Perpetual Investment Funds

PERPETUAL HIGH GRADE FLOATING RATE FUND - CLASS R

November 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:	March 2011
Size of fund:	$181.2 million as at 30 September 2024
APIR:	PER0562AU
Mgmt Fee:	0.30% pa*
Benchmark Yield:	4.361% as at 30 November 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 30 November 2024

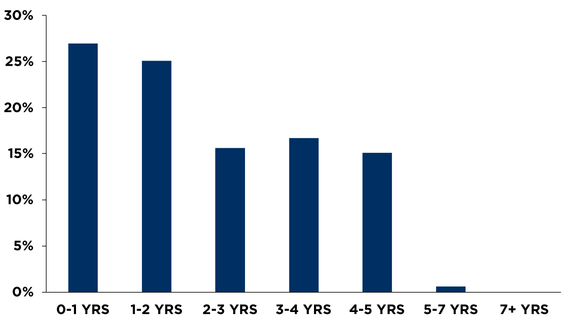
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund - Class R	0.43	1.48	2.91	6.31	6.10	4.15	3.08	2.98	3.61
Bloomberg AusBond Bank Bill Index	0.36	1.10	2.22	4.46	4.11	3.07	1.92	1.87	2.38

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.

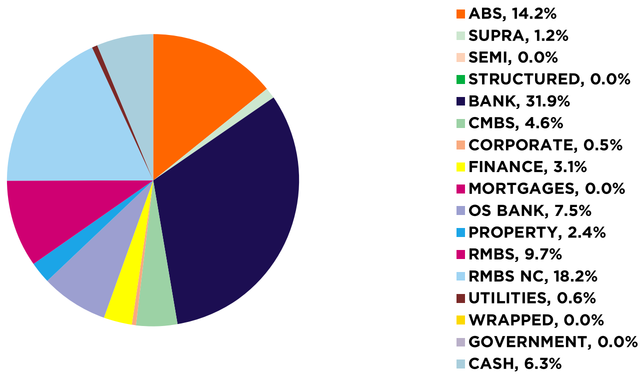
POINTS OF INTEREST

•Bond yields retrace following recent rises;
•Domestic spreads rangebound;
•RBA on hold, retaining neutral stance;
•Primary market issuance elevated meets strong demand;
•The outlook remains slightly negative.

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	80.16%
Subordinated Debt	19.84%
Hybrid Debt	0.00%
Running Yield#	5.40%
Portfolio Weighted Average Life	2.16 yrs
Modified Duration	0.08
No. Securities	133

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

MARKET COMMENTARY

Financial markets responded positively to the results of the US presidential election with equities rallying globally, led by the US. Bond markets retraced slightly after selling off in September and October on concerns around the inflationary effect of proposed US trade policies.

Domestic bond yields fell through November with the Australian 10-year government bond yield rallying 16 bps over the month down to 4.34%. The short end 2-5 years fell back below 4% by month end. Offshore yields were more volatile with US yield spiking following the election before retracing and French bond yields selling off sharply reflecting political uncertainty.

AUD spreads traded in a tight range during November. While spread contraction was broadly muted, the utilities sector was the notable outperformer. EUR and USD spreads rallied following the US election consolidating their strong recent performance. US High yield and investment grade spreads are at levels last seen prior to the GFC. Swap spreads were in negative territory throughout November, contracting during the first two weeks before returning to near 0 by month end.

No indications of end of year fatigue were present in the primary market with a busy pipeline of deals across financials, corporate and securitised sectors. Demand was robust throughout the month leading to oversubscribed book builds, most notably Woolworths 10-year $800M which priced much tighter than guidance reflecting the market's appetite for long dated blue chip corporate paper. In the Financial space, NAB (7-year) and ANZ (5-year) each raised $2.5B of senior debt across fixed and floating tranches. Kangaroo issuance was also healthy with a number of offshore borrowers coming to the Australian market to meet the persistent robust demand.

PORTFOLIO COMMENTARY

The Fund's yield premium above bank bills was the key determinant of outperformance during November. The Portfolio' yield advantage remains centred around allocation to domestic banks and RMBS. The portfolio running yield at month end was 5.4%, with the average credit spread measured at 1.0%.

Credit spread dynamics were subdued as spreads traded in a tight range throughout the month. Domestic banks, insurers, Real Estate investment Trusts and securitised sectors all marginally contributed to relative return.

Sector and risk allocations were broadly maintained over the month. The Fund added exposure to CMBS and non-conforming RMBS while trimming prime RMBS. The Manager also elected to take part in a new senior unsecured domestic major bank deal.

The outlook for credit remained marginally negative through November. Risk management remains crucial in these conditions. The Fund is defensively positioned while retaining the capacity to take advantage of relative value opportunities where available.

OUTLOOK

The credit outlook remained in marginally negative territory throughout November.

Valuation indicators are marginally negative. US high yield spreads are trading below the fair value range and AU swap spreads are very tight and were negative throughout the middle of the month. Elsewhere, a spike in opportunistic issuance is weighing on the outlook with borrowers exploiting strong demand, resulting in elevated issuance levels.

The growth outlook remains neutral. The ratio of upgrades to downgrades remains supportive however the macroeconomic growth indicators remain challenged.

Supply and demand indicators continue to weigh on the outlook. The high volume of recent issuance paired with a healthy pipeline and light maturity schedule conspire to negatively impact the outlook. In spite of these factors however, demand has remained very resilient thus far.

Technical indicators continued to improve, remaining in positive territory. Intermediary positioning remains positive with elevated cash levels expected to contribute to demand. US credit spreads, equity markets and equity market volatility indicators are all constructive.

MORE INFORMATION

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

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