

PERPETUAL HIGH GRADE FLOATING RATE FUND - CLASS R

July 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: \$171.6 million as at 30 June 2025
APIR: PER0562AU
Mgmt Fee: 0.30% pa*
Benchmark Yield: 3.704% as at 31 July 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 31 July 2025

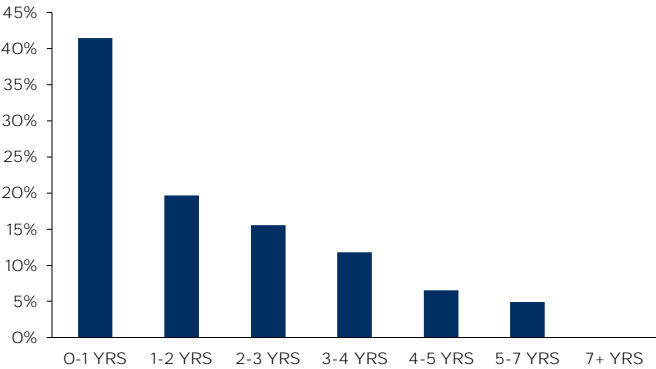
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund - Class R	0.60	1.70	2.66	5.58	6.03	5.65	3.58	3.26	3.70
Bloomberg AusBond Bank Bill Index	0.30	0.97	2.02	4.31	4.34	3.94	2.40	2.09	2.47

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.

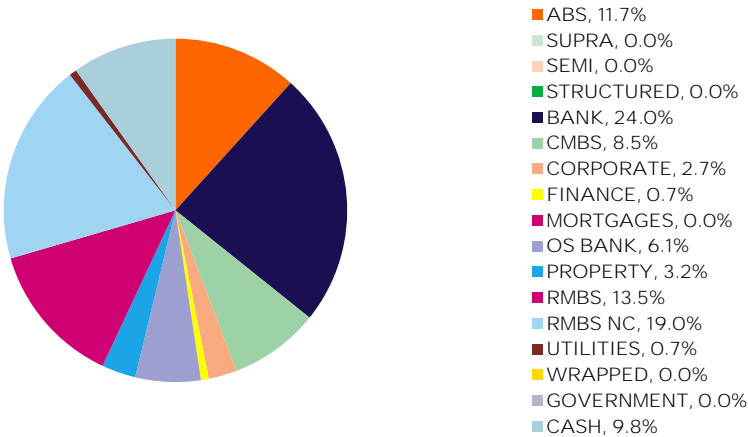
POINTS OF INTEREST

- 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



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	75.50%
Subordinated Debt	24.50%
Hybrid Debt	0.00%
Running Yield [#]	4.76%
Portfolio Weighted Average Life	1.83 yrs
Modified Duration	0.03
No. Securities	126

* 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

The Fund's income premium above benchmark continues to contribute to relative return, led by allocation to domestic and offshore banks and RMBS. The portfolio running yield at month end was 4.8%, with the average credit spread measured at 0.9%.

Credit spread dynamics were the key contributing factor to outperformance through July. Credit spread tightened while trading in a relatively tight range. **The Fund's allocation to subordinated bank paper contributed as subordinated spreads converged on the senior curve.** Securitised exposures led by RMBS also contributed as spreads contracted.

Sector and risk allocations were actively adjusted during July. The Manager elected to reduce exposure to domestic and offshore banks while selectively adding RMBS, CMBS and ABS. The Manager was also able to monetise the new issue concession on a new deal in the infrastructure sector. At month end, **the Fund's cash allocation was elevated.**

The outlook remains neutral and the Fund maintains its defensive positioning supported by a relatively short credit duration and limited exposure to subordinated and hybrid paper. Meanwhile, the Fund retains the capacity to take advantage of relative value opportunities should the outlook improve.

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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Past performance is not indicative of future performance.

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