

PERPETUAL DYNAMIC FIXED INCOME FUND

July 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: \$28.0 million as at 30 June 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 31 July 2025

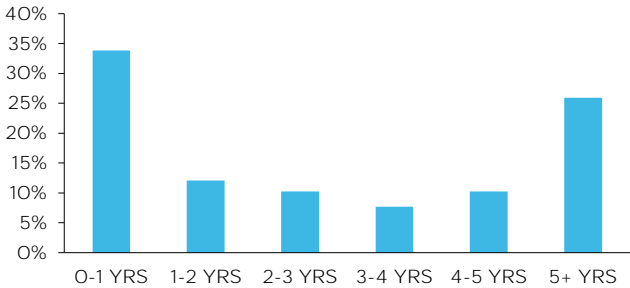
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Dynamic Fixed Income Fund	0.35	1.47	2.98	5.44	6.09	5.03	2.75	3.06	4.23
Bloomberg AusBond Composite/Bank Bill Blend	0.13	0.92	2.87	4.78	4.67	3.37	1.14	1.98	3.12

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.

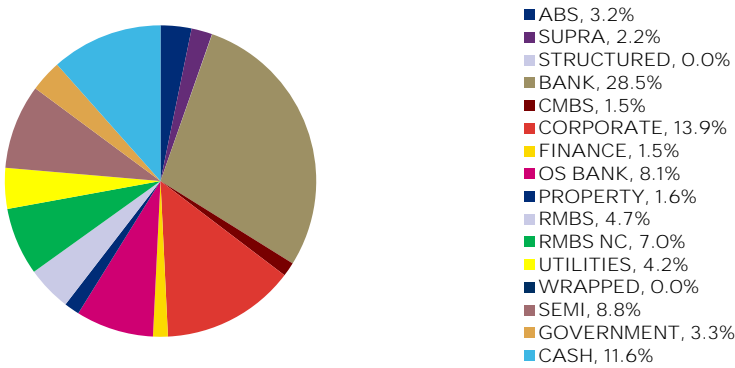
POINTS OF INTEREST

- Financial markets rally in ‘risk-on’ environment;
- Domestic credit spreads continue to tighten;
- RBA remains on hold, against expectations;
- Healthy demand for primary issues;
- The credit outlook remains neutral.

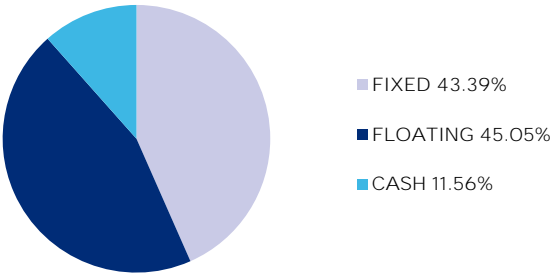
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	60.67%
Subordinated Debt	35.12%
Hybrid Debt	4.21%
Running Yield [#]	4.54%
Portfolio Weighted Average Life (yrs)	3.46
No. Securities	317
Modified Duration	2.08

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

MARKET COMMENTARY

July saw risk assets including credit and equities rally despite rising yields, US trade concerns and uncertainty around the path of monetary policy easing. Domestic and US equities reached all time highs, supported by robust corporate earnings results while domestic credit spreads rallied.

The domestic bond yield flattened marginally over the month as long term yields fell despite elevated volatility early in July. The Reserve Bank of Australia defied market expectations, remaining on hold in July when a rate cut was more than 90% priced in, precipitating a sharp move higher in yields. The RBA cited upcoming Q2 inflation data as a key consideration, noting that inflation risks were balanced while the labour market “remains strong”. At month end, futures markets had fully priced in a August rate cut.

Credit spreads narrowed over July while trading in a relatively tight range. The contraction in spreads reflected new issue supply alongside the broader risk-on sentiment across risk assets with domestic and global equities also rallying. Non-financial corporates, infrastructure and utilities sectors were the top performing sectors over the month. Subordinated bank spreads also performed well over the month, supported by subdued primary supply with the spread between tier 2 and senior bank paper compressing.

Primary market activity was orderly and demand for issues was robust, contributing to spread compression. National Australia bank priced \$1.5B of tier 2 paper which met strong demand despite the 15-year non-call 10 tenor. There was activity among financials and offshore banks with Macquarie (\$2B), Norfina Suncorp Bank (\$1.75B) and Rabobank Australia (\$1.5B) issuing senior unsecured bonds. CIBC came to market raising \$2.5B in a covered bond transaction. Securitisation activity was subdued in early July with a number of smaller ABS deals before larger RMBS issues from Latrobe (\$1B) and Thinktank (\$750M) pricing in the last week of the month. In the last week of July, a \$500M corporate deal from Dyno Nobel highlighted strong market demand, building a book that was 8 times oversubscribed.

PORTFOLIO COMMENTARY

Income return was the most substantial contributor to performance over the month. 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 remains led by domestic and offshore banks, RMBS and non-financial corporates. The portfolio running yield was 4.5% at month end.

Credit spread dynamics were very positive for performance with the Fund fully participating in the rally in credit. The Fund’s allocation to longer dated subordinated bank paper was the key contributing factor as subordinated spreads converged on the senior curve. The Fund’s allocation to RMBS also performed well alongside non-financial corporates and utilities.

Duration detracted marginally from performance in July as bond yields moved marginally higher along the curve. The Manager elected to reduce portfolio duration over the month, ending July in line with the lower bound of the strategic target duration (2 years). 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. The decision supported by a decline in Perpetual’s Tactical Asset Allocation bond score – a quantitative input to the fund duration management process – which saw technical and cycle indicators deteriorate over the month.

The credit outlook remains finely balanced. The economic backdrop is relatively solid, and there are opportunities available within the fixed-income asset class as inflation comes under control and rates fall. There are attractive yields on offer in fixed income however the manager remains cognisant of risks to growth as a result of US trade policy. The 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 improved to positive in mid-July before declining ending the month with a neutral reading.

Valuation indicators remain marginally negative. While US and domestic spreads are finely balanced, swap to bond spreads remain in negative territory, weighing on the outlook. Primary market issuance has normalised somewhat after a period of elevated volumes including a number of opportunistic transactions.

The macroeconomic outlook remains negative reflecting softening growth data and uncertainty around the impact of US tariffs. Lending conditions as expressed in the Senior Loan Officer Survey continue to weigh on the outlook after tightening in May.

Supply and demand indicator declined in the second half of July, ending the month in marginally negative territory. A lower volume of upcoming maturities and heavier anticipated supply conspire to detract from the outlook. Robust market demand continues to provide a tailwind.

Technical indicators remain strongly positive reflecting supportive US credit, equity and equity volatility indicators. Cash balances also remain elevated among real money accounts and intermediary positioning shows capacity, supporting the outlook.

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*** 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.

MORE INFORMATION

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