest performer for the month as the portfolio maintained its long duration bias.

The FX strategy detracted from performance in the month. We maintained a long-USD bias through the month which detracted as USD fell.

Our sell protection from CDX EM also gave back a small amount of gains from the previous month, we closed this position during the month.

## Market outlook

As the COVID health and economic crisis collided with liquidity this month, equity markets found some support. Our portfolios position shifted to lower risk levels, and more diversified between lowly correlated positions. Duration positions moved back once again into front ends, with focus on policy space and/or willingness. We retain a bias to be long duration further out the curve in the US and other markets but are aware markets may range trade for a few months before heading lower in yields. This is due to some expected optimism as lockdown and shutdowns end, optimism that will fade as the slow speed of the recovery and the structural problems left behind by the crisis become apparent. Cash rates will be stuck at zero or lower for at least the first half of this decade, meaning there is good carry and roll down opportunities further out the curve.