

Pendal Dynamic Income Fund

Performance

The Dynamic Income Fund returned -0.05% post-fee in February underperforming its cash benchmark. The widening of credit spreads detracted from performance, partially offset by gains in active duration positioning over the month.

Performance summary

Period	Feb 2026
Fund return (post-fee)	-0.05%
Benchmark return	0.29%
Excess return	-0.34%

Past performance is not a reliable indicator of future performance. [Visit our website for the Fund's full performance.](#)

Current positioning

Duration management:

- Entered February with a very low duration position amid inflation rates volatility concerns.
- During the month, Australian rate markets became more orderly and **upside pressure on yields faded**.
- Australian bond markets showed greater responsiveness to bond-favourable offshore data.
- Despite multiple hawkish domestic developments, yields failed to move materially higher, allowing us to **selectively add duration** and end the month with over one year of duration.

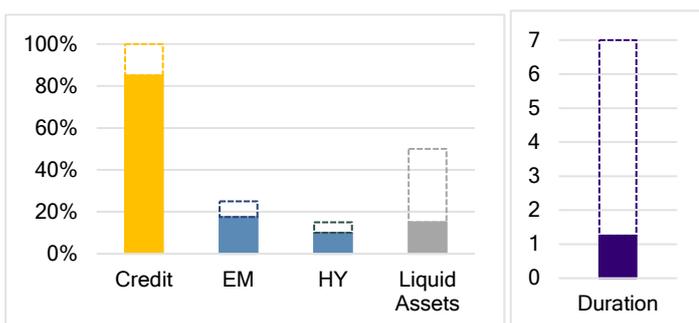
Credit markets:

- Credit spreads widened modestly during volatility but remained orderly.
- Spread moves were driven primarily by **risk repricing and primary supply dynamics**, rather than systemic credit stress.
- Became increasingly **selective in primary market participation**, favouring liquid exposures amid longer-dated and subordinated issuance with limited concessions.

Return booster allocation:

- The portfolio continues to access **higher-yielding boosters via liquid EM sovereign and US high-yield indices**, with a recent bias toward emerging markets proving beneficial given US high-yield underperformance.
- These allocations **enhance portfolio yield while preserving liquidity**, allowing the strategy to remain nimble amid elevated macro and market risks.

Asset allocation



Outlook

Global macro environment:

- February was characterised by **volatility across rates and risk assets**, driven by evolving Fed communication, geopolitical tensions and AI-related macro debate.
- US data continued to point to resilient growth, though concerns around inflation persistence **reduced expectations for near-term policy easing**.
- Overall, the period reflected a **repricing of market narratives** rather than a deterioration in underlying growth fundamentals, with risk assets stabilising into month-end.

Australia-specific considerations:

- Australian bond markets were more affected by **offshore bond market momentum** than domestic data.
- Primary market issuance activity continued to be strong**, although investor appetite started to wane

Investment strategy moving forward:

- We expect a **more supportive environment for duration**, while retaining flexibility rather than holding structural exposure.
- We anticipate a period of **consolidation across credit and risk markets**, reinforcing a selective and disciplined approach
- Our allocations in Emerging Markets and High Yield will allow us to de-risk the portfolio quickly if any consolidation in risk markets were to deepen.

PENDAL

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