

# Pendal Dynamic Income Fund

## Fund overview

Pendal Dynamic Income Fund (DIF) is designed for clients seeking income, capital preservation and liquidity. It actively manages risk across domestic and global fixed-income markets to deliver consistent, defensive returns in all market conditions.

## What it does in a portfolio

Provides a defensive income source with flexibility and liquidity. Complements term deposits, credit and hybrids. Designed to navigate changing rate environments with active duration position and no structural levels of portfolio duration.

## Top 3 things to know

- Risk-aware and flexible, adjusts to market conditions
- High-quality portfolio with strong liquidity and credit control
- Targets consistent outperformance of cash benchmark

## Performance

The Pendal Dynamic Income Fund delivered a total return of **0.24%** (preliminary\*\*, net of fees), Australian credit, emerging markets (EM) and US high yield (HY) were key contributors to performance. Tactical duration moves intra-month also supported returns.

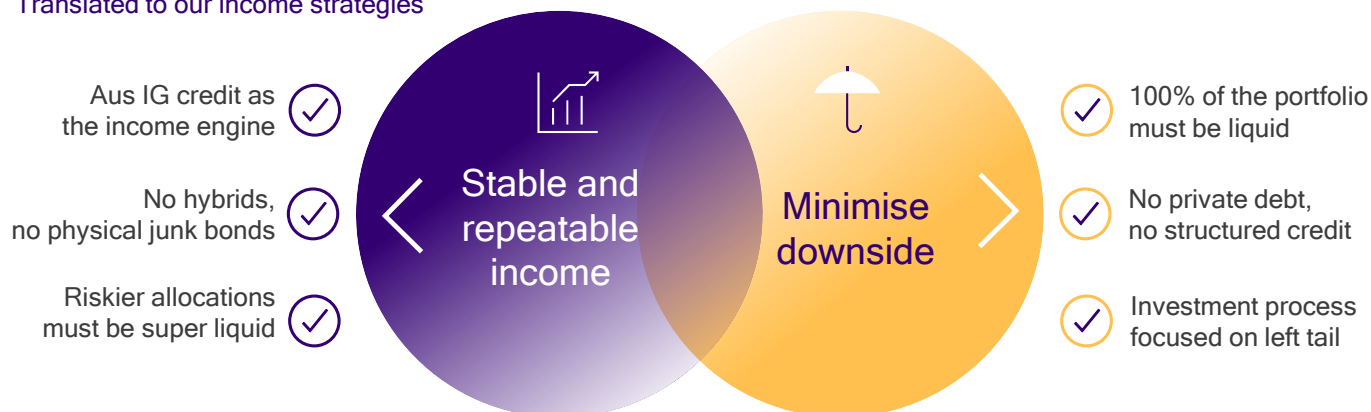
As of 30 Sep 2025	1 month	3 months	6 months	1 year	2 years (pa)	3 years (pa)	5 years (pa)	7 years (pa)	Since Inception (pa)*
<b>Portfolio Return (%)</b>	0.24	1.64	4.09	7.52	8.56	6.88	3.43	3.31	3.17
<b>RBA Cash Rate</b>	0.29	0.93	1.94	4.14	4.28	4.05	2.55	2.08	2.01
<b>Excess</b>	-0.05	0.70	2.15	3.38	4.28	2.83	0.87	1.22	1.15

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

\*\* These are preliminary returns. Final returns will be available October 3, 2025

## Our income philosophy: focus on investment objectives

Translated to our income strategies

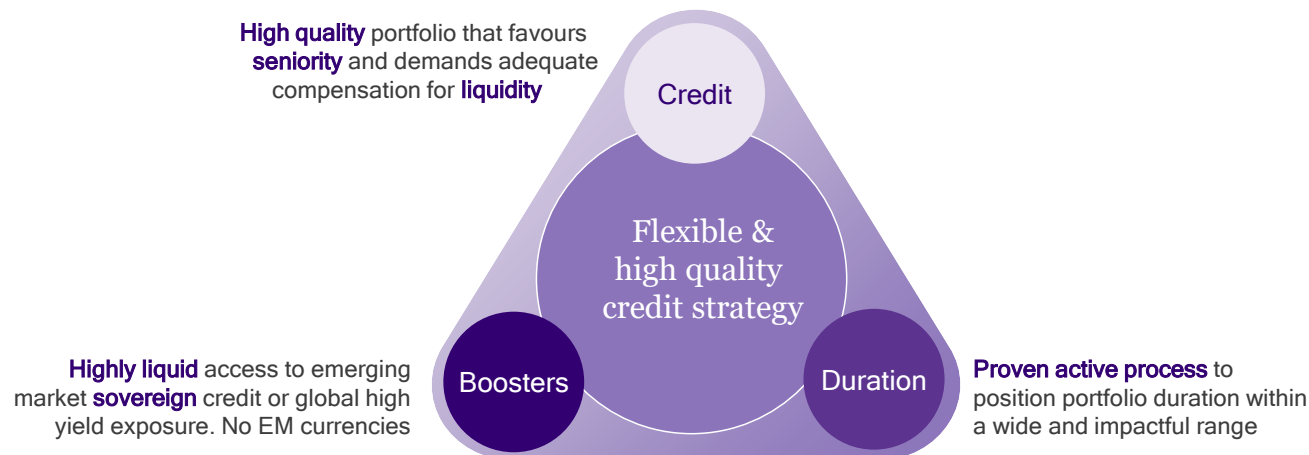


# Portfolio snapshot and current themes

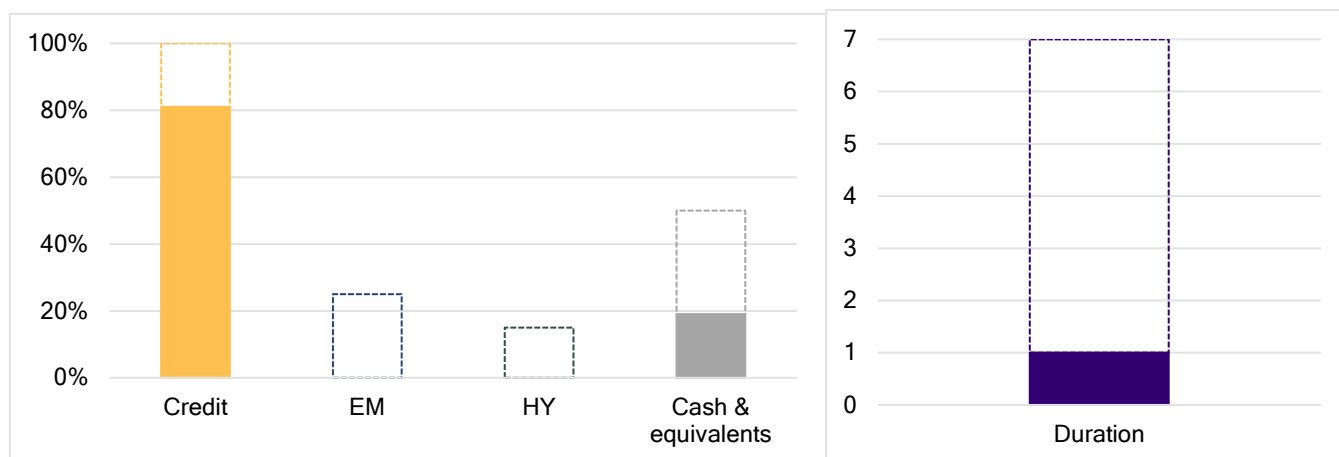
We believe that opportunities arise from market imperfections and dislocations. Our philosophy therefore focuses on what we can control - an evidence-based process grounded in fixed income fundamentals - to deliver reliable income and capital stability.

## Investment process

Flexibility to manage for desired outcomes over the market cycle



## Asset allocation



## Duration management:

- Australian yields ended the month higher, with plenty of volatility intra-month. This was despite US yields falling over the month driven by concerns of **weaker US labour markets**. The key drivers of domestic yields were **stronger-than-expected data on Australian economic activity and inflation**.
- We maintained very **low levels of duration** but continued to be tactical with our active duration decisions throughout the month. We extended duration slightly towards the end of the month as markets moved to the narrative of a **curtailed RBA easing cycle**.
- On balance, **our duration process continues to signal caution** both for domestic and offshore yields. Recent worries on US labour markets are likely overdone, whereas Australian activity and inflation are unlikely to remain so hot as to end the current easing cycle.

## Credit markets:

- Australian IG credit spreads tightened in September**, supported by strong liquidity conditions and continued investor appetite.
- While demand for new IG issuance appears healthy as indicated by strong over-subscription in primary markets, **secondary market performance has become more varied**. Deals that have struggled to find follow-through momentum have tended to leave no pricing concessions and sized to demand.
- We have retained our selective approach to primary market participation, with additions this month in sectors such as real estate, utilities and financials. **Our strong price discipline has guided us to successfully avoid new issues that have had weaker secondary market performance**.

Return booster allocation:

- US high yield (HY) and emerging market sovereign (EM) spreads have continued to bump around the bottom end of their cycle range, with neither showing sufficient momentum to break lower into a new range.
- Our return booster allocation process has flagged a **deteriorating trend in risk-reward over recent weeks**, culminating in an exit of HY earlier in the month (from 5% to 0%), followed by an exit of our EM allocation in the second half of the month (from 7.5% to 0%).
- This conservative stance should be considered a **tactical decision** as we await better levels to re-establish positions.

Market context & outlook

What happened in September 2025

September’s macro landscape was more mixed and nuanced by domestic data and themes, across both bonds and equities. While bond yields moved lower in the US, Australian yields ended the month slightly higher. While US equities delivered another month of gains, Australian equities lagged global peers. Global credit spreads continue to trade close to their cycle tights, and issuance volumes across most major markets has continued to be strong, but well-absorbed.

Global macro environment

- Central banks remained in the spotlight, with **cuts seen from the Fed, ECB and Riksbank**, while others like the **RBA held rates steady**
- **Australian and US yields continued to move differently** this month, driven by local dynamics
- **US labour market weakness** helped US yields to drift lower in the month, whereas **stronger Australian data** led to slightly higher Australian bond yields

Australia-specific considerations:

- The RBA held rates steady in September, as was widely expected by the market
- The RBA cited uncertainties on the outlook for domestic economic activity and inflation as reasons for continued policy caution

How the fund responded

- We kept duration low and stayed tactical in our active decision, making small gains in trading recent yield ranges
- In light of August monthly CPI indicator and a rise in Aussie bond yields, we added slightly to our tactical duration position
- Primary markets gave us plenty to choose from, but we remained highly selective and price-disciplined in our participation, avoiding deals that flopped in secondary markets

Fund outlook

- Our duration process signals near-term caution on duration. Expect portfolio duration to remain in the low end of the range and continued active decisions to take advantage of competing market narratives and volatility
- Investment grade credit markets in Australia remain the best near-term driver of returns for this strategy, but our participation will continue to focus on quality and price discipline
- Return boosters await better levels to re-engage, but we view the macro environment as being supportive for risk

The fund remains committed to **active asset allocation and risk-aware portfolio construction** to navigate evolving market conditions effectively

How to use this fund now

A core defensive income solution in a falling rate environment, DIF offers flexibility, daily liquidity and quality. Blends well with private credit, hybrids, and core fixed income allocations.

Use case summary

Against the backdrop of falling rates, rising volatility, and regulatory adjustments.	
Term deposits	<ul style="list-style-type: none"><li>• RBA has started to cut interest rates. More to come this year</li><li>• Floating rate credit strategies will see reduced income returns</li><li>• Dynamic Income seeks to lock in a higher income stream in a falling rate environment</li></ul>
Hybrids	<ul style="list-style-type: none"><li>• APRA has ruled against bank hybrids</li><li>• Dynamic Income capable of giving similar or better return outcomes</li></ul>
Private credit	<ul style="list-style-type: none"><li>• The credit cycle matters even in the private space</li><li>• Dynamic Income can blend well for better access to liquidity and defensive returns</li></ul>
Core fixed income	<ul style="list-style-type: none"><li>• Core defensive allocation</li><li>• Dynamic Income's flexibility produce better results than traditional fixed interest options</li></ul>

# PENDAL

This document has been prepared by Pendal Fund Services Limited (PFSL) ABN 13 161 249 332, AFSL No 431426 and the information contained within is current as at the date of this factsheet. It is not to be published, or otherwise made available to any person other than the party to whom it is provided.

PFSL is the responsible entity and issuer of units in the Pendal Dynamic Income Fund (Fund) ARSN: 622 750 734. A product disclosure statement (PDS) is available for the Fund and can be obtained by calling 1300 346 821 or visiting [www.pendalgroup.com](http://www.pendalgroup.com). The Target Market Determination (TMD) for the Fund is available at [www.pendalgroup.com/ddo](http://www.pendalgroup.com/ddo). You should obtain and consider the PDS and TMD before deciding whether to acquire, continue to hold or dispose of units in the Fund. An investment in the Fund is subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested.

This document is for general information purposes only, should not be considered as a comprehensive statement on any matter and should not be relied upon as such. It has been prepared without taking into account any recipient's personal objectives, financial situation or needs. Because of this, recipients should, before acting on this information, consider its appropriateness having regard to their individual objectives, financial situation and needs. This information is not to be regarded as a securities recommendation.

The information in this document may contain material provided by third parties, is given in good faith and has been derived from sources believed to be accurate as at its issue date. While such material is published with necessary permission, and while all reasonable care has been taken to ensure that the information in this factsheet is complete and correct, to the maximum extent permitted by law neither PFSL nor any company in the Pendal group accepts any responsibility or liability for the accuracy or completeness of this information.

Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Where performance returns are quoted "Post fees" then this assumes reinvestment of distributions and is calculated using exit prices which take into account management costs but not tax you may pay as an investor. Where performance returns are quoted "Pre fees and tax", they exclude the effects of management costs and any taxes. Past performance is not a reliable indicator of future performance.

To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. All investing involves risk including the possible loss of principal.