September 2025

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

Quick facts

Key metric	Detail
Strategy objective	Cash + 2% p.a. (after fees) over rolling 3 years
Liquidity	Daily
Fee	0.55% p.a. (Class A) **Crestone 0.26% p.a.**
Inception	December 2017
Income frequency	Quarterly

Performance

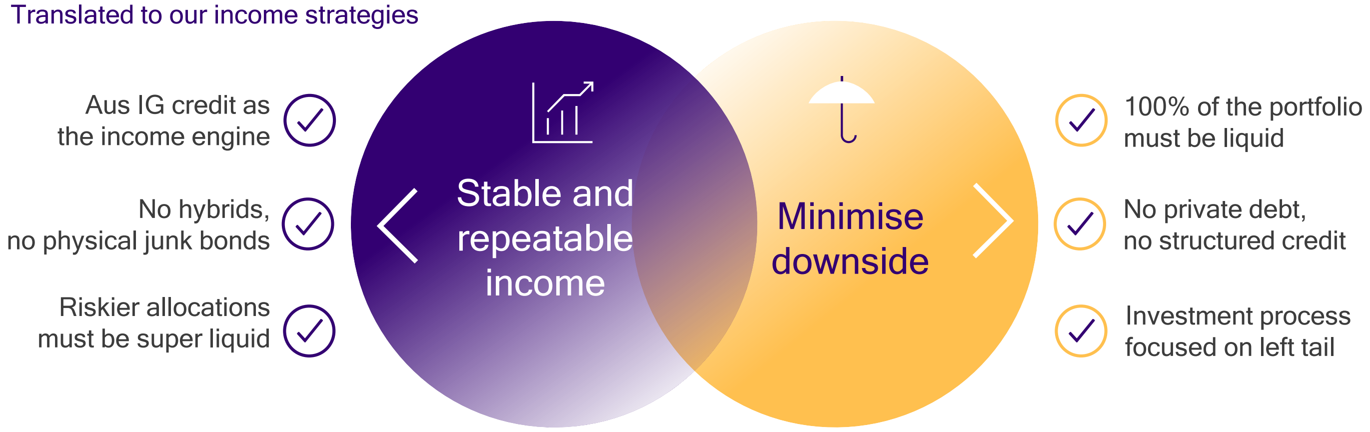
The Pendal Dynamic Income Fund delivered a total return of **0.24%** (preliminary**, net of fees), Australian credit, emerging markets (EM) and US high yield (HY) were key contributors to performance. Tactical duration moves intra-month also supported returns.

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)*
Portfolio Return (%)	0.24	1.64	4.09	7.52	8.56	6.88	3.43	3.31	3.17
RBA Cash Rate	0.29	0.93	1.94	4.14	4.28	4.05	2.55	2.08	2.01
Excess	**-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



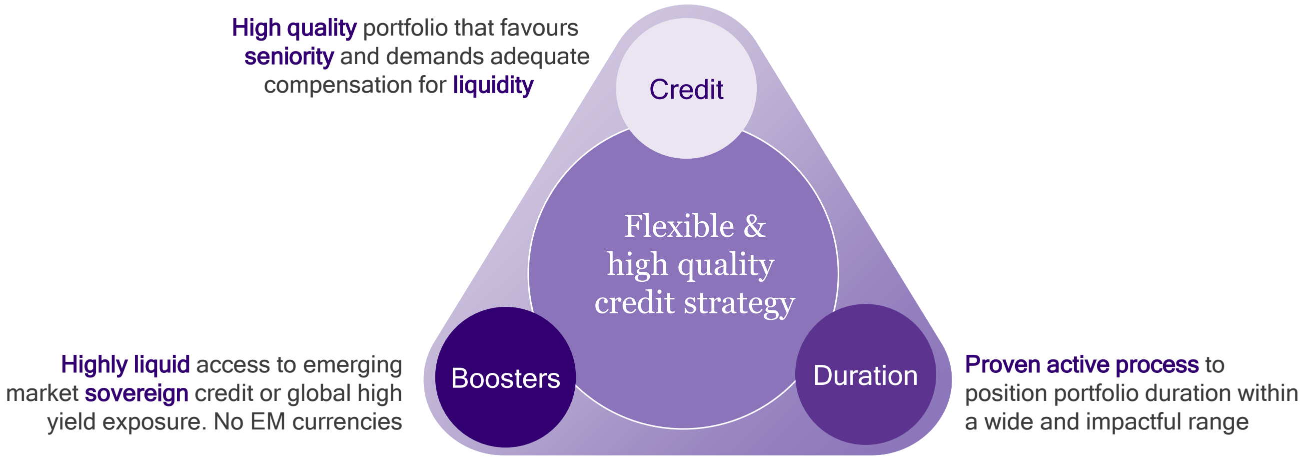
Please contact us if you have any questions or would like to discuss our approach further. pendalgroup.com

Portfolio snapshot and current themes

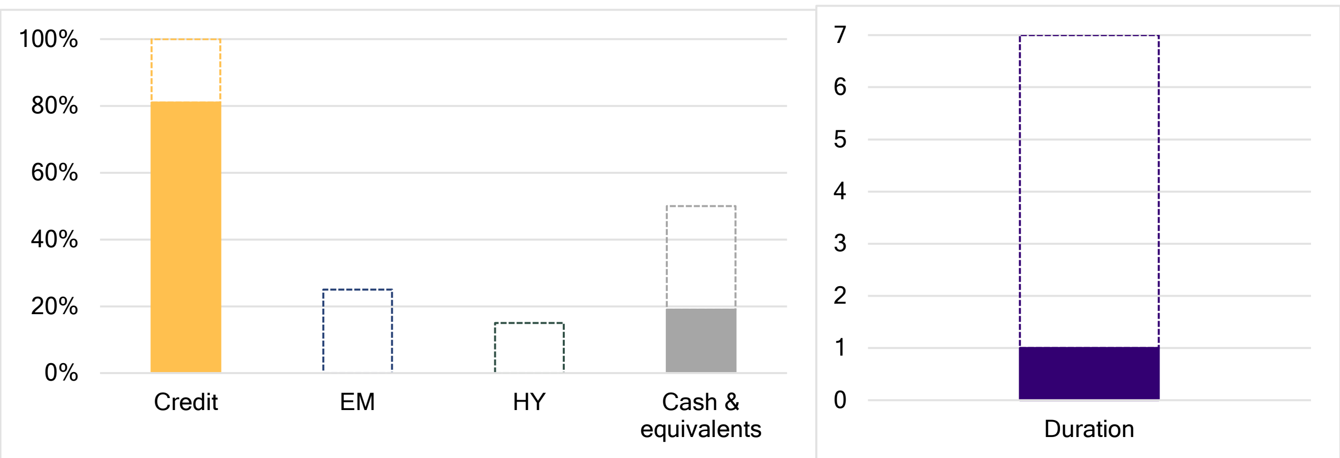
We believe that opportunities arise from market imperfections and dislocations. Our philosophy therefore focuses on what we can control - an evidence-based process grounded in fixed income fundamentals - to deliver reliable income and capital stability.

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	• RBA has started to cut interest rates. More to come this year • Floating rate credit strategies will see reduced income returns • Dynamic Income seeks to lock in a higher income stream in a falling rate environment
Hybrids	• APRA has ruled against bank hybrids • Dynamic Income capable of giving similar or better return outcomes
Private credit	• The credit cycle matters even in the private space • Dynamic Income can blend well for better access to liquidity and defensive returns
Core fixed income	• Core defensive allocation • Dynamic Income's flexibility produce better results than traditional fixed interest options