

### Pendal Sustainable Australian Fixed Interest Fund

Income & Fixed Interest

Class R

31 March 2026

ARSN: 612 664 730

#### 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 at [www.pendalgroup.com/PendalSustainableAustralianFixedInterestFundClassR-PDS](http://www.pendalgroup.com/PendalSustainableAustralianFixedInterestFundClassR-PDS).

#### 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	-1.56	-1.52	-1.42
3 months	-0.46	-0.36	-0.34
6 months	-1.68	-1.49	-1.48
1 year	1.52	1.93	1.51
2 years (p.a)	2.45	2.86	2.35
3 years (p.a)	2.37	2.78	2.06
5 years (p.a)	0.22	0.62	0.15
Since Inception (p.a)	1.68	2.08	1.45

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 2016.

Past performance is not a reliable indicator of future performance.

#### Sector Allocation (as at 31 March 2026)

Government bonds <sup>^</sup>	4.5%
Semi-Government bonds <sup>^</sup>	2.8%
Sustainability Screened Corporate bonds	10.8%
ESG Thematic bonds - Green	49.7%
- Social	7.7%
- Sustainable	14.3%
Cash & other	10.2%

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



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.responsiblereturns.com.au](http://www.responsiblereturns.com.au) and [RIAA's Financial Services Guide](http://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 31 March 2026)

Yield to Maturity <sup>#</sup>	5.23%
Running Yield <sup>*</sup>	4.14%
Modified duration	4.85 years
Credit spread duration	1.42 years
Weighted Average Maturity	5.81 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.

## Other Information

Fund size (as at 31 March 2026)	\$785 million
Date of inception	August 2016
Minimum investment	\$25,000
Buy-sell spread <sup>2</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	BTA0507AU

<sup>2</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>3</sup>	0.40% pa
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<sup>3</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

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

The Fund underperformed the Bloomberg AusBond Composite Bond index.

The government sector positioning performed in line whilst the non-government portion of the Fund underperformed. Infrastructure, utilities, real estate and industrials sector positioning detracted from performance.

We closed out our curve trades given the Middle East conflict and uncertainty it has created around inflation and central bank paths.

Activity during the month included adding to utilities exposure funded out of insurance.

This month, the Fund invested in a new AUD denominated green bond from New Zealand utility Meridian Energy. This follows earlier investments in AUD green bonds from other Kiwi utilities, including Mercury and Contact Energy, reflecting the Fund's continued exposure to New Zealand's electricity sector.

New Zealand is a global leader in renewable electricity generation, with renewables accounting for over 85% of total electricity supply. This high penetration reflects the country's diversified renewable mix, including hydroelectric and geothermal generation, resources not available at scale in many markets, alongside growing wind capacity and increasing investment in energy storage. By comparison, renewables account for around 36% of Australia's electricity generation and are dependent on wind and solar.

Meridian Energy's core business is renewable electricity generation, underpinned by a portfolio of hydro assets and increasing investment in energy storage. Proceeds from the green bond will support this activity, including established hydroelectric generation along the Waitaki River, as well as assets such as Lake Manapouri in Fiordland National Park. The bond may also support Meridian's energy storage initiatives, including the Ruakākā Battery Energy Storage System, which stores electricity sourced either from the national grid or directly from renewable generation assets such as solar farms.

In addition, the bond will contribute to the financing of wind generation across several regions, including Hawke's Bay,

Manawatū, Southland, Waikato and Wellington, supporting the continued expansion and diversification of New Zealand's renewable electricity system.

This investment provides exposure to a well established utility operating in a predominantly renewable electricity market, with bond proceeds clearly aligned to renewable generation and energy storage. The transaction is consistent with the Fund's sustainable investment approach, by supporting climate stability through investing in essential infrastructure with transparent use of proceeds tied to long-lived renewable assets.

### 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](http://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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