Perpetual Investment Funds

PERPETUAL DYNAMIC FIXED INCOME FUND

February 2026

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 Index/50% Bloomberg AusBond Bank Bill Index
Inception date:	November 2010
Size of fund:	$29.7 million as at 31 December 2025
APIR:	PER0557AU
Mgmt Fee:	0.45% pa*
Suggested minimum investment period:	Three years or longer

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 28 February 2026

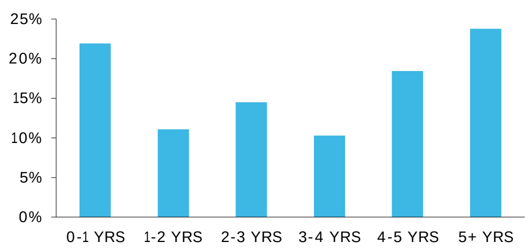
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Dynamic Fixed Income Fund	0.51	0.97	1.18	3.90	4.83	5.24	2.78	3.04	4.18
Bloomberg AusBond Composite/Bank Bill Blend	0.58	0.68	0.91	3.50	3.92	3.90	1.74	1.77	3.09

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.

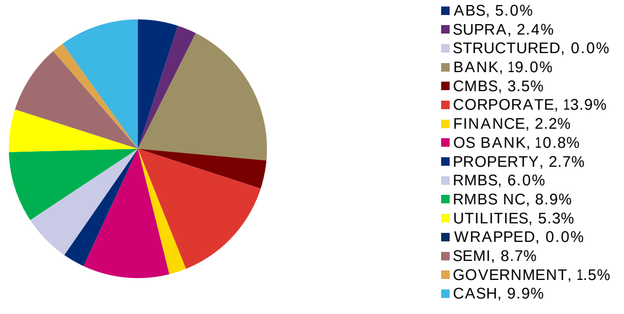
POINTS OF INTEREST

- 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

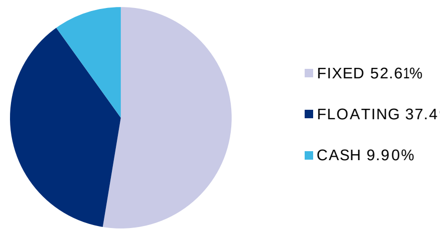
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	66.50%
Subordinated Debt	26.49%
Hybrid Debt	7.01%
Running Yield#	4.71%
Portfolio Weighted Average Life (yrs)	3.66
No. Securities	382
Modified Duration	1.85

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

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

Income remained a key component of returns throughout the month. The Fund yield advantage above cash is attributable primarily to RMBS and offshore bank allocations. The portfolio running yield was 4.7% at month end.

Portfolio duration was the key determinant of performance during the period with bond yields rallying as investors moved to reduce risk as geopolitical risks rose. The Fund's duration was reduced over the month, ending February marginally short of the 2-year strategic target.

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.

The outlook for credit declined during February reflecting geopolitical tension alongside softening macroeconomic and credit supply indicators. The Fund remains defensively positioned while retaining the capacity to add risk where it is best rewarded and will continue to look for active duration opportunities along the curve.

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.

*** The benchmark for the Fund was previously reported as both the Bloomberg AusBond Bank Bill Index and the Bloomberg AusBond Composite Index. As at 29 April 2015, the benchmark for reporting was updated to a composite benchmark comprising 50% Bloomberg AusBond Bank Bill Index & 50% Bloomberg AusBond Composite Index. The change in benchmark was to better reflect the investment strategy. The performance table above reflects the change in benchmark applied across all periods.

MORE INFORMATION
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