Factsheet

Income & Fixed Interest

31 August 2022

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%

Fees and costs

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

Management fee[1]	0.65% pa

[1] This is the fee we charge for managing the assets and overseeing the operations of the Fund. The management fee is deducted from the Fund's assets and reflected in its unit price.

Investment Team

Pendal's Income & Fixed Interest team includes eight 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 portfolio manager of the Fund is Amy Xie Patrick who has more than 17 years industry experience.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	0.23	0.28	0.15
3 months	-1.07	-0.91	0.32
FYTD	0.34	0.45	0.26
6 months	-3.21	-2.89	0.36
1 year (pa)	-4.90	-4.28	0.41
3 years (pa)	-0.27	0.39	0.36
5 years (pa)	2.15	2.81	0.80

Benchmark: RBA Cash Rate

Distribution (over the last 12 months)

Month	CPU	Month	CPU
31/08/2022	0.07	28/02/2022	0.07
31/07/2022	0.07	31/01/2022	0.07
30/06/2022	1.0491*	31/12/2021	0.07
31/05/2022	0.15	30/11/2021	0.07
30/04/2022	0.10	31/10/2021	0.07
31/03/2022	0.07	30/09/2021	0.07

* Distribution is large due to year end distribution.

Sector Allocation (as at 31 August 2022)

Government bonds	0.0%
Semi-Government bonds	0.0%
Corporate bonds	55.7%
Mortgage backed	1.1%
Asset backed	0.0%
Australian shares	13.5%
Cash & other	29.7%

Portfolio Statistics (as at 31 August 2022)

Yield to Maturity#	3.73%
Running Yield*	3.05%
Modified duration	1.43 years
Credit spread duration	1.60 years
Weighted Average Maturity	1.76 years

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.

* The portfolio running yield is calculated as the weighted average coupon rate of the physical portfolio assuming all securities are held at par or face value. Carry/interest income from synthetic positions are excluded from this calculation. Running yield does not reflect the actual income return of the portfolio.

Other Information

Fund size (as at 31 Aug 2022)	$551 million
Date of inception	July 2009
Minimum investment	$25,000
Buy-sell spread[2] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Monthly
APIR code	BTA0318AU

[2] The buy-sell spread represents a contribution to the transaction costs incurred by the Fund, when the Fund is purchasing and selling assets. The buy-sell spread is generally 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

Seasonality analysis over the past 30 years shows that August is a bit of a mixed month for risk. On average over the last three decades, August sees the S&P 500 lose around 0.3%, global equities lose around 0.6%, and Australian shares lose around 0.9%. Although August 2022 started on a more promising tone, the bear market rallies were brought to an abrupt halt as markets were reminded of central banks' resolve to fight inflation. This resulted on a much weaker than seasonally expected outcome for equity markets.

The July CPI data for the US was encouraging. For the first time since April, and only the second time this year, headline inflation fell. Both bond and equity markets liked this news, playing out not only a swifter end to this rate hiking cycle, but also a swifter pivot to a more accommodative stance. Several other factors also supported the buoyant risk backdrop in the first half of this month, including some stronger economic data and a better-than-feared US earnings season that helped to assuage recession fears.

However, Fed officials and European inflation data in the latter half of the month acted as sobering reminders that the inflation fight is not over. Chair Powell's delivery of a determined tightening stance at Jackson Hole was deliberately short and to the point: financial conditions need to get more restrictive and stay that way for some time. Not only did this translate to a resurgence of yields in the second half of the month, but also triggered an abrupt end to the risk rallies across global markets.

In China, the PBoC continues to engage in small step moves of monetary easing, knowing full well that the demand hiatus is being caused by the property crisis and a zero-COVID tolerance policy, and not because the price of borrowing is too high. Continued piecemeal easing of policy has been in place for most of this year, and yet none of the stimulus measures delivered thus far have been able to produce any sustained positive effect on the economy. The National Congress meetings have been set to start in mid-October, where President Xi along with other key members of the Party's leadership will be waiving term and age limits of their positions. It is hoped by most that policy stimulus will become more concerted thereafter, accompanied by a gradual lifting of zero-COVID measures. If those hopes are dashed, the outlook for the global economy will become more dire.

Despite the negative turn in risk sentiment in the second half of the month, August was an overall constructive month for credit spreads. In the earlier part of the month, spreads joined equities in cheering the turn of US inflation data and strong US corporate earnings. However, much of the gains in the Australian physicals space was maintained in the latter half of the month even as risk assets broadly softened.

Fund performance and activity

The fund returned 0.28% (pre-fee) in August with gains driven by equities and credit.

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Despite the negative turn in risk sentiment in the second half of the month, August was an overall constructive month for credit spreads. In the earlier part of the month, spreads joined equities in cheering the turn of US inflation data and strong US corporate earnings. However, much of the gains in the Australian physicals space was maintained in the latter half of the month even as risk assets broadly softened. We added small exposures in select new issues through shorter dated financials, given the attractiveness of current market spreads. Sectors that contributed to performance included utilities, infrastructure, industrials and financials.

Australian equities followed global trends, but were more resilient over the month. Our models had triggered us into a higher allocation to equities last month but we had followed the signals with a lower-than-usual weight due to concerns around the global macro backdrop. This turned out to be prudent as risk aversion set in again in the latter part of the month.

We are maintaining a cautious stance to both bonds and equities, with the outlook clouded by the theme of stagflation. Higher volatility across asset classes necessitates that we keep risk levels low for the overall portfolio. We anticipate duration to stay around the 1-2 year mark for this portfolio as risk free yields are able to provide more income and cushion now that yields are higher. We also anticipate equity allocations far shy of the maximum limit, as is currently indicated by our models.

For more information please call **1300 346 821**,
contact your key account manager or visit **pendalgroup.com**

PENDAL

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