

PERPETUAL HIGH GRADE FLOATING RATE FUND

For Institutional Investors

March 2025

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:	October 2001
Size of class:	\$25.3 million as at 31 December 2024
Size of fund:	\$211.5 million as at 31 December 2024**
APIR:	PER0265AU
Mgmt Fee:	0.226% pa*
Benchmark Yield:	4.108% as at 31 March 2025
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 31 March 2025

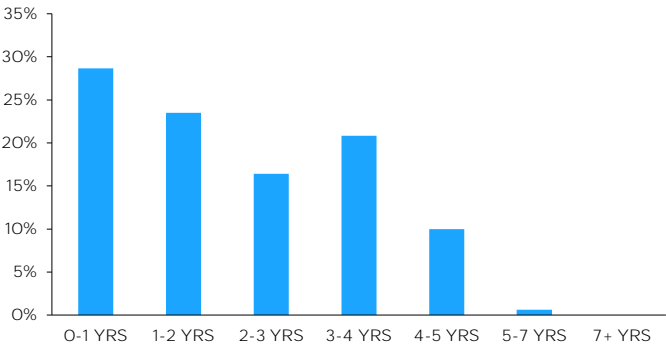
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund	0.38	1.31	2.85	5.98	6.23	4.99	3.67	3.20	4.40
Bloomberg AusBond Bank Bill Index	0.35	1.07	2.20	4.46	4.32	3.56	2.15	2.00	3.63

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

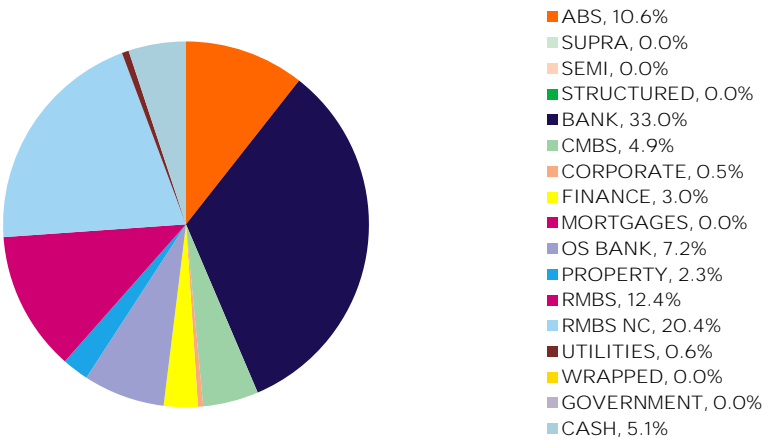
POINTS OF INTEREST

- Elevated volatility on US trade and growth outlook;
- Long term yields rise. AU yield curve steepens.
- Domestic credit spreads widen;
- Primary market volumes resilient;
- The credit outlook deteriorates further, remains negative.

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	83.00%
Subordinated Debt	17.00%
Hybrid Debt	0.00%
Running Yield [#]	5.09%
Portfolio Weighted Average Life	2.08 yrs
Modified Duration	0.05
No. Securities	133

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

**The total size of the Fund includes all unit classes of the Fund. This includes a retail class.

MARKET COMMENTARY

Financial markets weakened broadly during March. Equities – led by US stocks – sold off on the softening outlook for US growth alongside concerns surrounding US trade policy and the anticipation of further tariffs.

Domestic bond yields were mixed and the yield curve steepened with long term yields rising while the short end rallied marginally. The RBA held the Target cash rate unchanged at their April 1st meeting, retaining a cautious outlook despite the continued decline in underlying inflation. Futures markets continued to price in an expected May rate cut. In the US, the Federal Reserve maintained rates at the current level with minimal changes to the dot-plot projections and US bond yields edged higher. The most notable move in global bonds yields was in Germany where 10-year bund yields rose 30bps following the announcement of increased infrastructure and defence spending.

Credit spreads widened during March as successive tariff and foreign policy announcements led to elevated volatility. The Australian iTraxx Credit Default Swap index moved sharply higher while physical spreads were more muted, also ending the month higher. Corporate spreads – led by infrastructure – and utilities saw the most substantial spread widening. Financial spreads, led by major banks were somewhat more resilient. Swap to bond spreads moved further into negative territory, reaching a historic low in mid-March before reverting marginally by month end.

Primary market issuance remained orderly throughout March, even as spread volatility was heightened. Transgrid printed a \$1.4B corporate hybrid which was well received. NAB came to market with a senior unsecured deal raising \$2.75B across fixed and floating tranches. Securitisation deal flow was robust and continued to meet demand. Towards the end of March, the impact of economic uncertainty and market volatility was felt via smaller volumes and a delayed corporate deal from Worley.

PORTFOLIO COMMENTARY

The Perpetual High Grade Floating Rate Fund in the month of March delivered a return of 0.40%, marginally outperforming its benchmark by 0.06%.

The Fund's income return was the key contributor to relative performance, more than offsetting the impact of widening credit spreads. The Fund's yield premium above bank bills remains attributable to allocation to securitised sectors and domestic major bank paper. The portfolio running yield at month end was 5.1%, with the average credit spread measured at 0.9%.

Credit spread dynamics detracted from performance during March as successive tariff and foreign policy announcements led to elevated volatility. Spreads expanded on aggregate with higher beta sectors including subordinated debt and hybrids widening more sharply. The Fund's allocation to domestic and offshore banks detracted from performance although this was partially offset by the contribution of tightening securitised spreads.

Sector allocations were maintained during March. In recognition of the current conditions, the Manager remains very selective in adding new issues to the portfolio. The Fund added a pair of new securitisation deals during March to replenish RMBS allocations as securitised assets amortise over time.

The outlook for credit worsened throughout March and ended the month with a strong negative signal. Spread volatility observed in March has persisted into early April following the US announcement levying tariffs against a broad array of trading partners. In the current conditions, risk management is paramount, however elevated volatility also provides relative value opportunities as spreads widen. The Fund remains defensively positioned, retaining the capacity to take advantage of relative value opportunities should the outlook improve.

OUTLOOK

The credit outlook deteriorated further during March, ending the month with a solidly negative reading.

Valuation indicators remain marginally negative. While spreads widened over the month, US investment grade, high yield and domestic investment grade spreads remain at the tighter end of their historical ranges. Negative swap to bond spreads continue to weigh on the valuation outlook. Recent market conditions have discouraged offshore and opportunistic domestic issuers during March, returning the indicator to neutral.

The macroeconomic outlook remains negative reflecting softening growth data and disruptive US trade policy. The ratio of upgrades to downgrades normalised during March.

Supply and demand indicators decline to negative during the month. Market demand has softened in a context of rising volatility and economic uncertainty. Elevated recent issuance volumes continue to weigh on the outlook.

Technical indicators worsened across the board during March, ending the month with negative aggregate score. Intermediary positioning, US credit spreads, equity markets and equity market volatility indicators entering negative territory.

In a context of heightened volatility across credit markets and mounting macroeconomic pressure, the team remains vigilant in assessing and actively managing portfolio risks.

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