PENDAL

Factsheet

Income & Fixed Interest

31 March 2026

Pendal Government Bond Fund

ARSN: 098 011 048

About the Fund

The Pendal Government Bond Fund (**Fund**) is an actively managed portfolio of predominantly government bond securities which aims to take advantage of investment opportunities within bond markets.

Fund Objective

The Fund aims to provide a return (before fees and expenses) that exceeds the Bloomberg AusBond Govt 0+ Yr Index over a rolling 3-year period. The suggested investment timeframe is three years or more.

Description of Fund

This Fund is designed for investors who want to take advantage of opportunities within the government bond markets and are prepared to accept some variability of returns. The Fund offers income and a diversified portfolio of government bonds and cash securities. The Fund invests primarily in the Australian government bond market across a combination of Commonwealth government bonds, semi government bonds (State issued bonds), corporate bonds (which are Government guaranteed), foreign sovereign and supranational bonds. The Fund may also invest tactically in international government bonds, which are in developed 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 government bonds 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 and yield curve management.

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)	$326 million
Date of inception	July 1992
Minimum investment	$500,000
Buy-sell spread[1] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Quarterly
APIR code	BTA0111AU

[1] 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[2]	0.32% pa

[2] 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.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-1.58	-1.55	-1.52
3 months	-0.39	-0.31	-0.39
6 months	-1.73	-1.58	-1.71
1 year	1.27	1.59	1.29
2 years (p.a)	1.99	2.32	2.00
3 years (p.a)	1.78	2.11	1.63
5 years (p.a)	0.03	0.35	-0.17
Since Inception (p.a)	5.44	5.79	5.46

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: July 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	30.2%
Semi-Government bonds	37.0%
Cash & other	32.7%

Fund Statistics (as at 31 March 2026)

Yield to maturity#	5.00%
Running yield*	3.75%
Modified duration	5.27 years
Credit spread duration	0.04 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.

Market review

The Reserve Bank of Australia (RBA) tightened monetary policy by 25 basis-points, taking the cash rate to 4.10%. The 5-4 vote to tighten versus unchanged was closer than expected. According to the meeting minutes those voting against changing policy sighted weaker-than-expected consumption and unit labour costs slowing in the 4th quarter in 2025 as a reason to hold policy. They did however acknowledge inflation was too high and a further tightening of policy would probably be required.

Fourth quarter Gross Domestic Product (GDP) data showed the economy expanding by 0.8% for the quarter and 2.6% for the year. The quarterly result was in line with expectation. Prior quarter revisions resulted in the annual number being higher than expected and exceeded the RBA's forecast of 2.3%. Household consumption was however weaker when rising by 0.3%.

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.

Economic data and central bank meetings took a back seat to geopolitical events during the month. The United States and Israel launched coordinated strikes against Iran in late February. Iran responded by attacking Israel and US military bases located in Saudia Arabia, Qatar and other Gulf states. Qatar suspended LNG production after the Ras Laffan Industrial City was attacked by Iran. The facility covers around 20% of global LNG production. Iran also effectively closed the Strait of Hormuz. The Strait carries around 20% of global oil supplies. Insurance companies refused to cover ships passing through the Strait due to the risk of military attack. Iran subsequently allowed passage to some approved vessels non-aligned to the US.

The US deployed a further 3,500 military personnel. US President Trump threatened to "blow up and completely obliterate" Iranian infrastructure including power plants, desalination plants and oil infrastructure unless the Strait of Hormuz was reopened. Kharg Island, which handles around 90% of Iran's oil exports, was also mentioned as a target.

In addition to targeting Iran's missile and nuclear capability, Israel also launched airstrikes against Hezbollah in Lebanon. Late in the month Yemen's Iran-aligned Houthi's launched ballistic missiles at Israel, further expanding the war front.

Oil prices surged. The West Texas Intermediate oil price ended February at $67.02 and surged to an intra-month high of $113.41. The price ended 51% higher over the month at $101.38. The Brent May futures contract ended February at $73.24 and peaked at $119.50 shortly after the conflict started. The contract ended the month 62% higher at $118.35. Risk sentiment deteriorated quickly and equity markets fell sharply over the month. In the US the S&P500 fell 7.8% before recovering ground late in the month to end 5.1% lower. In Europe the DAX (Germany) fell 10.3% and the FTSE 100 (UK) fell 6.7%. In Australia the S&P/ASX 200 fell by 9% intra month before closing the month 7.8% lower.

Central Banks to hold meetings during the month included the Federal Reserve (US), European Central Bank, Bank of England, Swiss National Bank, Bank of Japan, Riksbank and Norges Bank. All banks left policy rates unchanged during the month.

Expectations for monetary policy responses to a surge higher in inflation saw markets reprice monetary policy responses from central banks over the month. In the United States the market moved from pricing multiple cuts in from the Federal Reserve to pricing the next move as being a rate hike by the end of 2026. Comments late in the month by Fed Chair Powell that the Federal Reserve would look through supply-driven oil price movements for now and inflation expectations are anchored saw the market pare back rate hike expectations.

The spectre of a higher inflation becoming embedded saw longer dated yields also move higher. In the United States ten-year bond yields traded in a 49 basis-point range and peaked at 4.43%. They ended the month at 4.32%, 38 basis points higher than their February close.

The worst performing market was the United Kingdom. Multiple cuts from the Bank of England were priced in by the end of 2026 prior to the conflict. By the end of March the market had priced multiple rate hikes from the Bank of England. Short end UK yields were particularly volatile. Two-year yields traded in a 104 basis-point range before ending the month 88 basis points higher at 4.41%. Ten-year yields peaked at 4.99% and ended the month 68 basis points higher at 4.92%.

In Europe German ten-year yields ended the month 36 basis points higher at 3%. Market pricing for the European Central Bank (ECB) moved from a slightly easing bias to over 3 rate hikes being delivered by the end of the year. Peripheral European sovereign bonds underperformed with the Italian-German 10-year spread widening by 30 basis-points to 0.90%.

Fund performance and activity

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 slightly underperformed the benchmark, with small losses from duration 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 had only a very small overweight position 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.

Overall, the Fund is managing risk very 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

Tensions in the Middle East will see the Reserve Bank of Australia (RBA) revise their inflation forecasts higher in their next Statement on Monetary Policy in May. Despite the close vote at their March decision it is more than likely that the RBA tightens monetary policy further next month in response to higher inflation. Further policy tightening after that remains largely contingent on external events. Domestically the RBA will be paying close to attention to wage agreements and the effect of higher commodity prices on household spending. Those that voted against tightening policy at the March meeting sited a slowing in household consumption expenditure in the quarterly accounts as a reason to leave policy unchanged. For now, containing inflation expectations remains the RBA's primary objective.

For more information please call **1300 346 821**,
contact your key account manager or visit **pendalgroup.com**

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