PENDAL

Factsheet

Income & Fixed Interest

30 June 2025

Pendal Short Term Income Securities Fund

ARSN: 088 863 469

About the Fund

The Pendal Short Term Income Securities Fund (**Fund**) is an actively managed portfolio of primarily Australian cash and fixed interest securities. The Fund invests in a combination of short-term money market instruments and medium-term floating and fixed rate securities.

The Fund invests in short-term and medium-term securities that are investment grade[1]. Duration is managed in a range of +/- 0.5 year around the index.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the Bloomberg AusBond Bank Bill Index. The recommended investment time frame is 12 months or more.

Investment Approach

The Fund aims to add value through active management by exploiting market inefficiencies through the shape of the money market curve and the mispricing of credit securities. Research is focused on assessing economic factors, the likely direction of interest rates and credit analysis. Credit margin relative value is assessed with reference to rating, sector, maturity, liquidity and underlying credit fundamentals.

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 George Bishay, who has more than 30 years industry experience.

Fund Characteristics

Weighted average maturity	+/- 0.5 years around the index
Minimum credit rating	Investment Grade
Liquidity	Following day access (before 2.00pm)

Fund Statistics (as at 30 June 2025)

Yield to Maturity[#]	4.19%
Running Yield[*]	4.07%
Modified duration	0.12 years
Credit spread duration	1.71 years
Weighted Average Maturity	1.87 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.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	0.36	0.38	0.32
3 months	1.14	1.20	1.02
6 months	2.37	2.49	2.10
1 year	5.02	5.29	4.39
2 years (p.a)	5.14	5.40	4.38
3 years (p.a)	4.61	4.87	3.88
5 years (p.a)	3.01	3.26	2.34
10 years (p.a)	2.71	2.96	2.04
Since Inception (p.a)	4.42	4.75	4.23

Source: Pendal as at 30 June 2025

"Post-fee" return is based on management fees deducted from the unit price: currently 0.25% (pa). "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: January 1994.

Past performance is not a reliable indicator of future performance.

Sector Allocation (as at 30 June 2025)

Money market	24.8%
Corporate	72.2%
Residential mortgage backed	3.0%
Government bond	0.0%
Other asset backed securities	0.0%

Security Credit Ratings (as at 30 June 2025)

AAA	8.2%
AA	45.3%
A	14.8%
BBB	6.8%
Money market	24.8%

Other Information

Fund size (as at 30 June 2025)	$1,180 million
Date of inception	January 1994
Minimum investment	$100,000
Buy-sell spread[2] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Quarterly
APIR code	WFS0377AU

[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.

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[3]	0.25% pa

[3] 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.

[1] Investment grade securities refer to securities that are expected to have a high probability of payment of interest and repayment of principal.

Market review

June was a relatively quiet month for Australian bonds, despite volatile oil prices and middle east tensions. There was also little new major news about tariffs from the US. Domestic data was slightly weaker than expected, and the markets have over 90% chance of a rate cut in early July priced (from 70% at the start of month). Three-year bonds finished five basis points lower in yield at 3.28% and 10-year bonds eight basis points lower at 4.18%.

The Reserve Bank of Australia (RBA) did not meet in June, but after a dovish cut in mid May left the market leaning towards another cut in July. Activity data during June added to the case for another rate cut. Quarter 1 2025 GDP data came in at 0.2% and 1.3% annually, below market and RBA forecasts. Employment was flat although the unemployment rate remained at 4.1%. Finally, household spending grew at only 0.1% in May.

The RBA believes inflation is now near the mid-point of their target band. Their forecast is for trimmed mean inflation to be around 2.6% over the period ahead despite headline inflation moving higher towards 3% as the dampening impact of electricity subsidies is removed. The May monthly CPI data, although an incomplete series, backed this up with trimmed mean inflation 2.4% higher than May 2024. Pricing for the RBA cash rate is at 3% by year end and terminal pricing is at 2.85% in mid 2026.

Credit review

Australian credit spreads were mixed over the month.

US economic data was supportive with CPI/Producer prices printing lower than expected, payrolls and jolts data were better than expected, however jobless claims have been rising.

Geopolitical risks dominated markets. These risks rose mid-month when the Israel and Iran conflict escalated on the back of drone and missile strikes. The conflict raised concerns about global energy prices and regional stability. A day later, there were reports that Iran was looking to de-escalate tensions with Israel, and about a week later, the US attacked key Iranian nuclear facilities in the hope of killing off Iran's nuclear weapons ambitions. Finally late in the month, a tentative ceasefire in the Middle East was agreed which supported markets.

Credit spreads finished the month mixed. The Australian iTraxx index (series 43) traded in a tight 9bp range finishing 2bps narrower to close at 73bps. Australian physical credit spreads on the other hand were flat to 3bps wider on average as the market digested heavy new issuance supply. The best performing sector was covered bonds that narrowed 1bp, whilst the worst performing sectors were industrials, infrastructure and utilities that all widened 2bps. Semi-government bonds moved out 1bp to Commonwealth government bonds.

Fund performance and activity

The Fund outperformed the benchmark by 0.04% (net of fees) over the month.

Financials, RMBS, industrials and utilities added to performance.

Market outlook

As indicated by market pricing the RBA will most likely ease the cash rate further in July to 3.60%. The market is also pricing a follow-up cut at their meeting in August as being highly likely. The key piece of domestic economic data that will solidify policy easing is the 2nd quarter inflation data to be released in late July. International events continue to provide headwinds for global economic growth. The 90-day pause on 'Liberation day' tariffs announced in April and subsequent trade deals will garner headlines during July. How events unfold around US trade policy will determine the pace and extent of further policy easing from the RBA.

Credit outlook

We maintain a cautious view on the credit market given the uncertainty that Trump has created with his tariff policies. The tariff threats followed by quick reversals and threats again are impacting sentiment. Prolonged uncertainty will be a drag on economic activity by keeping businesses in wait-and-see mode impacting supply chains and dampening the confidence of consumers who are bracing for a potential inflationary shock.

If however Trump does in fact soften his stance on tariffs and follows through with that and maintains a dovish pivot on tariffs, this would be constructive for credit spreads given the backdrop of a resilient US consumer and economy supported by government spending, easy financial conditions and a weaker USD which will continue to benefit US corporate earnings and credit fundamentals.

We also continue to closely monitor labour markets as a deterioration in US employment conditions is a risk to markets as this would increase the risk of a recession.

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

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