

Pendal Fixed Interest Fund

ARSN: 089 939 542

Income & Fixed Interest

30 April 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 30 April 2026)	\$342 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	0.03	0.06	0.05
3 months	-0.65	-0.54	-0.50
6 months	-1.91	-1.69	-1.79
1 year	0.06	0.51	-0.14
2 years (p.a)	3.55	4.01	3.41
3 years (p.a)	2.08	2.54	2.01
5 years (p.a)	0.05	0.51	0.05
Since Inception (p.a)	5.21	5.74	5.40

Source: Pendal as at 30 April 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 30 April 2026)

Government bonds	22.5%
Semi-Government bonds	28.2%
Corporate bonds	25.5%
Cash & other	23.8%

Fund Statistics (as at 30 April 2026)

Yield to Maturity [#]	5.29%
Running Yield [†]	4.19%
Modified duration	4.91 years
Credit spread duration	1.10 years
Weighted Average Maturity	5.25 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

There was no meeting held by the Reserve Bank of Australia (RBA) during the month. Inflation data showed first quarter trimmed mean inflation rising by 0.8% and resulting in an annual increase of 3.5%. The quarterly result was slightly weaker than expected, the annual result in line.

The monthly inflation series showed inflation rising by 1.1% in March. The increase was driven by a 32.8% surge in automotive fuel, contributing 1% to the headline result. Year-on-year inflation was up 4.6%.

Labour market data was in line with expectations. Employment grew by 17,900 jobs and the unemployment rate was unchanged at 4.3%. The participation rate fell by 0.1% to 66.8%.

The NAB Business survey painted a mixed picture. According to the survey business conditions fell marginally although remain in positive territory. Business conditions showed capacity utilisation remaining above its long run average. Purchase cost growth rose sharply. Confidence however plummeted, falling to -29 due to the conflict in the Middle East. It was the 2nd largest fall in the survey's history with the magnitude mirroring declines seen in the Global Financial Crisis and the COVID outbreak.

The Westpac Consumer Confidence survey also fell sharply. The index fell by 12.5% and is near historical lows. According to the survey the spike in fuel prices and rising interest rates triggered the largest fall since COVID.

Australian bonds ended the month higher in yield. Australian 3-year bond yields traded in a 31 basis-point range before ending 11 basis points higher in yield at 4.76%. Australian 10-year yields traded in a 26 basis-point range and ended 9 basis-points higher at 5.06%.

Credit review

Credit spreads were a little stronger in April recovering some of March's weakness. The strength was on the back of a dialing back of Middle East tail risks and a positive US earnings season.

An extension of the US-Iran ceasefire and signs of some level of talks helped market sentiment. US enforced a naval blockade of Iran ports on all maritime traffic in mid-April on hopes it will squeeze Iran's economy forcing Tehran to capitulate on its nuclear program and reopen the Strait of Hormuz, whilst at the same time behind-the-scenes diplomacy continues. With markets having already sold off sharply in March, the shift away from worst case scenario in April supported a risk reversal.

First quarter US company earnings were materially better than expected. With approximately 60% of companies having reported by the end of the month, 81% beat earnings by 20% on average. Actual pcp profit growth was 29% whilst revenue growth was 12%. The best performing sectors in relation to earnings growth were resources and consumer discretionary at 83 & 56% respectively, whilst the worst sectors were telcos and health care at -5 & -4%.

Credit spreads were narrower over the month. The Australian iTraxx index (series 45) traded in a wide 19bp range, finishing 15bps tighter in spread to close at 77bps. Australian physical credit spreads narrowed 4bps on average. The best performing sector was domestic banks that tightened 6pts whilst the worst performing sector was real estate that moved out 1bp. Semi-government bonds narrowed 3bps to Commonwealth government bonds.

Fund performance and activity

Over the month the Fund performed broadly in line with the benchmark with the underperformance of government bonds being sufficiently offset by both income and credit outperformance. Semi Governments had a good relative month with spreads to Government tightening on aggregate 3 points.

Our positioning in infrastructure and utilities helped the performance of the Fund over the month, which the Fund added to with some attractive new issuances in both those sectors, funded out of shorted dated credit. The Fund also took the opportunity to get involved in new semi-government issuance, investing in a new 2039 WATC green bond and a new benchmark 2034 NSWTC, partly funded out TCV.

The Fund started the month with a small overweight to duration and kept this position over the month.

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 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.

We also have questions around the profitability of the significant AI capex spend that we have seen as well as implications on unemployment. We expect the return on capital spend will underwhelm and/or we get a material increase in unemployment due to continued employer cost cutting efforts which 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

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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