Perpetual Investment Funds

PERPETUAL ESG CREDIT INCOME FUND - CLASS A

June 2025

FUND FACTS

Investment objective: To provide investors with regular income and consistent returns above the Bloomberg AusBond Bank Bill Index (before fees and taxes) over rolling three-year periods by investing in a diverse range of income generating assets that meet Perpetual's ESG and values-based criteria.

Benchmark: Bloomberg AusBond Bank Bill Index
Inception date: June 2018
Size of fund: $54.2 million as at 31 March 2025
APIR: PER1744AU
Mgmt Fee: 0.59% pa*
Benchmark Yield: 3.645% as at 30 June 2025
Suggested minimum investment period: Three years or longer

FUND BENEFITS

Provides investors access to an actively managed credit and fixed income fund and the opportunity to align their investments with their personal values and ESG preferences.

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 ESG Credit Income Fund – Class A	0.63	1.43	2.78	6.72	7.81	7.45	5.13	4.13	4.08
Bloomberg AusBond Bank Bill Index	0.32	1.02	2.10	4.39	4.38	3.88	2.34	1.99	2.07

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

•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.

ESG APPROACH

Before being considered for investment, companies or issuers must pass a series of exclusionary screens. The screening processes is designed to limit the investible universe to only those companies or issuers that meet minimum values-based and ESG standards. The Perpetual ESG Credit Income Fund first applies a values-based and ESG exclusionary screen. Sovereign issuers are subject to a separate exclusionary screen. Please refer to the Perpetual Investment Funds PDS for further information.

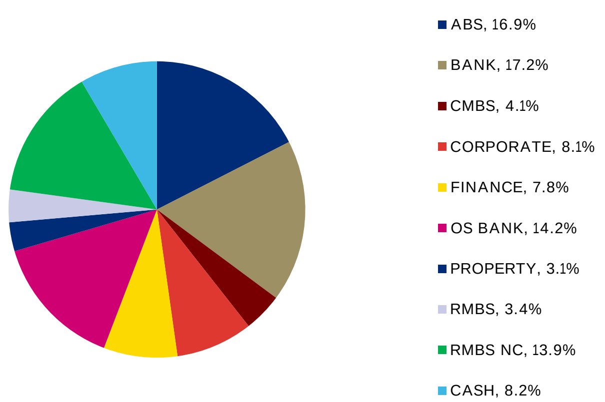
PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	17.88%
Subordinated Debt	68.15%
Hybrid Debt	13.97%
Running Yield#	5.36%
Portfolio Weighted Average Life (yrs)	3.68 yrs
No. Securities	82
Modified Duration	-0.03

* 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.

PORTFOLIO SECTORS



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

Credit spread dynamics were the key contributing factor to performance over the month. Although domestic spreads were rangebound during June, the Fund's allocation to USD and EUR denominated credit performed well across select domestic and offshore banks. Allocation to RMBS was also constructive with contracting securitised spreads contributing to performance.

The Fund's yield premium above benchmark continues to contribute to relative returns, led by allocation to RMBS and offshore banks. The portfolio's running yield was 5.4% at month end, with the spread (credit yield premium) measured at 1.8%.

The Fund's sector and risk allocations were rotated throughout June. The Fund rotated into domestically issued paper, increasing AUD exposures and reducing EUR and USD denominated positions as spreads rallied to near the bottom of their post GFC range. Note that all foreign currency exposures are hedged. The Manager elected to add major bank subordinated exposures both via new deals – including the $1.5B Commonwealth Bank tier 2 issue – and in secondary. Non-financial corporate and offshore bank exposures were trimmed. The Manager also elected to adjust capital structure risk allocations, with the Fund trimming hybrid exposures while increasing allocation to tier 2 subordinated debt.

The outlook for credit improved to neutral during June, reflecting improving technical indicators. The Fund maintains a defensive posture while retaining ample dry powder to take advantage of relative value opportunities in both primary and secondary markets. The Manager continues to look for attractively priced issues and relative value opportunities while carefully managing credit and liquidity risks.

The Fund invests in quality issuers that meet Perpetual's ESG and Values based criteria relating to what the company is in the business of and the way business operations are conducted respectively. Upon application of the ESG and Values based criteria, several bond issuers have been screened out. These include, for example, companies involved in the extraction of fossil fuels or companies whose revenues are significantly associated with socially questionable products or services.

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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