Pendal Monthly Income Plus Fund

ARSN: 137 707 996

Factsheet

Income & Fixed Interest

30 June 2025

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 has extensive and varied experience across both local and international Fixed Interest markets. The team manages a range of strategies including Cash, Government bond, Composite bond, specialised Insurance solutions, Income solutions and Sustainable and Impact funds. The portfolio manager of the Fund is Amy Xie Patrick who has more than 20 years industry experience, supported by Co-Portfolio Manager Oliver Ge who has more than 15 years industry experience.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	0.64	0.69	0.32
3 months	2.97	3.13	1.00
6 months	4.30	4.63	2.06
1 year	8.82	9.53	4.31
2 years (p.a)	8.29	8.99	4.34
3 years (p.a)	6.40	7.09	3.88
5 years (p.a)	3.74	4.41	2.38
Since Inception (p.a)	4.66	5.33	2.50

Source: Pendal as at 30 June 2025

"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
30/06/2025	3.3269	31/12/2024	0.25
31/05/2025	0.70	30/11/2024	0.25
30/04/2025	0.60	31/10/2024	0.25
31/03/2025	0.50	30/09/2024	0.25
28/02/2025	0.30	31/08/2024	0.25
31/01/2025	0.30	31/07/2024	0.25

* Distribution is large due to year end distribution.

Sector Allocation (as at 30 June 2025)

Government bonds	0.0%
Semi-Government bonds	0.0%
Corporate bonds	58.0%
Mortgage backed	3.0%
Asset backed	0.0%
Australian shares	16.1%
Cash & other	22.9%

Fund Statistics (as at 30 June 2025)

Yield to Maturity[#]	4.73%
Running Yield[*]	4.14%
Modified duration	0.09 years
Credit spread duration	1.80 years
Weighted Average Maturity	2.07 years

[#] Yield to maturity is an estimate, at a point in time, of an individual security's expected annual rate of return, assuming the security is held to maturity and all coupon payments are made on time and reinvested at the same rate. The Fund's yield to maturity uses this calculation on a weighted average basis for all physical securities held in the Fund. The Fund's yield to maturity does not represent the actual return of the Fund over any period.

[*] Running yield is an estimate, at a point in time, of the annual income generated by an individual security expressed as a percentage of its current market price. It is calculated by dividing the coupon of the security by the market value of that security. The Fund's running yield uses this calculation on a weighted average basis for all physical securities held in the Fund. Running yield does not reflect the actual income return of the Fund.

Other Information

Fund size (as at 30 June 2025)	$439 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.

Market review

Strong evidence of disinflation in both the US and Australia dominated fixed interest markets in June. Contrary to the pervasive anxiety around tariffs and sticky price pressures, both economies delivered consumer price data that came in below expectations. This shift fundamentally altered market expectations for monetary policy and reinvigorated demand for duration and risk assets alike. The knock-on effects were felt across government bonds, investment-grade credit, equities, and high yield, as investors recalibrated to a world where rate cuts looked not just possible, but increasingly imminent.

US Treasuries staged a modest rally in June, propelled by softer-than-expected inflation data and mounting signals of slowing economic momentum. The May CPI report showed headline inflation was up just 0.1% month-over-month, below consensus. The annual rate ticked up to 2.4% but only from a four-year low. Critically, core CPI also surprised on the downside at 0.1% for the month and 2.8% annually, both below forecasts. These results led to a swift repricing across the curve, with the yield on the 10-year Treasury falling over the course of June, ending the month at around 4.23%.

The narrative that "the last mile" of inflation would be the most stubborn gave way to recognition that policy was, in fact, biting harder than many had appreciated. A series of data points confirmed the trend: US retail sales were weak, with consumer spending moving backwards, and leading indicators such as ISM manufacturing softened further. Fed Chair Powell's public remarks became more balanced, still cautioning against overreacting to one or two data prints but explicitly acknowledging that the case for holding rates "higher for longer" had weakened in light of the new inflation trajectory. By late June, markets were pricing in at least two rate cuts by the end of 2025.

Similarly in Australia, the rally in bond yields was catalysed by a downside surprise in the May CPI. Headline inflation printed at just 2.1% year-over-year, down from 2.4% in April. More telling was the trimmed mean which fell to 2.4%, solidly within the RBA's 2–3% target. This data was immediately digested as a green light for the RBA to begin easing, with market pricing for a July rate cut surging to over 90%.

Further supporting the downward move in yields was the weaker-than-expected GDP print. Data for the first quarter of 2025 showed the economy growing by just 0.2% in volume terms, with annual growth stuck at 1.3%, well below population growth. While poor weather dampened mining and tourism activity, the real disappointment was the lacklustre response from the consumer. Despite a confluence of supportive factors including tax cuts, rate cuts, and rising real wages, households remained cautious, channelling much of their income boost into savings rather than spending. The lack of momentum in consumer-heavy states like New South Wales and Victoria, as well as ongoing productivity stagnation, reinforced the view that private sector demand was not yet ready to pick up the slack from tapering government investment.

Fund performance

The Monthly Income Plus Fund delivered a total return of 0.64% (net of fees), outperforming the RBA Cash benchmark by 0.32%. Key drivers of performance came largely from the risk asset space including Australian investment grade (IG) and equities. Duration was broadly flat as interest rate risk was minimal over the month.

Portfolio positioning

Despite the modest rally in domestic yields, the decision to keep portfolio duration at minimal levels remained well justified throughout June. While headline growth was sluggish and consumers clearly preferred to save rather than spend, the RBA remained notably sceptical about pivoting to an outright easing cycle. Labour market conditions continued to display considerable resilience, with unemployment hovering near historic lows and wage growth holding up. This ongoing strength in employment provided the RBA with a strong rationale to maintain a cautious, data-dependent approach rather than respond reflexively to a single soft growth print or a temporary uptick in the household savings rate.

Moreover, although the May monthly CPI indicator was materially weaker than anticipated, it is important to remember that the RBA does not rely primarily on this relatively volatile series for its policy decisions. Instead, the Bank's focus remains on the quarterly inflation data, which it considers more reliable for assessing underlying price pressures and setting the policy path. Consequently, even as front-end yields dipped and the market rushed to price in an increased likelihood of near-term rate cuts, the underlying uncertainty around the timing and magnitude of policy easing justified a defensive approach to duration. We resisted the temptation to chase the rally, instead maintaining a minimal duration stance, in recognition of the RBA's still-cautious posture and the potential for yields to rebound if incoming data proved more robust than anticipated.

Australian IG credit markets benefitted from the absence of major negative headlines and ongoing demand for high-quality yield. Credit spreads remained broadly stable to slightly tighter over the month, reflecting a benign default environment and continued investor appetite for corporate bonds relative to cash and government paper.

New issuance in the IG space was well received, particularly from financials and select corporates in defensive sectors. Issuers continued to enjoy relatively attractive funding conditions, with the premium over swap rates holding steady or tightening marginally. However, there was a discernible bifurcation in demand, with investors showing a clear preference for top-tier names and more defensive balance sheets amid lingering macro uncertainty.

The macro backdrop for IG credit continues to be mixed but manageable. On one hand, the slowing consumer activity posed headwinds for some sectors, while on the other, steady employment and positive net migration supported overall credit fundamentals. Credit rating actions were muted, with no significant downgrades among the major banks or leading corporates. We remain broadly positive of IG credit.

Australian equities continued the positive momentum of prior months as lower inflation revived hopes of a rate cut cycle and boosted investor sentiment. The ASX 200 rallied 1.3%, with the most significant outperformance seen in energy and financials. Defensive sectors, which had previously led as investors rotated into tariff-immune names, gave up some ground as the rally broadened. Market analysts noted that while the overall earnings environment remained resilient, forward guidance was increasingly cautious, with many companies flagging ongoing cost pressures and the risk of a slowdown in second-half growth.

We increased our equities exposure from 8% to 16% on the back of cooling tensions in the Middle East as well as ongoing progress between Washington and Beijing with regards to tariff negotiations. However, given the mixed fundamental outlook, we do not expect this weight to increase much further in the near term.

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

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