

# PERPETUAL DYNAMIC FIXED INCOME FUND

August 2025



FUND FACTS

**Investment objective:** Aims to provide capital stability and regular income by investing in a diversified range of income generating assets, and a positive return (before fees and taxes) irrespective of market conditions over a rolling three-year period.

**Benchmark:** 50% Bloomberg AusBond Composite Index/50% Bloomberg AusBond Bank Bill Index  
**Inception date:** November 2010  
**Size of fund:** \$28.0 million as at 30 June 2025  
**APIR:** PER0557AU  
**Mgmt Fee:** 0.45% pa\*  
**Suggested minimum investment period:** Three years or longer

FUND BENEFITS

The fund is designed to provide investors with a diversified fixed income solution that manages both credit risk (credit worthiness) and duration risk (sensitivity to changes in interest rates) in different economic conditions.

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

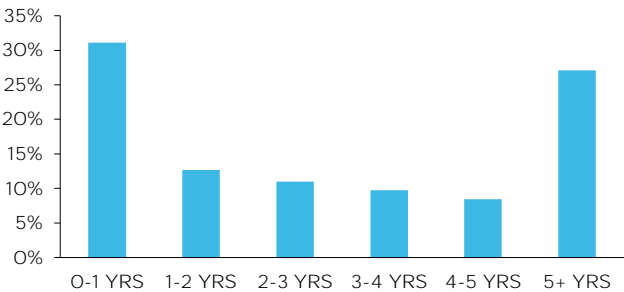
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Dynamic Fixed Income Fund	0.45	1.48	2.69	5.07	5.98	5.41	2.79	3.07	4.24
Bloomberg AusBond Composite/Bank Bill Blend	0.33	1.00	2.56	4.29	4.55	3.90	1.25	1.96	3.13

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.

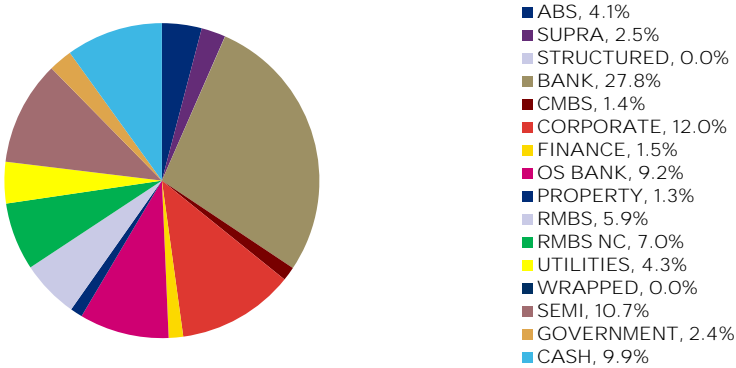
POINTS OF INTEREST

- 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.

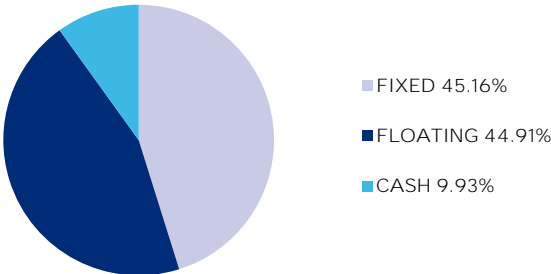
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	61.69%
Subordinated Debt	34.69%
Hybrid Debt	3.61%
Running Yield <sup>#</sup>	4.49%
Portfolio Weighted Average Life (yrs)	3.52
No. Securities	327
Modified Duration	2.16

\* 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

Income return was the most substantial contributor to performance over the month. The Fund continues to collect a healthy running yield generated from the underlying fixed rate and floating rate income strategies alongside direct investments. The Fund's running income remains led by domestic and offshore banks, RMBS and non-financial corporates. The portfolio running yield was 4.5% at month end.

Credit spread dynamics were positive for performance as 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.

Duration and curve positioning was benign for performance during the month. The Fund ended the month close to the lower bound of the strategic target duration (2 years). The Fund's low strategic target duration allows the Fund to participate in bond market rallies while limiting the impact of month-to-month yield volatility. Duration positioning of the Fund is determined via Manager discretion with input from Perpetual's Tactical Asset Allocation bond score – a quantitative input to the fund duration management process – which peaked in mid August reflecting improved technical indicators before receding to a marginally positive reading by month end.

The outlook declined over the month and is slightly negative. While the global growth outlook has softened, there are opportunities available within the fixed-income asset class as inflation comes under control and rates fall. The Manager remains focused on identifying relative value opportunities presented by the current conditions and will continue to look for active duration opportunities along the curve.

## 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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\*\*\* The benchmark for the Fund was previously reported as both the Bloomberg AusBond Bank Bill Index and the Bloomberg AusBond Composite Index. As at 29 April 2015, the benchmark for reporting was updated to a composite benchmark comprising 50% Bloomberg AusBond Bank Bill Index & 50% Bloomberg AusBond Composite Index. The change in benchmark was to better reflect the investment strategy. The performance table above reflects the change in benchmark applied across all periods.

## MORE INFORMATION

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