

PERPETUAL ESG CREDIT INCOME FUND - CLASS A

August 2026

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: \$107.5 million as at 30 June 2026
APIR: PER1744AU
Mgmt Fee: 0.59% pa*
Benchmark Yield: 4.358% as at 31 August 2026
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 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 ESG Credit Income Fund – Class A	0.52	1.87	3.36	6.18	6.70	7.37	5.47	4.71	4.43
Bloomberg AusBond Bank Bill Index	0.38	1.15	2.16	3.99	4.12	4.21	3.26	2.42	2.34

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.

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.

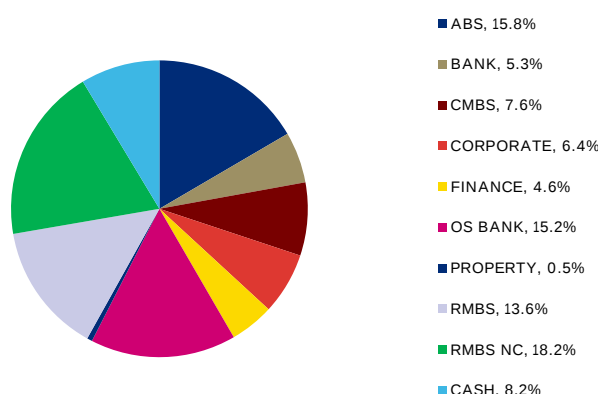
PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	17.99%
Subordinated Debt	63.11%
Hybrid Debt	18.89%
Running Yield [#]	5.93%
Average Credit Rating	A
Portfolio Weighted Average Life (yrs)	3.87 yrs
No. Securities	113
Modified Duration	0.62

* 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

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 sunset 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 5.9% 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. Softening among utilities alongside offshore telco positions including Verizon and Telefonica Emissiones was offset by tightening railroad and resources 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.

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

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.

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Total returns shown for the Fund have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is not indicative of future performance.

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