Perpetual Investment Funds

PERPETUAL ACTIVE FIXED INTEREST FUND - CLASS A

August 2026

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: $511.4 million as at 30 June 2026
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 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 Active Fixed Interest Fund Class A [1,3]	-0.26	0.40	0.52	0.68	3.00	4.25	0.48	0.84	2.47
Perpetual Active Fixed Interest Fund Class W [2,3]	-	-	-	-	-	-	-	-	4.61
Bloomberg Ausbond Composite Index	-0.22	0.30	0.53	0.57	2.42	3.32	-0.13	0.29	-

[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.

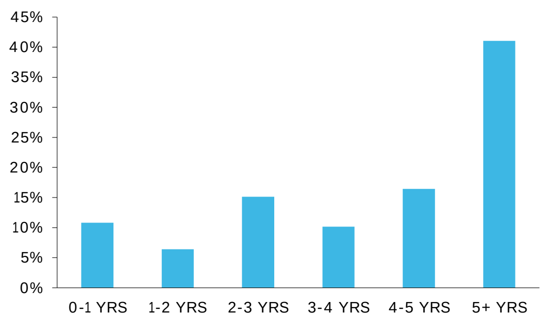
[2] To give a longer term view of the performance of the Fund, the returns for Class W, which has been operating since July 2004, are shown. Class W has identical investments to Class A. We have adjusted the return of Class W to reflect the fee applicable to Class A (a 0.45% Management Fee). This has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

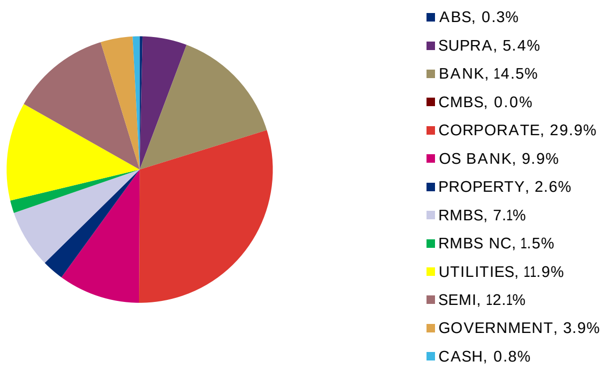
POINTS OF INTEREST

•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.

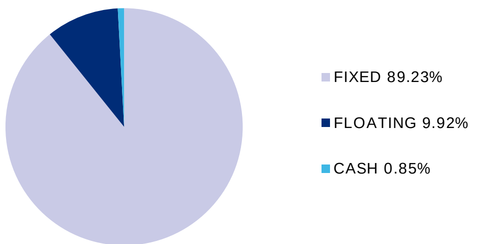
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	91.28%
Subordinated Debt	6.64%
Hybrid Debt	2.08%
Running Yield#	5.01%
Average Credit Rating	A
Portfolio Weighted Average Life (yrs)	5.18 yrs
No. Securities	180
Modified Duration	5.14

* 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

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 continues to collect a running yield in excess of the benchmark with the premium primarily attributable to overweight allocation to credit, led by non-financial corporates, banks and off-benchmark exposure to securitised sectors. The portfolio running yield at month-end was 5.0% with the spread measured at 1.0%.

Credit spread dynamics were benign for performance during July. The Fund's allocation to off-benchmark securitised assets performed well however this was offset by overweight allocation to domestic banks – which widened marginally – and underweight exposure to the semi-government sector which performed slightly better. Security and issuer selection within non-financial corporates was rewarded. The Manager remains comfortable with the level of credit risk in the portfolio. While the Fund maintains a longer spread duration relative to benchmark, exposures are focused on high-quality corporate and financial issuers offering attractive yield premia.

Duration detracted slightly from relative performance over the month. The Fund began the month close to benchmark duration and curve positioning. In mid-July, the Manager lengthened the portfolio's duration marginally as yields rose, ending the month with a slightly longer tha n benchmark exposure. This positioning masks a slight overweight to short end (1-5 years) and a corresponding underweight exposure to the belly (5-7 years). The path for rates markets remains uncertain with increasing expectations for further rate increases, sticky inflation and energy uncertainty set against softening growth and reduced productivity.

The Fund was active in primary and secondary markets over the month. The Manager elected to reduce government bond exposures to increase non-financial corporate and offshore bank exposures. The Manager elected to take part in the inaugural AUD issuance from Alphabet, securing allocation to the oversubscribed deal which represented an attractive spread for a high-quality AA+ rated issuer and offered attractive new deal concession.

The outlook for credit eased to a slight negative reading by month-end. The rates outlook remains uncertain with inflationary pressures set against softening economic indicators. The Fund remains defensively positioned while retaining the capacity to add risk where it is best rewarded and will continue to look for active duration opportunities along the curve.

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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