Perpetual Investment Funds

PERPETUAL ACTIVE FIXED INTEREST FUND - CLASS A

March 2025

FUND FACTS

Investment objective: The Perpetual Active Fixed Interest Fund aims to outperform the Bloomberg AusBond Composite Index (before fees and taxes) by actively investing in fixed interest securities, primarily corporate bonds.

Benchmark: Bloomberg Ausbond Composite Index
Inception date: February 2017
Size of fund: $496.6 million as at 31 December 2024
APIR: PER8045AU
Mgmt Fee: 0.40% pa*
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 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 Active Fixed Interest Fund Class A [1,3]	0.12	1.40	1.41	4.30	3.82	2.60	0.47	2.03	2.39
Perpetual Active Fixed Interest Fund Class W [2,3]	-	-	-	-	-	-	-	-	4.73
Bloomberg Ausbond Composite Index	0.17	1.29	1.03	3.20	2.33	1.67	-0.51	1.58	-

[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.

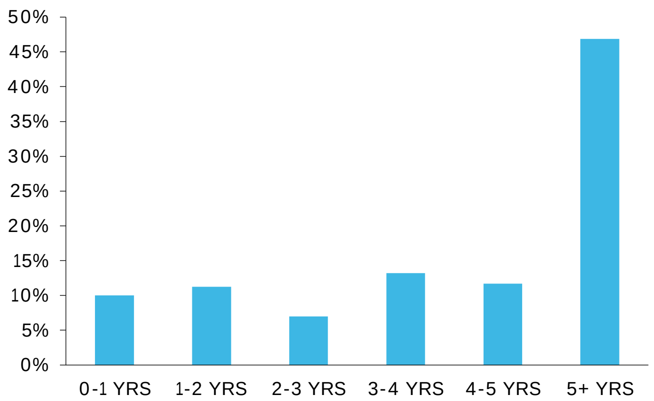
[2] To give a longer term view of the performance of the Fund, the returns for Class W, which has been operating since July 2004, are shown. Class W has identical investments to Class A. We have adjusted the return of Class W to reflect the fee applicable to Class A (a 0.45% Management Fee). This has 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.

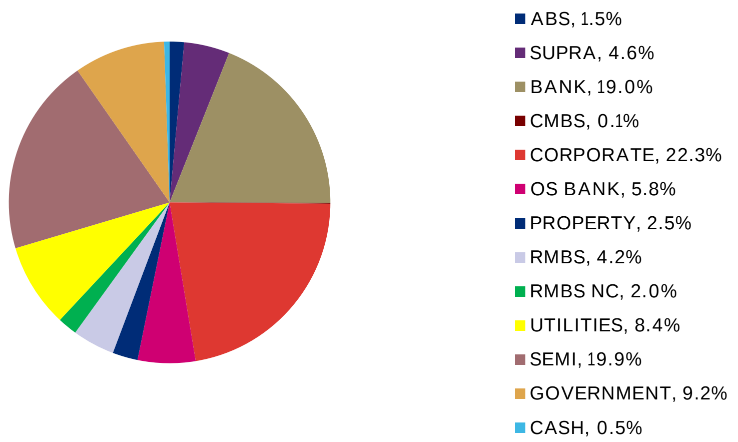
POINTS OF INTEREST

•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.

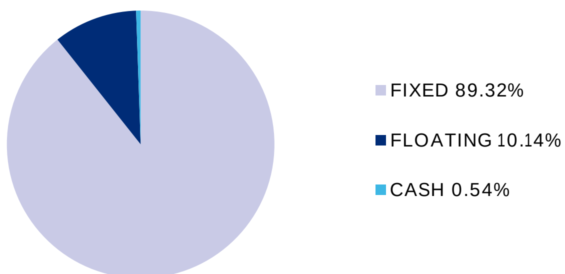
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	90.83%
Subordinated Debt	7.84%
Hybrid Debt	1.33%
Running Yield#	4.28%
Portfolio Weighted Average Life (yrs)	5.55 yrs
No. Securities	155
Modified Duration	4.94

* 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 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 Active Fixed Interest Fund in the month of March delivered a return of 0.15%, underperforming its benchmark by 0.02%.

Duration and curve positioning was the contributor to relative performance over the month, substantially mitigating the impact of widening credit spreads. The Fund was close to benchmark duration throughout the majority of the month. In the last week of March, the Manager elected to lengthen the Fund's duration which contributed to relative performance with yields falling as markets priced the impact of Trump's latest round of anticipated tariff announcement and the outcome of the RBA's April meeting. The Fund's curve positioning was also constructive with underweight exposure to the long end (0-7 years) contributing as the curve steepened.

Credit spread dynamics detracted from relative performance during the month. Credit spread dynamics detracted from performance during March. Spreads expanded on aggregate with higher beta sectors including subordinated and hybrid widening more sharply. The Fund's longer than benchmark spread duration and overweight allocation to non-financial corporates and domestic banks impacted relative performance as spreads widened. Among non-financials, allocation to consumer staples and infrastructure were the key sectors detracting from relative performance. Within the Fund's utilities exposures, the impact of the Fund's overweight positioning was offset by constructive issuer and security selection.

Income return also contributed to relative performance, led by overweight allocations to non-financial corporates, banks and off benchmark exposure to securitised sectors. Given the challenging outlook, the Fund's yield premium above benchmark is expected to help mitigate the impact of month-to-month volatility. The portfolio running yield at month end was 4.3% with the spread measured at 1.0%.

During March, the Manage elected to add exposure to ABS and utilities sectors. The Fund took part in the new deal from Transgrid which performed well on issue, contributing to relative performance.

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 portfolio is defensively positioned and 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 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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