Perpetual Investment Funds

PERPETUAL HIGH GRADE FLOATING RATE FUND

For Institutional Investors

July 2024

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:	October 2001
Size of class:	$24.0 million as at 30 June 2024
Size of fund:	$215.2 million as at 30 June 2024**
APIR:	PER0265AU
Mgmt Fee:	0.226% pa*
Benchmark Yield:	4.399% as at 31 July 2024

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 31 July 2024

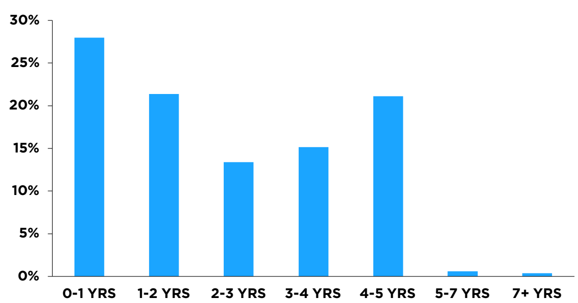
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund	0.52	1.60	3.31	6.57	5.77	3.55	2.89	2.92	4.36
Bloomberg AusBond Bank Bill Index	0.37	1.10	2.18	4.37	3.76	2.56	1.69	1.74	3.61

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

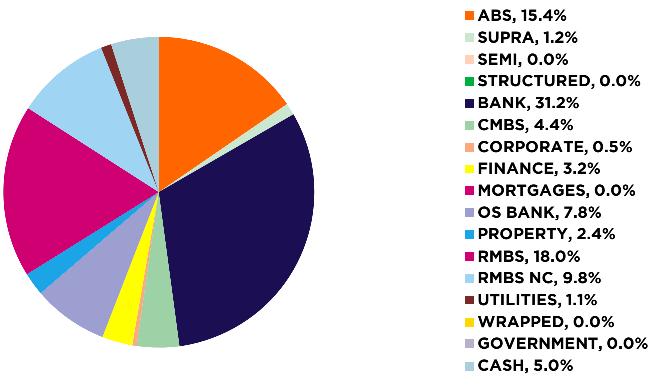
POINTS OF INTEREST

•Equities rise marginally, global bond yields rally;
•Credit spreads rangebound, tighten marginally;
•2Q CPI decelerating, reducing likelihood of further RBA hikes;
•Primary market volumes orderly;
•The outlook for credit is marginally negative

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	77.96%
Subordinated Debt	22.04%
Hybrid Debt	0.00%
Running Yield#	5.43%
Portfolio Weighted Average Life	2.28 yrs
Modified Duration	0.03
No. Securities	148

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

**The total size of the Fund includes all unit classes of the Fund. This includes a retail class.

MARKET COMMENTARY

Financial markets consolidated during July with global equities ending the month higher while bond yields fell. Markets were relatively subdued throughout July before below consensus expectations US non-Farm payroll data and the Bank of Japan's 31 July decision to increase interest rates precipitated a spike in volatility in the first days of August.

Domestic bond yields fell aligning with a broader global trend that saw bonds rally through July. 10-year Australian yields rallied 19bps while 10-year US yields led the way, falling 32bps. Slowing core inflation in the second quarter CPI print saw expectations of an August RBA rate increase ease. While inflation has been more subdued through the first half of 2024, there remains a long way back to the central banks target range, which is reflected in the hawkish pricing of potential rate cuts.

Domestic credit spreads consolidated during July tightening marginally. Euro denominated spreads also rallied slightly while USD spreads were close to flat during the month. Financial spreads outperformed corporates while trading in a tight range. Government adjacent spreads including semi-government and supranational spreads outperformed credit. While July was relatively subdued for credit markets, the first week of August saw a spike in spread volatility.

Primary issuance was mixed during July with a busy mid-month period bookended by a slow start and a late month calm as markets anticipated key economic data releases. A number of offshore financial issuers met strong demand including Toronto Dominion, Banco Santander, Cooperative Rabobank and Sumimoto Mitsui Banking Corporation. ANZ raised $1.9B in a fixed rate subordinated transaction which was heavily oversubscribed before moving wider after pricing. Westpac issued subordinated bonds, raising $1.5B early in July.

PORTFOLIO COMMENTARY

The Fund continues to collect a running yield in excess of benchmark, contributing to outperformance. The Portfolio's yield advantage is attributable to securitised sectors and domestic banks. The portfolio running yield at month end was 5.4%, with the average credit spread measured at 1.1%.

Credit spread contraction was the key contributing factor to relative return over the month. Domestic spreads ground marginally tighter while trading in a tight range. The Mandate's domestic bank allocation was the key contributor to credit spread return.

Sector and risk allocations were broadly maintained during the month. The Manager elected to trim domestic bank allocations while adding ABS exposures in secondary. The Fund took part in a pair of new subordinated major bank deals that came to market during July.

The outlook for credit is delicately balanced. The Fund remains defensively positioned, retaining the capacity to take advantage of relative value opportunities should the outlook improve.

OUTLOOK

The credit outlook declined in the second half of July (prior to the US non-farm payroll release, BOJ rate increase and ensuing volatility) to end the month with a slight negative reading.

Valuation indicators turned negative as tightening AUD swap rates and the USD/AUD basis swap detracting from the outlook.

The macro outlook remained very marginally positive throughout July. Lending conditions as expressed by the Senior Loan Officer survey remain negative. Meanwhile, access to equity market capital and the ratio of credit rating upgrades to downgrades remain supportive.

Supply and demand indicators declined, ending the month marginally negative. As highlighted in recent months, upcoming maturity volumes have fallen, impacting the outlook. Recent supply remains strong and while demand has matched the level of issuance thus far, the volume of year to date primary issuance is weighing on the outlook.

Technical indicators shifted throughout July. By month end, intermediary positioning and US equity market indicators were positively contributing, while cash levels of domestic real money accounts and US credit spread indicators were detracting from the overall outlook.

The team is actively monitoring the elevated volatility that has impacted markets since July month end. In the second week of August, the outlook declined further reflecting tightened liquidity conditions.

MORE INFORMATION
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