

## Pendal Sustainable Australian Fixed Interest Fund Class W

ARSN: 612 664 730

## Factsheet

Income & Fixed Interest

28 February 2026

### About the Fund

The Pendal Sustainable Australian Fixed Interest Fund (**Fund**) is an actively managed portfolio of Australian fixed interest securities. Investments are selected based on a range of sustainable, ethical and financial characteristics.

### Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the Bloomberg AusBond Composite 0+ Yr Index by 0.75% p.a. over rolling 3-year periods.

### Description of Fund

The Fund is designed for investors who want income and diversification across a broad range of fixed interest securities and are prepared to accept some variability of returns. The Fund invests primarily in Australian dollar denominated investment grade fixed interest securities, including government securities, semi-government securities, supranational securities and credit securities and holds cash.

The Fund uses derivatives to gain exposure to assets and markets.

Derivatives may also be used to reduce risk and can act as a hedge against adverse movements in a particular market or in the underlying assets.

Pendal's investment process for fixed interest aims to add value through multiple strategies and investment research. Pendal seeks to generate excess returns through a combination of alpha strategies such as credit management, active security (including green, social and sustainable bonds) and sector selection, duration and yield curve. Our investment approach for credit management seeks to identify opportunities on a sector, issuer and security basis by incorporating top-down and bottom-up research. Top-down research includes analysis of economic and market data, along with macro credit fundamentals such as company earnings, balance sheet health, default rates and equity volatility. Bottom-up research includes analysis of earnings and cashflow volatility, balance sheet, business diversity, industry and valuation.

### Sustainability Approach

The Fund aims to allocate capital to issuers and securities that align to our sustainability themes: climate stability, human basics and innovation for good (the Sustainability Objective).

We undertake a sustainability assessment on all issuers that considers the extent to which each issuer manages its environmental, social (including labour standards) and governance (collectively ESG) risks (all of which include ethical factors). Our assessment draws on internal and external research to assess an issuer's sustainability performance (for example their exposure to ESG risks and how well they manage these risks relative to peers) and seeks to identify issuers that, in our view, have strong sustainability credentials for investment.

The Fund also applies exclusionary screens. Further information on the Fund's sustainability approach and exclusionary screens can be found in section 5 'How we invest your money' of the Fund's Product Disclosure Statement. This can be obtained by contacting us.

### Investment Team

Pendal's Income & Fixed Interest team has extensive and varied experience across both local and international Fixed Interest markets. The team manages a range of strategies including Cash, Government bond, Composite bond, specialised Insurance solutions, Income solutions and Sustainable and Impact funds. The portfolio manager of the Fund is George Bishay, who has more than 30 years industry experience.

### Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	0.77	0.79	0.88
3 months	0.51	0.58	0.46
6 months	0.07	0.23	0.03
1 year	3.36	3.69	3.15
2 years (p.a)	3.90	4.24	3.66
3 years (p.a)	4.03	4.36	3.61
Since Inception (p.a)	1.43	1.75	1.19

Source: Pendal as at 28 February 2026.

"Post-fee" returns assume reinvestment of distributions and is calculated using exit prices. "Pre-fee" returns exclude the effects of management costs and any taxes. Returns for periods greater than one year are annualised. Fund inception: March 2022.

The performance returns shown are for the period from the fund's inception and are short term in nature. Performance may therefore not reflect the longer term performance of the fund. Past performance is not a reliable indicator of future performance.

### Historical simulated returns – Class W

Pendal Sustainable Australian Fixed Interest Fund - Class W has been operating since March 2022. To provide a simulated longer term view of the estimated performance for Class W, we have based the estimated returns for Class W using the **Pendal Sustainable Australian Fixed Interest Fund - Class R**, given the identical investments, and have then adjusted the returns to reflect the fee differences between Class W and Class R.

(%)	Total Returns (simulated)		Benchmark Return
	(post-fee)	(pre-fee)	
5 years (p.a)	0.72	1.04	0.60

Past performance is not a reliable indicator of future performance.



The Pendal Sustainable Australian Fixed Interest Fund has been certified and classified by the Responsible Investment Association Australasia according to the operational and disclosure practices required under the Responsible Investment Certification Program. See [www.responsibleinvestments.com.au](http://www.responsibleinvestments.com.au) and [RIAA's Financial Services Guide](#) for details.

The Responsible Investment Certification Program provides general advice only and does not take into account any person's objectives, financial situation, or needs. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Because of this, you should consider your own objectives, financial situation and needs and also consider the terms of any product disclosure document before making an investment decision. Certifications are current for 24 months and subject to change at any time.

## Fund Statistics (as at 28 February 2026)

Yield to Maturity <sup>#</sup>	4.73%
Running Yield <sup>*</sup>	3.97%
Modified duration	4.83 years
Credit spread duration	1.46 years
Weighted Average Maturity	5.86 years
Average Credit Rating	AA

<sup>#</sup> Yield to maturity is an estimate, at a point in time, of an individual security's expected annual rate of return, assuming the security is held to maturity and all coupon payments are made on time and reinvested at the same rate. The Fund's yield to maturity uses this calculation on a weighted average basis for all physical securities held in the Fund. The Fund's yield to maturity does not represent the actual return of the Fund over any period.

<sup>\*</sup> Running yield is an estimate, at a point in time, of the annual income generated by an individual security expressed as a percentage of its current market price. It is calculated by dividing the coupon of the security by the market value of that security. The Fund's running yield uses this calculation on a weighted average basis for all physical securities held in the Fund. Running yield does not reflect the actual income return of the Fund.

## Sector Allocation (as at 28 February 2026)

Government bonds <sup>^</sup>	4.5%
Semi-Government bonds <sup>^</sup>	2.7%
Sustainability Screened Corporate bonds	11.1%
ESG Thematic bonds - Green	48.8%
- Social	7.7%
- Sustainable	14.4%
Cash & other	10.8%

<sup>^</sup> Ex Green, Social & Sustainable Bonds

## Other Information

Fund size (as at 28 February 2026)	\$152 million
Date of inception	8 March 2022
Minimum investment	\$25,000
Buy-sell spread <sup>1</sup>	
For the Fund's current buy-sell spread information, visit <a href="http://www.pendalgroup.com">www.pendalgroup.com</a>	
Distribution frequency	Quarterly
APIR Code	PDL3438AU

<sup>1</sup> The buy-sell spread represents a contribution to the transaction costs incurred by the Fund, when the Fund is purchasing and selling assets. The buy-sell spread is generally incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

## Fees and costs

You should refer to the latest Product Disclosure Statement for full details of the ongoing fees and costs that you may be charged.

Management fee <sup>2</sup>	0.32% pa
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<sup>2</sup> This is the fee we charge for managing the assets and overseeing the operations of the Fund. The management fee is deducted from the Fund's assets and reflected in its unit price.

## Market review

The Reserve Bank of Australia (RBA) tightened monetary policy by 0.25% at their February meeting, taking the cash rate to 3.85%. The RBA views that private demand has grown substantially more than expected in an economy that is already facing capacity pressures. With inflationary pressures picking up materially over the 2nd half of 2025 the RBA viewed it prudent to tighten policy. The RBA increased their 2026 inflation forecast from 3.2% to 3.6% for headline and from 2.7% to 3.2% for trimmed mean.

Labour market data was slightly better than expected. The unemployment rate was unchanged at 4.1% (consensus 4.2%) and the wage price index rose by 0.8% for the quarter and 3.4% for the year as expected.

Monthly inflation data for January came out slightly higher than expected. Monthly inflation rose by 0.4%, resulting in an annual increase of 3.8%. Trimmed mean monthly inflation rose by 0.3% and 3.4% annually.

In Australia the market ended the month pricing a full rate hike by mid-2026 and one and a half hikes by year end.

Despite this, Australian bonds rallied over February, led by a strong US bond market. Australian three-year bonds rallied from 4.27% to 4.22% and 10-year bonds rallied from 4.81% to 4.65% over February. Interestingly, despite all the inflation concerns, break-even inflation levels (or implied inflation) for 10 years moved lower, from 2.35% to 2.26%. The current strong inflation is not viewed as lasting beyond this year.

## Credit review

Credit spreads underperformed over the month as markets dealt with a number of headwinds. AI disruption concerns, private credit risks surfaced, rising geopolitical tensions between the US & Iran and Trump tariffs were deemed to be illegal. However, on the positive note, company earnings beat expectations.

Early in the month, Anthropic announced its new AI automation tool, Claude Cework, sparked a significant sell-off in tech/software stocks. The tool, which is designed to automate tasks across legal, marketing, and data analysis, raised concerns that AI might replace core software and outsourcing business models, rather than just supporting them. Tech stocks continued to weaken due to persistent fears about whether the massive investments in the technology will pay off.

Private credit concerns surfaced when Blue Owl Capital permanently halted redemptions from one of its private credit funds which is dealing with a redemption run given the portfolio's significant loan exposure to the technology sector. The fund previously allowed investors to redeem 5% in a quarter, now the fund has moved to 'return of capital' model where they make periodic distributions as they sell assets. The incident has raised concerns about the private credit market industry's lack of oversight and poor transparency. Late in the month a UK lender, Market Financial Solutions warned of a USD1.3bn shortfall in collateral backing their loans after 'double pledging' of collateral ie fraud, this will be a hit both banks and private credit lenders.

Geopolitical risks were in focus as US-Iran tensions led to a more risk adverse tone in markets on the back of Iran's nuclear program. There was a substantial shift in US military assets into the region, with the highest level of US military hardware they have had in region since the Iraq war. The weekend after month-end close saw US and Israeli fire air strikes on Iran with a subsequent retaliation from Iran. When the market opened up on Monday (2/3/26) post this Middle East conflict escalation, oil prices rose due to concerns there could be a critical energy choke point in the Strait of Hormuz which sees a fifth of global oil trade shipped through that area.

The US Supreme Court ruled that the Trump exceeded his authority by imposing tariffs under the International Emergency Economic Powers Act (IEEPA) and are illegal. The court ruled the tariffs were taxes and not an import regulations mechanism and therefore not allowed given taxes must go through congress, invalidating an estimated US\$130–\$170 billion in tariff revenues. Trump immediately moved to an alternative authority under Section 122 of the Trade Act of 1974 to impose a 10%, possibly up to 15% global tariff for up to 150 days. Extensions beyond this would need to be approved by Congress. It now sets the stage for what are likely to be complex legal fights over refunds of tariffs paid so far by US importers. The big question is around American government's finances given these tariff revenues were a way to offset the upcoming income tax cuts.

US economic data was mixed with soft retail sales and lower than expected CPI and employment cost index offsetting stronger Payrolls.

US Q4 company earnings were better than expected. With 96% of companies having reported by the end of the month, 74% of companies beat earnings expectations by 6% on average with actual pcp growth in sales of 9% and profit of 12%. The best performing sectors in relation to earnings growth were technology and industrials which grew at 31 and 29% respectively, whilst the worst performing sectors were consumer discretionary and telcos that were -6% and -5% respectively.

Credit spreads were wider over the month. The Australian iTraxx index (series 44) traded in a narrow 4bp range, finishing 2bp higher in spread to close at 68bps. Australian physical credit spreads moved out 2bps on average. The best performing sector was offshore banks that closed unchanged, whilst the worst performing sector was domestic banks that widened 3bps. Semi-government bonds also underperformed widening 3bps to Commonwealth government bonds.

### **Fund performance and activity**

The Fund underperformed the Bloomberg AusBond Composite Bond index over the month.

The government sector positioning performed in line whilst the non-government portion of the Fund underperformed. Infrastructure and utilities sector positioning detracted from performance. The US curve steepener and short Aud rates detracted from performance whilst the Yen curve flattener slightly added.

We closed out our tactical short Australian rates position on the back of momentum triggers.

Activity during the month included investing in four new primary market deals across senior & subordinated domestic banks and diversified financials sectors. We sold some of these by the end of the month on profit taking as well as reducing some beta exposure. We also reduced some infrastructure exposure.

The Fund invested in an ANZ Sustainable Development Goals (SDG) Bond, which allocates proceeds toward a diversified portfolio of environmental and social lending activities aligned with the United Nations SDGs. Proceeds from ANZ's SDG Bonds are used to fund or refinance eligible assets with a strong emphasis on climate action, sustainable cities, clean energy and positive social outcomes.

The bond finances a broad range of projects, with approximately 80% of proceeds allocated to environmental activities and around 20% to social outcomes. Around two thirds of funding has been directed to projects based in Australia.

On the environmental side, the bond supports the financing of more than 360 large scale renewable energy projects across Australia, India, Hong Kong and other regions. These include wind farms, solar projects and battery energy storage systems.

One example is the development, construction and operation of the 252-megawatt Wambo Stage I and 254-megawatt Wambo Stage II wind farms in south-east Queensland.

Examples of social projects supported include the operation of specialist disability accommodation across Australia, comprising nearly 1,000 beds, as well as the construction of a further 106 specialist disability accommodation homes providing around 350 beds. The bond has also supported the delivery of more than 1,200 dwellings to be used as social and affordable housing.

Investing in an ANZ SDG Bond provides exposure to a high-quality Australian bank while directing capital toward a wide range of activities that support climate stability, social inclusion and sustainable economic development.

### **Market outlook**

The impact of the February rate hike on the Australian economy will be watched very closely by the RBA over March. Whilst one small move won't have large direct impacts, the RBA is hoping the signaling will see growth pare back and ultimately inflation moderate.

The key data in March comes out after the RBA meeting mid-month and no rate change is expected till May. In fact, there are two employment numbers, and two inflation prints before the May meeting. Therefore, at 85% chance of a hike priced there is some value leaning against it.

We expect the Q1 trimmed mean inflation to print at 0.8% at the end of April, with the market expecting 0.9%. Unless global events take over, the RBA would view 0.9% as high enough to hike, but 0.8% would be a close call.

### **Credit outlook**

We maintain our conservative positioning in relation to our credit exposure given our concerns around the US labour market. A continued deterioration in US employment conditions is a risk for markets as this would increase the chances of a recession.

Also, we have questions around the profitability of the significant AI capex spend as well as implications on unemployment. This has driven risk markets higher on expected productivity gains, however, if the expected return on capital spend doesn't materialize and/or we get a material increase in unemployment, this will be a headwind for the market going forward.

Global trade uncertainty resurfaced again during the month, with the big unknowns now being will there be tariffs and if so who will ultimately pay for the Trump's tariffs. Will companies absorb it and impact profits/margins or will they pass the expense on to their end customers/consumers, either way not great for earnings, inflation and cost of living for the consumer. Also, with the conflict escalation in the Middle East adds to our concerns given oil supply chains risks.

On the flip side, the US consumer remains resilient and the economy is supported by government fiscal spending including the upcoming tax cuts, easy financial conditions, and a weaker USD which will continue to benefit US corporate earnings and credit fundamentals.

For more information please call 1300 346 821,  
contact your key account manager or visit [pendalgroup.com](http://pendalgroup.com)

**PENDAL**

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