Perpetual Pure Series Funds

PERPETUAL PURE CREDIT ALPHA FUND CLASS W

August 2024

FUND FACTS

Investment objective: The Fund aims to provide investors with a positive return above the cash rate over rolling three-year periods (before fees and taxes) by primarily investing in and actively trading fixed income securities and related derivatives.

Benchmark: RBA Cash Rate
Inception date: March 2012
Size of fund: $495.6 million as at 30 June 2024
Mgmt Fee: 0.85% pa*
Benchmark Yield: 4.350% as at 31 August 2024
Suggested minimum investment period: Three years or longer

FUND BENEFITS

Perpetual aims to meet its objective by utilising an active and risk aware investment process that leverages the full use of the Perpetual Credit team's experience. The strategy allows the team discretion to invest in areas of the market or a company's capital structure where they see relative value. The portfolio is diversified, takes into account changes in market-wide and security-specific credit margins while seeking to maximise returns from liquidity premiums.

FUND RISKS

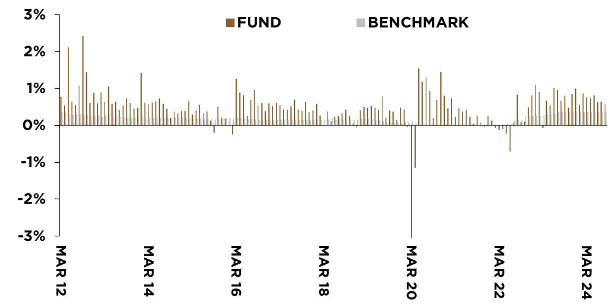
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

TOTAL RETURNS % (AFTER FEES) AS AT 31 August 2024

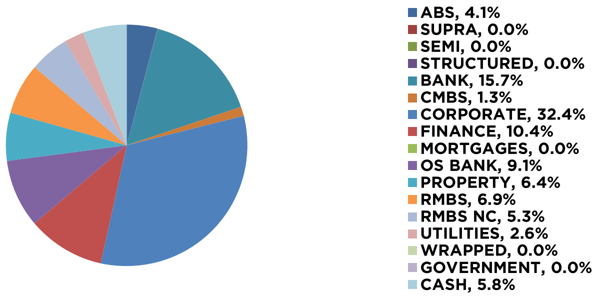
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Pure Credit Alpha Fund W Class	0.56	1.83	4.20	9.01	8.23	5.53	4.63	4.53	5.80
RBA Cash Rate	0.37	1.10	2.22	4.41	3.91	2.73	1.77	1.68	2.00

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.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	54.88%
Subordinated Debt	38.46%
Hybrid Debt	6.65%
% Geared	0.00%
Running Yield#	6.80%
Portfolio Weighted Average Life	3.04 yrs
No. Securities	215
Long	94.22
Short	0.00
Net	94.22

GEOGRAPHIC LOCATION OF MATERIAL ASSETS

The Fund holds no single international asset representing more than 10% of the Fund's net asset value.

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

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

Income return remains the most substantial determinant of outperformance. During August, the Fund's yield advantage was primarily attributable to non-financial corporates with support from domestic banks and RMBS. The Fund's running yield was 6.8% at month end, with the average spread measured at 2.6%.

Credit spread dynamics contributed to outperformance during August. Spreads were impacted by early month volatility and liquidity concerns before recovering. Credit spread return was primarily attributable to overseas banks and REITs. Securitised sectors including RMBS and ABS also performed well.

During early September, a Term Loan with Star Entertainment held in the fund was revalued after the Manager requested an out of cycle price review in recognition of ongoing liquidity concerns. Perpetual prioritises valuation transparency and regularly values private assets held in the Fund, utilizing an external provider, IHS Markit (A subsidiary of S&P Global). Changes to the valuation of these assets are reflected in the unit price. We are working closely with the lender group and the company on a solution that provides additional lender protections.

The Fund's sector and risk allocations were adjusted during the month. The Fund added exposure to ABS by investing in a new securitisation deal backed by a portfolio of business loans to Australian medical, dental, veterinary and allied healthcare professionals. Offshore bank exposures were increased via participation in a new subordinated deal from Lloyds Banking Group. The new deal was well subscribed, pricing tighter than guidance and the Fund's existing Lloyds exposure benefited as the spread tightened.

Risk management is paramount in these conditions and the Manager remains selective in adding new issues to the Fund. The portfolio remains defensively positioned and retains 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.

** UBS Australian Bond Index changed to Bloomberg AusBond Bank Bill Index effective 26 September 2014

MORE INFORMATION

Adviser Services 1800 062 725
Investor Services 1800 022 033
Email investments@perpetual.com.au
www.perpetual.com.au

Perpetual