Perpetual Investment Funds

PERPETUAL CREDIT INCOME FUND

August 2026

FUND FACTS

Investment objective: Aims to provide investors with regular income by investing in a diversified range of income generating assets, and outperform the Bloomberg AusBond Bank Bill Index** over rolling three-year periods before fees and taxes.

Benchmark: Bloomberg AusBond Bank Bill Index**
Inception date: November 2004
Size of fund: $156.2 million as at 30 June 2026
APIR: PER0263AU
Mgmt Fee: Please contact us for a copy of the disclosure document.
Benchmark Yield: 4.358% as at 31 August 2026
Suggested minimum investment period: Three years 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 31 August 2026

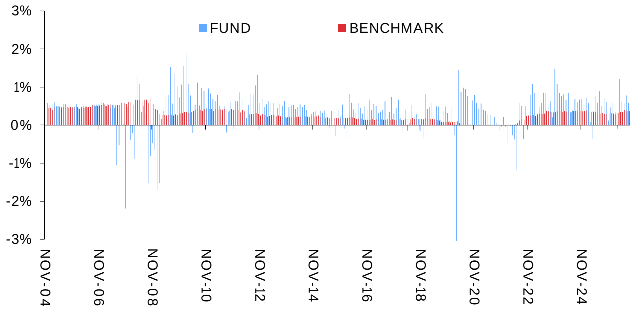
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Credit Income Fund	0.58	1.94	3.70	6.68	6.56	7.38	5.46	4.87	4.84
Bloomberg AusBond Bank Bill Index**	0.38	1.15	2.16	3.99	4.12	4.21	3.26	2.42	3.46

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.

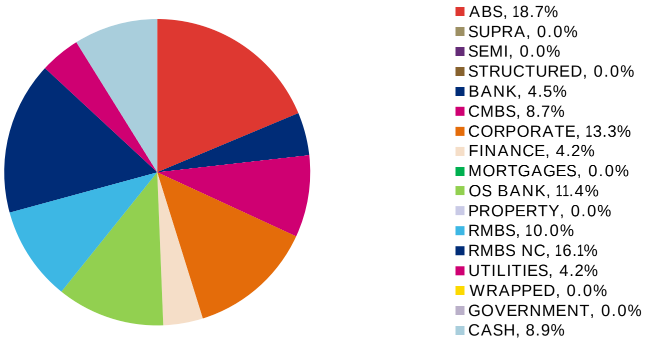
POINTS OF INTEREST

•Iran-US tensions flare; the oil price rallies;
•Markets price US rate Hikes following hawkish Jackson Hole comments;
•Domestic bond yield rise; core inflation exceeds expectations;
•Domestic spreads rangebound as market digests elevated issuance volumes;
•The credit outlook eases to a slight negative reading.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	19.68%
Subordinated Debt	60.80%
Hybrid Debt	19.52%
Modified Duration	0.61
Running Yield#	6.18%
Average Credit Rating	A
Portfolio Weighted Average Life	3.83 yrs
No. Securities	107

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

MARKET COMMENTARY

Fixed income and credit markets navigated a combination of geopolitical tensions and shifting monetary policy expectations during August. While hopes of an improvement in Middle East supply conditions initially weighed on oil prices and supported market sentiment, escalating regional tensions later in the month reversed those moves, driving energy prices higher and placing upward pressure on global bond yields. Markets also reacted to a hawkish Jackson Hole address from Federal Reserve Chair Kevin Warsh, who indicated that inflation risks remained elevated and that further policy restraint may be required. Despite rising yields, risk assets were well supported with equity markets rallying over the month.

Australian bond yields moved higher over August. The RBA left the cash rate unchanged at 4.35% at its 11 August meeting, judging that while the labour market had eased a little more than expected, headline inflation remained too high. Expectations for a hike firmed sharply following the release of the monthly inflation indicator late in the month, which showed trimmed mean inflation rising 0.5% for the month and 3.6% over the year – above consensus.

Australian credit spreads were resilient given elevated issuance volumes, trading in a relatively tight range over the month. Performance was mixed with domestic bank senior and tier 2 paper widening marginally over the month, reflecting heavy post-reporting-season supply. In a busy month of primary market issuance for major bank subordinated paper, spreads were supported by strong ETF flows. Insurance and offshore bank hybrids continue to perform well, meeting demand in the wake of APRA's sunsetting of domestic bank Additional Tier 1 Capital. Securitised sectors tightened slightly on aggregate despite healthy primary market deal flow.

Primary market issuance was well above trend in August. The standout was Alphabet's inaugural A$ transaction – the largest-ever corporate bond deal completed in Australia – which raised $5.5bn across three-, five-, ten- and 20-year tranches after attracting more than $18bn of orders. The deal weighed on secondary market spreads around pricing but was otherwise well absorbed given its diversified investor base. US energy and infrastructure company NextEra returned to the kangaroo market, issuing A$2.575B of hybrid paper. Despite pricing shortly after the Alphabet transaction, the deal was oversubscribed reflecting elevated demand for corporate hybrid paper. Elsewhere, Westpac issued A$1.5B of subordinated paper built a very large (A$5B) orderbook, reflecting the hybrid replacement and passive flows into the sector. ANZ also raised A$1.75M in longer dated tier 2 alongside $2.5B in senior paper while Macquarie Bank (A$1.5B) and Toronto Dominion Bank ($1.1B) priced senior bonds.

PORTFOLIO COMMENTARY

The Fund's yield premium above benchmark was the key contributing factor to outperformance over the month with income return primarily attributable to securitised and domestic and offshore bank exposures. The prospect of further RBA tightening – which gained traction through the month reflecting higher than expected inflation data – is supportive for the Fund's floating rate structure. The portfolio running yield was 6.2% at month-end, with the average credit spread measured at 1.8%.

Credit spread dynamics were constructive for performance during the month, despite spreads trading in a relatively tight range. The Fund benefitted from tightening of securitised spreads during August. Securitised spreads had drifted slightly wider over the first half of 2026 reflecting a heavy issuance schedule. The Manager continues to see attractive relative value in securitised sectors. Non-financial corporate exposures were mixed with some softening among offshore telco positions including Verizon and Telefonica Emissiones offset by tightening railroad and utilities exposures. Among financials, offshore bank hybrid exposures were constructive while domestic subordinated spreads softened marginally.

The Manager was active in primary and secondary markets during August. The Fund increased exposure to offshore bank hybrids and subordinated bank exposures – including the new deals from Westpac and ANZ. Funding for these purchases came from trimming a number of subordinated bank and corporate hybrid positions – locking in gains after a period of strong performance.

The outlook for credit eased to a slight negative reading by month-end. Given the easing outlook, the Fund retains a material cash allocation offering the optionality to take advantage of relative value opportunities presented by uncertain conditions.

OUTLOOK

Valuation indicators turned negative, led by US high yield spread and opportunistic issuance trends. Australian investment grade, US investment grade and Australian swap spreads remained within the range of recent averages, while domestic versus offshore spreads and the basis swap were similarly benign.

The macroeconomic outlook remained a headwind, with declining global growth expectations weighing on the score. This was partly offset by a positive reading on both the ISM survey and the ratio of upgrades to downgrades, the latter reflecting a strong Q2 US earnings season. Oil price volatility remains a watchpoint following the month's escalation in the Middle East, although the indicator ended the month broadly neutral.

Supply and demand indicators were the primary detractor from the overall score. Elevated recent and upcoming issuance – including the record Alphabet transaction and a heavy wave of post-reporting-season bank Tier 2 supply – outweighed still-healthy underlying market demand, particularly in higher beta sectors.

Technical indicators were broadly neutral, with softer domestic real money positioning offset by favourable readings across US credit conditions, US equity markets and equity volatility.

MORE INFORMATION

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