

Pendal Dynamic Income Fund

Class R

Income & Fixed Interest

31 March 2026

ARSN: 622 750 734

About the Fund

The Pendal Dynamic Income Fund (**Fund**) is an actively managed diversified portfolio of Australian and international fixed income securities.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the RBA Cash Rate by 2-3% p.a. over the medium term. The suggested investment timeframe is three years or more.

Description of Fund

The Fund is designed for investors who seek income from a portfolio of Australian and international fixed income securities across a range of market conditions and are prepared to accept some variability of returns.

The Fund is an actively managed portfolio that invests primarily in Australian issued investment grade corporate bonds¹. The Fund may also invest in emerging markets² sovereign debt and international credit (including high yield), to provide portfolio diversification and enhance returns when we believe market conditions are supportive. The Fund's international credit exposure is typically obtained through indices, primarily using derivatives.

The Fund has the ability to decrease its allocation to credit and invest in cash. The Fund actively manages interest rate duration throughout the interest rate cycle and may use active currency management as part of its investment strategy to enhance returns when we believe market conditions are supportive.

Pendal uses a combination of quantitative modelling and qualitative research to construct the Fund's portfolio.

The Fund's portfolio is constructed using the following three step approach:

1. Generate investment signals through quantitative models
2. Reaffirm investment signals with qualitative research
3. Asset Allocation

If the themes also point towards lower interest rates and a negative correlation environment exists between interest rates and credit, the Fund can increase its Australian interest rate duration.

The Fund may hold its Australian and international credit exposures in non-investment grade credit securities. At the time of purchase, Australian credit securities (including corporate bonds) must be rated investment grade. However, if a corporate bond is downgraded after purchase, it can continue to be held. International credit securities may be rated non-investment grade at the time of purchase. The Fund's maximum investment exposure to Australian and international non-investment grade credit securities (in aggregate) is limited to 15% of the value of the Fund.

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 Amy Xie Patrick who has more than 20 years industry experience, supported by Co-Portfolio Manager Oliver Ge who has more than 15 years industry experience.

Performance

| (%) | Total Returns | | Benchmark Return |
|-----------------------|---------------|-----------|------------------|
| | (post-fee) | (pre-fee) | |
| 1 month | -0.81 | -0.77 | 0.34 |
| 3 months | -0.44 | -0.30 | 0.94 |
| 6 months | -0.28 | 0.00 | 1.86 |
| 1 year | 3.80 | 4.37 | 3.84 |
| 2 years (p.a) | 5.36 | 5.94 | 4.12 |
| 3 years (p.a) | 5.38 | 5.96 | 4.16 |
| 5 years (p.a) | 3.04 | 3.61 | 2.92 |
| Since Inception (p.a) | 2.96 | 3.47 | 2.13 |

Source: Pendal as at 31 March 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: December 2017.

Past performance is not a reliable indicator of future performance.

Asset Allocation (as at 31 March 2026)

| | |
|---------------------------------|-------|
| Australian Credit | 73.3% |
| Emerging Market Sovereign Debit | 0.0% |
| High Yield Credit | 0.0% |
| Cash | 26.7% |

Allocations may not add to 100% due to the use of derivatives to obtain Australian and international credit and emerging markets sovereign exposure.

Top 10 Issuer Exposure (as at 31 March 2026)

| | |
|-------------------------------------------|------|
| WESTPAC BANKING CORP | 6.1% |
| NATIONAL AUSTRALIA BANK LTD | 5.8% |
| AUSTRALIA & NEW ZEALAND BANKING GROUP LTD | 5.8% |
| COMMONWEALTH BANK OF AUSTRALIA | 3.7% |
| VICTORIA POWER NETWORKS FINANCE PTY LTD | 3.2% |
| COLES GROUP TREASURY PTY LTD | 2.9% |
| LONSDALE FINANCE PTY LTD | 2.7% |
| GAIF BOND ISSUER PTY LTD | 2.6% |
| WESFARMERS LTD | 2.5% |
| CNH INDUSTRIAL CAPITAL AUSTRALIA PTY LTD | 2.5% |

¹ Corporate bonds held within the Fund are required to be rated investment grade at the time of investment. Downgraded securities can continue to be held up to 15% of the Fund (in aggregate). Investment grade bonds refer to securities that are expected to have a high probability of payment of interest and repayment of principal.

² The Fund can invest up to 30% of the value of the Fund (in aggregate) in Emerging Markets Sovereign Debt and international non-investment grade securities. However, the Fund can only invest up to 15% of the value of the Fund (in aggregate) in Australian and international non-investment grade credit securities.

Fund Characteristics

| | |
|-----------|---------------|
| Benchmark | RBA Cash rate |
| Liquidity | Daily |

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 ³ | 0.55% pa |
|-----------------------------|----------|

³ 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.

Fund Statistics (as at 31 March 2026)

| | |
|----------------------------------|------------|
| Yield to Maturity ⁴ | 4.91% |
| Running Yield ⁵ | 4.45% |
| Modified duration | 0.31 years |
| Credit spread duration | 2.20 years |
| Weighted Average Maturity | 2.51 years |
| Average Australian Credit Rating | A+ |

⁴ 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.

⁵ 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.

Other Information

| | |
|------------------------------------------------------------------------------------------------------------------------|---------------|
| Fund size (as at 31 March 2026) | \$345 million |
| Date of inception | December 2017 |
| Minimum investment | \$25,000 |
| Buy-sell spread ⁶ | |
| For the Fund's current buy-sell spread information, visit www.pendalgroup.com | |
| Distribution frequency | Quarterly |
| APIR code | BTA8657AU |

⁶ 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.

Market review

March was characterised by a highly turbulent macro environment in which geopolitics, energy prices and shifting policy expectations repeatedly drove abrupt changes in cross asset leadership. The escalation in the Middle East — and the market's evolving assessment of the duration and severity of energy disruption — created an unstable backdrop where the investment debate frequently rotated between “inflation shock” and “growth shock.”

The energy impulse was central. Early and mid month market narratives were heavily shaped by the tightening in global energy markets and the downstream effects on inflation expectations and interest rate volatility, with periodic shifts in tone as headlines oscillated between de escalation rhetoric and renewed escalation. Importantly, the month increasingly highlighted the risk that a sustained energy shock can become growth destructive over time, even as it keeps inflation uncomfortably elevated — a mix that tends to challenge diversification and amplify correlation risk.

Rates markets reflected this complexity through heightened volatility. Moves in global yields were influenced by the shifting balance between inflation persistence and emerging signs of demand destruction, and by how investors interpreted central bank reaction functions in real time. By late March, the speed of repricing in rate expectations was notable, with market pricing shifting materially away from an easing bias as energy driven inflation concerns rose. Intra-month, Australian rates markets priced in a peak of over 5% in the RBA Overnight Cash Rate.

Domestic credit markets behaved largely in an orderly fashion, albeit sensitive to swings in risk sentiment and liquidity conditions. Spreads widened in domestic investment grade bonds, but demand for credit could still be found by investors attracted to higher all-in yields of corporate and financial bonds due to the sell-off in rates intra-month. Domestic primary markets were quiet, although offshore markets in US and Europe continued to price a healthy volume of new deals, again supported by the higher yield environment.

Higher beta global credit markets such as emerging markets and US high yield were a key channel through which risk appetite adjusted to the geopolitical and oil shock. The ongoing crisis in the Middle East added further widening pressure to high yield markets especially as the month saw continued reports of various private credit funds limiting the size of investor redemptions. The rapidly changing landscape for overall market confidence highlights the need for liquidity in the portfolio's higher risk exposures.

Fund performance

The Dynamic Income Fund returned -0.81% (net of fee) in March, underperforming its cash benchmark. Duration, high yield and emerging markets were the largest detractors to performance during the month.

Fund positioning

Duration was managed actively through the month. The Fund began March with a moderate interest rate exposure, then took profits and reduced duration early as markets reacted to geopolitical headlines and near term inflation uncertainty. As yields backed up and the risk/reward improved, the Fund rebuilt some duration while remaining disciplined on risk, particularly during periods where oil driven inflation risk created the possibility of outsized rate moves. Later in the month, with volatility returning and global yields selling off, the Fund again reduced duration meaningfully as part of a broader risk control response. Whilst continuing to stay tactical in our active duration positions, we reduced duration to minimal levels into month-end following a yet more hawkish reading on the RBA's minutes from its March meeting.

Credit risk was also managed with an emphasis on liquidity. Primary market participation was minimal, and in windows of market optimism we took the opportunity to reduce exposure to credits with tighter spreads and longer maturities, thereby reducing the fund's credit spread duration and building a tactical cash balance. Although physical bonds seem attractive from an all-in yield perspective, that is only because of the sell-off in yields over the month as the market grapples with inflation risks. Since we intentionally separate the credit and the duration decisions for this portfolio, we view the risks ahead to be asymmetric for credit spreads as well as credit market liquidity. Should credit markets become disorderly, we stand ready to take advantage of opportunities in secondary markets that arise from market dislocation. Should there be a sudden de-escalation of geopolitical and oil risks, the fund could easily replenish credit exposure with the reopening of primary markets.

Higher-beta credit exposures in emerging markets and high yield were also actively managed this month. We stayed in moderate exposures to both EM and HY in the earlier part of the month, but our signals became far more defensive as the geopolitical crisis dragged on. We eliminated all EM and HY exposures by in the second half of the month. Whilst our signals supported re-entering these markets with small allocations into month-end, we chose to temporarily stay at a nil allocation to these higher beta credit markets as the overall market narrative appeared to shift from inflation concerns to growth and recession concerns.

We expected a friendlier month for duration in March, which was only the case in the early stages of the Iran War. Instead, most of the month saw global bond markets pre-occupied with the "flation" part of stagflation, and cross-asset correlations remained high as if repeating 2022. However, Australia remains more sensitive than the US to both the "stag" and "flation" ramifications of this current oil shock, and as the market's inflation concerns become exhausted, we stand ready to lean into a more meaningful duration position in the coming weeks. For now, a higher-than-average cash balance equips the portfolio with greater flexibility to navigate the ongoing market volatility.

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

PENDAL

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If market movements, cash flows or changes in the nature of an investment (e.g. a change in credit rating) cause the Fund to exceed any of the investment ranges or limits specified, this will be rectified by PFSL as soon as reasonably practicable after becoming aware of it. If PFSL does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified are accurate as at the date of this factsheet and PFSL reserves the right to vary these from time to time.