

# PERPETUAL ESG CREDIT INCOME FUND - CLASS A

August 2025



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:** \$57.6 million as at 30 June 2025  
**APIR:** PER1744AU  
**Mgmt Fee:** 0.59% pa\*  
**Benchmark Yield:** 3.565% as at 31 August 2025  
**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 2025

	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	0.41	2.15	3.04	7.21	7.98	7.62	5.11	4.29	4.20
Bloomberg AusBond Bank Bill Index	0.32	0.94	2.00	4.25	4.32	4.00	2.47	1.96	2.11

Please note: Performance for Perpetual's complete list of investment funds is available on [www.perpetual.com.au](http://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.

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.

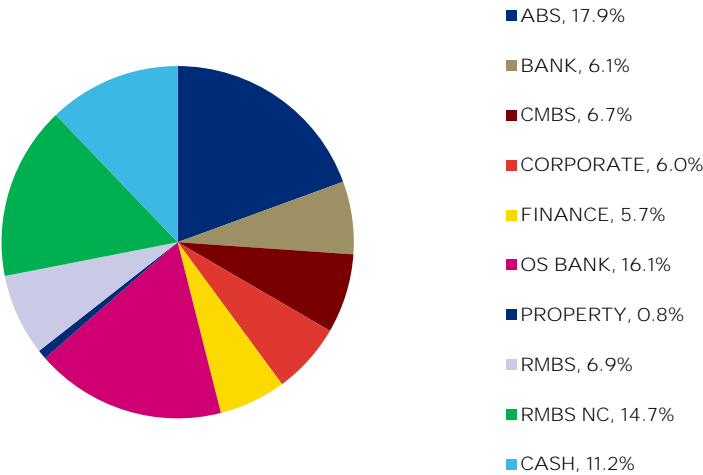
PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	27.96%
Subordinated Debt	62.24%
Hybrid Debt	9.80%
Running Yield <sup>#</sup>	4.57%
Portfolio Weighted Average Life (yrs)	3.43 yrs
No. Securities	89
Modified Duration	#N/A

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

<sup>^</sup>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

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 mixed for performance. Securitised exposures were constructive while allocation to domestic and offshore banks was mixed with USD and EUR denominated spreads widening. 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 4.6% 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.

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

## 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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## MORE INFORMATION

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