

PERPETUAL HIGH GRADE FLOATING RATE FUND - CLASS R

May 2025

FUND FACTS

Investment objective: Aims to provide investors with regular income by investing in deposits, money market and fixed income securities, and outperform the Bloomberg AusBond Bank Bill Index on an ongoing basis before fees and taxes.

Benchmark: Bloomberg AusBond Bank Bill Index

Inception date: March 2011

Size of fund: \$193.1 million as at 31 March 2025

APIR: PER0562AU

Mgmt Fee: 0.30% pa*

Benchmark Yield: 3.756% as at 31 May 2025

Suggested minimum investment period: One year or longer

FUND BENEFITS

Provides investors with the potential for regular income, above cash returns and lower volatility than other income strategies through an actively managed and liquid investment.

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 31 May 2025

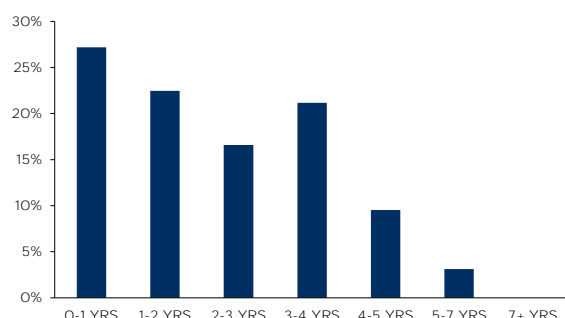
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund - Class R	0.66	1.14	2.54	5.52	6.06	5.26	3.56	3.17	3.67
Bloomberg AusBond Bank Bill Index	0.34	1.05	2.16	4.42	4.37	3.79	2.28	2.05	2.45

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.

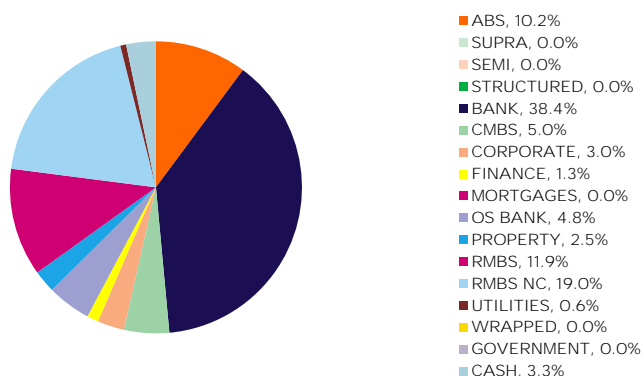
POINTS OF INTEREST

- Financial markets continue to recover from 'Liberation Day' volatility;
- Domestic credit spreads rally;
- Long term yields rise, curve steepens.
- RBA cuts cash rate 26 bps, considered 50bps cut;
- Primary market resurgent among corporates and banks;
- The credit outlook remains negative.

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	81.80%
Subordinated Debt	18.20%
Hybrid Debt	0.00%
Running Yield [#]	5.01%
Portfolio Weighted Average Life	2.24 yrs
Modified Duration	0.04
No. Securities	135

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

MARKET COMMENTARY

Risk assets continued to recover from April volatility with equities and credit rallying as concerns around US trade policy eased. Tailwinds included the US and China's agreement to pause reciprocal tariffs for 90 days, robust first quarter earnings and the Trump administration's expansionary budget bill passing the House of Representatives. While equities and credit stabilised, sovereign bond yields rose reflecting fiscal concerns in the US.

The RBA reduced the target cash rate 25bps to 3.85% in mid-May, the second of this easing cycle. Commentary was increasingly doveish with discussion of a 50bps cut was well received by financial markets, contributing the rally in longer duration sectors including technology. Governor Bullock confirmed that "The Board considered a severe downside scenario and noted that monetary policy is well placed to respond decisively to international developments." 10-year yields on Australian government bonds rose 16 bps to 4.27% over the month, mirroring global trends while also reflecting expectations of fiscal expansion in the wake of Labour victory in the Federal Election. US long term government bond yields sold off, as concerns around the fiscal deficit intensified and Moody's lowered the US government's long term issuer rating.

Domestic credit spreads rallied strongly in May, following widening in March and April. The iTraxx Australia 5-year CDS spread rallied 16bps to 76bps and physical spreads also ended the month tighter. Banks – led by regional and offshore names – performed well with higher beta subordinated and hybrid issues rallying back strongly.

Following a very quiet April, impacted by financial market volatility and holiday shortened weeks, primary market issuance resumed with a busy start to the month. Corporate deals from Worley (\$400M) and Aurizon (\$500M) priced after being put on hold in April as volatility spiked. Aurizon's hybrid deal met robust demand, building a book more than four times deal volume and tightened on the break. Major banks were active following reporting season with NAB (\$2.5B) and ANZ (\$1.4B) issuing senior bonds. A number of subordinated deals also priced including Westpac (\$1.5B), Macquarie (\$1.25B) and QBE Insurance Group (\$600M).

PORTFOLIO COMMENTARY

Income return continued to contribute to relative performance over the month. The Fund's yield premium above benchmark remains primarily attributable to allocation to domestic banks and RMBS. The portfolio running yield at month end was 5.0%, with the average credit spread measured at 1.0%.

Credit spread contraction was the most significant contributor to outperformance during the month. Credit spreads rallied strongly, normalising after widening sharpening during April. The Fund's allocation to financials – most notably senior offshore bank paper – was the key contributing factor. Securitised and non-financial corporate sectors also benefitted from spread tightening.

The Fund's sector allocation was selectively rotated. The Manager elected to add REIT, Insurance and domestic bank exposures, while trimming allocation to offshore banks.

While conditions improved over the month, the outlook remains challenging and the Fund maintains its defensive positioning supported by a relatively short credit duration and limited exposure to subordinated and hybrid paper. Meanwhile, the Fund retains the capacity to take advantage of relative value opportunities should the outlook improve.

OUTLOOK

The credit outlook improved slightly during May while remaining in negative territory.

Valuation indicators worsened marginally over the month as domestic investment grade spreads rallied into neutral territory while an increase in opportunistic issuers weighted on the valuation outlook. Negative swap to bond spreads continue to detract from the outlook.

Growth indicators remain in negative territory. The results of the Senior Loan Officer survey showed weakening credit demand and tightening lending standards. Macroeconomic indicators remain negative despite easing international trade concerns and improving employment print both domestically and in the US.

Supply and demand indicators are finely balanced with robust primary market demand meeting elevated issuance volumes and a relatively light upcoming maturity schedule following a busy April.

Technical indicators improved to neutral reflecting elevated cash levels among domestic real money accounts and improvements to US equity and volatility leading indicators. The US credit spread indicator continues to weigh on the outlook.

While the outlook has improved – primarily reflecting normalising technical indicators – the overall score is negative and the team remains cognisant of downside risks to credit markets.

This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL No 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au. No company in the Perpetual Group (Perpetual Group means Perpetual Trustees Australia Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any 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 entry or exit fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

MORE INFORMATION

Investor Services 1800 022 033
Email PerpetualUTqueries@cm.mpms.mufg.com
www.perpetual.com.au

