

Pendal Monthly Income Plus Fund

ARSN: 137 707 996

Factsheet

Income & Fixed Interest

31 October 2023

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
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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 (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-0.62	-0.56	0.35
3 months	-0.99	-0.83	1.04
6 months	-1.79	-1.46	2.06
1 year	1.89	2.55	3.71
2 years (p.a)	-0.98	-0.33	2.25
3 years (p.a)	0.27	0.92	1.53
5 years (p.a)	1.71	2.37	1.26
Since Inception (p.a)	4.02	4.69	2.29

Source: Pendal as at 31 October 2023

"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
31/10/2023	0.07	30/04/2023	0.15
30/09/2023	0.07	31/03/2023	0.07
31/08/2023	0.07	28/02/2023	0.07
31/07/2023	0.07	31/01/2023	0.07
30/06/2023	1.1688	31/12/2022	0.07
31/05/2023	0.35	30/11/2022	0.07

* Distribution is large due to year end distribution.

Sector Allocation (as at 31 October 2023)

Government bonds	0.0%
Semi-Government bonds	0.0%
Corporate bonds	67.0%
Mortgage backed	3.1%
Asset backed	0.0%
Australian shares	16.7%
Cash & other	13.2%

Portfolio Statistics (as at 31 October 2023)

Yield to Maturity [#]	5.81%
Running Yield [*]	4.61%
Modified duration	1.35 years
Credit spread duration	1.87 years
Weighted Average Maturity	2.08 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 October 2023)	\$470 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.

Fund performance and activity

The Fund underperformed the benchmark over the month. The main drag on performance this month was from equities.

The past month in global markets was marked by significant movements, influenced by a myriad of factors. In the US, the spotlight was on mixed corporate earnings, geopolitical turmoil in the Middle East and concerns about rising interest rates, with the 10-year US treasury yield breaching 5% mark for the first time in over a decade.

The recent surge in longer-dated treasury yields has led to a significant tightening of financial conditions, providing the Fed with an opportunity to pause and evaluate if its current policy stance is sufficiently restrictive to steer inflation back to its target. Of comfort to the Fed will be that the bulk of the rise in nominal rates has been propelled by real yields rather than inflation expectations, alleviating pressure off the central bank to persist with more hikes. Given more breathing space, consensus among economists is that the Fed will maintain the Fed funds target range at 5.25-5.50%. This viewpoint comes in light of robust 3Q GDP growth, a resilient job market, and persistent inflation rates that exceed the 2% target.

From a macro front, the US reported 4.9% annualised growth for the third quarter. This marks a significant jump from the 2.1% in Q2 and is the most robust growth seen in almost two years. The US consumer remains a primary growth engine driven by robust demand for both goods (4.8%) and services (3.6%). Elsewhere elevated interest rates appear to have impacted investments, which saw the slowest growth since Q4 2022. Business capital expenditure dipped slightly due to a decline in equipment investment and subdued growth in intellectual property products. In contrast, residential investment witnessed a 3.9% rise, its first in ten quarters.

Over the month, corporate credit spreads have seen a slight expansion, yet they remain generally narrow relative to historical averages. Such tight spreads indicate that the market remains optimistic about borrowers' creditworthiness and views the broader economic landscape positively. Despite global monetary policy shifts towards tightening, there's a prevailing sentiment for a potential "soft landing." This confidence is bolstered by robust corporate financials, sustained consumer expenditure, and a notably low corporate default rate this year.

Domestically, Australian equities shed -3.8%. Weakness was broad-based across the Australian market with every sector except Utilities (+1.68%) going backwards. The gains in this sector came as a result of the ACCC granting conditional authorisation for the Brookfield consortium's proposed takeover of Origin Energy (ORG, +3.99%), although the deal still remains in doubt. Materials (-1.19%) held up relatively well on the back of the large cap miners with BHP (BHP) up 0.56%, Rio Tinto (RIO) +3.55% and Fortescue Metals (FMG) +6.6%. The iron ore price rose a further 2.1%, defying ongoing weakness in the Chinese property sector. There is continued hope and speculation that Beijing will stimulate further to put a floor under economic growth. It was the long-duration growth stocks and sectors which bore the brunt of higher bond yields. Information technology (-7.36%) fell furthest as higher yields weighed on valuations. Xero (XRO, -5.11%), Wisetech (WTC, -10.59%), NextDC (NXT, -5.17%) and Altium (ALU, -8.63%) all finished the month down.

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

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Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Where performance returns are quoted "Post fees" then this assumes reinvestment of distributions and is calculated using exit prices which take into account management costs but not tax you may pay as an investor. Where performance returns are quoted "Pre fees and tax", they exclude the effects of management costs and any taxes. Past performance is not a reliable indicator of future performance.

If market movements, cash flows or changes in the nature of an investment (e.g. a change in credit rating) cause the Fund to exceed any of the investment ranges or limits specified, this will be rectified by PFSL as soon as reasonably practicable after becoming aware of it. If PFSL does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified are accurate as at the date of this factsheet and PFSL reserves the right to vary these from time to time.