

# Pendal Dynamic Income Fund

## Performance

The Dynamic Income Fund returned 0.47% in January, outperforming its cash benchmark. Australian investment-grade credit holdings in the portfolio were the largest contributor to performance.

### Performance summary

Period	Jan 2026
Fund return	0.47%
Benchmark return	0.31%
Excess return	0.16%

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

## Outlook

### Global macro environment:

- January was characterised by a **repricing of interest rate expectations** rather than a decisive shift in risk appetite.
- Bond yields moved higher across developed markets as economic data remained resilient, **challenging expectations of near-term easing**.
- Volatility was most evident in rates, FX and commodities, **reflecting policy uncertainty** rather than deteriorating growth.

### Australia-specific considerations:

- Australian markets continued to price a **more hawkish policy path relative to global peers**.
- Higher Australian yields have driven **strong demand for AUD-denominated credit**.

### Investment strategy moving forward:

- The fund will continue to take an **active, risk-aware approach** to duration, avoiding structural exposure while **policy uncertainty and rate volatility remain elevated**.
- Credit exposure will **remain focused on quality and pricing discipline**, with selective participation in primary markets.
- Allocations to higher-risk income assets will continue to be managed dynamically, **seeking to capture carry when conditions are supportive while remaining responsive to shifts in global macro momentum**.

## Current positioning

### Duration management:

- Entered January with a **defensive duration stance**
- A brief downside surprise in Australian CPI early in the month created an opportunity to **tactically add duration**.
- Subsequent data shifted the policy narrative, with **markets increasingly pricing the risk of a February RBA hike**.
- Duration was reduced through the month, with **outright exposure largely exited** as hawkish pricing intensified.

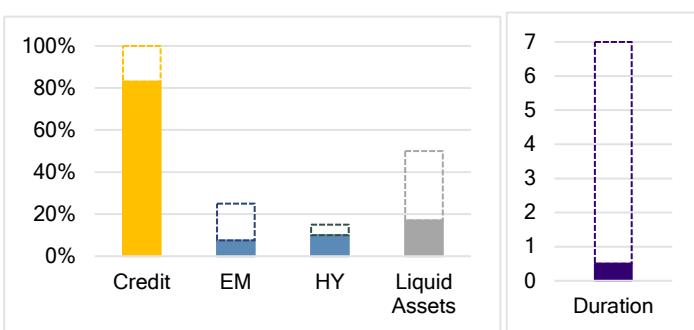
### Credit markets:

- Maintained a **constructive allocation** to Australian investment-grade credit.
- Continued to **participate selectively in primary issuance** across financials, transportation and utilities.
- Elevated Australian bond yields, driven by hawkish RBA pricing, continued to support **carry-seeking demand for AUD credit** despite tight spreads.

### Return booster allocation:

- Exposure was reduced early in the month** as volatility increased and global rate repricing weighed on risk assets.
- Allocations were **tactically rebuilt at wider spreads** before being trimmed later in the month amid increased volatility and policy uncertainty.
- The fund finished January **with moderate allocations to emerging markets and high yield** as the backdrop remains favourable for credit carry.

## Asset allocation



## Performance

As of 31 Jan 2026	1 month	3 months	6 months	1 year	2 years (pa)	3 years (pa)	5 years (pa)	7 years (pa)	Since Inception (pa)*
<b>Portfolio return (%)</b>	0.47	0.37	1.50	5.56	6.44	6.03	3.05	3.26	3.13
<b>RBA cash rate</b>	0.31	0.91	1.84	3.89	4.17	4.13	2.79	2.19	2.09
<b>Excess</b>	<b>0.16</b>	<b>-0.55</b>	<b>-0.33</b>	<b>1.68</b>	<b>2.28</b>	<b>1.90</b>	<b>0.26</b>	<b>1.07</b>	<b>1.04</b>

Net returns based on headline fee of 0.55% pa. Source: Pendal. Past performance is not a reliable indicator of future performance. \* December 2017

# PENDAL

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