PENDAL

Factsheet

Bond, Income & Defensive Strategies

March 2020

Pendal Global Fixed Interest Fund

ARSN: 099 567 558

About the Fund

The Pendal Global Fixed Interest Fund (**Fund**) actively seeks out investment opportunities within a broad portfolio of international fixed interest securities.

Fund Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the JP Morgan GBI Traded Index, hedged to AUD, over the medium term. The suggested investment timeframe is three years or more.

Investment Strategy

The Fund is an actively managed portfolio of international fixed interest. This Fund is designed for investors who want income and are prepared to accept some variability of returns. The Fund invests in a combination of fixed and floating rate debt and short-term money market securities. This may include investments in government, bank, corporate and structured finance securities. The Fund may also use derivatives.

Investment Process

Pendal's investment process for global fixed interest is based on a diversified approach which ultilises a combination of active and enhanced strategies. The Fund does not generally invest directly in traditional international fixed interest securities. The Fund gains benchmark returns through an index swap and excess returns through a variety of credit and duration strategies. The active strategies are managed by the Pendal Bond, Income & Defensive team.

The Bond, Income & Defensive team process has a strong quantitative underpinning which aims to systematically generate potential trade ideas through the use of over 100 proprietary models. The models are used to identify mispricing's in global markets that are based on an economic, market and technical basis to provide the highest probability of success. After this is the qualitative overlay which is based on the judgment and experience of the team and is used to ensure that the positions are optimal from a risk/return basis and also that they are not all exposed to a similar view or outcome. The strategy aims to meet its objective by taking a small number of lowly-correlated positions in global interest rate markets.

Investment Team

Pendal's Bond, Income & Defensive team includes thirteen 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 Fund is managed by Vimal Gor, Head of Bond, Income & Defensive Strategies who has more than 24 years industry experience.

Performance[1]

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	0.19	0.23	0.51
3 months	4.50	4.63	4.63
FYTD	5.68	6.10	5.84
6 months	2.67	2.94	2.86
1 year (pa)	8.84	9.42	8.91
2 years (pa)	6.01	6.58	6.68
3 years (pa)	4.70	5.25	5.43
5 years (pa)	3.27	3.82	4.46

The benchmark for this Fund changed from the Barclays Capital Global Aggregate Bond Index Hedged to AUD to the JP Morgan GBI Global Traded Hedged to AUD from 4th January 2012. Performance before this date may not be directly comparable.

Country Allocation (as at 31 March 2020)

Belgium	1.9%
Denmark	0.4%
France	7.7%
Germany	5.2%
Italy	6.8%
Netherlands	1.5%
Spain	4.5%
Sweden	0.3%
United Kingdom	6.9%
Japan	20.0%
Canada	1.3%
USA	41.9%
Cash & other	1.6%

Other Information

Fund size (as at 31 Mar 2020)	$34 million
Date of inception[1]	July 2002
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	RFA0032AU

[1] The investment manager for this Fund changed on 4th January 2012. Performance before this date may not be directly comparable.

[2] The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Management Costs[3]

Issuer fee[4]	0.53% pa

[3] You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

[4] This is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund. The Issuer fee is paid from the assets of the Fund and is reflected in the unit price of your investment.

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.
- **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.
- **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

The first quarter saw massive rallies across global markets, with the US the standout given its significantly higher yields at the start of the year. US 10yr notes fell from 1.85% on new years day down to an intraday low of 40bp in mid march, before finishing the quarter at 67bp. Data in January and early February was mixed but the Corona virus quickly dwarfed any historical information. Lessons of moving hard and fast from the GFC saw the Federal Reserve cut 50bp in early March and then 100bp in mid march as the impact of COVID-19 hit the US hard. The Federal Reserve has also brought back QE, including RMBS and corporate credit on top of massive Government bond purchases.

Elsewhere market moves reflected US moves although with a number of major markets already at zero or with negative rates the impacts were smaller. Bunds ranged from -20bp to -85bp before finishing the quarter at -50bp. Other markets were caught between the global rally in yields and in some cases the deterioration in credit quality. Europe in particular is in danger of old problems resurfacing as the lack of a fiscal union sees a divided and smaller response to the terrible impact of the crisis there.

Fund performance

Over the quarter, the Fund returned 4.63% (pre-fee) performing in line with its benchmark. In the alpha overlay, the duration and yield curve strategies contributed positively via long duration positions across Australian, NZ and US, whilst in the yield curve steepeners in both US and Australia worked well during Feb and March. Offsetting this was a negative contribution from small credit exposures as credit spreads widened in March due to concerns around the impact of Covid 19 on economic growth.

Outlook

The global pandemic has seen every country experience its own health crisis but also different responses fiscally. Traditional monetary policy is now exhausted but unconventional is in full flight. Countries like Australia and the United States have put in place massive fiscal stimulus, anywhere from 10% to 30% of GDP. This should see them recover quicker than Europe where the structure of the European Union means far greater restrictions on what can be achieved with fiscal policy.

However for the next few months bond yields will continue to be well supported as anchored short rates, massive central bank buying and economies in hibernation see bonds in demand. There will be massive supply but central banks will be soaking it all up. Modern Monetary Theory may not be technically here but many of its principles are now policy.

For more information please call **1800 813 886**,
contact your key account manager or visit **pendalgroup.com**

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