Perpetual Private

PERPETUAL SELECT FIXED INCOME FUND

March 2025

FUND FACTS

Investment objective: Income through investment in a diversified portfolio of fixed income.

Suggested length of investment: Five years or longer

BENEFITS

Provides investors with the potential for regular income above cash returns, with lower volatility than other income strategies.

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.

INVESTMENT APPROACH

The Fund combines specialist investment managers with different investment styles and philosophies. This can help reduce the volatility of the Fund by avoiding over exposure to a particular specialist investment manager.
Derivatives are currently used by the specialist investment managers to protect against most currency movements, although this can change at any time.

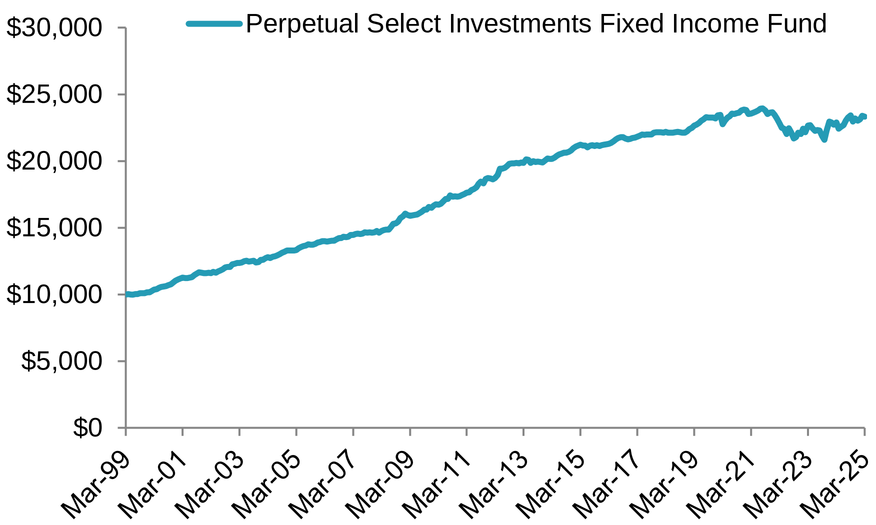
TOTAL RETURNS % (AFTER FEES) AS AT 31 MARCH 2025

	APIR CODE	1 MTH	3 MTHS	6 MTHS	1 YR PA	3 YRS PA	5 YRS PA
Perpetual Select Investments Fixed Income Fund	PER0252AU	-0.2	1.3	-0.5	1.9	0.7	0.5
Bloomberg Global Aggregate (AUD) Hedged#		-0.4	1.1	-0.1	3.7	1.3	0.4

Past performance is not indicative of future performance

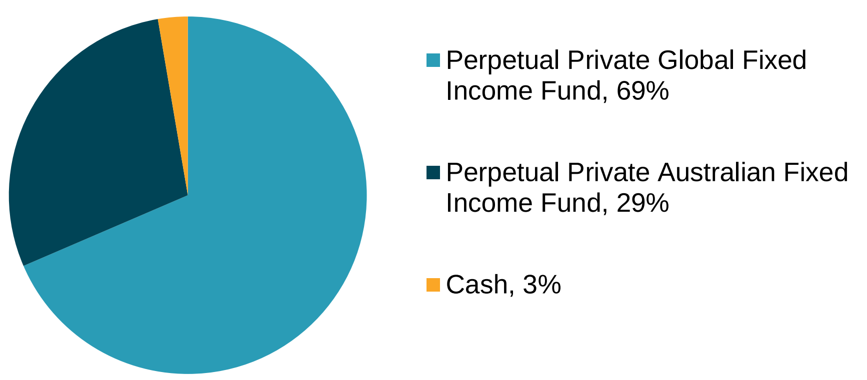
#The Fund's benchmark, prior to 30th June 2022, consisted of 60% Bloomberg AusBond Bank Bill Index, 20% Bloomberg AusBond Composite Index & 20% Bloomberg Barclays Global Aggregate (AUD Hedged). Effective from 30th June 2022, the benchmark wholly consists of 100% Bloomberg Global Aggregate (AUD Hedged).

GROWTH OF $10,000 SINCE INCEPTION (AUST.)*



*The Growth of $10,000 chart includes reinvestment of dividends and capital gains, but does not reflect the effect of any applicable sales or redemption charges which would lower these figures.

PORTFOLIO EXPOSURES^



^Portfolio exposures represent the Perpetual Select Investments Fixed Income Fund

MANAGER INVESTMENT APPROACH		
Colchester Global Bond Mandate	International Fixed Income	Global Rates, Real Return.
Western Asset Global Bond Mandate	International Fixed Income	Global Rates and Sector Rotation, Macro.
Alliance Bernstein Global Bond Mandate	International Fixed Income	Global Rates and Sector Rotation, Relative Value.
Macquarie True Index Australian Fixed Interest Fund	Australian Fixed Income	Australian passive core fixed income and True indexing fund.

MARKET COMMENTARY

Fixed income markets delivered modest gains in Q1 2025 as investors navigated an evolving global trade landscape, shifting central bank policies, and lingering inflation concerns. While most major central banks continued cutting interest rates, policymakers signalled caution amid persistent price pressures and trade war risks.

Monetary policy remained a dominant theme. The US Federal Reserve was a notable exception to the easing trend, keeping rates steady at 4.25%-4.50%, while markets priced in 75 bps of cuts by year-end. Meanwhile, the Reserve Bank of Australia (RBA) cut its cash rate by 25 bps to 4.1% in February - its first rate cut since 2020 - citing progress on inflation but noting that the labour market remained relatively tight. Across the board, central banks that revised their forecasts lowered GDP growth expectations but raised inflation projections, reflecting uncertainty tied to trade and upcoming tariff announcements.

Concerns about global growth weighed on bond yields, particularly in the US, where the 10-year Treasury yield fell 36 bps to 4.21% by quarter-end. The US yield curve re-inverted, with the 10-year/3-month spread turning negative again, underscoring ongoing economic uncertainty. In contrast, Australian yields saw little movement despite elevated intra-quarter volatility, with 10-year government bond yields rising just 2 bps to 4.39%. European bonds faced headwinds, with German 10-year yields climbing 37 bps to 2.73%, pressuring returns.

Despite global challenges, Australian fixed income held up relatively well. The Bloomberg AusBond Composite (0+Y) returned 1.3%, while domestic credit continued to outperform duration, with the Bloomberg AusBond Credit (0+Y) Index gaining 1.5%. The Bloomberg US Aggregate fared better, gaining 2.8%, as softer inflation readings and expectations of Fed cuts in late 2025 supported US Treasuries. Global bonds struggled, with the Bloomberg Global Aggregate Index returning 1.1%, weighed down by shifting central bank expectations.

Within corporate credit, riskier high-yield debt underperformed higher-quality investment-grade bonds as investors grew more cautious about future economic growth. Investment-grade corporate bonds performed moderately well, with the ICE BofA Global Corporate Index up 1.8%. Despite concerns about slowing growth, corporate bonds ended the quarter with modest gains, reinforcing optimism in credit markets and the traditional role of bonds as a stabiliser within diversified portfolios when equity markets falter. The Bloomberg Global High Yield Index returned 1.1%, reflecting modest spread widening.

PORTFOLIO COMMENTARY

The Perpetual Select Fixed Income Fund outperformed its benchmark over the March 2025 quarter by 0.11%. Manager performance was the primary contributor over the quarter.

Macquarie True Index Australian Fixed Index Fund returned 1.2% during the quarter, broadly in line with the Bloomberg AusBond Composite 0+ Year Index. Australian government bond yields continued to be volatile over the period as the market reacted to the ongoing trade conflict. Rally in government bonds over the quarter was primarily driven by recession concerns.

Western Asset Global Bond Mandate outperformed its benchmark for the period, with the portfolio returning 1.3% versus the Bloomberg Global Aggregate Bond Index (hedged AUD) return of 1.1%. Over the quarter, the managers largest contributor was an overweight to US and underweight to Japanese duration.

Colchester Global Government Bond Mandate returned 2.2% for the period, outperforming the Bloomberg Global Treasury Index Hedged to AUD which returned 0.7%. Overweight positions in Mexico with an underweight position in Europe and Japanese duration contributed to performance.

Alliance Bernstein Global Plus Mandate outperformed its benchmark for the period, with the portfolio returning 1.4% versus the Bloomberg Global Aggregate Bond Index (hedged AUD) return of 1.1%. Over the quarter, the manager has been actively trading the Euro and US duration and yield curves in response to ongoing market volatility; with positioning netting a positive alpha over the period.

OUTLOOK

Over the quarter, government bond yields declined while credit spreads widened marginally. Sentiment deteriorated notably as President Trump began implementing his tariff agenda, initially targeting Canada and Mexico before expanding threats and measures to include China and Europe. In response, both Canada and China announced retaliatory tariffs, adding to investor unease.

RETURNS BREAKDOWN (INVESTMENTS)

	FY 2024	FY 2023	FY 2022
Growth Return %	1.7%	1.0%	-7.8%
Distribution Return %	0.3%	0.2%	0.3%
Total Return %	2.0%	1.1%	-7.4%

DISTRIBUTION BREAKDOWN

	FY 2024	FY 2023	FY 2022
Cents per unit	0.2500	0.1467	0.3601

PRODUCT FEATURES

	INVEST.
Inception date	Mar 99
Management/Investment Fee (p.a.)*	0.99%
Ongoing fee discount	No
Admin fee	0.00%
Buy spread	0.24%
Sell spread	0.00%
Contribution fee	0.00%
Withdrawal fee	$0
Monthly member fee	$0
Min. initial contribution	$2,000
Min. additional contribution	$0
Savings plan	Yes
Withdrawal plan	Yes
Distribution frequency	Quarterly
Contact information	1800 677 648

*Additional fees and costs generally apply. Please refer to the Product Disclosure Statement for further details.

While economic conditions remain broadly stable—evidenced by solid US labour market data and moderating inflation—financial markets have responded negatively to the trade and geopolitical developments. Investor concerns have grown that a sustained escalation in tariffs could tip the global economy into recession. While still in the early stages, this uncertainty has already begun to impact corporate capex decisions and hiring intentions.

In rate markets, investors have priced in multiple cuts in anticipation of a potential recession. Credit spreads have widened, though not to the extent seen in equity markets. Should tariffs remain in place and escalate further, we expect conditions to worsen before they improve. In our view, the longer these measures persist, the more pronounced the economic slowdown is likely to be. Against this backdrop, we have maintained our duration position. Falling bond yields have supported portfolio performance. We are also seeing divergence in monetary policy across the US, Europe, and Japan—a dynamic that should favour active management. The current desynchronisation in global growth and inflation, likely exacerbated by US trade policy, presents both risk and opportunity for fixed income managers.

We see the potential for modest widening in credit spreads and a gradual lift in default rates, although much will depend on how trade policy evolves in the months ahead. Our base case remains a mild economic slowdown rather than a stagflationary environment. While tariffs may temporarily push up prices, we believe their broader effect is likely to be a softening in consumer demand and a more cautious approach to hiring, as companies look to manage costs and preserve margins.

From a portfolio perspective, we remain broadly neutral on rates. While we believe markets may have overreacted to the incoming Trump administration, we prefer to adopt a more cautious, data-dependent stance before taking a stronger directional view. Within credit, we continue to favour a short duration bias, which has benefited from cash rates remaining higher than previously expected

[1]As measured by the Bloomberg AusBond Composite (0+Y) index (Unhedged)

[2]As measured by the Bloomberg AusBond Credit (0+Y) index (Unhedged)

[3]As measured by the Bloomberg US Aggregate index (Hedged to AUD)

[4]As measured by the Bloomberg Global Aggregate index (Hedged to AUD)

[5]As measured by the ICE BofA Global Corporate index (Hedged to AUD)

[6]As measured by the Bloomberg Global High Yield index (Hedged to AUD)

.

MORE INFORMATION

Adviser Services 1800 677 648
Email Selectqueries@cm.mpms.mufg.com
www.perpetual.com.au

Perpetual