

PERPETUAL DYNAMIC FIXED INCOME

February 2024



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 /50% Bloomberg AusBond Bank Bill

Mgmt Fee: 0.70%^{**}

Buy / Sell spread: 0.20% / 0.00%

Suggested minimum investment period: Three years or longer

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

^ Management Fee for Super and Pension is 0.45%.

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 29 February 2024

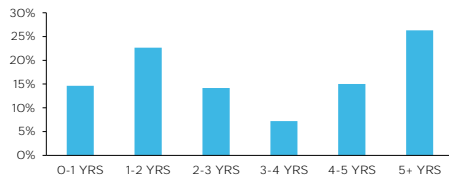
	APIR	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	10 YRS PA
Perp. WealthFocus Allocated Pension	PER0740AU	0.32	2.36	3.28	5.80	1.78	1.17	1.85	1.89	-
Perp. WealthFocus Term Allocated Pension	PER0740AU	0.32	2.36	3.28	5.80	1.78	1.17	1.85	1.89	-
Perp. WealthFocus Super	PER0743AU	0.25	2.11	2.79	4.99	1.51	1.00	1.58	1.68	-
Perp. WealthFocus Investment Advantage	PER0738AU	0.32	2.37	3.28	5.80	1.79	1.18	1.87	1.96	-
Bloomberg AusBond Composite/Bank Bill Blend		0.02	1.84	2.14	3.86	0.72	0.31	0.93	1.57	-

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

- US PCE stubborn; bond yields push higher;
- Domestic spreads rally; alongside their global counterparts;
- Primary markets back in full swing; demand robust;
- The outlook for credit remains to neutral.

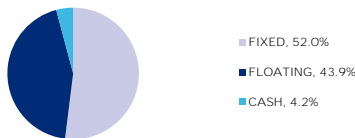
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	62.75%
Subordinated Debt	36.55%
Hybrid Debt	0.70%
Running Yield*	4.92%
Portfolio Weighted Average Life (yrs)	3.95
No. Securities	253
Modified Duration	2.06

*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

February saw a typical 'risk-on' month with fixed rate bonds down and stocks up. Bonds were in the red on the back of pushed out & reduced rate cut expectations while stocks paid little attention. Stronger than expected US economic and inflation data pulled back expectations around the timing and scale of rate cuts resulting in rising bond yields over the month. US reported earnings, particularly from NVDA, helped keep the AI theme running propping up the overall equity market.

Domestic credit spreads participated in the global rally and tightened slightly in February, as the short end outperformed. Corporate spreads kept pace with Financials, bucking the recent trend which has seen sustained outperformance of Financial spreads, led by domestic and offshore banks. Offshore spreads continued to rally with Euro denominated credit performing notably well.

Domestic bond yields rose in February, in line with most global bond markets. Australian 10-year Government bond yields rose 12bps up to 4.14% while US 10-Year Treasury yields rose 30bps, back above 4% to close at 4.24%. UK and German government bonds were the global underperformers. Domestically, semi-government bonds underperformed Commonwealth government bonds.

Primary markets were active in February with issuers & arrangers back in full swing for the year. Kicking off the month, NAB came to market with dual-tranche tier-two \$1.75bn deal met with strong demand. Corporates also saw a healthy bid as Melbourne Airport raised €650m in a 10-year deal and Telstra raised \$1.2bn AUD in a dual-tranche transaction with strong investor demand, particularly in the 10 year tranche.

PORTFOLIO COMMENTARY

Income return remains the key component contributing to performance. The Fund's substantial allocation to credit and exposure to floating rate securities continue to benefit the running yield. The portfolio running yield was 4.9% at month end.

Credit spread dynamics remain a substantial contributing factor to performance as domestic spreads extended their rally. The Fund's exposure to securitised assets was the most significant contributing sector, led by RMBS. New primary deals coming to an – until recently – subdued market was a catalyst for repricing the secondary RMBS curve tighter. Domestic and offshore banks also contributed significantly, driven exposure to subordinated paper.

Interest rate dynamics were marginally negative for performance during the month. Bond yields rose along the curve and the Fund's shorter than benchmark duration contributed. The Portfolio's 2-2.5 year strategic target duration limits the impact of yield volatility while allowing the fund to participate as monetary policy begins to ease. The Manager is cognisant of ongoing risks to bond yields as we approach the peak of the monetary policy tightening cycle and the Fund's duration remains in line with the lower bound of the strategic target and the manager will continue to assess tactical opportunities along the curve.

The outlook for credit is improving however the Manager remains cognisant of the challenging macro environment and the risks associated with tighter lending conditions. The Fund is defensively positioned, and the manager remains focused on identifying relative value opportunities presented as the outlook improves.

OUTLOOK

The credit outlook improved to neutral in the first week of February before it was unchanged for the remainder of the month.

Valuation indicators remained marginally negative throughout February. US High Yield spreads are tight relative to recent levels, detracting from the outlook. Domestic swap spreads have widened from their recent lows and are now neutral.

Robust economic print and improving lending conditions have reduced the negative impact of macro indicators. Secondary market equity raises show the markets are open, with equity raises executed with limited discounts. The Fed's Senior Loan Officer's survey released in February showed improving financial conditions while the resilient US economy eased the pressure on the outlook for spreads.

Market demand has improved providing a tailwind for credit, increasing the supply and demand outlook to neutral. High issuance volumes over recent months were met with robust market demand reflected in oversubscribed primary market deals and robust secondary market liquidity. However, while demand appears strong, the market is beginning to become a bit saturated with investors increasingly funding primary market purchases out of secondary market sales.

Technical indicators remained positive in February with US credit and equity both positive, however, our equity volatility signal flipped from positive to neutral. Cash levels among real money accounts and intermediary positioning are neutral.

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