Perpetual Investment Funds

PERPETUAL ACTIVE FIXED INTEREST FUND - CLASS A

June 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 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 Active Fixed Interest Fund Class A [1,3]	0.81	2.86	4.29	7.73	6.57	5.19	0.72	2.36	2.66
Perpetual Active Fixed Interest Fund Class W [2,3]	-	-	-	-	-	-	-	-	4.82
Bloomberg Ausbond Composite Index	0.75	2.63	3.95	6.81	5.23	3.88	-0.10	1.83	-

[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.

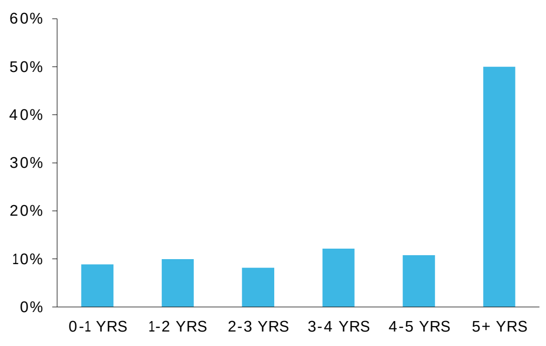
[2] To give a longer term view of the performance of the Fund, the returns for Class W, which has been operating since July 2004, are shown. Class W has identical investments to Class A. We have adjusted the return of Class W to reflect the fee applicable to Class A (a 0.45% Management Fee). This has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

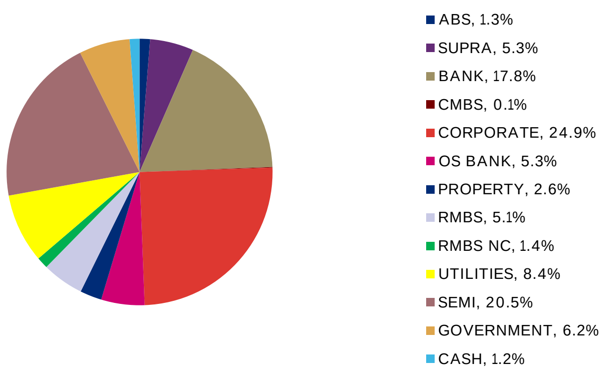
POINTS OF INTEREST

•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.

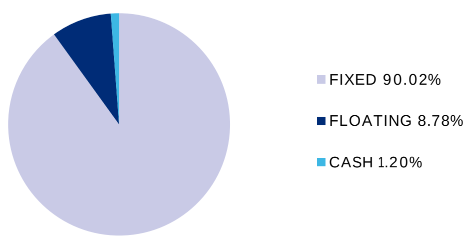
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	91.63%
Subordinated Debt	7.19%
Hybrid Debt	1.18%
Running Yield#	4.23%
Portfolio Weighted Average Life (yrs)	5.74 yrs
No. Securities	163
Modified Duration	4.92

* 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

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 most significant contributing factor to outperformance over the month was the Fund's yield premium above benchmark. Income return was predominantly generated by overweight allocations to non-financial corporates, banks and off benchmark exposure to securitised sectors. The portfolio running yield at month end was 4.2% with the spread measured at 1.0%.

Curve positioning was constructive for relative performance during the month as domestic bond yields fell. The Fund's overweight allocation to 3-5 year tenors performed well as the curve steepened marginally. The Fund remains close to benchmark duration

Credit spread dynamics contributed to outperformance during June. Credit spreads traded in a tight range and spread contraction was issuer specific. The Fund's issuer ad security selection was rewarded among supranational and utilities sectors. The Fund's underweight allocation to semi-government spreads and preference for states with stronger fiscal positions – Queensland, Western Australia and New South Wales – contributed to performance. The Fund maintains a longer than benchmark spread duration and overweight allocations to corporates, financials and securitised sectors.

Despite an elevated volume of primary issuance during June, the Manager was selective in adding new issues to the portfolio. The Fund took part in a new senior deal from Westpac while offshore banks and non-financial corporate exposures were selectively trimmed.

The outlook for credit was upgraded to neutral during June reflecting improved technical indicators. The Portfolio is defensively positioned, and Manager continues to look for active duration opportunities along the curve. The Portfolio retains capacity to take advantage of relative value opportunities presented as the outlook continues 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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