

# PERPETUAL HIGH GRADE FLOATING RATE FUND - CLASS R

March 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.

<b>Benchmark:</b>	Bloomberg AusBond Bank Bill Index
<b>Inception date:</b>	March 2011
<b>Size of fund:</b>	\$192.0 million as at 31 December 2023
<b>APIR:</b>	PER0562AU
<b>Mgmt Fee:</b>	0.30% pa*
<b>Benchmark Yield:</b>	4.324% as at 31 March 2024
<b>Suggested minimum investment period:</b>	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 March 2024

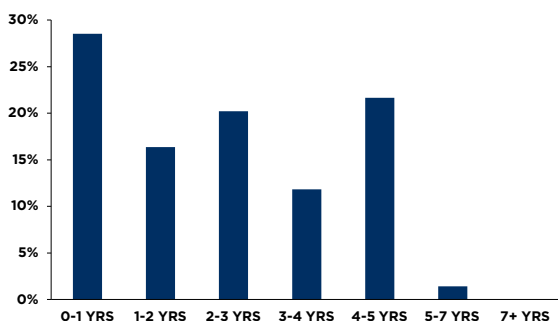
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund - Class R	0.53	1.55	3.14	6.39	4.42	2.89	2.64	2.69	3.49
Bloomberg AusBond Bank Bill Index	0.37	1.09	2.15	4.19	3.11	2.08	1.51	1.62	2.28

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.

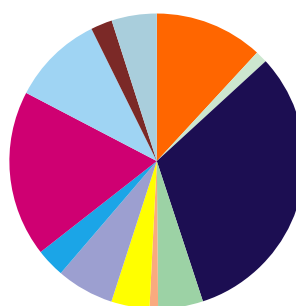
## POINTS OF INTEREST

- Bond yields rally, RBA on hold;
- Credit spreads extend rally; Corporate spreads keep up with financials;
- Primary demand remains strong; issuance orderly.
- The outlook has improved to marginally positive

## MATURITY PROFILE



## PORTFOLIO SECTORS



ABS, 12.1%
SUPRA, 1.3%
SEMI, 0.0%
STRUCTURED, 0.0%
BANK, 32.4%
CMBS, 5.0%
CORPORATE, -0.9%
FINANCE, 4.2%
MORTGAGES, 0.0%
OS BANK, 6.4%
PROPERTY, 3.2%
RMBS, 18.5%
RMBS NC, 10.2%
UTILITIES, 2.4%
WRAPPED, 0.0%
GOVERNMENT, 0.0%
CASH, 5.1%

## PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	79.60%
Subordinated Debt	20.40%
Hybrid Debt	0.00%
Running Yield*	5.19%
Portfolio Weighted Average Life	2.33 yrs
Modified Duration	0.06
No. Securities	156

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

## MARKET COMMENTARY

March saw both government & credit securities rally as global economic data continues to surprise on the upside, raising hopes that a soft economic landing is still on the horizon. Despite nominal growth surprising to the upside, the US Federal Reserve left rates unchanged in March but, importantly, the “dot plots” of expected future rates continued to indicate three cuts before the year’s end.

Domestic credit spreads participated in the global rally and tightened in March, as the short end outperformed. Corporate spreads kept pace with Financials, while Utilities also performed strongly. March saw Moody’s upgrade of the Australian banks following their Advanced Loss Given Failure analysis and coinciding methodology change. Offshore spreads continued their strong performance with Australian domiciled, Euro denominated credit performing notably well.

Domestic bond yields rallied in March ahead of most global bond markets. Australian 10-year Government bond yields rallied 17bps breaking the 4% mark settling at 3.97% to end the month. US 10-Year Treasury yields meanwhile rallied 4bps to 4.20%. Domestically, semi-government bonds underperformed Commonwealth government bonds.

Primary markets were active during March. The Tier 2 market saw a high-volume month boosted by a \$1.5bn AUD 10NC5 deal from HSBC that generated a \$5.8bn orderbook, one of the largest subordinated debt orderbooks in the Australian market’s history. We also saw new deals from Infrastructure names (such as Transurban), Telecommunications (such as National Broadband Network) and Utilities issuers (Ausgrid).

## PORTFOLIO COMMENTARY

Tightening credit spreads were the key contributing factor to outperformance during the month. Domestic spreads consolidated their recent rally across financials, corporates and securitised sectors. The Fund’s allocation to domestic banks and RMBS were the key contributors to credit spread return over the month.

The Portfolio continues to collect running income above benchmark, contributing to outperformance. The Fund’s allocation to securitised sectors, and domestic major bank paper remain the key contributors to income return. The portfolio running yield at month end was 5.2%, with the average credit spread measured at 1.2%.

Sector allocations were actively adjusted during the month. The Fund’s allocation to domestic and offshore banks was trimmed. Non-financial corporate exposures were also reduced through both liquidation of a small number of corporate bonds and the addition of a short position in the iTraxx Australia CDS index. Lastly, allocation to securitised sectors was increased across RMBS and ABS.

The outlook for credit has improved, however the Fund remains defensively positioned, retaining the capacity to take advantage of relative value opportunities as the outlook continues to strengthen.

## OUTLOOK

The credit outlook improved from neutral to positive in the first week of April following upgrades to some of our indicators.

Valuation indicators were upgraded to neutral coming into April. US High Yield spreads widened relative to recent levels, improving the valuation outlook. Meanwhile, Australian & US investment grade indicators remain neutral.

Robust economic growth prints turned our macro-outlook marginally positive. Manufacturing PMIs are showing signs of improvement in the US, UK & China with all 3 PMIs now in expansionary territory, while leading growth indicators in the US also improved.

Meanwhile, we saw no change to our market supply and demand indicators. High issuance volumes over recent months were met with robust market demand reflected in oversubscribed primary market deals and robust secondary market liquidity. However, while demand appears strong, the market is beginning to become a bit saturated with investors increasingly funding primary market purchases out of secondary market sales.

Technical indicators remained positive in March with US credit and equity both positive, however, our equity volatility signal flipped from neutral to negative. Intermediary positioning appears balanced with brokers showing modest inventories.

---

This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL No 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au). No company in the Perpetual Group (Perpetual Group means Perpetual Trustees Australia Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor’s capital.

Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual’s ongoing fees and assuming reinvestment of distributions. No allowance has been made for entry or exit fees or taxation (except in the case of superannuation funds, as applicable).

Past performance is not indicative of future performance.

## MORE INFORMATION

Adviser Services 1800 062 725  
Investor Services 1800 022 033  
Email [investments@perpetual.com.au](mailto:investments@perpetual.com.au)  
[www.perpetual.com.au](http://www.perpetual.com.au)

