

Pendal Fixed Interest Fund

ARSN: 089 939 542

Income & Fixed Interest

31 March 2026

About the Fund

The Pendal Fixed Interest Fund (**Fund**) is an actively managed portfolio of primarily Australian fixed interest securities.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the Bloomberg AusBond Composite 0+ Yr Index over the medium term. The return is expected to be comprised primarily of income. The suggested investment timeframe is three years or more.

Description of Fund

This Fund is designed for investors who want income, diversification across a broad range of cash and fixed interest securities and are prepared to accept some variability of returns. The Fund aims to take advantage of investment opportunities primarily within the Australian fixed interest market by investing in a combination of Commonwealth-government, semi-government and corporate debt and short-term money market securities. The Fund may also invest tactically in international fixed interest markets.

The Fund can use derivatives to achieve its investment objective and 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 and/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 strategies including active security and sector selection, duration, yield curve and credit management. 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. The bottom-up research includes analysis of earnings and cashflow volatility, balance sheet, business diversity, industry and valuation.

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 Tim Hext who has more than 35 years industry experience.

Other Information

Fund size (as at 31 March 2026)	\$344 million
Date of inception	August 1992
Minimum investment	\$25,000
Buy-sell spread ²	For the Fund's current buy-sell spread information, visit www.pendalgroup.com
Distribution frequency	Quarterly
APIR code	RFA0813AU

² 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.

Performance

(%)	Total Returns		Benchmark
	(post-fee)	(pre-fee)	Return
1 month	-1.55	-1.51	-1.42
3 months	-0.36	-0.25	-0.34
6 months	-1.51	-1.29	-1.48
1 year	1.60	2.06	1.51
2 years (p.a)	2.46	2.92	2.35
3 years (p.a)	2.15	2.61	2.06
5 years (p.a)	0.18	0.64	0.15
Since Inception (p.a)	5.22	5.76	5.41

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: August 1992.

Past performance is not a reliable indicator of future performance.

The benchmark for this Fund has changed over time. The benchmark performance shown is that of the combined benchmarks that the fund has aimed to exceed over time.

Sector Allocation (as at 31 March 2026)

Government bonds	22.6%
Semi-Government bonds	26.7%
Corporate bonds	25.0%
Cash & other	25.7%

Fund Statistics (as at 31 March 2026)

Yield to Maturity [#]	5.18%
Running Yield [†]	4.08%
Modified duration	4.93 years
Credit spread duration	1.03 years
Weighted Average Maturity	5.06 years

[#] 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.

[†] 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.

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 ¹	0.45% pa
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¹ 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

March was dominated by events in the Middle East and markets pricing the probability of stagflation. Bond and risk assets sold off together as oil prices rose 30% at the bowser. The memory of 2022 saw markets move quickly to price in rate hikes. In the middle of the chaos, the Reserve Bank (RBA) hiked another 0.25%, although a split vote (5-4) meant it was a close call.

In March, three-year bonds moved from 4.21% to 4.65% and 10-year bonds from 4.65% to 4.97%. At their peak, 10-year bonds hit 5.2% and three-year bonds 4.9%. Market pricing for the cash rate at the end of 2026 peaked at 4.8% and remains just below 4.7%, or 2.5 hikes. At the end of February, peak cash rates were priced for 4.2%.

The RBA rate hike was portrayed as a response to the uncomfortably high inflation entering 2026, not related to the events in the Middle East. The RBA maintains the view that the economy has been growing faster than potential and as a result excess demand needed to be reduced. The RBA had already forecast headline inflation and to a lesser extent underlying inflation to be above the target band through the rest of 2026. They are expected to provide further upgrades in their May update.

In other data in March, Australian employment remained firm with 49,000 jobs created in February, but unemployment moved back to 4.3% as the participation rate climbed. NAB business confidence slipped although conditions remained near long term averages. GDP data saw a strong Q4 2025 result at 0.8% and a year-on-year rate of 2.6%. The consumer rebound in 2025 partially stalled though in 2026 as rates move higher. Household spending has fallen from 5% to 4.6%.

The volatility is expected to continue into April. The RBA does not meet in April but do in early May. Markets are priced 60% for a hike in the cash rate back to the previous high of 4.35%, where we spent all of 2024. Q1 CPI will be out the week before but given fast moving events may be seen as more historical than normal.

Credit review

It was a difficult month for financial markets that had to deal with the economic fallout of the US-Israel-Iran conflict.

The war created volatility across energy, rates, equities and credit markets as inflation was re-priced, as was central bank paths and recession risks. It was a headline-driven month with sharp moves on any hint of escalation or de-escalation of the war. This heightened volatility saw a deterioration in sentiment across most asset classes.

This Middle East conflict saw maritime traffic through the Strait of Hormuz at a near total halt. Supply chain disruptions and a surge in oil prices triggered inflation concerns and risks of a global growth slowdown.

Late in the month, news came out that the US was deploying troops to the Middle East to give President Trump more military options. It is unclear where precisely forces will go in the Middle East, but they will likely be within striking distance of Iran and Kharg Island, a crucial oil export hub off Iran's coast.

In some positive news, it's evident that Trump wants a wind down hostilities quickly to open up the Strait of Hormuz and bring down oil prices. During the month he signalled the Iran conflict was "pretty much" complete and he predicted the war would end soon. Risk sentiment improved on the last day off the month on headlines that Trump being willing to end military operations in Iran even if the Strait of Hormuz remains largely closed. Also Iran's state news agency reported a phone call between European Union Council President and Iran's President, who said the Islamic Republic has "the necessary will to end this war," but only with guarantees "to prevent the recurrence of aggression",

this tentative sign that Iran maybe willing to negotiate saw strength in markets at month end.

In other supportive news, the Group-of-Seven nations, they paved the way for a coordinated release of crude oil from strategic reserves if needed to support supply concerns. Also, Powell's comments also supported risk sentiment, he said the Fed has limited control over supply driven oil shocks and inflation expectations remain "well anchored" and that current monetary policy is "in a good place," suggesting lower possibility of rate hikes in the near term.

We saw renewed private credit concerns as a number of large funds limited redemptions. Cliffwater and Morgan Stanley capped withdrawals. Cliffwater's USD33bn private credit vehicle limited redemptions to 7% in 1Q after investors sought to pull 14%, while MS' North Haven Private Income Fund returned less than half of its tender requests after capping redemptions at 5%. The \$10.7 billion Ares Strategic Income Fund limited withdrawals to 5% after clients sought to redeem 11.6%. Also, the \$15.1 billion business development company, Apollo Debt Solutions, said it was imposing a 5% cap after requests to pull 11.2%.

US economic data took a back seat to the war, however was generally on the weaker side, with US jobs and GDP coming in softer than expected whilst CPI printed as expected.

Credit spreads were wider over the month. The Australian iTraxx index (series 44) traded in a wide 19bp range, finishing 16bps higher in spread to close at 84bps, the new series 45 contract closed at 92bps. Australian physical credit spreads moved out 7bps on average. The best performing sector was supra-nationals that widened 2pts whilst the worst performing sector was infrastructure that moved out 13bps. Semi-government bonds also underperformed widening 4bps to Commonwealth government bonds.

Fund performance

March was a weak month for Australian bond markets. After falling yields in February events in the Middle East pushed yields back up to new highs. The Fund underperformed the benchmark, with small losses from duration positions and some underperformance from credit positions.

The Fund entered March at benchmark on duration, using the strong month end to reduce risk. This position was held initially, but signals mid-month suggested yields had corrected far enough. Some risk was added but then cut as yields broke to new highs. The random nature of current events means that the fund is taking duration risk on a very short-term time horizon for now. There is medium term value but volatility is making this difficult to capture.

The Fund was at benchmark in semi-governments entering March and was able to take advantage of sharp moves wider mid-month to add some risk. The outlook for the economy and credit overall is worsening, meaning overweight positions are quickly cleared on any performance. Therefore, the fund again sold some semi government risk into month end and will continue to use the volatility to add value.

The Fund is near benchmark on credit holdings overall given the cautious view on growth. This protected the fund as credit spreads moved wider. However, within the credit sleeve of the fund, holdings are concentrated in mid tenor utilities and infrastructure names. We are very comfortable with the credit quality of the names and the extra yield they generate, but in risk off episodes like March they will underperform which impacts the fund.

Overall, the Fund is managing risk tightly for now. Opportunities are short term, although the fund is closely monitoring potential medium term defensive positioning as a drawn-out conflict in the Middle East weighs more heavily on global growth.

Market outlook

Providing an outlook for Australian bonds currently is very difficult as it is unpredictable offshore events driving the narrative. However, medium term bond pricing has reached very attractive levels. As Federal government bonds push above 5% it is driving longer dated semi governments and shorter dated corporate bonds towards or even above 6%. Whilst cash rates could yet get up towards 5% it would likely cause a decent slowdown in growth that will ultimately favour bonds.

Credit outlook

We maintain our defensive positioning in relation to our credit exposure given our concerns around the US labour market and now the Middle East conflict. A continued deterioration in US employment conditions is a risk for markets as this would increase the chances of a recession. Also, a prolonged conflict pushing oil to higher prices for a sustained period would be inflationary and an economic headwind, however we do believe the war will be short lived as Trump has a clear incentive to get oil prices back down, given lower energy prices were a cornerstone of his election campaign as the midterm elections approach.

Also, we have questions around the profitability of the significant AI capex spend as well as implications on unemployment. We expected the return on capital spend will underwhelm and/or we get a material increase in unemployment, this will be a headwind for the market going forward.

Global trade uncertainty remains, 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.

On the flip side, the US consumer remains resilient and the economy is supported by government fiscal spending including the upcoming tax cuts 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](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.

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