

## Perpetual Pure Series Funds

# PERPETUAL PURE CREDIT ALPHA FUND CLASS W

September 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 30 September 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

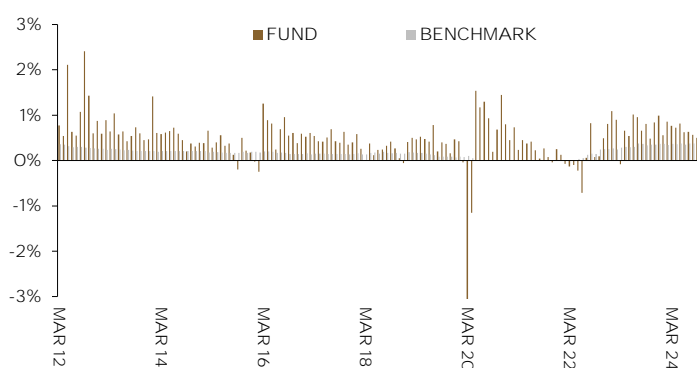
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether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

### TOTAL RETURNS % (AFTER FEES) AS AT 30 September 2024

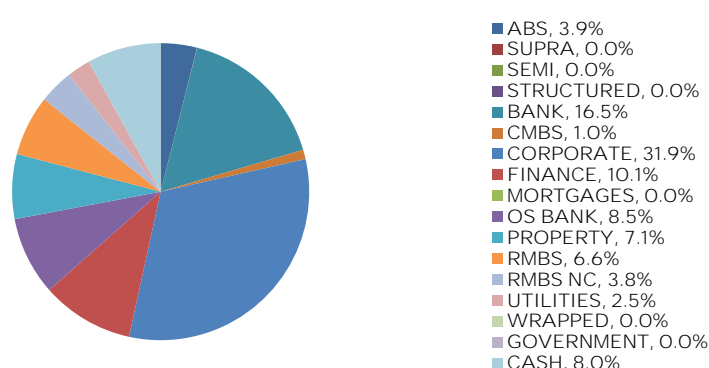
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Pure Credit Alpha Fund W Class	0.50	1.70	3.92	8.68	8.46	5.61	4.65	4.54	5.80
RBA Cash Rate	0.36	1.10	2.20	4.43	4.00	2.85	1.82	1.71	2.01

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.

### MONTHLY PERFORMANCE SINCE INCEPTION



### PORTFOLIO SECTORS



### PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	55.90%
Subordinated Debt	36.86%
Hybrid Debt	7.24%
% Geared	0.00%
Running Yield <sup>#</sup>	6.74%
Portfolio Weighted Average Life	2.96 yrs
No. Securities	217
Long	91.97
Short	0.00
Net	91.97

### 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

Financial markets consolidated during September with equities posting gains as the US commenced monetary easing and China unveiled a substantial monetary policy stimulus package intended to resuscitate the economy and support the embattled property market.

Domestic bond yields traded in a tight range, ending the month close to start of month levels. The RBA held rates at 4.35% at their September meeting while minutes revealed a dovish shift from a tightening to neutral bias. The Fed commenced monetary easing, cutting rates by 50 bps in September. US bond yields reacted favourably and the treasury curve flattened as short end yields rallied.

Credit spreads were rangebound during September. Spreads in government adjacent sectors including supranational and government agencies tightened while non-financial corporates widened marginally on aggregate.

A notable development in September was commentary from APRA proposing that banks phase out the use of additional Tier 1 capital bonds (Hybrids) and replace them with cheaper and more reliable forms of capital that would absorb losses more effectively in times of stress. This was in response to the 2023 turmoil observed in global banks following the collapse of Silicon Valley Bank and acquisition (and subsequent write-off of AT1 capital) of Credit Suisse by UBS.

Primary markets saw a diverse array of issuers, highlighted by the return to market of a number of non-financial corporates. There were a number of new senior unsecured corporate deals, including Qantas (10 year 5.9% \$500M), Origin Energy (7 year 5.35% \$500m) and Telstra (6 Year 4.75% \$450M). QBE Insurance Group raised \$750M across fixed and floating tranches while major bank issuance was headlined by \$2.7B senior unsecured deal from Westpac. By the end of the third quarter, securitisation volumes surpassed their previous full calendar year record. Despite the elevated securitisation volume throughout 2024, demand has proved resilient.

## PORTFOLIO COMMENTARY

The Fund's yield premium above benchmark was the most substantial determinant of outperformance during the month more than offsetting the impact of negative spread return. The Fund's yield premia above the RBA Cash Rate is driven by allocations to non-financial corporates with contributions from financials and securitised sectors. The Fund's running yield was 6.7% at month end, with the spread measured at 2.6%.

Credit spread dynamics detracted from performance during September. Spreads traded in a relatively tight range and spread contraction was mixed by sector with non-financial corporate exposure the key detractor. The Fund's negative credit spread return was attributable primarily to the widening spread on a Star Entertainment term loan. As originally flagged in the August commentary, the Fund's position was revalued reflecting the company's liquidity challenges. Elsewhere, the Fund's RMBS allocation benefitted from spread contraction in spite of elevated securitisation volumes throughout the year to date.

Sector allocation was actively managed throughout the month. The Manager elected to selectively trim exposures to offshore banks and non-conforming RMBS. The Fund added exposure to subordinated domestic regional and major bank paper in secondary. The Manager elected to add allocation to the property sector via a new \$600M fixed rate deal from Scentre Group.

The Credit outlook remained negative during September. Risk management is paramount in these conditions and the Manager remains selective in adding new issues to the Fund. The portfolio is defensively positioned and retains the capacity to take advantage of relative value opportunities as they arise.

## OUTLOOK

The credit outlook declined further throughout September ending the month with a strong negative reading.

Valuation indicators are marginally negative. While credit spreads are at neutral levels, AUD swap and basis swap levels are detracting from the overall outlook.

The Growth outlook declined to neutral. The ratio of upgrades to downgrades remains supportive however the macroeconomic growth and equity capital market indicators worsened during the month. Survey data has declined over the September quarter, UK Q2 GDP failed to meet consensus expectations and China – while improving – remains challenged.

Supply and demand indicators remained firmly negative. Elevated recent primary market volumes, coupled with a lean upcoming maturity schedule weigh on the credit outlook. The issuance pipeline has moderated somewhat, softening the negative reading.

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.

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

## MORE INFORMATION

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