

PERPETUAL CREDIT INCOME FUND

August 2025



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: \$187.2 million as at 30 June 2025
APIR: PER0263AU
Mgmt Fee: Please contact us for a copy of the disclosure document.
Benchmark Yield: 3.565% as at 31 August 2025
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 2025

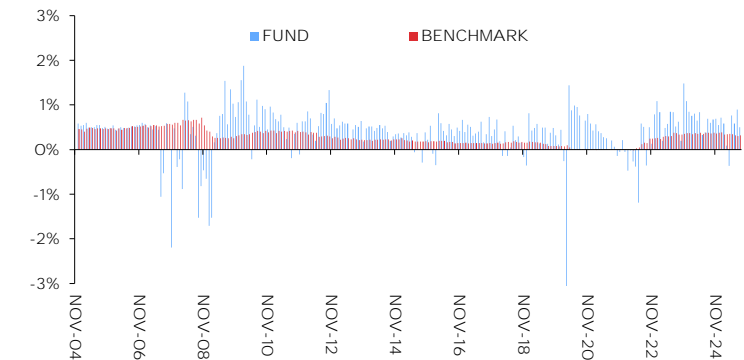
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Credit Income Fund	0.50	1.99	2.48	6.44	7.74	7.36	5.05	4.42	4.76
Bloomberg AusBond Bank Bill Index**	0.32	0.94	2.00	4.25	4.32	4.00	2.47	2.11	3.43

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.

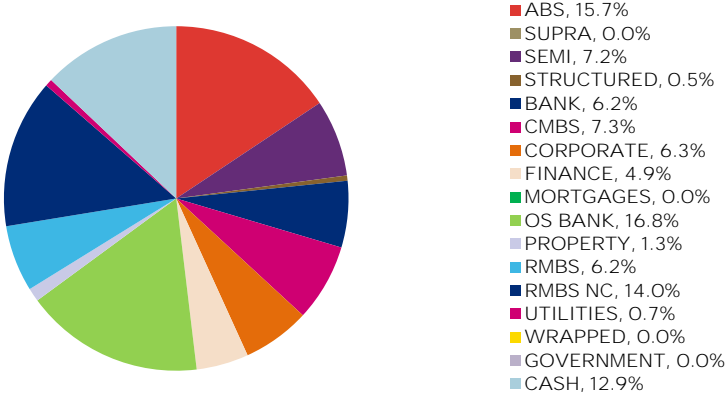
POINTS OF INTEREST

- US labour print disappoints; Jackson Hole comments well received;
- RBA reduces rates; bond yields steady;
- Domestic credit spreads tighten marginally;
- Healthy demand for primary issues; Kangaroo issuance elevated;
- The credit outlook declined to negative.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	33.80%
Subordinated Debt	55.88%
Hybrid Debt	10.32%
Modified Duration	0.47
Running Yield [#]	4.91%
Portfolio Weighted Average Life	3.38 yrs
No. Securities	115

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

MARKET COMMENTARY

Stronger than anticipated corporate earnings and continued monetary policy easing buoyed global financial markets through August. This was in spite of softening macroeconomic data – notably US labour print.

The Reserve Bank of Australia (RBA) cut rates for the third time this year, signalling cautious optimism amid lowered GDP forecasts and steady inflation despite some component specific pricing spikes. Globally, yield curves steepened, influenced by softer than expected US labour data, dovish commentary from Fed chair Powell at the Jackson Hole symposium. US 2-year bond yields fell 33bps as market participants anticipated further interest rate cuts with a further 25bps at the mid-September FOMC meeting fully priced in by month end. The Bank of England elected to cut rates in spite of rising inflation.

Domestic credit spreads narrowed over the month, benefitting from a confluence of factors including corporate earnings results, monetary policy tailwinds alongside US jobs and CPI data. August's corporate earnings season results were resilient with soft revenue growth offset by improved margin discipline. Financial and corporate spreads contracted led by infrastructure and utilities. Semi government spreads EUR denominated and kangaroo issues from French banks saw some elevated volatility reflecting political concerns as the prime Minister called for a confidence vote after failing to secure supports for a range of budget cuts.

Primary market issuance volumes were elevated in August, keeping year to date aggregate volumes well above trend. Demand was healthy affording issuers the opportunity to test unorthodox deal structures including ANZ Banking Group's (\$1.5B) fixed rate tier 2 subordinated deal which included a 20-year bullet. Kangaroo issuance was elevated with PSP Capital (\$1.5B), Credit Agricole (\$1.5B), Vonovia (\$850M), New York Life (\$650M) and HSBC Holdings (\$1.75B) coming to market during August. The volume of issuance and strength of demand reflects the maturity of the local market as well as supportive technicals. In the domestic space, CBA's landmark \$5B senior unsecured transaction built a record order book across 3 and 5-year tranches.

PORTFOLIO COMMENTARY

Credit spread dynamics were muted for performance. Domestic spreads tightened slightly while trading in range of recent levels. Non-financial corporate and securitised exposures were constructive, benefitting from persistently strong market demand. Allocation to domestic and offshore banks was mixed with USD and EUR denominated spreads widening marginally. Elsewhere, the Fund's small allocation to semi-government bonds detracted marginally as semi spreads expanded. The Manager elected to add credit protection in late August recognizing rising risks as credit demand has surged against a backdrop of tariffs, inflation risks and soft economic and labour data. The Fund added a short position on the iTraxx Crossover CDS index which tracks the 75 most liquid sub-investment grade European bonds, which contributed to performance.

Income return remained the key contributing factor to performance over the period. The Fund yield advantage above benchmark is attributable primarily to RMBS and offshore bank allocations. The Portfolio's running yield was 4.9% at month end, with the spread (credit yield premium) measured at 1.4%.

Sector and risk allocations were actively managed over the period with the Manager continuing to carefully manage credit risk in the portfolio in line with the declining outlook. The Fund reduced exposure to domestic banks, selling out of all AUD denominated subordinated major bank paper, locking in profits after a period of spread tightening. The Manager elected to trim government and add semi government exposure during the month, adding bonds from Queensland and New South Wales state governments. The semi government exposures contribute to the Fund's running yield while maintaining the conservative liquidity profile. At month end the Fund held approximately half a year of interest rate duration which was constructive performance over the month.

The Fund was active in primary markets over the month, taking part in new securitisation deals from Kingfisher (RMBS) and Resimac (Automotive ABS). The Fund also took the opportunity to monetize new issue concessions taking profit early on a landmark senior deal from Commonwealth Bank and the 15-year tranche of ANZ's subordinated deal during August.

The outlook declined over the month and is slightly negative. The Manager continues to carefully manage credit and liquidity risks. The Fund retains a healthy cash allocation alongside exposure to very liquid semi-government bonds, providing ample dry powder to take advantage of relative value opportunities and attractively priced issues as the outlook improves.

OUTLOOK

The credit outlook worsened during August, ending the month with a marginally negative reading.

Valuation indicators are negative, reflecting elevated primary market activity attributable to opportunistic issuers including offshore corporates. While US and domestic spreads are finely balanced, swap to bond spreads remain in negative territory, weighing on the outlook.

The macroeconomic outlook improved over the month while remaining marginally negative. Improved results from the Senior Loan Officer survey were the catalyst, exhibiting marginally looser lending standards for large firms. The soft global growth outlook continues to weigh on the outlook.

Supply and demand indicators are mixed, detracting from the outlook. A lower volume of upcoming maturities alongside elevated recent and anticipated issuance volumes weigh on near term expectations for credit spreads. Market demand has thus far remained strong, observed in record order books built for domestic and kangaroo transactions during the month.

Technical indicators remain strongly positive reflecting supportive US credit, equity and equity volatility indicators. Cash balances also remain elevated among real money accounts and intermediary positioning shows capacity, supporting the outlook.

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No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital.

Total return shown for the fund(s) have been calculated using exit prices after taking into account of Perpetual's ongoing fees and assuming reinvestment of distributions.

No allowance has been made for entry or exit fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

* Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries.

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

MORE INFORMATION

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