

Pendal Sustainable Australian Fixed Interest Fund

Income & Fixed Interest

Class R

31 May 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.

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	1.59	1.63	1.62
3 months	0.04	0.14	0.23
6 months	0.54	0.74	0.69
1 year	1.19	1.59	1.31
2 years (p.a)	4.02	4.43	4.04
3 years (p.a)	3.21	3.62	2.97
5 years (p.a)	0.35	0.75	0.32
Since Inception (p.a)	1.82	2.22	1.59

Source: Pendal as at 31 May 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 May 2026)

Government bonds [^]	4.6%
Semi-Government bonds [^]	2.8%
Sustainability Screened Corporate bonds	13.1%
ESG Thematic bonds - Green	51.3%
- Social	10.0%
- Sustainable	14.3%
Cash & other	3.8%

[^] 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 and 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 May 2026)

Yield to Maturity [#]	5.12%
Running Yield [*]	4.02%
Modified duration	4.85 years
Credit spread duration	1.56 years
Weighted Average Maturity	6.32 years
Average Credit Rating	AA

[#] 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.

Other Information

Fund size (as at 31 May 2026)	\$774 million
Date of inception	August 2016
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	BTA0507AU

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.

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	0.40% pa
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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.

Market review

May was a busy month for markets, driven by domestic and international events. Despite a rate hike of 0.25% and slightly higher global bond yields, Australian bonds had a constructive month, driven by moderating fuel prices and a deteriorating employment picture. Three-year bonds finished 0.28% lower at 4.48%, and 10 year bonds 0.23% lower at 4.83%.

The RBA rate hike in early May was the third in a row, taking cash back to the previous high of 4.35%. It took six months to cut by 0.75% in 2025 but only three months to hike back this year. The Statement of Monetary Policy released at the same time saw year end 2026 inflation forecasts raised from 3.6% to 4%, before falling back into the 2-3% target band in 2027.

Inflation data released in May, the April monthly numbers, showed a picture of inflation peaking. The CPI Year on Year (April 2026 versus April 2025) was 4.2%, down from 4.6% in March. A week earlier, the employment numbers saw an 18,600 decline in workers and an unemployment rate of 4.5%, above RBA expectations of 4.3% by year end. Together these data points saw RBA expectations fall below one more hike this year, having been at two more in early May.

Other data released in May generally leant towards a slowing economy. The NAB survey saw business conditions fall from a long-term average of 6 to 3, and confidence remained very weak at -24. Wages were well behaved with the Wage Price Index at 3.3%. The only bright spot for the economy was buoyant capital expenditure, driven primarily by data centres.

Credit review

Markets in May were dominated by geopolitical developments, specifically the US-Iran conflict and uncertainty around the Strait of Hormuz, which drove volatility in oil and bond markets, whilst equity markets were supported by strong US company earnings. Risk sentiment shifted rapidly with headlines, as de-escalation triggered rallies while any renewed tensions pushed oil prices higher. Headlines indicating progress in the US and Iran reaching a deal to extend the ceasefire and potentially reopen traffic in the Strait of Hormuz saw markets perform even with uncertainty remaining around the details, and the more contentious issues around Iran's nuclear program still unresolved.

US macroeconomic data surprised on the upside which also supported markets. Payrolls and retail sales printed better than expected however CPI and producer prices were higher than expected.

Credit spreads were mixed over the month. The Australian iTraxx index (series 45) traded in a tight 6bp range, finishing 5bps narrower to close at 72bps. Australian physical credit spreads were a little wider on average on the back of significant new issuance during the month which saw some re-pricing of secondary curves. Semi-government bonds were unchanged to Commonwealth government bonds.

Fund performance and activity

The Fund performed broadly in line with the Bloomberg AusBond Composite Bond index over the month.

The government sector positioning outperformed whilst the non-government portion of the portfolio underperformed. Utilities, infrastructure and real estate sector positioning detracted from performance.

Activity during the month included adding to industrials, supranationals and commonwealth government bond exposures funded out of diversified financials, infrastructure and cash.

This month, the Fund invested in an AUD-denominated Social Bond issued by Korea Land and Housing Corporation. Korea Land and Housing is a government-owned, AA rated entity and South Korea's primary public housing developer. The bond's entire proceeds are dedicated to Affordable Housing projects under their Sustainability Bond Framework. This financing supports the construction of new build-to-rent public housing and refurbishment of existing rental stock, along with subsidies to reduce rents for low-income tenants. As a result, thousands of additional affordable homes will be delivered to underserved households in the bottom 40% of incomes. People who are eligible for these properties earn below 50% of the national median and will pay subsidized rents well below market levels. By financing permanent rental housing for South Korea's most vulnerable families, the bond helps lower housing cost burdens and reduce homelessness risk through long-term affordable leases. The underserved groups benefiting from these dwellings include young people, low-income workers, and those at risk of homelessness, who often face severe housing stress in the private market. All new housing units financed are required to meet South Korea's Zero Energy Building (ZEB) Grade 5 standard, ensuring high energy efficiency and lower carbon footprints as a co-benefit supporting climate stability. The bond primarily is supporting the funding of new affordable housing projects rather than refinancing. This bond extends the broader strategy of the fund of backing high-quality social bonds that

expand affordable housing. It adds to the funds' investments in Housing Australia's bonds, which have financed hundreds of social homes for vulnerable communities.

The Fund also invested in the Australian Commonwealth Government's second Green Bond new issuance. The bond will support the electrification and transition to a low-carbon economy. This includes projects like zero emissions buses infrastructure in Sydney, financing home batteries and funding renewable energy projects. Other examples of what the bond will support is circular economy outcomes through funding such as the Recycling Modernisation Fund, alongside improved resource efficiency in the water sector via programs targeting sustainable rural water use and infrastructure. Initiatives such as the Social Housing Energy Performance Initiative aim to improve energy efficiency outcomes in social housing, contributing to both emissions reduction and cost-of-living relief.

Market outlook

The Australian bond market enters June with less than one rate hike priced (around 80% chance). This leaves little room if oil prices were to again surge. However, so far the second-round impacts of higher fuel prices have been muted. A period of stability could lead to inflation expectations moderating further and if attention then turns to economic growth markets may price out any hikes.

The fluid situation globally means markets will likely spend June range trading until a clearer picture emerges. Apart from the usual monthly data, the domestic focus will be on the Fair Work Commission's minimum wage decision in early June, which will set the tone for wage decisions in the face of elevated inflation.

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 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

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PFSL is the responsible entity and issuer of units in the Pental Sustainable Australian Fixed Interest Fund (Fund) ARSN: 612 664 730. A product disclosure statement (PDS) is available for the Fund and can be obtained by calling 1300 346 821 or visiting www.pentalgroup.com. The Target Market Determination (TMD) for the Fund is available at www.pentalgroup.com/ddo. You should obtain and consider the PDS and TMD before deciding whether to acquire, continue to hold or dispose of units in the Fund. An investment in the Fund is subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested.

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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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