

# Pendal Dynamic Income Fund

## Performance

The Dynamic Income Fund returned -0.18% in November (net of fees), underperforming its cash benchmark. Duration was the largest detractor though this was partially offset by gains in Australian investment-grade (IG) credit. Emerging market (EM) and high yield credit (HY) were relatively flat over the month.

## Performance summary

Period	Nov 2025
Fund return	-0.18%
RBA Cash Rate	0.30%
Excess return	-0.48%

Past performance is not a reliable indicator of future performance.

[Visit our website for the Fund's full performance.](#)

## Current positioning

### Duration management:

- We entered November expecting bond yields to drift lower, viewing inflation as past its peak and anticipating eventual RBA easing as growth and wages continued to moderate.
- However, stronger inflation and employment data challenged that view, prompting markets to **abandon near-term rate-cut expectations**.
- In response, **we trimmed risk**, maintaining a modest duration, below two years, but remain ready to **de-risk further** if the RBA's hawkish tone strengthens.

### Credit markets:

- IG credit remained a source of stability** through November, holding firm despite equity volatility and rising bond yields, supported by solid corporate fundamentals and limited recession risk.
- With spreads tight but steady, **IG credit continues to provide reliable income and portfolio resilience**, positioning us well to benefit once yields stabilise.

### Return booster allocation:

- We **gradually increased exposure to higher-yielding credit, particularly US high yield**, viewing the equity sell-off as a technical, profit-taking event in overvalued AI names rather than a sign of weakening fundamentals.
- Given the stability in broader credit markets, **we lifted the booster sleeve to its maximum allocation** by mid-month and have maintained that position, confident that recent volatility was sentiment-driven.

## Outlook

### Global macro environment:

- In the US, **treasuries continue to reflect wide uncertainty**. On the one hand, markets are hopeful for rate cuts. On the other, they are still wary of inflation, treasury issuance, and economic resilience.
- The release of the US Fed minutes showed policymakers remaining cautious, noting that while inflation had eased, it was still too high to justify rate cuts soon, reinforcing the message that **monetary policy would likely stay restrictive for longer**.

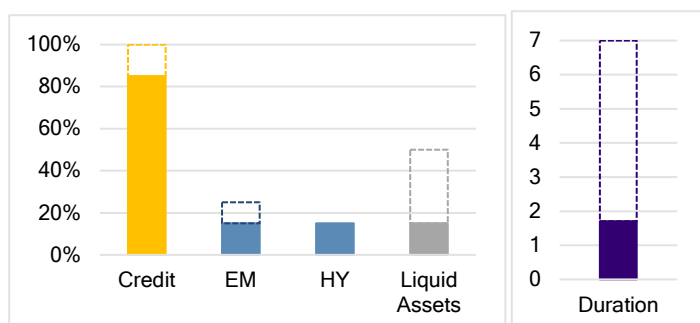
### Australia-specific considerations:

- The October CPI report surprised to the upside**, driven by higher power bills, import prices, and travel costs. This prompted markets to scale back expectations for 2026 rate cuts.
- The labour market also proved resilient**, with 42k full-time jobs added in October, unemployment easing to 4.3%, signalling that the economy remains stronger than anticipated.
- Together, these data releases reinforced the view that rate cuts are not imminent, with some **traders pricing in a possible late-2026 hike** as the RBA maintained a firmly hawkish tone at its November meeting.

### Investment strategy moving forward:

- The fund maintains an active approach to its duration positioning, **preferring to stay away from any buy and hold levels of duration** for the portfolio whilst the push-and-pull forces continue to play out in **higher bond market volatility**.
- Credit market participation will remain selective, with a strong focus on **pricing discipline**, whilst maintaining a high-quality portfolio.
- The return booster allocation is at its maximum exposure of 30%**. We anticipate spreads still has more room to compress.
- The fund remains committed to **active asset allocation and risk-aware portfolio construction** to navigate evolving market conditions effectively.

## Asset allocation



# PENDAL

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