Perpetual Investment Funds

PERPETUAL ACTIVE FIXED INTEREST FUND CLASS A

June 2024

FUND FACTS

Investment objective: Aims to provide investors with regular income by investing in a portfolio of diversified fixed income securities which are predominantly corporate and government bonds; and outperform the Bloomberg AusBond Composite 0+Yr Index (before fees and taxes) over rolling three-year periods.

Benchmark: Bloomberg Ausbond Composite Index
Inception date: February 2017
Size of Strategy: $403.7 million as at 31 March 2024
APIR: PER8045AU
Management fee: 0.40%*
Suggested minimum investment period: Three years or longer

FUND BENEFITS

Active management of credit risk through sector and sub sector rotation, curve positioning and relative value trading. Strategically maintain duration at benchmark, tactical overlay at extremes.

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

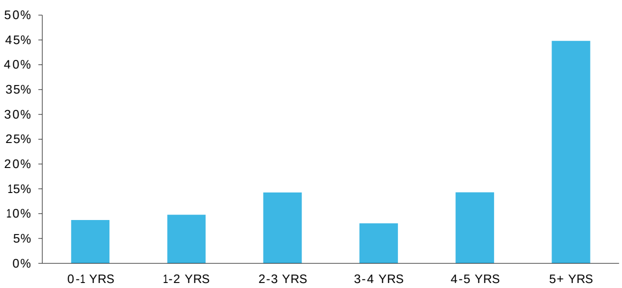
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Active Fixed Interest Fund Class A [1,3]	0.80	-0.41	1.00	5.42	3.94	-1.53	-0.07	1.75	1.99
Perpetual Active Fixed Interest Fund Class W [2,3]	-	-	-	-	-	-	-	-	4.67
Bloomberg Ausbond Composite Index	0.77	-0.84	0.18	3.68	2.45	-2.06	-0.60	1.32	-

[1] Class A of the Perpetual Active Fixed Interest Fund (Fund) has been operating since February 2017. This row represents the actual past performance of Class A of the Fund.
[2] To give a longer term view of the performance of the Fund, the returns for Class W, which has been operating since July 2004, are shown. Class W has identical investments to Class A. We have adjusted the return of Class W to reflect the fee applicable to Class A (a 0.45% Management Fee). This has been calculated by subtracting the fees for Class A from the actual gross past performance for Class W.
[3] Past performance is not indicative of future performance.

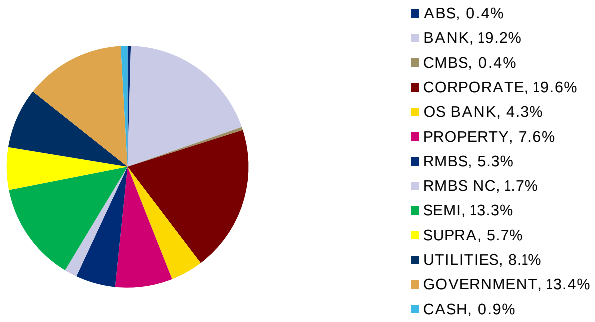
POINTS OF INTEREST

•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.

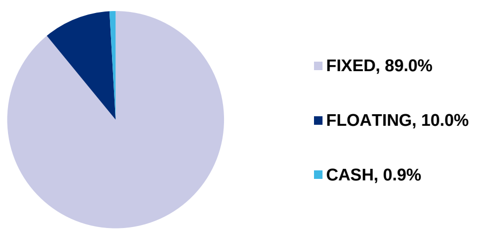
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	88.20%
Subordinated Debt	10.85%
Hybrid Debt	0.95%
Running Yield*	4.28%
Portfolio Weighted Average Life (yrs)	4.71
No. Securities	159
Modified Duration	4.89

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

*The methodology used to calculate Running Yield is derived from FactSet, and calculated as follows: The coupon rate of the security / the capital price of the security. Note that the exception is discounted securities, where a Yield to Maturity calculation is used.

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

Interest rate dynamics were marginally negative for relative performance during June. The Fund's slightly short of benchmark duration positioning detracted from outperformance as long term yields rallied. This was partially offset by the funds curve positioning with underweight exposure to the short tend rewarded as the curve flattened and the short end (1-3 years) rose. In recent months, the Manager has highlighted that the short end of the curve is offering an unattractive yield relative to cash, reflecting the markets expectations for RBA cuts despite sticky inflation and resilient economic data. The Fund remains close to benchmark duration with an underweight exposure to the short end, balanced with allocation to off benchmark floating rate notes.

Income return was the most substantial contributing factor to outperformance during the month. The Fund's yield premium above benchmark is led by overweight allocations to non-financial corporates, banks and real Estate alongside off benchmark exposure to securitised sectors. The portfolio running yield at month end was 4.3% with the spread measured at 1.0%.

Credit spread dynamics were constructive during June. While spreads traded in range of recent levels, the Fund's security selection was rewarded with the portfolio's exposure to non-financial corporates, domestic banks and property sector securities performing well.

Sector allocations were broadly maintained over the month and the Manager remains selective in adding new issues to the portfolio. Government bond allocation was increased with the manager adding exposure at the 4-year tenor late in June. Elsewhere, the Fund took part in the new 5-year senior unsecured issue from ANZ.

The outlook for credit remains delicately poised. The Manager remains focused on identifying relative value opportunities presented as the outlook improves and will continue to look for active duration opportunities along the curve.

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

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