

## Pendal Active High Growth Fund

ARSN: 610 997 674

## Factsheet

Multi-Asset Strategies

December 2020

### About the Fund

The Pendal Active High Growth Fund (**Fund**) is an actively managed diversified portfolio that invests in Australian and international shares, Australian and international listed property securities, Australian and international fixed interest, cash and alternative investments. The Fund has a significant weighting towards growth assets.

### Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the Fund's benchmark over the medium to long term. The suggested investment timeframe is five years or more.

### Benchmark

The benchmark for the Fund is created from a range of published indices. The benchmark is based on the asset allocation neutral position and the index returns for each asset class. Details of the particular market indices used for the Fund's benchmark can be found at [www.pendalgroup.com/Pendal-Active-High-Growth-Fund](http://www.pendalgroup.com/Pendal-Active-High-Growth-Fund)

### Investment Process

At Pendal, we actively manage our portfolios to meet their investment objectives by diversifying investments across both asset classes *and* strategies. We employ three main approaches to do this:

- Strategic asset allocation** – weighted asset class exposures designed to meet the investment objectives over the long term investment horizon
- Active management** – exploitation of market inefficiencies within asset classes
- Active asset allocation** – exploitation of market directionality across asset classes

The underlying investments in the Fund are managed by Pendal together with a number of external partners. Pendal manages investments in the asset classes of Australian shares, Australian fixed interest and cash, global fixed interest, Australian property securities and alternative investments. These investments are augmented by our arrangements with leading global investment managers who have a competitive advantage in the management of global asset classes.

The Pendal Multi-Asset team also manages an active asset allocation process designed to increase portfolio returns within a defined risk budget.

### Investment Guidelines

Asset allocation ranges (%)	Neutral Position	Ranges	
		Min	Max
Australian shares	38	25	55
International shares	45	25	55
Australian fixed interest	2	0	15
International fixed interest	2	0	15
Australian property securities	2	0	10
International property securities	2	0	10
Alternative investments	7	0	25
Cash	2	0	20

### Investment Team

The Fund is managed by Stuart Eliot who has 30 year's industry experience. The team has a diverse skill set; combining a range of global and domestic market experience and drawing on the resources of Pendal's other specialist teams.

### Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	0.87	0.95	0.63
3 months	9.95	10.22	9.07
6 months	11.60	12.15	11.41
1 year (pa)	2.50	3.51	4.71
2 years (pa)	10.22	11.30	13.07
3 years (pa)	5.29	6.33	8.17
Since Inception (pa)	7.98	9.03	9.80

### Asset Allocation (as at 31 December 2020)

Australian shares	38.2%
International shares	37.1%
Australian fixed interest	2.0%
International fixed interest	2.0%
Australian property securities	2.1%
International property securities	2.0%
Alternative investments	7.5%
Cash	9.1%

### Other Information

Fund size (as at 31 Dec 2020)	\$22 million
Date of inception	June 2016
Minimum investment	\$25,000
Buy-sell spread <sup>1</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	BTA0488AU

<sup>1</sup> The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

### Management Costs<sup>2</sup>

Issuer fee <sup>3</sup>	0.98% pa
Estimated indirect costs <sup>5</sup>	0.02% pa

<sup>3</sup> You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

<sup>4</sup> This is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund. The Issuer fee is paid from the assets of the Fund and is reflected in the unit price of your investment.

<sup>5</sup> This is an estimate of the last financial year's indirect costs. These are reflected in the unit price of the Fund and are not charged to you as a fee or retained by us.

## Risks

An investment in the Fund involves risk, including:

- **Market risk** - The risk associated with factors that can influence the direction and volatility of an overall market, as opposed to security-specific risks. These factors can affect one country or a number of countries.
- **International investments risk** – The risk arising from political and economic uncertainties, interest rate movements and differences in regulatory supervision associated with international investments.
- **Currency risk** - Currency exchange rate fluctuation risk arising from investing across multiple countries.
- **Credit risk** - The risk of an issuing entity defaulting on its obligation to pay interest/principal when due.
- **Liquidity risk** - The risk that an asset may not be converted to cash in a timely manner.
- **Counterparty risk** - The risk of another party to a transaction failing to meet its obligations.

Please read the Fund's Product Disclosure Statement (**PDS**) for a detailed explanation of each of these risks.

## Market review

The S&P/ASX 300 Accumulation index made some further gains (+1.3%) in December, capping the year's return at +1.7%. Stronger commodity prices, the iron ore in particular, which gained ~70% over the year propelled returns for Resources (+8.4%/+9.2% Dec/CY20); whereas Industrials (-0.4%/-0.1%) were the laggard.

Covid cases in the US continue to rise and Europe has started to deteriorate again. In the UK concern centres on the rise of cases in London, and the focus has been on a potentially new strain/variant of Covid-19. While it has proven more infectious, there is no evidence to suggest this new strain will make people sicker or is more resistant to vaccines. The latter is critical to market sentiment.

Despite worsening health news and greater restrictions, the economy is holding up better than expected. This is despite softer consumer confidence and shoppers holding back from physical retailers and restaurants. November retail sales, released in December were softer, but real time measures suggest this may have picked up again. Surveys for holiday sales continue to look ok, with a substantial shift to online.

Global equity markets ended the year off well with positive US stimulus news and progress on vaccine rollouts contributing to positive returns. The MSCI World ex Australia (Net Dividends) Standard in USD earned a positive return over the month (4.20%). However, with US stimulus approved during December, the US Dollar weakened. Australian investors suffered from a large rise of 4.72% in the Australian dollar vs the US dollar, which saw the MSCI World ex Australia (Net Dividends) Standard in AUD return a negative -0.50%.

Driving global markets higher was the US market and especially the Nasdaq which rose 5.65% in local currency terms, whilst the broader S&P 500 rose 3.84%.

European markets also rose with the German DAX market gaining 3.22% and the UK FTSE market rising 3.10%. Asian markets showed positivity with the Hang Seng (3.38%) and Nikkei (3.82%) both earning positive returns in local currency terms. However, the rise in the Australian dollar vs the Yen (3.69%) and Hong Kong dollar (4.74%) softened these returns for Australian investors.

While positive US stimulus news and progress on vaccine rollouts bolstered markets in December, continuing fears of the SARS-CoV-2 strain of coronavirus and further lockdowns weigh on global markets moving into 2021.

## Market outlook

The rate of Covid infection continues to deteriorate in the northern hemisphere, leading to lockdowns. Jobs have stalled well below pre Covid-levels in the US as the restrictions hit sectors such as leisure and hospitality. Health care systems are under pressure in several countries and regions. Meanwhile, a Covid outbreak in NSW has led to localised restrictions and state border closures.

Nevertheless, the market remains relatively positive, driven by the twin beacons of vaccines and policy support.

Vaccination programmes are ramping up – at differing rates – across many countries. This is giving hope of rolled back restrictions and demand growth. This remains a key risk to watch – any disappointment here could hit markets and the recovery sectors which have recently run hard.

Policy remains a key bulwark of market support. The Democrat victory in the Georgia run-off hands them control of the Senate – and Congress. This means more fiscal stimulus, against the backdrop of already extremely accommodative monetary policy.

The current policy settings are extraordinary. In short, we could see stimulus worth near 9% of US annual GDP channelled into the first quarters of 2021. Even if only a fraction gets spent in that period, it means both growth and earnings are likely to be a lot higher than current consensus expectations.

At the same time, we don't believe that the Georgia win leads to legislation of some of the more radical Democrat policies, given that their majority remains thin in both Houses. The markets concerns are centred on the potential for tax increases. Corporate tax rates are likely to increase, but from 21% to something in the vicinity of 23-25%, rather than the 28% pledged by Biden on the campaign trail.

It is also important to remember the importance of the Fed's conceptual shift from expected to actual inflation targeting and its stated desire to see inflation run above 2% for a sustained period. This is likely to require unemployment to drop below 3%, which is going to take some time. To give some context to this shift the Fed indicated that under the current policy framework the rise in rates post-GFC would have been delayed around 2 ¾ years.

The combination of this fiscal stimulus and Fed accommodation means the US economy could grow above 6% through 2021, driving earnings upgrades and supporting valuation.

For more information please call **1800 813 886**,  
contact your key account manager or visit [pendalgroup.com](http://pendalgroup.com)

**PENDAL**

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