Perpetual Investment Funds

PERPETUAL DYNAMIC FIXED INCOME FUND

December 2025

FUND FACTS

Investment objective: Aims to provide capital stability and regular income by investing in a diversified range of income generating assets, and a positive return (before fees and taxes) irrespective of market conditions over a rolling three-year period.

Benchmark: 50% Bloomberg AusBond Composite Index/50% Bloomberg AusBond Bank Bill Index
Inception date: November 2010
Size of fund: $28.3 million as at 30 September 2025
APIR: PER0557AU
Mgmt Fee: 0.45% pa*
Suggested minimum investment period: Three years or longer

FUND BENEFITS

The fund is designed to provide investors with a diversified fixed income solution that manages both credit risk (credit worthiness) and duration risk (sensitivity to changes in interest rates) in different economic conditions.

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 December 2025

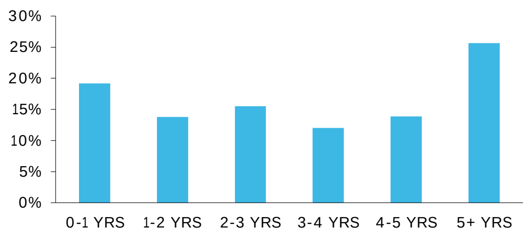
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Dynamic Fixed Income Fund	0.04	-0.06	1.06	4.15	4.77	5.41	2.45	3.09	4.16
Bloomberg AusBond Composite/Bank Bill Blend	-0.16	-0.12	0.53	3.58	3.65	3.94	1.16	1.79	3.06

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.

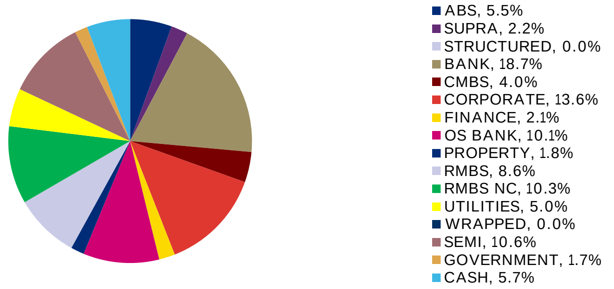
POINTS OF INTEREST

•Credit Spreads rangebound; USD spreads outperform;
•RBA on hold; Bond yields move higher on anticipated tightening;
•New issuance slows into year end;
•The credit outlook improves to neutral.

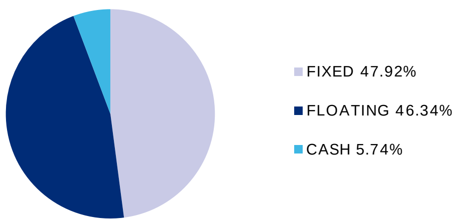
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	64.79%
Subordinated Debt	28.62%
Hybrid Debt	6.59%
Running Yield#	4.68%
Portfolio Weighted Average Life (yrs)	3.76
No. Securities	359
Modified Duration	2.29

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

MARKET COMMENTARY

December saw slightly increased volatility as financial markets behaved in a 'risk on' manner despite uncertain economic conditions – exacerbated by data limitations following the US government shutdown. Global bond yields rose sharply while credit spreads were more resilient and equities moved higher. Central banks worldwide navigated challenging inflation data, with the Federal Reserve delivering a 25bp cut amid dissenting voices and concerns around upcoming nominations. Elsewhere the ECB remained on hold while the Bank of Japan raised its policy rate to 0.75%.

Domestic bond yields continued to sell off through December in line with the broader global trend and reflecting the increasingly hawkish monetary policy outlook. This upward pressure was fuelled by robust household spending and a notable rebound in private investment growth. As inflation concerns mounted, market participants began to fully price in a rate hike by year-end 2026, with RBA Governor Bullock signalling readiness to tighten policy should inflation remain elevated. By mid-December, expectations for a February rate increase gained traction. The latest RBA minutes revealed a divided board, with some members viewing monetary conditions as no longer restrictive, while others maintained a more cautious stance.

Domestic credit spreads traded in a tight range throughout December tightening very marginally on aggregate. Robust US economic data alongside better than expected domestic consumer spending were supportive. Spreads remain tight relative to historical levels and credit fundamentals are supportive reflecting accommodative liquidity conditions and conservative corporate balance sheets.

December concluded a record year for issuance volumes in the Australian credit market. While the latter half of the month was affected by the seasonal shutdown, a number of new corporate deals were priced in the first week of the month. NatWest's $1B senior deal reflected the trend towards elevated kangaroo financial issuance that has been observed throughout 2025. Ausgrid came to market for $750M across 5 and 10-year fixed rate tranches while Dexus raised $500M in subordinated paper. Securitisation markets continued in earnest, with issuance stretching into the second week of December before primary markets closed for the year.

PORTFOLIO COMMENTARY

Income return was the most substantial contributor to performance over the month offsetting the impact on rising bond yields. The Fund continues to collect a healthy running yield generated from the underlying fixed rate and floating rate income strategies alongside direct investments. The Fund's running income remains led by domestic and offshore banks, RMBS and non-financial corporates. The portfolio running yield was 4.7% at month end.

Credit spread dynamics were constructive for performance during the month. Although Australian Dollar denominated spreads traded in a tight range throughout the month, the Fund benefitted from exposure to offshore markets with allocation to USD denominated bank hybrids performing very well. Contracting semi-government spreads in New South Wales and Western Australia.

Duration was the key detractor from performance over the month. Bond yields moved higher along the curve as the market revised expectations of the path of domestic monetary policy. The Fund's relatively short strategic target duration mitigated the impact of rising bond yields. The Fund ended the month close to the lower bound of the 2-year strategic target allowing the Fund to participate in bond market rallies while limiting the impact of month-to-month yield volatility.

The outlook improved over the month to end the year with a neutral reading. While the global growth outlook has softened, investment grade credit continues to offer attractive yields and declining interest rates have been supportive for credit fundamentals. The Manager remains focused on identifying relative value opportunities presented by the current conditions and will continue to look for active duration opportunities along the curve.

OUTLOOK

The credit outlook improved over December returning to a neutral reading by year end.

Valuation indicators worsened slightly, reflecting swap to bond spreads which moved further negative in mid-December. Opportunistic issuance and domestic vs offshore spreads remain balanced while US investment grade and high yield and domestic investment grade spreads are neutral despite remaining near the bottom of their historical fair value range.

The macroeconomic outlook improved over the month. While soft global growth expectations continue to weigh slightly on the outlook, the ratio of upgrades to downgrades has entered positive territory. The credit rating outlook is benign with market participants anticipating further upgrades in 2026.

Supply and demand indicators improved marginally to neutral. Upcoming maturity volumes have normalised while elevated recent issuance volumes continue to detract from the outlook. market demand remained resilient into year end.

Technical indicators improved to marginally positive reflecting supportive US credit, equity and equity volatility indicators. Cash balances among real money accounts are neutral while intermediary positioning is conservative.

MORE INFORMATION

Investor Services 1800 022 033
Email PerpetualUTqueries@cm.mpms.mufg.com
www.perpetual.com.au

Perpetual