Pendal Monthly Income Plus Fund

ARSN: 137 707 996

Factsheet

Income & Fixed Interest

28 February 2023

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 is a large team of 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		Benchmark
	(post-fee)	(pre-fee)	Return
1 month	-1.07	-1.02	0.25
3 months	0.79	0.95	0.76
FYTD	2.13	2.58	1.66
6 months	1.79	2.12	1.40
1 year (pa)	-1.48	-0.84	1.77
3 years (pa)	0.01	0.67	0.69
5 years (pa)	1.91	2.58	0.93
Since Inception (pa)	4.22	4.88	2.21

Source: Pendal as at 28 February 2023

"Post fee" returns assume reinvestment of distributions and is calculated using exit prices. "Pre-fee" returns exclude the effects of management costs and any taxes. Returns for periods greater than one year are annualised. Fund inception: July 2009.

Past performance is not a reliable indicator of future performance.

Benchmark: RBA Cash Rate

Distribution (over the last 12 months)

Month	CPU	Month	CPU
28/02/2023	0.07	31/08/2022	0.07
31/01/2023	0.07	31/07/2022	0.07
31/12/2022	0.07	30/06/2022	1.0491*
30/11/2022	0.07	31/05/2022	0.15
31/10/2022	0.07	30/04/2022	0.10
20/09/2022	0.07	31/03/2022	0.07

* Distribution is large due to year end distribution.

Sector Allocation (as at 28 February 2023)

Government bonds	0.0%
Semi-Government bonds	0.0%
Corporate bonds	57.1%
Mortgage backed	1.0%
Asset backed	0.0%
Australian shares	7.7%
Cash & other	34.2%

Portfolio Statistics (as at 28 February 2023)

Yield to Maturity[#]	4.63%
Running Yield[*]	3.70%
Modified duration	1.99 years
Credit spread duration	1.46 years
Weighted Average Maturity	1.58 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 28 Feb 2023)	$531 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.

Fund Performance and activity

The Fund returned -1.02% (pre-fee) this month, underperforming the benchmark by 0.77%. The portfolios equities and duration allocations detracted from performance, whilst the credit positioning contributed positively offsetting some of the losses.

February saw a strong reaction to economic data releases and the Reserve Bank of Australia (RBA) meeting minutes. US bond yields rose on stronger-than-expected economic data, and Australian yields followed suit.

However, while the labour markets in the US remain tight, Australia's unemployment rate increased from 3.5% to 3.7%, and wage growth remained subdued at 3.3% versus the 3.5% market consensus. These figures coupled with the interpretation of the February RBA meeting minutes as hawkish, led to Australian bonds being sold off. At the same time, risk assets were challenged. US equities erased around 40% of their year-to-date gains, while Australian equity markets outperformed, with hopes of positive spill over from China re-opening. Synthetic credit spreads widened, signalling a rise in risk aversion and a move away from riskier assets.

The portfolio's credit allocation remains unchanged, and we continue to run conservative exposures. During the month, we added to short-dated domestic senior banks, deploying some of the excess cash in the portfolio. Within the physical credit portfolio, the industrials, financials, utilities, infrastructure and real estate sectors all added to performance. The portfolio's credit spread duration and overall credit beta continues to sit at the low end of its long-term range, reflecting our cautious economic outlook for Australia as the RBA's rate hikes start to bite.

The portfolio's duration was reduced substantially over the month, from a high of close to 4 years to 2 years by the end of the month. We believe a positive and relatively low level of duration as now appropriate and neutral for the portfolio as risk-free interest rates are substantially higher now than they were a year ago. Duration has more room to behave as a portfolio diversifier in the current environment. However, being active and agile will be essential to navigate the still very volatile market environment for both bonds and risky assets. This month's reduction in duration was supported by our duration models indicating that more caution was warranted in the near term.

The portfolio's equity allocation was reduced from the max 25% to the minimum 8% allocation by mid-month. This risk reduction was more rapid than suggested by our models which served to protect performance as equity markets came under pressure in the second half of February. Within Australian equities, the resources sector detracted as performance consolidated after a strong December and January. On the other hand, strong insurers and select consumer services sectors helped to support the Australian market's outperformance over offshore markets. Service sectors broadly continue to benefit from the resilience of the Australian consumer.

We take a cautious view on the Australian economy, given the recent rate hikes and potential mortgage rate resets. In light of this, we are adopting a patient approach and waiting for better value opportunities to emerge in the Australian credit market. With regards to equities, our models will be more tactical in positioning this year, as we seek to navigate the uncertain environment. We believe it is important to remain disciplined and focused on our long-term objectives, while also being agile and adaptive to changing market conditions. In summary, our investment outlook for Australia is cautious but optimistic, and we will continue to monitor the situation closely to ensure that our portfolio is well-positioned to capitalize on opportunities as they arise.

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

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