

# PERPETUAL ESG CREDIT INCOME FUND - CLASS A

July 2025



FUND FACTS

**Investment objective:** To provide investors with regular income and consistent returns above the Bloomberg AusBond Bank Bill Index (before fees and taxes) over rolling three-year periods by investing in a diverse range of income generating assets that meet Perpetual's ESG and values-based criteria.

**Benchmark:** Bloomberg AusBond Bank Bill Index  
**Inception date:** June 2018  
**Size of fund:** \$57.6 million as at 30 June 2025  
**APIR:** PER1744AU  
**Mgmt Fee:** 0.59% pa\*  
**Benchmark Yield:** 3.704% as at 31 July 2025  
**Suggested minimum investment period:** Three years or longer

FUND BENEFITS

Provides investors access to an actively managed credit and fixed income fund and the opportunity to align their investments with their personal values and ESG preferences.

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 ESG Credit Income Fund – Class A	1.10	2.97	3.19	7.48	8.04	7.62	5.18	4.24	4.19
Bloomberg AusBond Bank Bill Index	0.30	0.97	2.02	4.31	4.34	3.94	2.40	1.98	2.09

Please note: Performance for Perpetual's complete list of investment funds is available on [www.perpetual.com.au](http://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.

ESG APPROACH

Before being considered for investment, companies or issuers must pass a series of exclusionary screens. The screening processes is designed to limit the investible universe to only those companies or issuers that meet minimum values-based and ESG standards. The Perpetual ESG Credit Income Fund first applies a values-based and ESG exclusionary screen. Sovereign issuers are subject to a separate exclusionary screen. Please refer to the Perpetual Investment Funds PDS for further information.

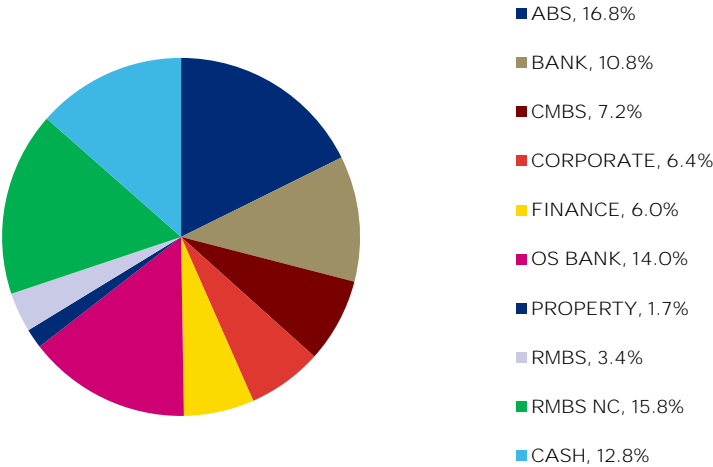
PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	23.17%
Subordinated Debt	64.57%
Hybrid Debt	12.26%
Running Yield <sup>#</sup>	4.96%
Portfolio Weighted Average Life (yrs)	3.37 yrs
No. Securities	81
Modified Duration	0.33

\* 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.

PORTFOLIO SECTORS



## 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 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.

Income return contributed to performance with the Fund’s yield advantage led by allocation to securitised assets and subordinated financials. The Portfolio’s running yield declined slightly over the month as the Manager took profit on a number of positions, ending the month with an elevated cash allocation. The Portfolio’s running yield was 5.0% at month end, with the spread (credit yield premium) measured at 1.5%.

Sector and risk allocations were actively managed with the Manager electing to lock in profit on a number of positions. The Fund ended the month with a shortened weighted average life and elevated cash allocation. The Manager elected to increase RMBS allocations while trimming exposure to subordinated domestic bank paper. The Manager actively traded government bonds during July to take advantage of duration opportunities and contribute to the Fund’s running yield. After a sharp selloff in yields following the RBA’s surprise decision to keep rates on hold, the Manager added duration to the portfolio, positioning which benefitted as yields normalised. By month end, the Fund’s duration remained marginally elevated at 0.33 years. The Manager was also active in primary markets, taking part in new securitised deals and monetising new issue concessions to quickly turnaround a new issue from Port of Newcastle for profit during July.

The outlook remains neutral and the Manager continues to carefully manage credit and liquidity risks. The Fund retains ample dry powder to take advantage of relative value opportunities and attractively priced issues as the outlook improves.

The Fund invests in quality issuers that meet Perpetual’s ESG and Values based criteria relating to what the company is in the business of and the way business operations are conducted respectively. Upon application of the ESG and Values based criteria, several bond issuers have been screened out. These include, for example, companies involved in the extraction of fossil fuels or companies whose revenues are significantly associated with socially questionable products or services.

## 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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