

# PERPETUAL DYNAMIC FIXED INCOME FUND

October 2025

## FUND FACTS

**Investment objective:** Aims to provide capital stability and regular income by investing in a diversified range of income generating assets, and a positive return (before fees and taxes) irrespective of market conditions over a rolling three-year period.

**Benchmark:** 50% Bloomberg AusBond Composite Index/50%

Bloomberg AusBond Bank Bill Index

**Inception date:** November 2010

**Size of fund:** \$28.3 million as at 30 September 2025

**APIR:** PER0557AU

**Mgmt Fee:** 0.45% pa\*

**Suggested minimum investment period:** Three years or longer

## FUND BENEFITS

The fund is designed to provide investors with a diversified fixed income solution that manages both credit risk (credit worthiness) and duration risk (sensitivity to changes in interest rates) in different economic conditions.

## 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 October 2025

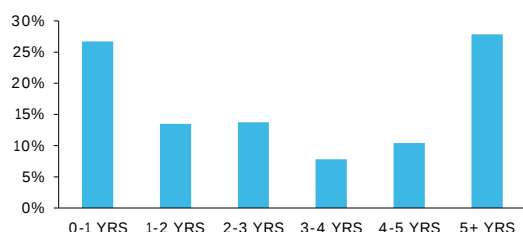
|                                             | 1 MTH | 3 MTHS | 6 MTHS | 1 YR | 2 YRS PA | 3 YRS PA | 5 YRS PA | 7 YRS PA | INCEPT PA |
|---------------------------------------------|-------|--------|--------|------|----------|----------|----------|----------|-----------|
| Perpetual Dynamic Fixed Income Fund         | 0.26  | 1.02   | 2.51   | 5.83 | 6.66     | 5.77     | 2.71     | 3.13     | 4.23      |
| Bloomberg AusBond Composite/Bank Bill Blend | 0.33  | 0.85   | 1.78   | 5.29 | 5.54     | 4.09     | 1.22     | 2.01     | 3.13      |

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.

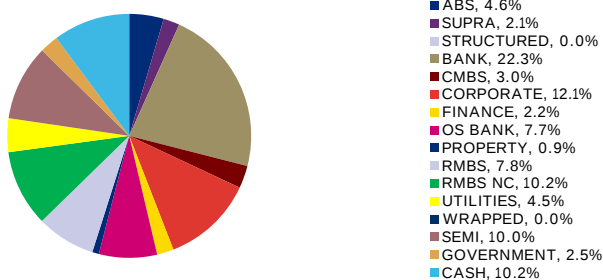
## POINTS OF INTEREST

- Unemployment data elevated; AU inflation surprises to the upside;
- Further rate cut expectations soften;
- Domestic credit spreads rangebound;
- Primary issuance volumes remain strong, demand healthy;
- The credit outlook is neutral.

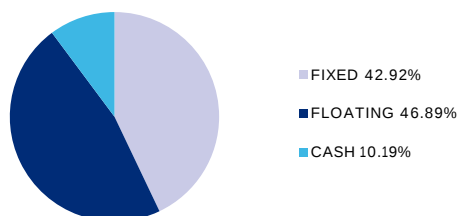
## MATURITY PROFILE



## PORTFOLIO SECTORS



## FIXED AND FLOATING RATE BREAKDOWN



## PORTFOLIO COMPOSITION

|                                       | BREAKDOWN |
|---------------------------------------|-----------|
| Senior Debt                           | 64.31%    |
| Subordinated Debt                     | 32.17%    |
| Hybrid Debt                           | 3.51%     |
| Running Yield <sup>#</sup>            | 4.40%     |
| Portfolio Weighted Average Life (yrs) | 3.74      |
| No. Securities                        | 353       |
| Modified Duration                     | 3.37      |

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

## MARKET COMMENTARY

During October, risk assets including equities and credit strengthened while bond markets saw elevated volatility as markets responded to central bank commentary, the US government shutdown, increasing inflation pressure and softening domestic employment data. Geopolitical tensions were heightened in early October before US-China trade negotiations eased concerns towards the end of the month. Moderating US inflation data also suggested that the impact of tariffs was more modest than initially feared.

Domestic bond yields saw elevated volatility during October as markets parsed higher than expected unemployment and underlying inflation for the September quarter. The September quarter employment data defied consensus with unemployment rising to 4.5% from 4.3% reflecting increasing participation rates. Bond yields and equities rallied initially, anticipating a higher likelihood of further near-term rate cuts before a soft third quarter CPI data dampened the outlook. Released later in the month, trimmed mean annual inflation rose 1% in the September quarter, and was 3.0% annually, up from 2.7% in the prior quarter. By month end, futures markets had priced in one final rate cut in mid-2026.

Domestic credit spreads traded in a tight range throughout October with credit spreads very marginally tighter by month end. Swap to bond spreads normalised somewhat during October, while remaining marginally in negative territory. Offshore spreads saw modest expansion with USD investment grade and high yield spreads widening following a pair of US corporate bankruptcies early in the month.

Primary market issuance volumes remained elevated throughout October. Demand remained healthy, although increasingly name and structure specific. National Australia Bank raised \$3B across fixed and floating tranches including a 10-year fixed rate tranche that was met with strong demand. Ampol returned to market to price a \$500M hybrid issue and Lendlease issued a \$450M hybrid, both deals were substantially oversubscribed and performed well in secondary. Elsewhere, Patrick Terminals Finance raised \$600m across 7 and 10-year tranches while Weir group priced \$400M of fixed rate senior bonds in their inaugural issue. Securitised sectors saw elevated issuance volumes across RMBS, corporate and auto ABS.

## PORTFOLIO COMMENTARY

Income return was the most substantial contributor to performance over the month. The Fund yield advantage above benchmark is attributable primarily to RMBS and offshore bank allocations. The portfolio running yield was 4.4% at month end.

While spreads traded in a tight range, the Fund's selective allocation to subordinated and hybrid securities performed well as subordinated spreads converged on the senior curve. Allocation to domestic regional and offshore banks performed well, alongside USD denominated subordinated bonds from Macquarie and National Australia Bank. Non-financial corporate exposures also contributed, while spread widening among securitised sectors detracted marginally as markets digested elevated issuance volumes.

Duration and curve positioning detracted from performance as yields rose marginally along the curve in a month of elevated volatility. Duration positioning of the Fund is determined via Manager discretion with input from Perpetual's Tactical Asset Allocation bond score – a quantitative input to the fund duration management process – which rose throughout the month. After shortening duration in anticipation of the September quarter CPI print, the Fund ended the month with 2.8 years of duration, marginally longer than the strategic target of 2 years.

Our proprietary credit score remained neutral throughout October. The Fund remains defensively positioned while retaining the capacity to add risk where it is best rewarded and will continue to look for active duration opportunities along the curve.

## OUTLOOK

The credit outlook remained neutral throughout October.

Valuation indicators improved over the month, as swap to bond spreads moderated and domestic and offshore spreads converged. Domestic Investment grade, US investment grade and high yields spreads are finely balanced.

The macroeconomic outlook is very marginally negative, reflecting the soft expectations for global growth.

Supply and demand indicators declined over the month ending the month with a negative reading. A lower volume of upcoming maturities alongside elevated recent and anticipated issuance volumes weigh on near term expectations for credit spreads. Market demand has thus far remained healthy supported by elevated interest from offshore investors.

Technical indicators declined marginally while remaining positive. While US credit and equity indicators remain supportive, the equity volatility indicator neutralised. Intermediary positioning shows capacity, supporting the outlook.

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Past performance is not indicative of future performance.

\*\*\* The benchmark for the Fund was previously reported as both the Bloomberg AusBond Bank Bill Index and the Bloomberg AusBond Composite Index. As at 29 April 2015, the benchmark for reporting was updated to a composite benchmark comprising 50% Bloomberg AusBond Bank Bill Index & 50% Bloomberg AusBond Composite Index. The change in benchmark was to better reflect the investment strategy. The performance table above reflects the change in benchmark applied across all periods.

## MORE INFORMATION

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