PENDAL

Factsheet

Income & Fixed Interest

31 March 2024

Pendal Stable Cash Plus Fund

About the Fund

The Pendal Stable Cash Plus Fund (**Fund**) is an actively managed portfolio of short-term money market securities of sound 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 with a minimum credit rating of A-2.

Investment Return Objective

The Fund targets a return (before fees and expenses) that exceeds the RBA Cash Rate by at least 0.45% p.a. The suggested investment timeframe is 1 year or more.

Investment Strategy and Fund Features

The Fund aims to maintain a stable $1.00 unit price. However, the value of the units is not guaranteed.

The Fund is actively managed and aims to take advantage of investment opportunities within the Australian debt market. The Fund aims to reduce volatility of returns through limited exposure to interest rate movements and prudent credit management.

The Fund invests in a combination of money market instruments, commercial paper, asset backed commercial paper and deposits with financial institutions. The Fund may also use derivatives.

Securities held will have a Standard and Poor's (or equivalent) short term credit rating of A-2 or higher.

The weighted average maturity of the Fund will not exceed 100 days, with all securities maturing within 12 months.

Pendal's investment process is focused on generating consistent risk-adjusted returns and this is achieved by having a disciplined risk management framework which is aimed at minimising downside risk.

Excess spread is expected to be the main contributor to performance.

Securities held in the Fund are denominated in Australian dollars.

Asset Classes and Asset Allocation Ranges

Asset class	Asset allocation ranges		Benchmark
	Minimum %	Maximum %	
Cash and Fixed Interest	0	100	RBA Cash Rate

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.

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.
- **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.

Please read the Fund's Information Memorandum (**IM**) for a detailed explanation of each of these risks.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	0.39	0.41	0.37
3 months	1.17	1.21	1.09
6 months	2.34	2.43	2.17
1 year	4.51	4.70	4.22
2 years (p.a)	3.35	3.53	3.15
3 years (p.a)	2.28	2.45	2.12
5 years (p.a)	1.76	1.93	1.50
Since Inception (p.a)	2.04	2.22	1.60

Source: Pendal as at 31 March 2024

Benchmark: RBA Cash Rate

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: December 2014. Past performance is not a reliable indicator of future performance.

Sector Allocation (as at 31 March 2024)

11am cash	12%
Negotiable Certificates of Deposit	80%
Semi Government CP	0%
Commercial Paper	0%
Term Deposit	8%

Security Credit Ratings (as at 31 March 2024)

A1+	56%
A1	19%
A2	25%

Portfolio Statistics (as at 31 March 2024)

Yield to Maturity[#]	4.76%
Running Yield[*]	4.35%
Modified duration	0.10 years
Credit spread duration	0.10 years
Weighted Average Maturity	0.10 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)	$1,168 million
Minimum investment	$500,000
Distribution frequency	Monthly
Liquidity	Daily
Buy-sell spread	Nil
Date of inception	December 2014

Fees and costs

You should refer to the latest Information Memorandum for full details of the ongoing fees and costs that you may be charged.

Management fee[1]	0.18% 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 0.15% p.a. to 0.18% p.a. from 1 October 2022.

Market review

Risk markets continued their strong start to the year with equity markets extending gains. Bond yields were mixed with the short end of the US curve continuing to push out the timing of the first rate cut from the Federal Reserve. Conversely yields in the United Kingdom and Europe rallied. The Bank of England and European Central Bank left policy unchanged during the month with expectations increasing that the first rate cut is now more imminent. The Swiss National Bank surprised when they eased monetary policy by 25 basis points to 1.50%. Annual headline inflation has fallen from a peak of 3.5% in late 2022 to 1.2%. The SNB has a 0-2% target range with inflation forecast to remain within the range over the next 2 years, supported by the strength of the Swiss Franc. There was no RBA meeting during the month.

Data in Australia across the month was mixed. The Q4 GDP showed an economy struggling into year end, with quarterly GDP at 0.2% and annual growth at 1.5%. GDP per capita went backwards for the third quarter.

However, despite signs that late 2023 saw slowing growth and falling inflation, current data is seeing more resilience in 2024 than expected. Australian employment numbers in March showed a strong 116,000 jobs created and unemployment falling from 4.1% to 3.7%. Despite month-to-month volatility highlighting seasonal adjustment issues at the ABS, the trend is now that enough jobs are being created to meet new entrants, with both around 30k a month on a trend basis. This is not consistent with the RBA narrative of a slowly rising unemployment rate helping ease wage pressures.

Monthly inflation data showed a year-on-year rate of 3.4%. We expect that after the Q1 inflation is released in late April this series will also show inflation around 3.4%. This is consistent with the RBA mid-year forecast of 3.3%. On the negative front education inflation rose 5.8% in February (it is only measured once a year) but on a more positive note annual health fund rises in April were set at an average of 3.1%. The RBA needs to see service inflation move back to 4% from current levels above 5%.

In the United States there was no change from the Federal Reserve, leaving the Fed Funds rate at 5.5%. According to the accompanying statement the Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent. The dot plot continues to forecast 3 rate cuts over 2024 whilst the median cuts for 2025 was reduced from 100 basis points to 75 basis points. Economic growth for 2024 has been revised to 2.1% from 1.4% and 2% in 2025, up from 1.8%.

Headline inflation rose 0.4% in February and resulted in an annual increase of 3.2% Core inflation rose 0.4% and 3.8% for the same periods. The results were marginally higher than expected. The Personal Consumer Expenditure (PCE) deflator and core PCE deflator both rose 0.3% for February, resulting in gains of 2.5% and 2.8% respectively. The Producer Price Index (PPI) data was stronger than expected with the headline index rising by 0.6% in February (consensus 0.3%) driven by a rise in food prices.

Non-farm payrolls exceeded expectations for February when increasing by 275,000 jobs (consensus 200,000) although the result was more than tempered by the net downward revision of 167,000 jobs for the prior 2 months. The unemployment rate rose from 3.7% to 3.9%. Average hourly earnings were also slightly weaker, rising 0.1% in February for an annual increase of 4.3%.

The last remaining member of the negative interest rate policy club – the Bank of Japan (BoJ) – handed in its membership when tightening monetary policy for the first time in 17 years. Inflation for 2023 was 3.25%, exceeding the BoJ's 2% target. Stronger wage increases reported by the Japanese Trade Union Confederation (RENGO) in the lead up to the BoJ meeting increased expectations that the BoJ would take action. Wage increases were reported to have risen by 5.28%, compared to the 3.8% increase recorded a year ago. The policy rate was increased from -0.1% to a 0-0.10% range with further policy tightening expected.

Fund performance and activity

The Fund outperformed the benchmark over the month. The yield on the fund at month end was 4.76%.

Bank bill yields traded in a tight range over the month. 6 month BBSW set at a low of 4.48% early in the month before moving marginally higher into month end. 6 month BBSW ended the month 2 basis points higher overall at 4.48%.

The fund ended with a weighted average maturity of 37 days (maximum limit 90 days) and remains highly liquid. The fund is well positioned to continue its outperformance against the benchmark in the nearer term.

Market outlook

The main data in Australia in April will be the Q1 CPI data due out on the 24th. We have good visibility on this already from monthly data and expect either a 0.8% or 0.9% outcome. This will be higher than the last quarter but still shows a level of inflation in the low to mid 3% band. This is consistent with RBA forecasts and leaves rate cuts later in the year as a possibility. The employment data will also be closely watched to see if the recent noise resolves itself and unemployment settles around 4%. If it were to stay nearer 3.7% the RBA would be forced to question its forecast of 4.2% by the end of June. Downward revisions in unemployment levels are not usually consistent with lower rates.

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

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