Perpetual Investment Funds

PERPETUAL ACTIVE FIXED INTEREST FUND - CLASS A

April 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: $410.0 million as at 31 March 2025
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 30 April 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]	1.56	2.70	4.80	7.89	4.46	3.71	0.72	2.32	2.56
Perpetual Active Fixed Interest Fund Class W [2,3]	-	-	-	-	-	-	-	-	4.79
Bloomberg Ausbond Composite Index	1.70	2.82	4.71	7.08	3.10	2.75	-0.16	1.87	-

[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.

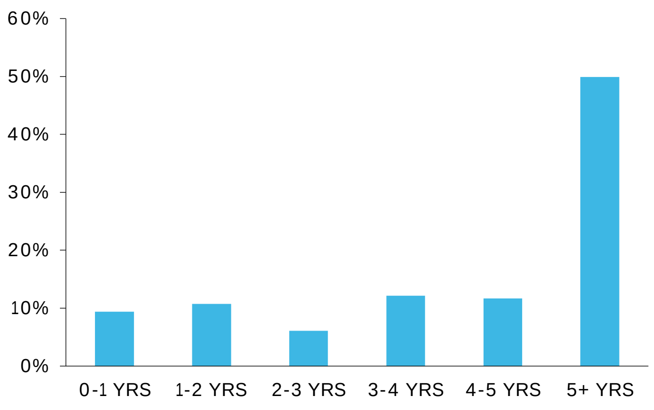
[2] To give a longer term view of the performance of the Fund, the returns for Class W, which has been operating since July 2004, are shown. Class W has identical investments to Class A. We have adjusted the return of Class W to reflect the fee applicable to Class A (a 0.45% Management Fee). This has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

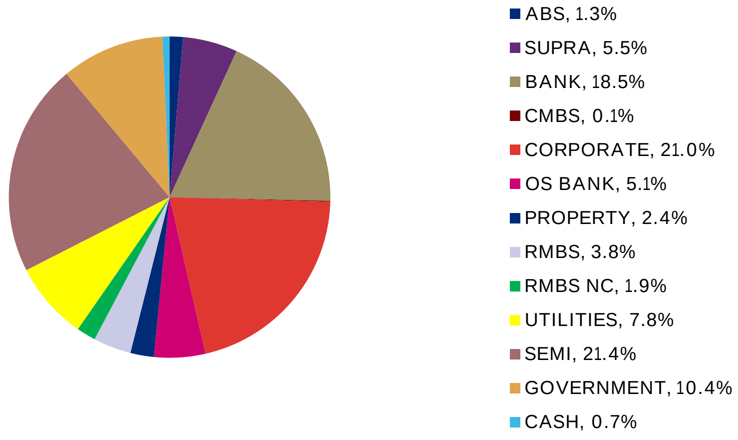
POINTS OF INTEREST

•'Liberation day' sees volatility spike in bonds and credit;
•Spreads move wider before partially recovering;
•Bond yields rally, yield curve steepens;
•RBA on hold; futures price May rate cut;
•Primary market very quiet due to volatility and holidays;
•The credit outlook is negative.

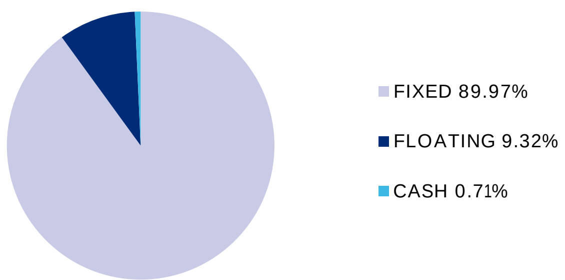
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	91.45%
Subordinated Debt	7.32%
Hybrid Debt	1.23%
Running Yield#	4.14%
Portfolio Weighted Average Life (yrs)	5.63 yrs
No. Securities	164
Modified Duration	4.95

* 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

April was marked by significant volatility in global financial markets, primarily driven by the announcement of 'Liberation Day' tariffs by US President Trump. The announcement led to a surge in volatility with US equities entering correction territory and equity volatility reaching levels previously seen during the global financial crisis. Sentiment improved later in the month following the announcement of exemptions and the relief rally saw Australian equities end the month higher while US equities were down slightly.

Bond markets also experienced significant movements in April. Domestic bond yields ended the month lower and the yield curve steepened throughout the month as short end yields outperformed. The RBA left cash rates unchanged during April, acknowledging the 'continuing decline in inflation' and highlighting that noting that the labour market 'might not be quite as tight' as previously identified. Futures markets moved to price in a May rate cut and a further 75bps of cuts in the next 12 months, recognizing easing inflation concerns and global economic uncertainty. US bonds saw greater volatility with an early April rally giving way to a sharp spike in long term bond yields driven by technical factors and concerns around demand for treasuries, before rallying again to end the month lower.

Credit spreads ended April wider following a month of increased volatility and uncertainty in global markets. The Australian iTraxx index traded in a wide range, selling off in the first half of the month before moderating to end 5 bps wider at month end. Cash spreads also widened over the month with higher beta segments – including subordinated and high yield credit moving sharply wider in the wake of the liberation day tariff announcements. Semi-government and supranational spreads were more resilient, with semi's ending the month marginally tighter.

Primary market activity was materially reduced in April as uncertainty following the US Tariff announcements and associated volatility gave way to holiday shortened weeks in the second half of the month. A small number of securitisation, government adjacent and short dated deals priced during April with the only corporate issuance of note being a 7-year $600M fixed rate bond from Sydney Airport.

PORTFOLIO COMMENTARY

Duration return was the key contributing factor to absolute return over the period as bonds rallied in response to economic uncertainty and financial market volatility. Curve positioning was constructive, contributing to relative performance during the month. Bond yields saw elevated volatility during the month with 5-year yield falling sharply in the first week of April as the market assessed the impact of the US tariff announcements. The Fund's overweight allocation to the very short end (0-2 years) performed well as the yield curve steepened. The Fund remains close to benchmark duration with overweight allocation to 5-10 year tenors alongside allocation to the very short end including floating rate notes.

Income return contributed to outperformance over the month, mitigating the impact of widening credit spreads. The Fund continues to collect a healthy yield in excess of the benchmark, led by overweight allocations to non-financial corporates, banks and off benchmark exposure to securitised sectors. The portfolio running yield at month end was 4.1% with the spread measured at 1.0%.

Credit spread widening was the most substantial determinant of relative performance during April. Credit sold off sharply in early April before spread expansion moderated and began to retrace over the second half of the month. The Fund's longer than benchmark spread duration impacted performance with overweights among non-financial corporates, utilities and domestic banks the most notable detractors. The impact of widening non-financial corporate spreads was mitigated by prudent issuer and security selection. While the outlook for credit remains challenging, the Manager is comfortable with the credit exposure in the portfolio and the fund continues to benefit from the yield premium offered for investing in debt from high quality corporate issuers.

Sector allocations were selectively adjusted during April. Exposure to government adjacent sectors including Semi-Government, Supranational and commonwealth government bonds was increased over the month.

The outlook for credit remains negative and the Mandate continues to maintain a defensive posture. 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 remains challenging with negative readings throughout the Month. The outlook score initially turned Negative in early March well in advance of the volatility observed in early April.

Valuation indicators improved marginally to neutral. Elevated volatility saw investment grade indicators shift with US IG improving to positive before moderating in late April while Australia investment grade are wide of recent levels and are offering attractive relative value. AU swap spreads remain very tight

The growth outlook is marginally negative. Macroeconomic growth indicators are negative, led by the worsening outlook for US growth, potentially exacerbated by the restrictive tariff regime.

Supply and demand indicators improved during the month while remaining marginally negative. The volume of upcoming maturities is elevated, however market demand has softened and the pipeline for upcoming deals has increased, weighing on the outlook.

Technical indicators remain negative with intermediary positioning worsening over the month while US credit, equity and equity volatility indicators all remain in negative territory.

MORE INFORMATION
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