PENDAL

Factsheet

Income & Fixed Interest

30 June 2025

Pendal Sustainable Australian Fixed Interest Fund

Class R

ARSN: 612 664 730

About the Fund

The Pendal Sustainable Australian Fixed Interest Fund (**Fund**) is an actively managed portfolio of Australian fixed interest securities. Investments are selected based on a range of sustainable, ethical and financial characteristics.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the Bloomberg AusBond Composite 0+ Yr Index by 0.75% p.a. over rolling 3-year periods.

Description of Fund

The Fund is designed for investors who want income and diversification across a broad range of fixed interest securities (including government securities, semi-government securities, supranational securities and credit securities) and are prepared to accept some variability of returns.

Pendal's investment process for fixed interest aims to add value through multiple strategies and investment research. Pendal seeks to generate excess returns through strategies including active security (including green bonds, social bonds and sustainable bonds) and sector selection, duration, yield curve and credit management.

Our investment approach for credit management seeks to identify opportunities on a sector, issuer and security basis by incorporating top-down and bottom-up research. Top- down research includes analysis of economic and market data, along with macro credit fundamentals such as company earnings, balance sheet health, default rates and equity volatility. The bottom up research includes analysis of earnings and cashflow volatility, balance sheet, business diversity, industry and valuation.

The Fund also holds cash and uses derivatives. Derivatives may be used to reduce risk and can act as a hedge against adverse movements in a particular market and/or in the underlying assets. Derivatives can also be used to gain exposure to assets and markets.

Sustainability Approach

The Fund aims to allocate capital to issuers and securities that align to our sustainability themes: climate stability, human basics and innovation for good (the Sustainability Objective).

The Fund invests in securities issued by issuers that have passed Pendal's sustainability threshold. This sustainability threshold is an assessment of an issuer's environmental, social and governance risks and sustainability characteristics, including a sustainability score for each issuer, an assessment on the expected outcomes associated with specific bonds, and an evaluation of ESG risks from a credit, sector and issuer perspective. The Fund uses this assessment to avoid issuers deemed by Pendal as having poor sustainability performance, and promotes issuers and securities with better sustainability performance.

The Fund applies exclusionary screens. For more information on how the Fund's sustainability approach and how exclusions are applied, refer to section 5 'How we invest your money' of the Fund's Product Disclosure Statement at www.pendalgroup.com/PendalSustainableAustralianFixedInterestFundClassR-PDS.

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.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	0.75	0.78	0.75
3 months	2.72	2.82	2.63
6 months	4.16	4.37	3.95
1 year	6.97	7.39	6.81
2 years (p.a)	5.61	6.03	5.23
3 years (p.a)	4.27	4.69	3.88
5 years (p.a)	0.24	0.64	-0.10
Since Inception (p.a)	1.96	2.36	1.69

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: August 2016.

Past performance is not a reliable indicator of future performance.

Sector Allocation (as at 30 June 2025)

Government bonds^	7.0%
Semi-Government bonds^	2.9%
Sustainability Screened Corporate bonds	15.9%
ESG Thematic bonds - Green	48.4%
- Social	9.2%
- Sustainable	12.1%
Cash & other	4.5%

^ Ex Green, Social & Sustainable Bonds

CERTIFIED BY RIAA

The Pendal Sustainable Australian Fixed Interest Fund has been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsiblereturns.com.au for details.

The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Fund Statistics (as at 30 June 2025)

Yield to Maturity#	4.20%
Running Yield*	3.78%
Modified duration	4.89 years
Credit spread duration	1.56 years
Weighted Average Maturity	6.31 years
Average Credit Rating	AA

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)	$771 million
Date of inception	August 2016
Minimum investment	$25,000
Buy-sell spread[2] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Quarterly
APIR Code	BTA0507AU

[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]	0.40% 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.

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 performed in line with the Bloomberg AusBond Composite Bond index over the month.

The government and non-government sector positioning both added to performance. Industrials and supra-nationals sector positioning added, whilst infrastructure and utilities detracted.

Activity during the month included adding to exposure to diversified financials funded out of domestic bank sub debt.

Market outlook

The Australian market enters July with a rate cut almost fully priced plus a terminal cash rate below 3%, yet 10-year bonds remain rangebound between 4.5 and 4%. US bond yields continue to partly hold back the Australian market from fully reacting to better inflation data and weaker growth here. However, we continue to expect that US growth will weaken and the Fed will cut rates further in September, pushing US and therefore Australian bond yields lower.

We expect the key quarter 2 inflation data, released at the end of July, to show 0.9 to 1% headline and 0.7 to 0.8% trimmed mean. This supports cuts but does not on its own require cuts. The RBA will be more focused on growth and employment data in the months ahead.

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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