PENDAL

Factsheet

Bond, Income & Defensive Strategies

December 2020

Pendal Monthly Income Plus Fund

ARSN: 137 707 996

About the Fund

The Pendal Monthly Income Plus Fund (**Fund**) is designed for investors who want the potential for regular income and some long-term capital growth to protect against inflation, diversification across a range of asset classes and are prepared to accept some variability of returns. The Fund invests in a number of income generating strategies across a range of asset classes, including fixed interest, shares and cash. The Fund may also use derivatives.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the RBA Cash Rate over rolling 3-year periods while allowing for some capital growth to reduce the impact of inflation.

Investment Strategy

The Fund's investment strategy seeks to provide a reliable and consistent income stream that is commensurate with the prevailing cash rate. This will be achieved primarily by exposure to liquid cash and fixed income investments that generally continue to produce income even in times of stress.

The Fund's strategy also seeks to reduce the impact of inflation through exposure to growth assets (namely Australian shares) which will provide investors with the potential for some capital growth.

The Fund invests mainly in fixed and floating credit, government bonds and cash securities as well as Australian shares. The Fund is diversified with the goal of achieving stability and consistency of income over the long term.

Investment Process

Pendal's investment process provides a defensive approach to asset allocation. The process is aimed at preserving capital and minimising the occurrence of adverse income outcomes.

The Fund has a particular focus on managing downside risk and providing a regular, consistent and stable income. It also aims to provide some capital growth in order to reduce the impact of inflation. However, any capital growth that the Fund accumulates over time is secondary to the primary considerations of seeking to provide income and limit downside risk, and specifically limiting capital losses.

Investment Guidelines

Asset class	Range
Cash	0 - 50%
Fixed Interest	20 - 100%
Shares	0 - 30%

Management costs[1]

Issuer fee[2]	0.65% pa

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

[2] 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.

Investment Team

Pendal's Bond, Income & Defensive team includes fifteen 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 26 years industry experience.

Performance

(%)	Total Returns		Benchmark
	(post-fee)	(pre-fee)	Return
1 month	0.21	0.26	0.01
3 months	2.03	2.19	0.04
FYTD	2.93	3.26	0.10
6 months	2.93	3.26	0.10
1 year (pa)	1.58	2.24	0.32
3 years (pa)	3.59	4.27	1.00
5 years (pa)	4.08	4.76	1.25

Benchmark: RBA Cash Rate

Distribution (over the last 12 months)

Month	CPU	Month	CPU
31/12/2020	0.07	30/06/2020	*1.505
30/11/2020	0.07	31/05/2020	0.25
31/10/2020	0.07	30/04/2020	0.20
30/09/2020	0.07	29/02/2020	0.16
31/08/2020	0.07	31/01/2020	0.16
31/07/2020	0.07	30/11/2019	0.16

* Distribution is large due to year end distribution.

Sector Allocation (as at 31 December 2020)

Government bonds	3.7%
Semi-Government bonds	1.9%
Corporate bonds	58.4%
Mortgage backed	1.6%
Asset backed	0.4%
Australian shares	19.9%
Cash & other	14.2%

Portfolio Statistics (as at 31 December 2020)

Yield to Maturity[3]	0.59%

[3] The portfolio yield to maturity is an estimate of the fund's internal rate of return. It is calculated as the yield to maturity of all securities comprised in the benchmark at the relevant time (sourced from Bloomberg), plus our estimate of the weighted average traded margin over the swap rate for each of those securities based on observed market prices. The portfolio yield to maturity does not represent the actual return of the fund over any period.

Other Information

Fund size (as at 31 Dec 2020)	$579 million
Date of inception	July 2009
Minimum investment	$25,000
Buy-sell spread[4] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Monthly
APIR code	BTA0318AU

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

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.
- **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

The month of December finished the year off a little stronger in credit markets.

Vaccine news and hope for improvements in 2021 supported the market with the UK becoming the first country in the world to approve the Pfizer/BioNTech covid-19 vaccine. The initial tiered rollout of vaccination started mid-month, ahead of the US and EU.

However, factors weighing on markets included the rising global infections, renewed lockdowns in Europe and reports of a new strain of the covid-19 virus, together with the unclear path of US stimulus negotiations.

The Australian iTraxx index (Series 34 contract) traded in a tight 4p range finishing the month 4bps tighter to +56bps. Physical credit spreads were also a little stronger narrowing 1bp on average. The best performing sectors were infrastructure, real estate and resources tightening 14, 12 & 10bps respectively. The worst performing sectors were domestic banks and supranationals widening 2 & 1bp respectively. Semi-government bonds tightened 1bp to commonwealth government bonds.

Fund Performance

The Fund delivered a positive return of 0.26% (pre-fee) over December. The key drivers was positive returns from Australian equity and credit markets with a small negative drag from Australian government bonds. Australian Equities had another strong month as the market reacted positively to the rollout out of the vaccine across Europe and US. Domestically raising restrictions in Victoria combined with state borders opening saw further positive momentum for risk assets which spilled onto both equity and credit markets.

The month of December finished the year off a little stronger in credit markets. The Bloomberg Credit Index spread to swap tightened 1.6bp, a markedly smaller amount compared to nearly 20bp in November.

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The fund continued to hold its more risk on allocation with equities at 19% as we use the positive momentum in equities to increase to our highest weight possible at the moment, with the volatility signal still on so the last 6% exposure won't be entered until mid-2020 at best. We continue to hold 6% to Government bonds still, with the remainder in cash (22%) and Australian Credit at 64%.

Outlook

We maintain our bullish view on credit markets on the back of significant global central bank and government support measures, positive vaccine news and a more conciliatory new US government.

With the high covid case numbers and concerns on the impact on the global economy, policy makers will remain in a 'whatever it takes mindset' and will continue to support economies from both fiscal and monetary stimulus perspectives. This support will be the main driver of markets going forward.

The news of effective covid vaccines with high efficacy is incredibly important for the improvement of global economic growth. Once the vaccines are distributed, the world will hopefully be able get back to normal, which will see a sharp recovery in economic growth supporting risk markets.

The Biden victory in the US elections is also positive for markets, as a Biden government should see an improvement in global trade talks moving away from the more aggressive Trump US-China trade wars.

The excess liquidity in the Australian system and attractive credit spreads against a very low cash and bond rates will continue to attract buyers to the sector supporting credit markets.

Continued policy measures should be supportive for risk assets, which leaves us with a constructive stance on credit markets.

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

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