

Pendal Monthly Income Plus Fund

ARSN: 137 707 996

Factsheet

Income & Fixed Interest

29 February 2024

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
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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 19 years industry experience.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	0.18	0.23	0.35
3 months	3.98	4.15	1.09
6 months	4.60	4.94	2.14
1 year	6.01	6.71	4.15
2 years (p.a)	2.20	2.87	2.96
3 years (p.a)	2.08	2.75	2.00
5 years (p.a)	2.47	3.13	1.45
Since Inception (p.a)	4.34	5.00	2.34

Source: Pendal as at 29 February 2024

"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
29/02/2024	0.30	31/08/2023	0.07
31/01/2024	0.10	31/07/2023	0.07
31/12/2023	0.07	30/06/2023	1.1688
30/11/2023	0.07	31/05/2023	0.35
31/10/2023	0.07	30/04/2023	0.15
30/09/2023	0.07	31/03/2023	0.07

* Distribution is large due to year end distribution.

Sector Allocation (as at 29 February 2024)

Government bonds	0.0%
Semi-Government bonds	0.0%
Corporate bonds	61.4%
Mortgage backed	4.5%
Asset backed	0.0%
Australian shares	5.2%
Cash & other	28.9%

Portfolio Statistics (as at 29 February 2024)

Yield to Maturity [#]	5.16%
Running Yield [*]	4.77%
Modified duration	0.73 years
Credit spread duration	1.97 years
Weighted Average Maturity	2.23 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 29 February 2024)	\$454 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.pendalgroupp.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 0.18% this month (post-fee), underperforming the benchmark by 0.17%. Australian investment-grade contributed positively to total performance, Australian equities was flat while duration dragged.

Market review

February was a month of conflicting signals and renewed volatility for global fixed income markets. After a promising year-end, bonds faced headwinds as inflation concerns resurfaced and central banks hinted at a prolonged hawkish stance. Equity markets, excluding tech giants, experienced their own back-and-forth, balancing positive earnings with expensive valuations.

Inflation concerns returned to the forefront. Stronger-than-expected US jobs data and sustained price pressures fueled fears of the Fed maintaining its aggressive rate hikes. Both Fed Chair Powell and RBA Governor Bullock emphasised caution, citing inflation and a strong job market. This "hawkish" rhetoric led to significant bond market volatility, with US treasury yields rising across the curve.

Surprisingly, risk markets remained relatively calm. Though typically dampened by rising rates, strong US earnings reports, particularly in consumer discretionary and tech, kept investors engaged. Meanwhile, real estate names continued to struggle with weakened demand.

Within Australia, investment-grade corporate bonds were stable. The asset class benefitted from a healthy domestic economy and strong balance sheets. Transportation bonds outperformed due to global activity increases, while telecommunication bonds faced pressure due to potential leverage concerns. In spite of a strong pace of domestic corporate bond issuance in February, primary market appetite remained robust, allowing modest spread compression once the bonds had been issued.

Portfolio positioning

We maintained a 60% core position in domestic investment-grade credit. Despite higher interest rates, the Australian economy remains resilient. The low unemployment rate (4.1%) and the RBA's growth forecast of 1.4% for 2024 support this optimistic outlook. Additionally, positive earnings reports from key Australian companies bolster this near-term confidence.

To enhance income generation and long-term capital appreciation, we strategically extended the credit portfolio's maturity. However, we prioritised quality and liquidity over chasing high-yielding, potentially risky assets. As we approach the second half of 2024, we anticipate a potentially bumpier economic ride, necessitating a flexible and higher-quality portfolio.

With relation to equities, we significantly reduced our equity exposure from 16% to 5% at the very end of the month. This decision reflects a growing concern about frothy valuations in the market. While the underlying company fundamentals seemed sound, we became increasingly sceptical of how much appetite remained for further price increases, especially considering the ASX200 was already trading above all-time highs. Given this context, we prioritised protecting capital over potentially chasing unsustainable gains in an overheated market. However we do not expect to maintain such a low exposure to equities for a prolonged period and stand ready to take advantage of any market volatility to re-gain exposure at more favourable levels.

Rising yields across the curve impacted total returns through duration (the interest rate sensitivity of the portfolio). Similar to January, February's volatile yields presented performance challenges. However, our tactical manoeuvres helped mitigate some losses. Anticipating central bank caution despite market expectations of rate cuts, we reduced duration from 2.5 to 1.5 years, benefiting from the subsequent rise in yields.

We then strategically increased duration back to 2.5 years, taking advantage of attractive technical levels and anticipating weaker retail sales. This move again benefitted the fund. By month's end, we further reduced duration to 0.25 years, anticipating continued bond market turbulence.

Looking forward, while inflation seems somewhat controlled, the potential for surprising economic activity data remains. Higher interest rates haven't yet significantly impacted the labour market, suggesting continued consumer strength. We expect ongoing debate around inflation, central bank policies, and evolving economic data to dominate investor discussions in March.

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

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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.