Perpetual Pure Series Funds

# PERPETUAL PURE CREDIT ALPHA FUND CLASS W

June 2025

## FUND FACTS

**Investment objective:** The Fund aims to provide investors with a positive return above the cash rate over rolling three-year periods (before fees and taxes) by primarily investing in and actively trading fixed income securities and related derivatives.

**Benchmark:** RBA Cash Rate
**Inception date:** March 2012
**Size of fund:** $701.0 million as at 31 March 2025
**Mgmt Fee:** 0.85% pa*
**Benchmark Yield:** 4.100% as at 30 June 2025
**Suggested minimum investment period:** Three years or longer

## FUND BENEFITS

Perpetual aims to meet its objective by utilising an active and risk aware investment process that leverages the full use of the Perpetual Credit team's experience. The strategy allows the team discretion to invest in areas of the market or a company's capital structure where they see relative value. The portfolio is diversified, takes into account changes in market-wide and security-specific credit margins while seeking to maximise returns from liquidity premiums.

## FUND RISKS

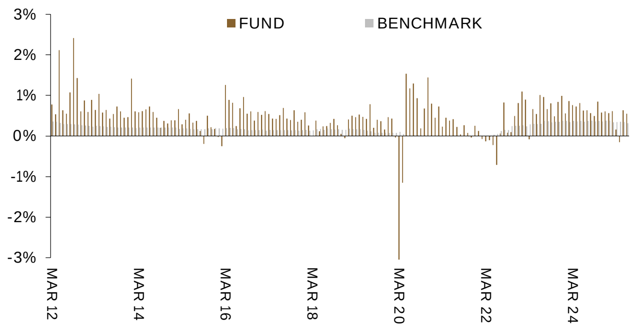
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

## TOTAL RETURNS % (AFTER FEES) AS AT 30 June 2025

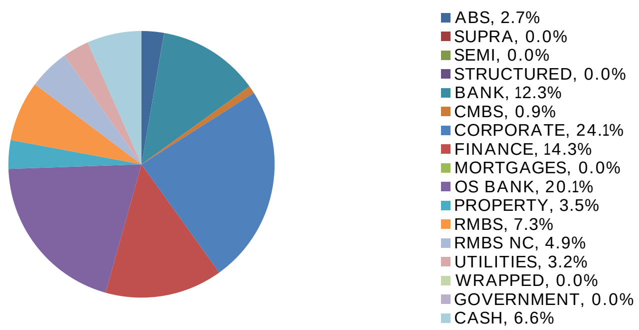
| | 1 MTH | 3 MTHS | 6 MTHS | 1 YR | 2 YRS PA | 3 YRS PA | 5 YRS PA | 7 YRS PA | INCEPT PA |
|---|---|---|---|---|---|---|---|---|---|
| Perpetual Pure Credit Alpha Fund W Class | 0.55 | 1.04 | 2.40 | 6.27 | 7.86 | 7.46 | 6.03 | 4.76 | 5.82 |
| RBA Cash Rate | 0.32 | 1.00 | 2.06 | 4.32 | 4.34 | 3.88 | 2.38 | 2.01 | 2.14 |

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.

## MONTHLY PERFORMANCE SINCE INCEPTION




## PORTFOLIO SECTORS




## PORTFOLIO COMPOSITION

| | BREAKDOWN |
|---|---|
| Senior Debt | 30.96% |
| Subordinated Debt | 57.77% |
| Hybrid Debt | 11.27% |
| % Geared | 0.00% |
| Running Yield# | 6.25% |
| Portfolio Weighted Average Life | 3.73 yrs |
| No. Securities | 165 |
| Long | 93.38% |
| Short | 0.00% |
| Net | 93.38% |

## GEOGRAPHIC LOCATION OF MATERIAL ASSETS

The Fund holds no single international asset representing more than 10% of the Fund's net asset value.

* 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

Income return remains the most substantial contributing factor to performance. The Fund continues to collect a healthy yield premium above the RBA cash rate, led by allocation to non-financial corporate loans alongside contributions from securitised assets and domestic banks. At month end, the Fund's running yield was 6.3%.

Credit spread dynamics were mixed for performance during June as domestic spreads traded in a relatively tight range. The Fund's exposure to high yield industrials performed well while offshore bank exposures detracted from spread return. Allocation to securitised sectors was also marginally positive for spread return.

During a busy month for primary issuance, the Manager was active in primary and secondary markets. The Manager elected to take part in the new hybrid deal from Melbourne airport. Allocation to domestic banks was increased with the Fund taking in the new subordinated deal from Commonwealth Bank. The Manager elected to increase the Fund's allocation to the CBA deal in the secondary market later in the month. Elsewhere the Fund reduced non-financial corporate exposures, taking profit on a Qantas fixed rate bond and trimming corporate loan exposures.

The outlook for credit improved during June, ending the month with a neutral reading for the first time since February this year.  There remains significant uncertainty in the path of US trade and fiscal policy as well as domestic monetary policy. In the current conditions, risk management remains crucial. The Fund remains defensively positioned while retaining the liquidity and capacity to take advantage of relative value opportunities as they arise.

## 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.


** UBS Australian Bond Index changed to Bloomberg AusBond Bank Bill Index effective 26 September 2014

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