Perpetual Investment Funds

PERPETUAL HIGH GRADE FLOATING RATE FUND

For Institutional Investors

June 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:	October 2001
Size of class:	$25.6 million as at 31 March 2025
Size of fund:	$218.7 million as at 31 March 2025**
APIR:	PER0265AU
Mgmt Fee:	0.226% pa*
Benchmark Yield:	3.645% as at 30 June 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 30 June 2025

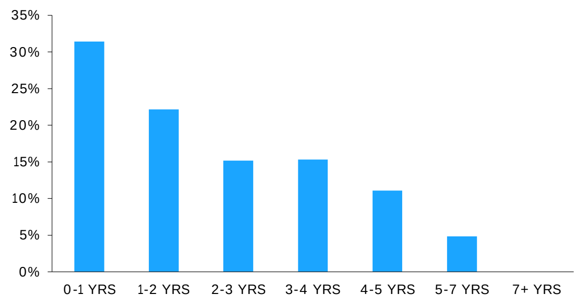
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund	0.43	1.20	2.53	5.53	6.06	5.55	3.63	3.29	4.40
Bloomberg AusBond Bank Bill Index	0.32	1.02	2.10	4.39	4.38	3.88	2.34	2.08	3.64

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

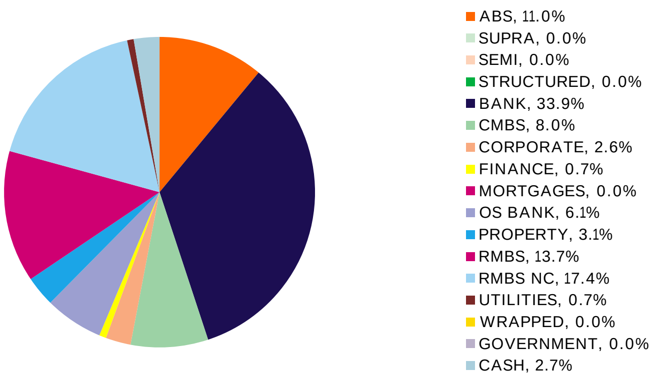
POINTS OF INTEREST

•Middle east geopolitical tensions elevated;
•July RBA rate cut 90% priced;
•Domestic credit spreads rangebound;
•Primary issuance volumes elevated;
•The credit outlook improved to neutral.

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	80.04%
Subordinated Debt	19.96%
Hybrid Debt	0.00%
Running Yield#	4.97%
Portfolio Weighted Average Life	2.16 yrs
Modified Duration	0.01
No. Securities	128

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

**The total size of the Fund includes all unit classes of the Fund. This includes a retail class.

MARKET COMMENTARY

Financial markets stepped higher in June, shaking off concerns around tariffs, the US fiscal outlook and geopolitical tensions in the middle east.

Domestic bond yields were reasonably stable through June with long term yields ending the month marginally lower. Futures markets increasingly priced in further near-term monetary policy easing with a mid-July rate cut more than 90% priced in by month end. May monthly CPI showed trimmed mean inflation at 2.4% year-on-year, below the midpoint of the RBA's target band. US bonds rallied during June, reflecting dovish central bank language and softer economic print. The US Fed kept rates on hold despite increasing pressure from the executive branch to accelerate monetary easing. The European Central bank eased by another 25bps while providing commentary that they may be "getting to the end of the monetary policy cycle". Meanwhile, the Bank of Japan announced plans to slow tapering while the Bank of Canada and Bank of England were on hold.

Domestic credit spreads traded in a tight range over the month. Itraxx Australia 5-year CDS spread tightened by 2bps. Spread performance was mixed by sector with utilities and non-financial corporate sectors widening reflecting elevated primary issuance volumes.

Primary issuance markets were busy during June, led by domestic and offshore banks. A busy month for primary issuance was headlined by senior bonds from Westpac ($2.6B), Barclays ($1B) and ING Bank ($1.75B). Commonwealth Bank priced $1.5B of subordinated bonds while Group BPCE raised $1.5B across tier-two socially responsible and senior tranches. Non-financial corporate issuance was also elevated. Melbourne Airport raised $1B in hybrid paper, meeting robust demand and building an initial book more than four times deal volume. Corporate hybrid issuance volumes have been elevated thus far in 2025 and will continue to draw attention as bank hybrids are phased out following confirmation from APRA in late 2024. Caisse d Depot et Placement du Quebec (CDP) entered the kangaroo market for the first time, issuing $1.75B in senior unsecured fixed rate bonds.

PORTFOLIO COMMENTARY

The Fund's yield premium above bank bills remains the key contributing factor to relative performance. Income return is primarily attributable to securitised and domestic major bank allocations. The portfolio running yield at month end was 5.0%, with the average credit spread measured at 1.1%.

Credit spread dynamics were muted for performance during June as domestic spreads traded in a relatively tight range. The Fund's allocation to RMBS and ABS were constructive as securitised spreads contracted marginally.

Sector allocations were adjusted during June. The Manager was active during a busy month in both the primary and secondary markets. The Fund increased allocation to domestic bank, RMBS and CMBS sectors while domestic bank allocations were trimmed.

The outlook for credit improved during June, ending the month with a neutral reading on the back of improving technical indicators. 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 continue to improve.

OUTLOOK

The credit outlook improved throughout June ending the month with a neutral reading

Valuation indicators remain marginally negative. While spreads have normalised from their April selloff, swap to bond spreads remain in negative territory, weighing on the outlook. Elevated primary issuance activity during June included a rise in opportunistic issuance including kangaroo deals from CDP and John Deere.

The macroeconomic outlook remains negative reflecting softening growth data and the anticipated impact of US tariffs. Lending conditions as expressed in the Senior Loan Officer Survey continue to weigh on the outlook after tightening in May.

Supply and demand indicators remained neutral during the month. The heavy volume of recent primary issuance weighs on the outlook however thus far, issuers have met robust demand.

Improvement in technical indicators was the key factor in the improving credit outlook during June. US credit, equity and equity volatility all improved. Cash balances also remain elevated among real money accounts.

MORE INFORMATION

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