PENDAL

Factsheet

Bond, Income & Defensive Strategies

September 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 fifteen 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 26 years industry experience.

Performance[1]

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	0.76	0.81	0.70
3 months	0.50	0.64	0.56
FYTD	0.50	0.64	0.56
6 months	0.87	1.14	1.25
1 year (pa)	3.56	4.11	4.14
2 years (pa)	6.94	7.51	7.61
3 years (pa)	4.51	5.07	5.28
5 years (pa)	3.46	4.01	4.65

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 30 September 2020)

Belgium	1.8%
Denmark	0.4%
France	7.7%
Germany	4.8%
Italy	6.7%
Netherlands	1.4%
Spain	4.4%
Sweden	0.2%
United Kingdom	7.3%
Japan	19.2%
Canada	1.5%
USA	42.6%
Cash & other	2.0%

Other Information

Fund size (as at 30 Sep 2020)	$32 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

Global fixed income markets remained largely rangebound in the third quarter. US 10 year yields spent the quarter in a 0.5% to 0.75% range. After a decent rally in July a strong risk on August pushed yields to their highs before a dovish Fed in September saw a modest recovery. Asian markets generally drifted higher in yield during the quarter as recovery from COVID-19 lockdowns was more advanced. European markets saw German yields drift slightly lower but still in a –0.4% to –0.55% range. Second tier European markets performed strongly with credit markets in general.

The main theme for markets during the quarter remained the grab for yield. The focus of this was largely in investment grade and high yield credit, but anything with a decent spread to sovereign bonds was chased. Swap spreads also contracted as the anchoring of short rates saw paying across the globe dry up. Central banks remain in 'whatever it takes' mode and continue to provide massive support bond markets. As the RBA showed in Australia they are even prepared to extend and broaden programs.

The challenge for fixed income markets will be how to balance potentially decent economic recoveries in the next few quarters with ongoing central bank support. The same applies for inflation, which although currently very low will need careful watching.

Fund performance

Over the quarter, the Fund slightly outperformed its benchmark by 0.08% (pre-fee) delivering a total return of 0.64%. In the alpha overlay, the duration and yield curve strategies added value as our long duration positions across US and Australia was offset by some losses in China duration positions. Also producing a small negative contribution from FX and some cross market exposures as the rise in US dollar vs EM currencies and some higher yielding bonds underperformed.

Market outlook

After a difficult September, risk markets will be looking for more positive news in October. Uncertainty around vaccines, virus outbreaks, presidential elections and the technology sector have all weighed on sentiment in September. However markets will jump on any good news given the massive stimulatory backdrop of governments globally.

To quote Donald Rumsfeld these are "known unknowns" so whilst they can still surprise the wrong way the amount of money in the system leaves markets vulnerable to a risk on month. Bond markets are expected to maintain the six month range but the prospect of further RBA stimulus in November will keep a bid tone. .Any risk off will be met by further stimulus.

Overall though central banks will not want to see yields drift too much higher at a time when low rates are needed, capping any selloff and once again providing opportunities to go overweight duration.

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

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