Perpetual Investment Funds

PERPETUAL HIGH GRADE FLOATING RATE FUND

For Institutional Investors

August 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:	4.346% as at 31 August 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 August 2024

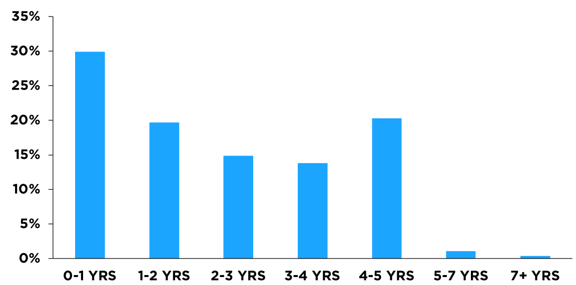
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund	0.42	1.43	3.14	6.40	5.79	3.67	2.95	2.95	4.36
Bloomberg AusBond Bank Bill Index	0.38	1.11	2.22	4.39	3.88	2.69	1.75	1.77	3.61

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

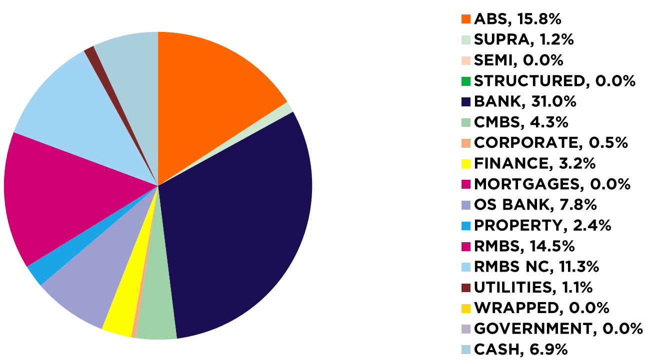
POINTS OF INTEREST

•Volatility spikes on US jobs data and BOJ rate hike;
•Bonds rally; credit spreads recover;
•Credit liquidity impacted early before normalising;
•Primary market activity resurgent after earnings season blackout;
•The outlook for credit is negative.

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	77.98%
Subordinated Debt	22.02%
Hybrid Debt	0.00%
Running Yield#	5.29%
Portfolio Weighted Average Life	2.25 yrs
Modified Duration	0.04
No. Securities	147

* 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

Volatility spiked in August with financial markets selling off sharply early before recovering over the remainder of the month. Softer than anticipated US jobs data triggered the Sahm rule and associated recession fears saw equities selloff and credit spreads widen globally. This was exacerbated by the Bank of Japan's decision to raise interest rates (by 15bps) for the second time since the GFC (Feb 2007). A strong rally in the Yen ensued and the subsequent unwinding of carry trades contributed to the elevated financial market volatility. The turnaround in sentiment was swift, supported by strong retail sales and corporate earnings alongside doveish comments from Fed Chair Powell at the Jackson Hole conference.

Bond yields moved sharply lower as US recession fears spiked in early August. Domestic 10-year yields fell below 4% after rallying 14bps over the month. The yield curve steepened as short end (2-5 year) yields rallied further. The RBA held rates at 4.35% in line with expectations, continuing to stress that policy will need to remain restrictive to lower inflation over time to sustainably settle in the target range.

Domestic credit spreads sold off in the first week of August before rallying to end the month within range of their starting level. Synthetic spreads tightened further with the iTraxx Australia 5 year spread narrowing 5 bps to 61bps by month end. Swap to bond spreads also contracted during the month remaining tight relative to historical levels.

In August, credit market issuance experienced a brief slowdown as a result of heightened volatility alongside seasonal factors including reporting season and the NSW bank holiday. Despite this, the market saw a number of securitisation deals successfully priced. As the blackout period for banks and corporates ended, issuance picked up pace. CBA raised $4.35B in senior debt while Macquarie Bank ($1.25B) and BNP Paribas ($800M) issued subordinated notes. Additionally, NBN Co set a record with the largest-ever volume by an Australian corporate issuer in the domestic market with their $1.75B deal.

PORTFOLIO COMMENTARY

The most substantial contributor to performance during the month was the Fund's yield premium above bank bills. The Fund continues to collect a running yield in excess of benchmark, attributable primarily to securitised sectors and domestic banks. The portfolio running yield at month end was 5.3%, with the average credit spread measured at 0.9%.

Credit spread dynamics were marginally positive for performance during the month. Despite elevated volatility and disrupted liquidity in early august, spreads ended the month in range of starting levels.

During August, the Manager lengthened domestic bank exposure, selling switching out of a shorter dated senior position for a new five-year major bank senior deal. Elsewhere, the Fund took part in a new securitisation deal.

With a negative outlook for credit, risk management remains paramount. The Mandate remains defensively positioned while retaining the capacity to take advantage of relative value opportunities as they arise.

OUTLOOK

The credit outlook continued to decline during August, ending the month with a firmly negative reading.

Valuation indicators remained negative on the back of narrow swap to bond spreads and the wide AUD USD basis swap.

The macro-outlook remained very marginally positive during August. Although concerns around US growth peaked in early August, access to equity capital and the ratio of credit rating upgrades to downgrades remained supportive. Lending conditions as expressed by the Senior Loan Officer survey also improved to neutral for the first time in 24 months.

Supply and demand indicators degraded further during August, ending the month with a strong negative reading.

A paucity of upcoming maturities aligned against a heavy pipeline of new issuance are weighing on the outlook. Year to date issuance remains robust, contributing to the negative supply outlook.

Technical indicators remain marginally negative. Intermediary positioning and US equity market indicators are positively contributing, while cash levels of domestic real money accounts and US credit spread indicators are detracting from the overall outlook.

MORE INFORMATION
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