Perpetual Pure Series Funds

PERPETUAL PURE CREDIT ALPHA FUND CLASS W

March 2025

FUND FACTS

Investment objective: The Fund aims to provide investors with a positive return above the cash rate over rolling three-year periods (before fees and taxes) by primarily investing in and actively trading fixed income securities and related derivatives.

Benchmark: RBA Cash Rate
Inception date: March 2012
Size of fund: $657.7 million as at 31 December 2024
Mgmt Fee: 0.85% pa*
Benchmark Yield: 4.100% as at 31 March 2025
Suggested minimum investment period: Three years or longer

FUND BENEFITS

Perpetual aims to meet its objective by utilising an active and risk aware investment process that leverages the full use of the Perpetual Credit team's experience. The strategy allows the team discretion to invest in areas of the market or a company's capital structure where they see relative value. The portfolio is diversified, takes into account changes in market-wide and security-specific credit margins while seeking to maximise returns from liquidity premiums.

FUND RISKS

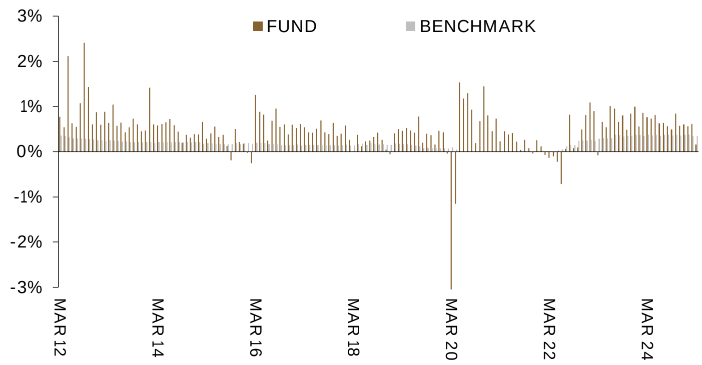
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

TOTAL RETURNS % (AFTER FEES) AS AT 31 March 2025

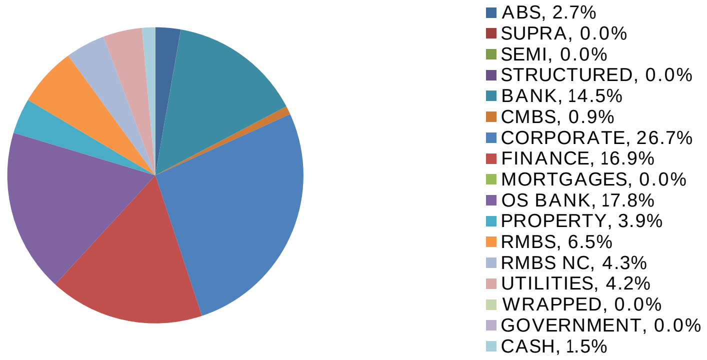
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Pure Credit Alpha Fund W Class	0.16	1.35	3.42	7.47	8.49	6.72	6.13	4.71	5.85
RBA Cash Rate	0.35	1.05	2.16	4.42	4.32	3.57	2.19	1.92	2.10

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.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	29.55%
Subordinated Debt	57.51%
Hybrid Debt	12.94%
% Geared	0.00%
Running Yield#	6.80%
Portfolio Weighted Average Life	3.20 yrs
No. Securities	214
Long	98.55%
Short	0.00%
Net	98.55%

GEOGRAPHIC LOCATION OF MATERIAL ASSETS

The Fund holds no single international asset representing more than 10% of the Fund's net asset value.

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

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 Pure Credit Alpha Fund in the month of March delivered a return of 0.22% (gross of fees), underperforming its benchmark by 0.14%.

Income return remains the most substantial contributing factor to performance, mitigating the impact of widening spreads. The Fund continues to collect a healthy yield premium above the RBA cash rate, led by allocation to non-financial corporate loans alongside contributions from securitised assets and domestic banks. At month end, the Portfolio's running yield was 6.8%.

Credit spread dynamics detracted from performance during March. Spreads expanded on aggregate with higher beta sectors including subordinated debt and hybrid widening more sharply. The Fund's low starting allocation to hybrids and relatively short weighted average life mitigated the impact of widening spreads. Subordinated offshore bank exposures were the key detractors from credit spread return. A further revaluation of the Fund's position in a Star Entertainment loan also detracted from performance. The loan has been revalued over recent months in recognition of Star Entertainment's ongoing liquidity concerns. Perpetual prioritises valuation transparency and regularly values private assets held in the Fund utilizing an external provider, IHS Markit (A subsidiary of S&P Global). Changes to the valuation of these assets are reflected in the unit price.

Sector allocation was actively adjusted during March. The Manager elected to increase exposure to domestic and offshore banks, while exposure to non-financial corporate and REITs were selectively trimmed. The Fund also moved down the capital structure, taking advantage of volatility to increase exposure to subordinated and hybrid exposures at attractive valuations. The Fund is selective in allocating to new deals in the current conditions, targeting deals pricing at or below fair value. The Fund took part in new a new subordinated deal from HSBC Holdings and elected to add to the position in secondary as the spread widened, taking advantage of attractive relative value as credit markets sold off. The Fund also added utilities exposure during March taking part in the new deal from NSW Electricity Networks Finance (Transgrid). The position was actively adjusted throughout the month as the Manager took profit on the longer tranche shortly after issue and reduced risk by rotating into the shorter tranche as spreads widened.

The outlook for credit worsened throughout March and ended the month with a strong negative signal. In the current conditions, risk management is paramount, however elevated volatility also provides relative value opportunities as spreads widen. The Fund remains defensively positioned while retaining the liquidity and capacity to take advantage of opportunities presented by the recent market dynamics.

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.

** UBS Australian Bond Index changed to Bloomberg AusBond Bank Bill Index effective 26 September 2014

MORE INFORMATION

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