

PERPETUAL ESG CREDIT INCOME FUND - CLASS A

March 2025



FUND FACTS

Investment objective: To provide investors with regular income and consistent returns above the Bloomberg AusBond Bank Bill Index (before fees and taxes) over rolling three-year periods by investing in a diverse range of income generating assets that meet Perpetual's ESG and values-based criteria.

Benchmark: Bloomberg AusBond Bank Bill Index

Inception date: June 2018

Size of fund: \$50.7 million as at 31 December 2024

APIR: PER1744AU

Mgmt Fee: 0.59% pa*

Benchmark Yield: 4.108% as at 31 March 2025

Suggested minimum investment period: Three years or longer

FUND BENEFITS

Provides investors access to an actively managed credit and fixed income fund and the opportunity to align their investments with their personal values and ESG preferences.

FUND RISKS

All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

TOTAL RETURNS % (AFTER FEES) AS AT 31 March 2025

	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual ESG Credit Income Fund – Class A	0.08	1.34	3.38	7.15	7.91	6.36	5.62	-	4.01
Bloomberg AusBond Bank Bill Index	0.35	1.07	2.20	4.46	4.32	3.56	2.15	-	2.00

Please note: Performance for Perpetual's complete list of investment funds is available on www.perpetual.com.au. Past performance is not indicative of future performance.

POINTS OF INTEREST

- Elevated volatility on US trade and growth outlook;
- Long term yields rise. AU yield curve steepens.
- Domestic credit spreads widen;
- Primary market volumes resilient;
- The credit outlook deteriorates further, remains negative.

ESG APPROACH

Before being considered for investment, companies or issuers must pass a series of exclusionary screens. The screening processes is designed to limit the investible universe to only those companies or issuers that meet minimum values-based and ESG standards. The Perpetual ESG Credit Income Fund first applies a values-based and ESG exclusionary screen. Sovereign issuers are subject to a separate exclusionary screen. Please refer to the Perpetual Investment Funds PDS for further information.

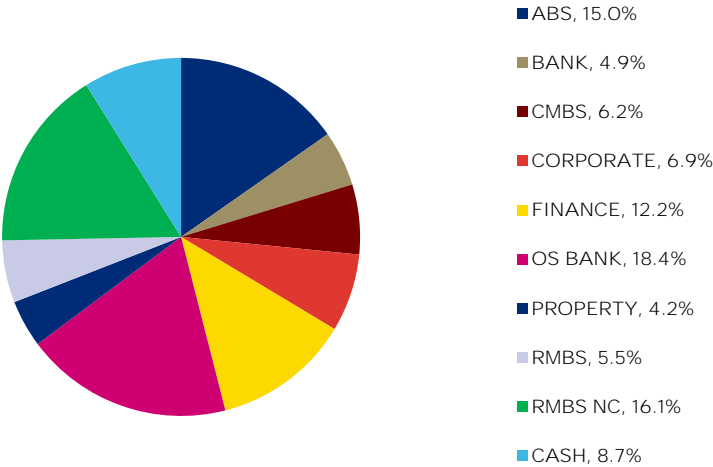
PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	21.38%
Subordinated Debt	60.25%
Hybrid Debt	18.38%
Running Yield [#]	5.71%
Portfolio Weighted Average Life (yrs)	3.21 yrs
No. Securities	81
Modified Duration	-0.11

* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

[^]The methodology used to calculate Running Yield is derived from FactSet, and calculated as follows: The coupon rate of the security / the capital price of the security. Note that the exception is discounted securities, where a Yield to Maturity calculation is used.

PORTFOLIO SECTORS



MARKET COMMENTARY

Financial markets weakened broadly during March. Equities – led by US stocks – sold off on the softening outlook for US growth alongside concerns surrounding US trade policy and the anticipation of further tariffs.

Domestic bond yields were mixed and the yield curve steepened with long term yields rising while the short end rallied marginally. The RBA held the Target cash rate unchanged at their April 1st meeting, retaining a cautious outlook despite the continued decline in underlying inflation. Futures markets continued to price in an expected May rate cut. In the US, the Federal Reserve maintained rates at the current level with minimal changes to the dot-plot projections and US bond yields edged higher. The most notable move in global bonds yields was in Germany where 10-year bund yields rose 30bps following the announcement of increased infrastructure and defence spending.

Credit spreads widened during March as successive tariff and foreign policy announcements led to elevated volatility. The Australian iTraxx Credit Default Swap index moved sharply higher while physical spreads were more muted, also ending the month higher. Corporate spreads – led by infrastructure – and utilities saw the most substantial spread widening. Financial spreads, led by major banks were somewhat more resilient. Swap to bond spreads moved further into negative territory, reaching a historic low in mid-March before reverting marginally by month end.

Primary market issuance remained orderly throughout March, even as spread volatility was heightened. Transgrid printed a \$1.4B corporate hybrid which was well received. NAB came to market with a senior unsecured deal raising \$2.75B across fixed and floating tranches. Securitisation deal flow was robust and continued to meet demand. Towards the end of March, the impact of economic uncertainty and market volatility was felt via smaller volumes and a delayed corporate deal from Worley.

PORTFOLIO COMMENTARY

The Perpetual ESG Credit Income Fund returned 0.12% during March, underperforming its benchmark by 0.22%.

Credit spread dynamics detracted from performance during March. Spreads expanded on aggregate with higher beta sectors including subordinated and hybrid widening more sharply. Subordinated offshore bank exposures were the key detractors from credit spread return. A small number of EUR denominated Additional Tier 1 bank hybrids also widened. This was also observable among non-financial corporate holdings where **the Fund's position in a** subordinated floating rate bond from rail freight group Pacific National sold off. The Manager elected to lengthen exposure to a long dated Pacific National at below fair value after spreads sold off. The impact of spread volatility was partially offset by tightening securitised spreads. The Fund retains an elevated exposure to RMBS alongside CMBS and ABS which were resilient in March.

The Fund's yield premium above bank bills was a substantial contributor to performance during the month, mitigating the impact of widening credit spreads. Allocation to RMBS and offshore banks remain the key contributors to income return. The portfolio's running yield was 5.7% at month end, with the spread (credit yield premium) measured at 1.8%.

The Manager was active throughout March, taking advantage of spread volatility to purchase assets at attractive valuations. Early in March, the Fund took part in the new deal from Transgrid, which performed well on the break allowing the manager to lock in profits, liquidating the position before spread widening accelerated. The Fund also added USD denominated subordinated paper from NAB and Macquarie. Allocation to ABS and REITs sectors was increased as exposure to non-conforming RMBS was trimmed.

The outlook for credit worsened throughout March and the Fund remains defensively positioned. The Fund maintains its liquidity via an elevated cash allocation, retaining capacity to take advantage of relative value opportunities presented by market volatility. The Manager continues to look for attractively priced issues and relative value opportunities while carefully managing credit and liquidity risks.

The Fund invests in quality issuers that meet Perpetual's ESG and Values based criteria relating to what the company is in the business of and the way business operations are conducted respectively. Upon application of the ESG and Values based criteria, several bond issuers have been screened out. These include, for example, companies involved in the extraction of fossil fuels or companies whose revenues are significantly associated with socially questionable products or services.

OUTLOOK

The credit outlook deteriorated further during March, ending the month with a solidly negative reading.

Valuation indicators remain marginally negative. While spreads widened over the month, US investment grade, high yield and domestic investment grade spreads remain at the tighter end of their historical ranges. Negative swap to bond spreads continue to weigh on the valuation outlook. Recent market conditions have discouraged offshore and opportunistic domestic issuers during March, returning the indicator to neutral.

The macroeconomic outlook remains negative reflecting softening growth data and disruptive US trade policy. The ratio of upgrades to downgrades normalised during March.

Supply and demand indicators decline to negative during the month. Market demand has softened in a context of rising volatility and economic uncertainty. Elevated recent issuance volumes continue to weigh on the outlook.

Technical indicators worsened across the board during March, ending the month with negative aggregate score. Intermediary positioning, US credit spreads, equity markets and equity market volatility indicators entering negative territory.

In a context of heightened volatility across credit markets and mounting macroeconomic pressure, the team remains vigilant in assessing and actively managing portfolio risks.

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The product disclosure statement (PDS) for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in the fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

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