Perpetual Investment Funds

PERPETUAL DYNAMIC FIXED INCOME FUND

April 2025

FUND FACTS

Investment objective: Aims to provide capital stability and regular income by investing in a diversified range of income generating assets, and a positive return (before fees and taxes) irrespective of market conditions over a rolling three-year period.

Benchmark:	50% Bloomberg AusBond Composite Index/50% Bloomberg AusBond Bank Bill Index
Inception date:	November 2010
Size of fund:	$27.4 million as at 31 March 2025
APIR:	PER0557AU
Mgmt Fee:	0.45% pa*

Suggested minimum investment period: Three years or longer

FUND BENEFITS

The fund is designed to provide investors with a diversified fixed income solution that manages both credit risk (credit worthiness) and duration risk (sensitivity to changes in interest rates) in different economic conditions.

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

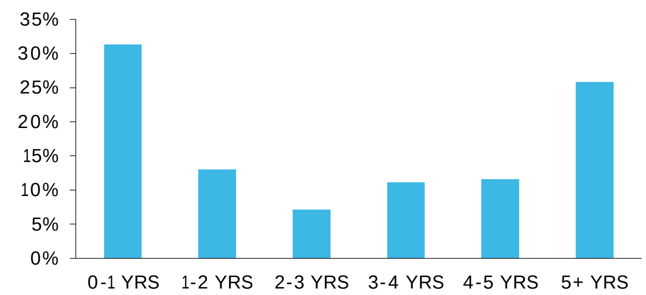
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Dynamic Fixed Income Fund	0.66	1.49	3.24	6.20	5.71	4.41	3.04	2.93	4.20
Bloomberg AusBond Composite/Bank Bill Blend	1.03	1.93	3.44	5.77	3.75	3.26	1.05	1.98	3.11

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.

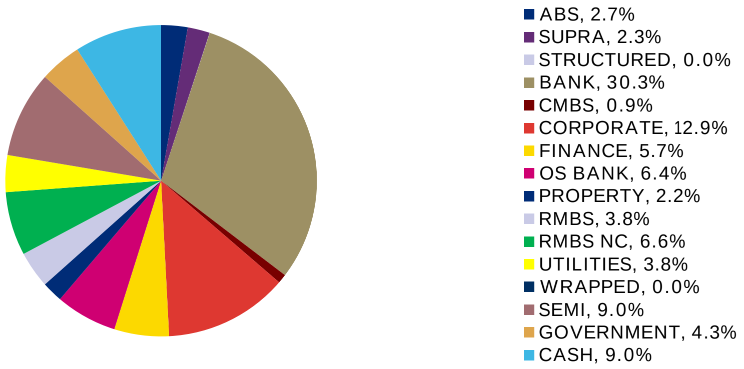
POINTS OF INTEREST

•'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.

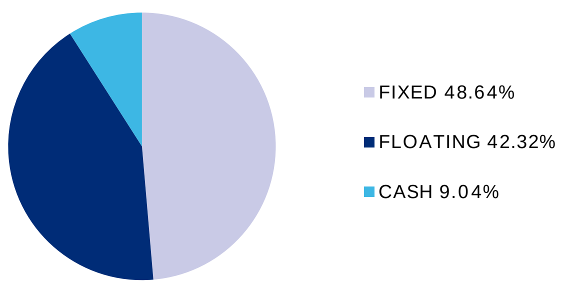
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	60.66%
Subordinated Debt	34.62%
Hybrid Debt	4.72%
Running Yield#	4.84%
Portfolio Weighted Average Life (yrs)	3.53
No. Securities	302
Modified Duration	2.69

* 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

The Fund continues to collect a healthy running yield generated from the underlying fixed rate and floating rate income strategies alongside direct investments. The Fund's running income helped mitigate the impact of widening credit spreads, led by domestic and offshore banks, RMBS and non-financial corporates. The portfolio running yield was 4.8% at month end.

Duration return was the key contributing factor to absolute performance over the period as bonds rallied in response to economic uncertainty and financial market volatility. At the start of the month, the Fund was at the lower range of the strategic target duration. The amanger elected to lengthen the Fund's duration, positioning that was rewarded as yields rallied in the wake of the 'liberation day' tariff announcements. The Fund's low strategic target duration allows the Fund to participate in bond market rallies while limiting the impact of month-to-month yield volatility. Perpetual's Tactical Asset Allocation bond score – a quantitative input to the fund duration management process – remains positive on the back of positive valuation and technical indicators.

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 securitised and financial sectors were the most significant detractors while non-financial corporates were more resilient. More acute spread expansion among high beta positions including offshore bank subordinated debt impacted relative return. Exposure to USD denominated subordinated and hybrid bank debt also detracted as USD spreads moved wider. While the outlook for credit remains challenging, the Manager is comfortable with the credit exposure in the portfolio and the fund continues to benefit from the yield premium offered for investing in debt from high quality corporate issuers.

Sector allocations were selectively adjusted during April. Cash and government bond allocations were elevated at month end while exposure to offshore banks and CMBS were trimmed.

The outlook for credit remains negative and the Mandate continues to maintain a defensive posture. In the current conditions, risk management is paramount, however elevated volatility also provides relative value opportunities as spreads widen. The portfolio is defensively positioned and Manager remains focused on identifying relative value opportunities presented by the current conditions and will continue to look for active duration opportunities along the curve.

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.

*** The benchmark for the Fund was previously reported as both the Bloomberg AusBond Bank Bill Index and the Bloomberg AusBond Composite Index. As at 29 April 2015, the benchmark for reporting was updated to a composite benchmark comprising 50% Bloomberg AusBond Bank Bill Index & 50% Bloomberg AusBond Composite Index. The change in benchmark was to better reflect the investment strategy. The performance table above reflects the change in benchmark applied across all periods.

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