Perpetual Investment Funds

PERPETUAL HIGH GRADE FLOATING RATE FUND - CLASS R

June 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:	$173.9 million as at 31 March 2024
APIR:	PER0562AU
Mgmt Fee:	0.30% pa*
Benchmark Yield:	4.366% as at 30 June 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 June 2024

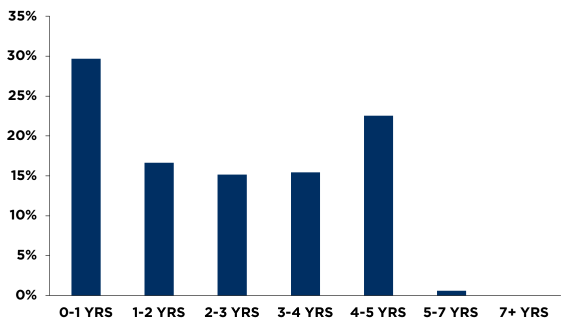
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund - Class R	0.47	1.60	3.18	6.49	5.47	3.32	2.79	2.81	3.54
Bloomberg AusBond Bank Bill Index	0.35	1.08	2.18	4.37	3.63	2.44	1.64	1.71	2.32

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.

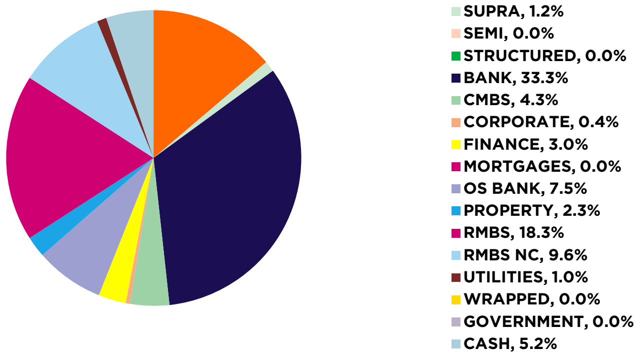
POINTS OF INTEREST

•RBA on hold; Bond yields rally slightly;
•Monthly inflation surprises to the upside;
•Credit spreads rally marginally;
•Primary market subdued in line with seasonal expectations.
•The outlook remains neutral.

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	79.44%
Subordinated Debt	20.56%
Hybrid Debt	0.00%
Running Yield#	5.29%
Portfolio Weighted Average Life	2.33 yrs
Modified Duration	0.08
No. Securities	149

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

MARKET COMMENTARY

Financial markets strengthened through June with credit, bonds and equities posting gains. Softening economic data eased concerns around ongoing inflation pressure globally, supporting risk assets.

Domestic long term bond yields rallied over the month with 10-year bond yield falling 10 bps. The Yield curve flattened however with shortened (1-3y) yields rising reflecting successive above consensus expectation monthly inflation prints. Q2 CPI will be crucial for understanding the path of monetary policy with futures markets shifting during June to price an 50% chance of another increase at the August meeting by month end. The RBA elected to maintain the cash rate at the June meeting however their commentary was increasingly hawkish.

Domestic credit spreads traded in range of recent levels grinding marginally tighter throughout the month. Financials outperformed corporate, led by offshore banks. Semi government spreads performed well, tightening materially over the month.

Primary issuance was relatively light in June reflecting seasonal factors including end of financial year. Issuance typically eases towards the end of June and dynamic was exacerbated by the late month release of above expectation monthly inflation data. Earlier in June, ANZ raised $4.25B in senior debt across multiple fixed and floating tranches. Elsewhere, primary market volumes were supported by robust securitisation flow. Lastly, during June the Commonwealth government issued their inaugural green bond in a $7B 10-year deal.

PORTFOLIO COMMENTARY

The Fund continues to collect a healthy yield premium above bank bills, with income return the key contributor to outperformance during June. The Portfolio'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 5.3%, with the average credit spread measured at 1.1%.

Credit spread dynamics were constructive for relative performance over the month as spreads continued to inch tighter. Domestic bank was the key contributing sector to spread performance. A number of tier 2 subordinated major bank and diversified financial positions performed notably well during the month. Elsewhere, spread contraction was more muted. Securitised sectors traded in a tight range in spite of persistent elevated primary issuance volumes.

Sector allocations were actively adjusted during the month. The Manger elected to add allocation to ABS and prime RMBS as well as taking part both fixed and floating rate tranches of the new ANZ senior unsecured 5-year deal.

The outlook for credit is delicately balanced. The Fund remains defensively positioned, retaining the capacity to take advantage of relative value opportunities should the outlook improve.

OUTLOOK

The credit outlook remained consistent throughout June and continues to offer a neutral overall score.

Valuation indicators improved over the latter half of the month with AUD swap and basis swap levels normalising. At month end, each of the value indicators were in neutral territory, remaining in range of recent and historic averages.

Our macro-outlook remains marginally positive. Lending conditions as expressed by the Senior Loan Officer survey remain negative. Meanwhile, access to equity market capital and the ratio of credit rating upgrades to downgrades remain supportive.

Supply and demand indicators remain neutral. Elevated upcoming maturity volumes in the near term are constructive however this support is expected to dissipate over the remainder of the year as maturity volumes decline. Recent supply has been strong and while demand has matched the level of issuance thus far, the volume of year to date primary issuance is weighing on the outlook.

Technical indictors declined during the month offering a neutral score by month end. Cash balances among real money accounts are below recent levels, reflecting the busy issuance schedule thus far in 2024. US equity and equity volatility indicators continue to support the outlook.

MORE INFORMATION

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