

PERPETUAL HIGH GRADE FLOATING RATE FUND - CLASS R

April 2025



FUND FACTS

Investment objective: Aims to provide investors with regular income by investing in deposits, money market and fixed income securities, and outperform the Bloomberg AusBond Bank Bill Index on an ongoing basis before fees and taxes.

Benchmark: Bloomberg AusBond Bank Bill Index
Inception date: March 2011
Size of fund: \$193.1 million as at 31 March 2025
APIR: PER0562AU
Mgmt Fee: 0.30% pa*
Benchmark Yield: 3.950% as at 30 April 2025
Suggested minimum investment period: One year or longer

FUND BENEFITS

Provides investors with the potential for regular income, above cash returns and lower volatility than other income strategies through an actively managed and liquid investment.

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 30 April 2025

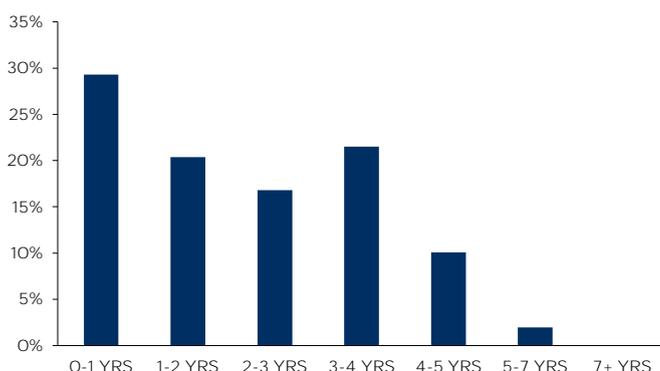
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund - Class R	0.10	0.94	2.31	5.43	5.94	5.00	3.51	3.10	3.64
Bloomberg AusBond Bank Bill Index	0.35	1.04	2.18	4.46	4.35	3.68	2.21	2.03	2.44

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.

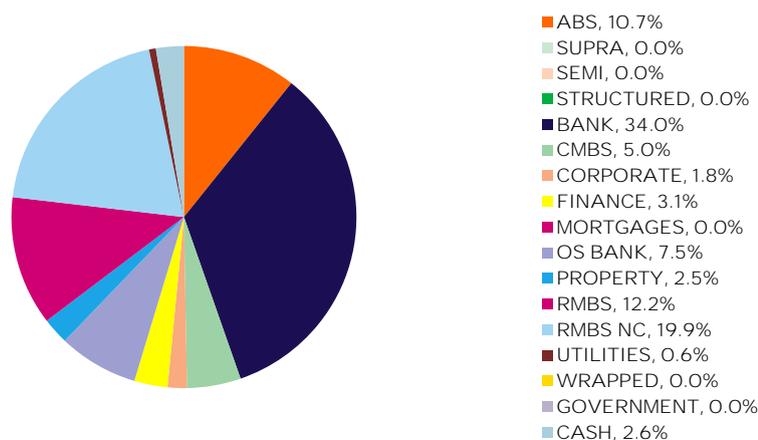
POINTS OF INTEREST

- 'Liberation day' sees volatility spike in bonds and credit;
- Spreads move wider before partially recovering;
- Bond yields rally, yield curve steepens;
- RBA on hold; futures price May rate cut;
- Primary market very quiet due to volatility and holidays;
- The credit outlook is negative.

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	82.37%
Subordinated Debt	17.63%
Hybrid Debt	0.00%
Running Yield [#]	5.16%
Portfolio Weighted Average Life	2.17 yrs
Modified Duration	0.04
No. Securities	132

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

MARKET COMMENTARY

April was marked by significant volatility in global financial markets, primarily driven by the announcement of 'Liberation Day' tariffs by US President Trump. The announcement led to a surge in volatility with US equities entering correction territory and equity volatility reaching levels previously seen during the global financial crisis. Sentiment improved later in the month following the announcement of exemptions and the relief rally saw Australian equities end the month higher while US equities were down slightly.

Bond markets also experienced significant movements in April. Domestic bond yields ended the month lower and the yield curve steepened throughout the month as short end yields outperformed. The RBA left cash rates unchanged during April, acknowledging the 'continuing decline in inflation' and highlighting that noting that the labour market 'might not be quite as tight' as previously identified. Futures markets moved to price in a May rate cut and a further 75bps of cuts in the next 12 months, recognizing easing inflation concerns and global economic uncertainty. US bonds saw greater volatility with an early April rally giving way to a sharp spike in long term bond yields driven by technical factors and concerns around demand for treasuries, before rallying again to end the month lower.

Credit spreads ended April wider following a month of increased volatility and uncertainty in global markets. The Australian iTraxx index traded in a wide range, selling off in the first half of the month before moderating to end 5 bps wider at month end. Cash spreads also widened over the month with higher beta segments – including subordinated and high yield credit moving sharply wider in the wake of the liberation day tariff announcements. Semi-government and supranational spreads were more resilient, with semi's ending the month marginally tighter.

Primary market activity was materially reduced in April as uncertainty following the US Tariff announcements and associated volatility gave way to holiday shortened weeks in the second half of the month. A small number of securitisation, government adjacent and short dated deals priced during April with the only corporate issuance of note being a 7-year \$600M fixed rate bond from Sydney Airport.

PORTFOLIO COMMENTARY

Income return was the key positive contributor to relative performance during the month, partially offsetting the impact of spread expansion. The Fund's yield premium above benchmark remains primarily attributable to allocation to domestic banks and RMBS. The portfolio running yield at month end was 5.2%, with the average credit spread measured at 1.1%.

Credit spread expansion was the most substantial determining factor during the month, detracting from performance. Credit sold off sharply in early April before spread expansion moderated and began to retrace over the second half of the month. The Fund's allocation to domestic and offshore banks alongside securitised sectors weighed on relative performance. The Fund's short weighted average life, high credit quality and limited exposure to subordinated and hybrid debt mitigated the impact of elevated spread volatility.

Sector and risk allocations were maintained throughout the month. The Manager elected to take part in a new non-financial corporate deal, increasing the Fund's BBB rated credit allocation.

The outlook for credit remains negative and the Fund continues to maintain a defensive posture. The Fund remains defensively positioned, retaining the capacity to take advantage of relative value opportunities should the outlook improve.

OUTLOOK

The credit outlook remains challenging with negative readings throughout the Month. The outlook score initially turned Negative in early March well in advance of the volatility observed in early April.

Valuation indicators improved marginally to neutral. Elevated volatility saw investment grade indicators shift with US IG improving to positive before moderating in late April while Australia investment grade are wide of recent levels and are offering attractive relative value. AU swap spreads remain very tight

The growth outlook is marginally negative. Macroeconomic growth indicators are negative, led by the worsening outlook for US growth, potentially exacerbated by the restrictive tariff regime.

Supply and demand indicators improved during the month while remaining marginally negative. The volume of upcoming maturities is elevated, however market demand has softened and the pipeline for upcoming deals has increased, weighing on the outlook.

Technical indicators remain negative with intermediary positioning worsening over the month while US credit, equity and equity volatility indicators all remain in negative territory.

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Adviser Services 1800 062 725
Investor Services 1800 022 033
Email investments@perpetual.com.au
www.perpetual.com.au

