Pendal Active Balanced Fund

ARSN: 088 251 496

Factsheet

Multi-Asset Strategies

31 March 2024

About the Fund

The Pendal Active Balanced Fund (**Fund**) is an actively managed diversified portfolio that invests in Australian and international shares, Australian and international listed property securities, Australian and international fixed interest, cash and alternative investments. The Fund has a higher weighting towards growth assets than defensive assets.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the Fund's benchmark over the medium to long term. The suggested investment timeframe is five years or more.

Benchmark

The benchmark for the Fund is created from a range of published indices. The benchmark is based on the asset allocation neutral position and the index returns for each asset class. Details of the particular market indices used for the Fund's benchmark can be found at www.pendalgroup.com/Pendal-Active-Balanced-Fund.

Investment Process

At Pendal, we actively manage our portfolios to meet their investment objectives by diversifying investments across both asset classes and strategies. We employ three main approaches to do this:

1. **Strategic asset allocation** – weighted asset class exposures designed to meet the investment objectives over the long term investment horizon
2. **Active management** – exploitation of market inefficiencies within asset classes
3. **Active asset allocation** – exploitation of market directionality across asset classes

The underlying investments in the Fund are primarily managed by specialist teams within Perpetual Group, including Pendal for alternatives, fixed interest and Australian equities, and a range of specialist managers within the Group for international equities. In respect of global listed property, we have outsourced to a specialist global property manager, AEW. The Perpetual's Multi-Asset Strategies Team also manages an active asset allocation process designed to increase portfolio returns within a defined risk budget.

Investment Guidelines

Asset allocation ranges (%)	*Neutral Position	Ranges Min	Ranges Max
Australian shares	29	20	40
International shares	32	20	40
Australian fixed interest	8	0	25
International fixed interest	9	0	25
Australian property securities	2	0	10
International property securities	2	0	10
Alternative investments	14	0	20
Cash	4	0	20

*Neutral positions effective from 20 December 2023.

Investment Team

The Fund is managed by Perpetual's Multi-Asset Strategies Team. The team has a diverse skill set, with deep experience in asset allocation and portfolio construction; and draws on the broader resources of Perpetual Group's other specialist teams around the world. During March 2024 the prior responsible investment management team, being the Pendal Multi-Asset Investments Team, merged with the Perpetual Multi-Asset Team.

Performance[1]

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	2.59	2.67	2.63
3 months	5.14	5.39	6.70
6 months	10.36	10.88	13.49
1 year	10.36	11.41	15.70
2 years (p.a)	5.77	6.79	7.49
3 years (p.a)	6.69	7.72	7.10
5 years (p.a)	6.68	7.70	7.45
Since Inception (p.a)	7.41	8.47	-

Source: Pendal as at 31 March 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: October 1989

Past performance is not a reliable indicator of future performance.

Asset Allocation (as at 31 March 2024)

Australian shares	28.1%
International shares	32.6%
Australian property securities	2.4%
International property securities	1.9%
Australian fixed interest	7.6%
International fixed interest	8.8%
Alternative investments	14.1%
Cash	4.6%

Other Information

Fund size (as at 31 March 2024)	$272 million
Date of inception	October 1989
Minimum investment	$25,000
Buy-sell spread[2] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Half-yearly
APIR code	RFA0815AU

[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.

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[3]	0.95% pa

[3] 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.

[1] The asset allocation neutral position, asset allocation ranges and the benchmark have changed over time. As it is historical information, the Fund performance reflects the asset allocation neutral positions and ranges that have applied over time. The benchmark performance shown is that of the combined benchmarks that the Fund has aimed to exceed over time.

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.
- **International investments risk** – The risk arising from political and economic uncertainties, interest rate movements and differences in regulatory supervision associated with international investments.
- **Currency risk -** Currency exchange rate fluctuation risk arising from investing across multiple countries.
- **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.
- **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

Global equities rallied in March, supported by resilient economic indicators, robust corporate earnings results, and anticipation of easing monetary policy.

- US Equities (+3.2%) rallied, while value bucked the recent trend outpacing growth stocks as Energy, Materials, Utilities, and Financials sectors all performed strongly.
- Australian equities (+3.3%) rallied and broadly kept pace with global markets. Real Estate was the best performing sector in March, likely helped by a more dovish view on Australian interest rates, given it is among the more highly geared sectors.
- European equities (+4.4%) performed well supported by economic data confirming that a recession was narrowly avoided in the fourth quarter of 2023. Meanwhile, UK equities (+4.8%) slightly outperformed.
- Japanese equities (+3.8%) also performed well, supported by a resilient corporate sector. Chinese equities (+1.0%) generated modest returns on the back of policy announcements intended to prop up the equity market, despite recent economic concerns.
- US 10-year government bond yields (-4bps) fell over March but remain above 4% as underlying inflation reaccelerated in recent months. The Australian yield curve ended the month lower than the month prior with ongoing volatility as investors attempt to anticipate the path of central bank policy.
- The Australian dollar appreciated +0.2% against the Greenback.

Fund performance

The portfolio's allocation to global and Australian equities contributed strongly to absolute return as equities extended their rally throughout March. Australian equity stock selection was constructive while global equity stock selection detracted. The Fund's explicit downside protection detracted slightly as equities rose. The portfolio entered March with neutral overall equity positioning which was pared back late in the month. The fund is slightly underweight equities (Australian and Global) which includes some put option protection in the US. The portfolio's small overweight position in Australian property (AREITS) added value as AREITS rallied strongly, before the position was reduced mid-month.

The portfolio pulled back its overall fixed interest exposure, selling both Australian & international fixed income. A lower sensitivity to higher interest rates should provide resilience if persistent inflation extends the current monetary policy tightening cycle. The final mile of inflation reduction will be the most challenging for central banks and futures markets are now adjusting their pricing for short term rates in the US to reflect the likelihood of less rate cuts than was previously expected. Pulling back the fixed interest exposures proved astute as fixed income markets underperformed the portfolio's composite benchmark.

From a stock selection perspective, Pendal's Australian Equities portfolio added to active performance. Overweight positions in mining & energy stocks Evolution Mining & Santos added strong performance while the overweight position in Goodman Group fully participated in the strong AREITs rally. The portfolio's international equities stock selection however detracted from returns. Barrow Hanley faced challenging stock selection in the Utilities and Consumer Staples sectors which modestly detracted from relative performance.

Positioning at the start of April reflects our latest views on markets. The consensus view today is for the US to experience a soft landing in 2024 but markets pulled a lot of the good news from 2024 into last year's return. This leaves the market with elevated valuations, expected 12-month earnings growth close to double the historic average supported by dovish interest rate expectations. With so much good news already priced in, we remain cautious on the outlook.

Outlook

While the US economy and markets proved more resilient than we expected in 2023 and into 2024, we remain cautious on the market outlook. The consensus view today is for the US to experience a soft landing in 2024 as growth moderated down to a trend-like pace and markets pulled a lot of the returns from 2024 into last year. This leaves the market with elevated valuations, expected 12-month earnings growth close to double the historic average and interest rate expectations aligned to what the US Fed had guided for 2024 with some doubts about the rate cuts they highlighted in 2025 and 26. With so much good news already priced in, we remain cautious and our equity exposure remains focused on high quality markets which have more attractive valuations and where earnings growth expectations have the potential to rise sharply once the economy finds a strong base.

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

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