PENDAL

Factsheet

Income & Fixed Interest

31 March 2024

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 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		Benchmark
	(post-fee)	(pre-fee)	Return
1 month	0.96	1.02	0.37
3 months	1.56	1.72	1.09
6 months	6.26	6.60	2.17
1 year	5.40	6.09	4.22
2 years (p.a)	2.88	3.54	3.15
3 years (p.a)	2.13	2.79	2.12
5 years (p.a)	2.45	3.12	1.50
Since Inception (p.a)	4.38	5.05	2.35

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: 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
31/03/2024	0.30	30/09/2023	0.07
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

* Distribution is large due to year end distribution.

Sector Allocation (as at 31 March 2024)

Government bonds	0.0%
Semi-Government bonds	0.0%
Corporate bonds	62.6%
Mortgage backed	4.5%
Asset backed	0.0%
Australian shares	25.1%
Cash & other	7.8%

Portfolio Statistics (as at 31 March 2024)

Yield to Maturity#	5.96%
Running Yield*	4.52%
Modified duration	0.27 years
Credit spread duration	2.02 years
Weighted Average Maturity	2.27 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 March 2024)	$447 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

Fixed income markets kept investors on their toes in March as economic data continues to point to resilience with mixed progress being made on inflation.

Global central banks generally played along with the soft-landing narrative, signalling that cuts are coming. At the March FOMC meeting, the Committee published a new set of "dots" that agreed with the market's expectation of three cuts this year. It also published a new set of economic forecasts that revised up growth and revised down unemployment. The Swiss National Bank surprised with a rate cut, leading markets to speculate whether other central banks in the region may soon follow suit. The RBA held the cash rate steady at 4.35% whilst sounding more neutral on future policy direction. Australia's unemployment rate fell to 3.7% from 4.1%.

The Bank of Japan moved to normalise monetary policy, but diluted the decision with its commitment to continue to buy large quantities of Japanese Government Bonds (JGBs). Globally, yields were volatile over the month as economic data continued to signal resilient growth and uncertainty on inflation.

The overall economic backdrop remains one of resilience. Corporate earnings reflect a continued ability to preserve margins in a higher-cost environment. Labour markets remain robust, despite some easing in recent months. Housing markets are strong domestically and turning a corner in the US. As a result, risky assets such as equities and credit continue to be supported by risk-on sentiment.

Fund performance and activity

The Fund returned 0.96% this month (post fee), outperforming the benchmark by 0.59%. Australian investment grade credit, equities and duration all contributed to performance this month.

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 (3.7%) and the RBA's growth forecasts support this optimistic outlook. Additionally, positive earnings reports from key Australian companies bolster this near-term confidence.

We have continued to look for good opportunities to extend our credit spread duration in the portfolio in the primary markets. However, we note that recent new issues have been pricing to perfection with mixed secondary market performance. As a result, we have become more selective in what we choose to add for the portfolio, with the deals that we pass on experiencing poorer secondary market performance.

At the end of the prior month, we had reduced our equity allocation to very low levels due to warning signals from our investment process. As those signals faded and the macro environment stayed robust, we added back our exposures, reaching 25% within the first two weeks of March. That is the maximum equities allocation for the portfolio and it remained there at the end of the month. Trend and volatility conditions are supportive of a strong allocation to equities in this environment.

The duration exposure on this fund has remained low this month, supported by our active duration process. Our duration scorecards are signalling a period of noise and possibly higher yields, driven by strong labour markets and a noisy path for inflation. March was indeed a noisy month for yields with much of the lead set by offshore factors. Australian yields ended lower on the month, but with an intra-month trading range of close to 20 basis points. Swap hedges to reduce the duration of the portfolio insulated performance from this volatility whilst the duration in the physical credit book benefited from continued carry in this higher yield environment.

We believe the disinflation theme is still intact, but the data will be noisy for the next month or two. The low-hanging fruit for the Monthly Income Plus portfolio sits with credit and equities. However, we anticipate that the portfolio's duration level will build as we head into the middle portion of the year as central banks have more clarity on inflation. We also don't discount the likelihood that longer lags in the cycle will eventually cause a greater slowdown in the economy. However, it is too early to position for that just yet.

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

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