Perpetual Investment Funds

PERPETUAL DYNAMIC FIXED INCOME FUND

June 2025

FUND FACTS

Investment objective: Aims to provide capital stability and regular income by investing in a diversified range of income generating assets, and a positive return (before fees and taxes) irrespective of market conditions over a rolling three-year period.

Benchmark:	50% Bloomberg AusBond Composite Index/50% Bloomberg AusBond Bank Bill Index
Inception date:	November 2010
Size of fund:	$27.4 million as at 31 March 2025
APIR:	PER0557AU
Mgmt Fee:	0.45% pa*
Suggested minimum investment period:	Three years or longer

FUND BENEFITS

The fund is designed to provide investors with a diversified fixed income solution that manages both credit risk (credit worthiness) and duration risk (sensitivity to changes in interest rates) in different economic conditions.

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

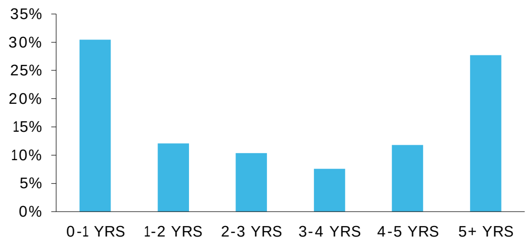
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Dynamic Fixed Income Fund	0.67	1.78	3.06	6.07	6.27	5.38	2.88	3.06	4.23
Bloomberg AusBond Composite/Bank Bill Blend	0.53	1.82	3.03	5.61	4.83	3.92	1.15	1.99	3.13

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.

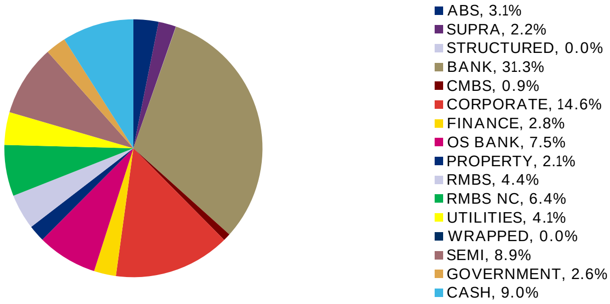
POINTS OF INTEREST

•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.

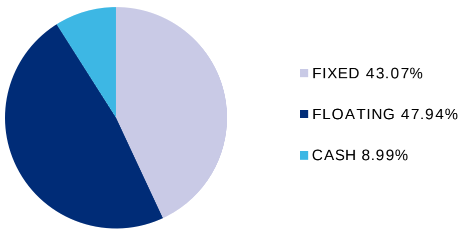
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	57.60%
Subordinated Debt	38.09%
Hybrid Debt	4.31%
Running Yield[#]	4.67%
Portfolio Weighted Average Life (yrs)	3.74
No. Securities	310
Modified Duration	2.86

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

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 continues to collect a healthy running yield and income was the most substantial contributor to performance during the month. Income return was centred around domestic and offshore banks alongside securitised assets. The portfolio running yield was 4.7% at month end.

Duration was constructive for performance during the month. Domestic bond yields fell slightly over the month and the yield curve steepened marginally. Over the month, the Fund's duration was lengthened in line with an improvement in Perpetual's tactical bond score on the back of upgraded technical indicators. The Fund ended the month slightly above the strategic target duration range of 2-.25 years. The Portfolio's strategic target duration allows the Fund to participate as yield rally while limiting the impact of month-to-month yield volatility.

Credit spread dynamics were constructive for 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 corporates, domestic and offshore banks. Allocation to RMBS was also constructive with contracting securitised spreads contributing to performance.

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.

*** The benchmark for the Fund was previously reported as both the Bloomberg AusBond Bank Bill Index and the Bloomberg AusBond Composite Index. As at 29 April 2015, the benchmark for reporting was updated to a composite benchmark comprising 50% Bloomberg AusBond Bank Bill Index & 50% Bloomberg AusBond Composite Index. The change in benchmark was to better reflect the investment strategy. The performance table above reflects the change in benchmark applied across all periods.

MORE INFORMATION
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