

# PERPETUAL ACTIVE FIXED INTEREST FUND - CLASS A

July 2025



FUND FACTS

**Investment objective:** The Perpetual Active Fixed Interest Fund aims to outperform the Bloomberg AusBond Composite Index (before fees and taxes) by actively investing in fixed interest securities, primarily corporate bonds.

**Benchmark:** Bloomberg Ausbond Composite Index  
**Inception date:** February 2017  
**Size of fund:** \$485.1 million as at 30 June 2025  
**APIR:** PER8045AU  
**Mgmt Fee:** 0.40% pa\*  
**Suggested minimum investment period:** Three years or longer

FUND BENEFITS

Active management of credit risk through sector and sub sector rotation, curve positioning and relative value trading. Strategically maintain duration at benchmark, tactical overlay at extremes.

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

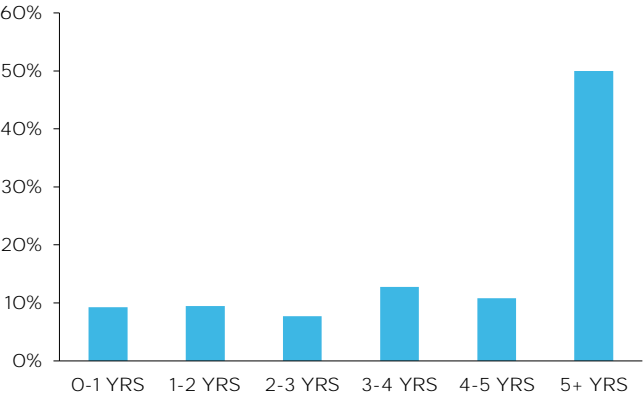
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Active Fixed Interest Fund Class A <sup>1,3</sup>	0.12	1.40	4.14	6.08	6.28	4.12	0.59	2.35	2.65
Perpetual Active Fixed Interest Fund Class W <sup>2,3</sup>	-	-	-	-	-	-	-	-	4.80
Bloomberg Ausbond Composite Index	-0.04	0.88	3.72	5.22	4.94	2.74	-0.18	1.81	-

<sup>1</sup> Class A of the Perpetual Active Fixed Interest Fund (Fund) has been operating since February 2017. This row represents the actual past performance of Class A of the Fund.  
<sup>2</sup> To give a longer term view of the performance of the Fund, the returns for Class W, which has been operating since July 2004, are shown. Class W has identical investments to Class A. We have adjusted the return of Class W to reflect the fee applicable to Class A (a 0.45% Management Fee). This has been calculated by subtracting the fees for Class A from the actual gross past performance for Class W.  
<sup>3</sup> Past performance is not indicative of future performance.

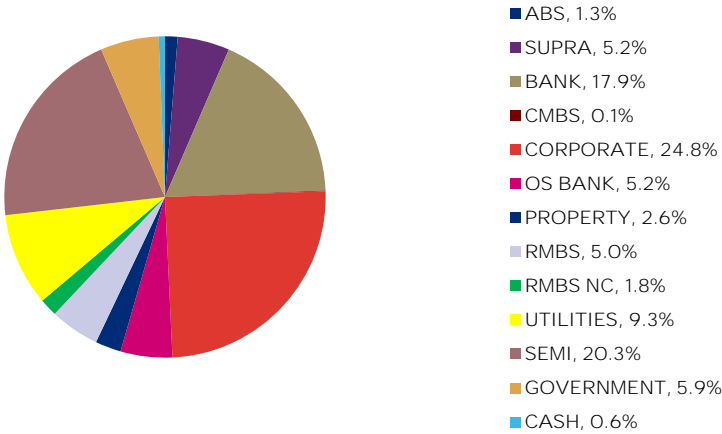
POINTS OF INTEREST

- 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.

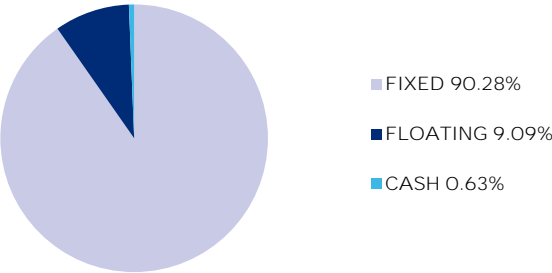
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	91.83%
Subordinated Debt	6.99%
Hybrid Debt	1.19%
Running Yield <sup>#</sup>	4.29%
Portfolio Weighted Average Life (yrs)	5.69 yrs
No. Securities	167
Modified Duration	4.70

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

<sup>#</sup>The methodology used to calculate Running Yield is derived from FactSet, and calculated as follows: The coupon rate of the security / the capital price of the security. Note that the exception is discounted securities, where a Yield to Maturity calculation is used.

## 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

Credit spread dynamics were the key contributing factor to outperformance during July. The portfolio's longer than benchmark spread duration was rewarded as spread ground tighter over the month. Spread return was primarily attributable to overweight allocations to non-financial corporates, utilities and domestic banks. Off benchmark tier 2 subordinated major bank debt performed well, contributing to outperformance. as subordinated and senior curves converged. Underweight allocation to semi-government bonds detracted from performance as semi spreads contracted however this was offset by issuer selection with the portfolio's preference for NSW and Western Australia state government bonds performing well.

The contribution to outperformance of duration positioning was negligible during July with the Fund's near benchmark duration relatively unimpacted as bond yields moved marginally higher over the month. The Fund ended the month very marginally short of benchmark duration with overweight allocation to 5-7 year tenors alongside allocation to the very short end including floating rate notes. The Manager continues to assess the path of core inflation to determine whether the recent moderation will continue or risks might re-emerge.

Income return continued to contribute to outperformance during July. The Fund's yield premium is led by overweight allocations to non-financial corporates, banks and off benchmark exposure to securitised sectors. The portfolio running yield at month end was 4.3% with the spread measured at 1.0%.

The Manager was selective in adding new issues to the portfolio and sector allocations were broadly maintained during July. The Manager elected to take part in a new deal from explosives manufacturer Dyno Nobel which was attractively priced and rallied strongly off the break. Elsewhere, the Fund added RMBS and offshore banks exposures in primary.

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 product disclosure statement (PDS) for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in the fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au). No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

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## MORE INFORMATION

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