Perpetual Investment Funds

PERPETUAL
ESG CREDIT INCOME FUND - CLASS A

June 2024

FUND FACTS

Investment objective: To provide investors with regular income and consistent returns above the Bloomberg AusBond Bank Bill Index (before fees and taxes) over rolling three-year periods by investing in a diverse range of income generating assets that meet Perpetual's ESG and values-based criteria.

Benchmark:	Bloomberg AusBond Bank Bill Index
Inception date:	June 2018
Size of fund:	$61.5 million as at 31 March 2024
APIR:	PER1744AU
Mgmt cost:	0.59%pa*
Benchmark Yield:	4.35% as at 30 June 2024

Suggested minimum investment period: Three years or longer

FUND BENEFITS

Provides investors access to an actively managed credit and fixed income fund and the opportunity to align their investments with their personal values and ESG preferences.

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 ESG Credit Income Fund – Class A	0.30	1.84	4.37	8.91	7.82	4.40	3.83	-	3.65
Bloomberg AusBond Bank Bill Index	0.35	1.08	2.18	4.37	3.63	2.44	1.64	-	1.70

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.

PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	42.44%
Subordinated Debt	50.53%
Hybrid Debt	7.03%
Running Yield^	5.53%
Portfolio Weighted Average Life	2.83 yrs
No. Securities	80
Modified Duration	0.04

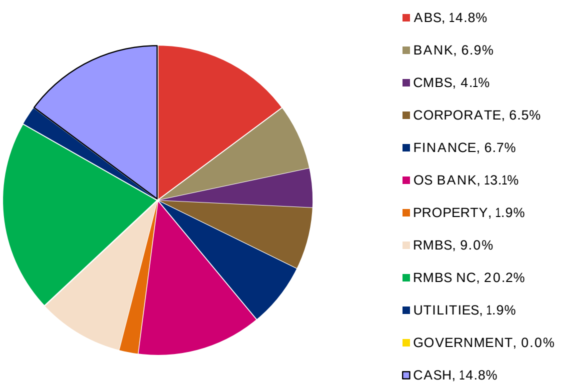
ESG APPROACH

Before being considered for investment, companies or issuers must pass a series of exclusionary screens. The screening processes is designed to limit the investible universe to only those companies or issuers that meet minimum values-based and ESG standards. The Perpetual ESG Credit Income Fund first applies a values-based and ESG exclusionary screen. Sovereign issuers are subject to a separate exclusionary screen. Please refer to the Perpetual Investment Funds PDS for further information.

* 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.

PORTFOLIO SECTORS



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

Credit spread dynamics were mixed for performance during the month. Domestic spreads traded in range of recent levels and spread contraction among AUD denominated positions was marginally positive for relative return. The portfolio was impacted however by expanding EUR spreads which rose sharply in early June (as a result of the surprise snap elections called in France) before ending the month higher (as strong polling for the far-right National Rally party escalated concerns around rising government debt and deficits). The portfolio maintains exposure to a number of EUR denominated securities which continue to offer attractive yields. Opportunities in foreign denominated credit have proven very fruitful over the past 12 months with USD and EUR denominated comprising a number of the top contributing positions over the period. Note that foreign currency and interest rate risks are hedged.

The impact of offshore spread widening was more than offset by the contribution of the Fund's healthy yield premium above benchmark. The Fund continues to collect a robust running income with the yield premium contributing more than 200bps of outperformance over the past fiscal year. The portfolio's running yield was 5.5% at month end, with the spread (credit yield premium) measured at 1.6%.

Sector and capital structure risks were actively rotated during the month. The Manager took the opportunity to lock in profits on a number of subordinated domestic bank and financial positions following an extended period of strong performance. Subordinated spreads remain attractive relative to hybrids and at month end, the fund held 50.5% in subordinated paper down from 58.5%. Elsewhere, the Fund increased allocation to securitised assets via a prime RMBS from AFG in primary and increasing auto ABS allocation via a new deal from Liberty. The Fund also took part in new deals from the government owned Australian Rail Track Corp and offshore bank BMO.

The outlook for credit remains delicately poised. The Manager continues to look for attractively priced issues and relative value opportunities while carefully managing credit and liquidity risks.

The Fund invests in quality issuers that meet Perpetual's ESG and Values based criteria relating to what the company is in the business of and the way business operations are conducted respectively. Upon application of the ESG and Values based criteria, several bond issuers have been screened out. These include, for example, companies involved in the extraction of fossil fuels or companies whose revenues are significantly associated with socially questionable products or services.

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.