PENDAL

# Factsheet

Income & Fixed Interest

29 February 2024

# Pendal Managed Cash Fund

ARSN: 088 832 491

## About the Fund

The Pendal Managed Cash Fund (**Fund**) is an actively managed portfolio of short-term money market securities of strong credit quality. Key features of the Fund include same day access to funds with no transaction costs and monthly interest accrual. The Fund invests in short term securities issued by Prime Banks or that have a credit rating of A-1+ (minimum 75% of the Fund) and non-Prime Bank short term securities rated A-1 (maximum 25% of the Fund).

## Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the Bloomberg AusBond Bank Bill Index. The Fund also aims to maintain a stable $1.00 unit price while providing income which reflects the returns available in the short term money market.

## Investment Approach

The Fund is actively managed where weighted average maturity management and asset allocation between bank bills, corporate and asset backed securities are the main contributors to performance. The Fund invests in short-term money market securities issued by banks, corporations and other similar issuers in the Australian domestic market.

## 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 Steve Campbell who has more than 26 years industry experience.

## Portfolio Characteristics

| | |
|---|---|
| Maximum duration | 0 - 70 days |
| Minimum credit rating | A-1+ or issued by Prime Banks (minimum 75% of the Fund)<br>A-1 (maximum 25% of the Fund) |
| Liquidity | Same day access (before 2.00pm) |

## 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.

Please read the Fund's Product Disclosure Statement (**PDS**) for a detailed explanation of each of these risks.

## Performance

| (%) | Total Returns (post-fee) | Total Returns (pre-fee) | Benchmark Return |
|---|---|---|---|
| 1 month | 0.35 | 0.37 | 0.34 |
| 3 months | 1.11 | 1.16 | 1.09 |
| 6 months | 2.21 | 2.33 | 2.12 |
| 1 year | 4.20 | 4.43 | 4.10 |
| 2 years (p.a) | 2.98 | 3.17 | 2.92 |
| 3 years (p.a) | 2.00 | 2.17 | 1.95 |
| 5 years (p.a) | 1.54 | 1.72 | 1.47 |
| Since Inception (p.a) | 5.67 | 5.95 | 5.73 |

Source: Pendal as at 29 February 2024

Performance returns (post-fee) is based on issuer fee deducted from the unit price: currently 0.22% (pa).

Performance returns (post-fee) are calculated: to the first day of each month using average daily distribution yields; taking into account management costs of the Fund. Performance returns (pre-fee) are calculated by adding back management costs to the (post-fee) returns.

Returns for periods greater than one year are annualised. Fund inception: September 1986. Past performance is not a reliable indicator of future performance.

## Sector Allocation (as at 29 February 2024)

| | |
|---|---|
| 11am cash | 19% |
| Bank securities | 66% |
| Promissory Notes | 10% |
| Term Deposit | 5% |

## Security Credit Ratings (as at 29 February 2024)

| | |
|---|---|
| A-1+ | 79% |
| A-1 | 21% |

## Portfolio Statistics (as at 29 February 2024)

| | |
|---|---|
| Yield to Maturity# | 4.63% |
| Running Yield* | 4.63% |
| Modified duration | 0.17 years |
| Credit spread duration | 0.14 years |
| Weighted Average Maturity | 0.17 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.

Prime Banks are Australian Prudential Regulated Authority (APRA) Authorised Deposit Taking Institutions that meet Australian Financial Markets Association's (AFMA) strict eligibility criteria and have been elected through an annual market survey process. AFMA recognises securities issued by Prime Banks to be of the highest quality in regards to liquidity, credit and consistency of relative yield. Source: AFMA Prime Bank Conventions, October 2015.

Credit rating by Standard and Poor's.credit ratings reflect the agency's opinion about the ability of the issuer of the rated security to meet its financial obligations in full and on time. Credit agencies may downgrade their rating for a security held in the Fund at any time which may impact the price and liquidity of the security. Credit ratings are intended to be a guide for wholesale investors only and therefore should not be relied upon by retail investors when making a decision to invest in a security.

### Other Information

| | |
|---|---|
| Fund size (as at 29 February 2024) | $827 million |
| Date of inception | September 1986 |
| Minimum investment | $100,000 |
| Buy-sell spread | Nil |
| Distribution frequency | Monthly |
| APIR code | WFS0245AU |

### 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] | 0.22% 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.

The management fee on this Fund increased from 0.12% p.a. to 0.22% p.a. from 1 October 2022.

### Market review

The Reserve Bank of Australia (RBA) left the cash rate unchanged at 4.35%. The RBA also provided an updated set of economic forecasts in their quarterly Statement on Monetary Policy. Economic growth was revised down by 0.2% to 1.8% for 2024 with both household consumption (-0.4%) and dwelling investment (-1.5%) key drivers for the downward revision. Inflation is forecast to be back within the target range by the end of 2025 and back to around the mid-point by mid-2026. Nearer term however inflation is forecast to be lower than previously expected with trimmed mean for the year ended June 2024 and December 2024 revised down by -0.3% and 0.2%.

Employment grew by a weaker than expected 500 jobs in January, resulting in the unemployment rate increasing from 3.9% to 4.1%. The participation rate was unchanged at 66.8%. The 4th quarter wage price index rose by 0.9%, resulting in an annual gain of 4.2% (consensus of 0.9% and 4.1%).

Bond yields were sharply higher over the month driven by better-than-expected economic data and central bankers continuing to push back against market pricing. The common theme was central bankers prefer to wait and see that inflation easing before reducing policy rates. Fed Chair Jerome Powell noted the 'danger of moving too soon is that the job's not quite done, and that the really good readings we've had for the last six months somehow turn out not to be a true indicator of where inflation is heading'. The outlier remains Japan, with the Bank of Japan appearing to be in no rush to change from its negative interest rate policy. Supporting the stance was Gross Domestic Product (GDP data that showed Japan entering into technical recession. The economy contracted by 0.1% in the 4th quarter, following on from the 0.8% contraction recorded in the 3rd quarter.

In the United States expectations for near term easing in the Fed Funds rate were diminished early in the month following much stronger than expected non-farm payrolls data. Non-farm payrolls rose by 353,000 jobs in January, much larger than the 185,000 consensus. Adding further weight to the strong number were prior month revisions, which saw the prior 2 months data upwardly revised by 126,000 jobs. Average hourly earnings rose by 0.6% in January and 4.5% over the past year, also exceeding expectations. The unemployment rate remain unchanged at 3.7%.

Bond yields moved higher following the release of the ISM services index, which surged driven by the prices paid component. Supply constraints due to disruptions in the Panama and Suez canals were cited as major factors in the spike higher.

Stronger than expected inflation data put further upward pressure on yields. Headline inflation rose by 0.3% in January and 3.1% over the past year against consensus of 0.2% and 2.9%. Core inflation rose by 0.4% in January and 3.9% over the past year against consensus of 0.3% and 3.7%. Owner equivalent rents rose more than expected, reversing prior months trend and other indicators that suggested a further easing in rental costs. Producer Price Index (PPI) data was also higher than expected.

The Senior Loan Officer Survey showed that less banks in the United States are tightening their lending standards. The survey showed 14.5% of banks reporting a tightening in lending standards for medium and large commercial and industrial loans, down from 33.9% in the previous quarterly survey.

In the United Kingdom the Bank of England left their policy rate unchanged at 5.25%. The tightening bias was also removed, as had been expected. Inflation data released subsequently was weaker than expected. Annual services inflation remains elevated at 6.5% although is below its peak of 7.4%. Fourth quarter GDP data showed the economy contracting by 0.3% and entering a technical recession following on from the 0.1% contraction in the third quarter. Retail sales data for January significantly exceeded expectations however when rising 3.4%.

In New Zealand, one of the major local bank's calling for a rate hike at the Reserve Bank of New Zealand (RBNZ's) next 2 meetings in late February and April saw yields move sharply higher. The move was partially reversed when the RBNZ left their cash rate unchanged at 5.5% late in the month.

### Fund performance and activity

The Fund outperformed the benchmark over the month. The yield on the fund at month end was 4.59%.

Bank bill yields traded in a tight range over the month. 6 month BBSW set at a low of 4.38% early in the month before moving higher in yield after the RBA's meeting. 6 month BBSW ended the month 4.5 basis points higher overall at 4.48%.

The fund remains highly liquid and is well positioned to outperform in the coming months. The fund ended with a weighted average maturity of 60 days (maximum limit 70 days).

### Market outlook

The RBA are likely to remain on hold over the first half of 2024. It is not a requirement that inflation is below 3% before they start to ease monetary policy. Should the labour market ease and inflation move sustainably towards the inflation target then the RBA will have the set of conditions in place to ease policy. Those conditions are more likely to be met later this year.

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