

# PERPETUAL ESG CREDIT INCOME FUND - CLASS A

February 2026



## FUND FACTS

**Investment objective:** To provide investors with regular income and consistent returns above the Bloomberg AusBond Bank Bill Index (before fees and taxes) over rolling three-year periods by investing in a diverse range of income generating assets that meet Perpetual's ESG and values-based criteria.

**Benchmark:** Bloomberg AusBond Bank Bill Index  
**Inception date:** June 2018  
**Size of fund:** \$93.4 million as at 31 December 2025  
**APIR:** PER1744AU  
**Mgmt Fee:** 0.59% pa\*  
**Benchmark Yield:** 3.883% as at 28 February 2026  
**Suggested minimum investment period:** Three years or longer

## FUND BENEFITS

Provides investors access to an actively managed credit and fixed income fund and the opportunity to align their investments with their personal values and ESG preferences.

## 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 28 February 2026

	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual ESG Credit Income Fund – Class A	0.35	1.33	2.73	5.85	6.93	7.28	5.08	4.51	4.28
Bloomberg AusBond Bank Bill Index	0.28	0.90	1.80	3.83	4.15	4.14	2.83	1.77	2.21

Please note: Performance for Perpetual's complete list of investment funds is available on [www.perpetual.com.au](http://www.perpetual.com.au). Past performance is not indicative of future performance.

## POINTS OF INTEREST

- Geopolitical tensions escalate; US emergency tariffs struck down;
- Domestic bond yields rally despite elevated inflation;
- Domestic credit spreads soften; Private credit concerns mount;
- Tier 2 bank spreads widen reflecting elevated issuance;
- The credit outlook declined to negative

## ESG APPROACH

Before being considered for investment, companies or issuers must pass a series of exclusionary screens. The screening processes is designed to limit the investible universe to only those companies or issuers that meet minimum values-based and ESG standards. The Perpetual ESG Credit Income Fund first applies a values-based and ESG exclusionary screen. Sovereign issuers are subject to a separate exclusionary screen. Please refer to the Perpetual Investment Funds PDS for further information.

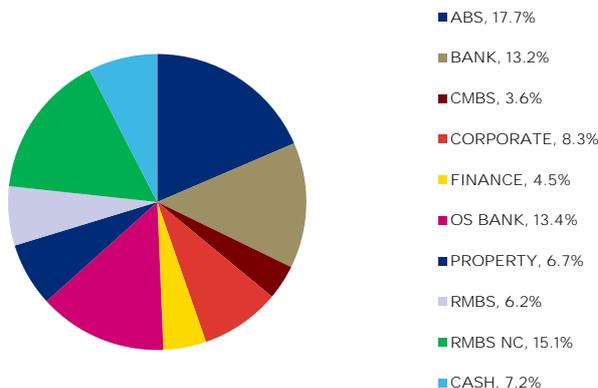
## PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	26.82%
Subordinated Debt	55.06%
Hybrid Debt	18.12%
Running Yield <sup>#</sup>	5.37%
Portfolio Weighted Average Life (yrs)	3.38 yrs
No. Securities	110
Modified Duration	0.76

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

<sup>#</sup>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.

## PORTFOLIO SECTORS



## MARKET COMMENTARY

Credit spreads softened and equities saw elevated volatility as markets priced rising geopolitical tensions, concerns around private credit markets, US trade policy uncertainty and the impact of agentic AI disruption. Escalating tensions in the Middle East in the second half of the month saw oil prices rise sharply contributing to inflationary pressure.

Domestic bond yields rallied in February reflecting the broader risk-off sentiment, improving labour market data and in spite of persistently elevated headline inflation. The RBA raised the cash rate by 25bps to 3.85% in February, citing stronger-than-expected private demand and mounting capacity pressures as inflation accelerated into the second half of 2025. Headline inflation lifted to 3.6% however long-term breakeven inflation levels moved lower implying that the current elevated inflation is viewed as a short-term trend. Labour market conditions remained resilient, with unemployment steady at 4.1% and wages growth tracking expectations. At month end, another 0.25% rate hike was fully priced in for the first half of 2026.

Domestic credit spreads were mixed with spreads widening modestly in aggregate over the month. Domestic regional and major banks widened while offshore banks performed better, supported by robust corporate earnings results. Tier-2 domestic banks spreads underperformed as record volumes of subordinated and additional tier-1 hybrid issuance were ingested while secondary markets were busy with a spike in switching activity. In the US, investment-grade and high-yield spreads widened from their 10-year lows while private credit and liquidity mismatch concerns were highlighted by a prominent US manager halting redemptions for their retail fund.

Primary market issuance remained very strong in February. Subordinated bank issuance was prominent with Westpac (\$1.5B), Credit Agricole (\$1B), ANZ (\$1B), Macquarie (\$1.25B) & CBA (\$1.85 including a 20-year fixed rate bullet). This was supplemented by a new hybrid deal from UBS (\$1B) and senior issuance from Westpac (\$5.5B across multiple transactions), Credit Agricole (\$1.25B), DBS Bank (\$2B) & ING (\$2.25B).

## PORTFOLIO COMMENTARY

Credit spread dynamics detracted from performance over the month. Credit spreads moved moderately wider, led by domestic subordinated banks. The Fund's allocation to foreign denominated credit detracted slightly as AUD spreads were more resilient than USD, EUR and GBP markets. The Fund's allocation to higher beta USD denominated credit including hybrids from a number of global banks were impacted as US credit spreads widened from their decade low.

Negative spread return was more than offset by the contribution of the Fund's yield premium above benchmark. Income return remained attributable primarily to RMBS and offshore bank allocations. The Fund's running yield increased over the month as the Manager selectively took on additional credit and capital structure risk while the impact of rising base rates on the Fund's floating rate exposures will continue to contribute to the yield as coupons reset. The Portfolio's running yield was 5.4% at month end, with the spread (credit yield premium) measured at 1.4%.

Duration positioning contributed to outperformance over the month with bond yields rallying as investors moved to reduce risk as geopolitical risks rose. The Portfolio remained close to its active duration limit maintaining 0.8 years of duration throughout February. In early March, the Manager locked in recent gains, neutralising the duration position as yields rallied briefly following the commencement of strikes in Iran. The Manager sees government bond yields as offering attractive relative value and the Fund continued to marginally increase its allocation to fixed rate bonds over the month, to lock in elevated yields.

The Manager continued to selectively increase credit risk during the period. The Fund's AA exposure was reduced while adding to A and BBB allocation. The Manager also elected to move down the capital structure selectively taking part in Tier 2 primary deals and taking advantage of switching activity and widening subordinated spreads to add exposure in secondary. An example of a subordinated bond added in primary during the month was the \$100M 10NC5 tier 2 bond from IMB bank, the smaller deal was a rare AUD issuance and offered an attractive spread relative to domestic and global peers.

The outlook for credit declined during February reflecting geopolitical tension alongside softening macroeconomic and credit supply indicators. The Fund has been defensively positioned for some time and retains the optionality to take advantage of relative value opportunities presented by the uncertain conditions.

The Fund invests in quality issuers that meet Perpetual's ESG and Values based criteria relating to what the company is in the business of and the way business operations are conducted respectively. Upon application of the ESG and Values based criteria, several bond issuers have been screened out. These include, for example, companies involved in the extraction of fossil fuels or companies whose revenues are significantly associated with socially questionable products or services.

## OUTLOOK

The credit outlook improved in early February before declining over the remainder of the month to reach a negative reading by the first week of March.

Valuation indicators remained stable with spread widening across AU investment grade, US Investment Grade and US High Yield only modest thus far. Despite the rising geopolitical tensions towards the end of the month, conditions remain supportive for borrowers and the rise in opportunistic issuers is a near term headwind for spreads.

The macroeconomic backdrop has become increasingly cautious with uncertainty around the impact of the conflict in Iran on oil prices and the growth outlook. At the same time credit fundamentals remain supportive with a positive ratio of upgrades to downgrades among US investment grade issuers.

Supply and demand indicators are marginally negative reflecting elevated recent supply and weakening demand. A number of recent deals have drifted wider in secondary with softening demand for high beta credit in particular reflecting both the broader risk off trend and the very high volume of tier-2 and longer dated senior supply.

Technical indicators declined materially over the month as US credit and Equity volatility indicators moved into negative territory. Meanwhile, intermediaries moved to reduce risk aggressively in late February and early March even as flows into investment grade funds continue to be supportive.

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The product disclosure statement (PDS) for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in the fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au). No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

## MORE INFORMATION

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