

PERPETUAL CREDIT INCOME FUND

September 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: 3.562% as at 30 September 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 30 September 2025

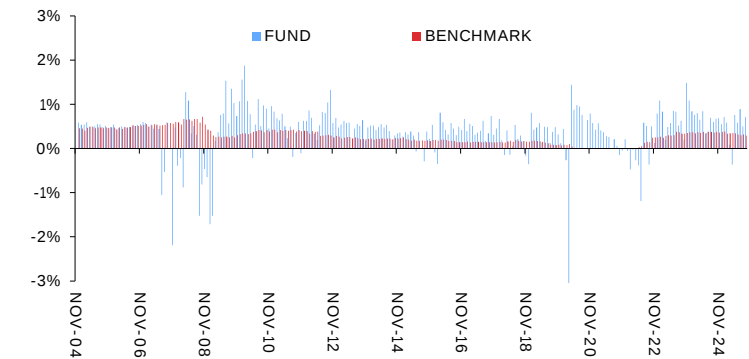
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Credit Income Fund	0.71	2.11	3.12	6.55	7.78	7.75	5.20	4.48	4.77
Bloomberg AusBond Bank Bill Index**	0.29	0.92	1.94	4.19	4.30	4.05	2.53	2.13	3.43

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.

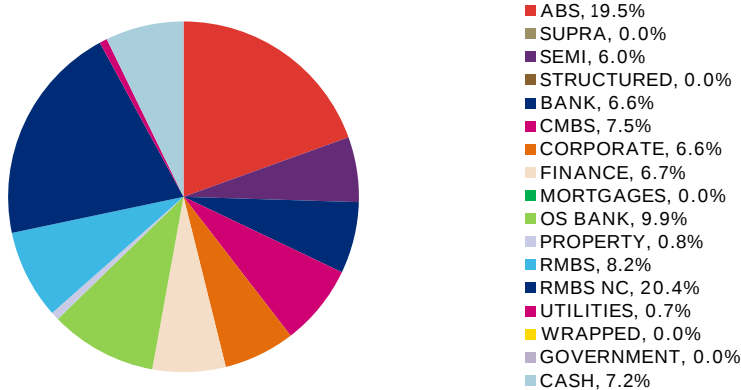
POINTS OF INTEREST

- Financial markets strengthen on US Fed Cut and Resilient economic print;
- RBA cash rate unchanged; Inflation data higher than expected;
- Credit Spreads narrow marginally;
- New issuance volumes elevated;
- The credit outlook improves to neutral.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	31.80%
Subordinated Debt	60.75%
Hybrid Debt	7.45%
Modified Duration	0.48
Running Yield [#]	4.93%
Portfolio Weighted Average Life	3.45 yrs
No. Securities	122

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

MARKET COMMENTARY

Risk assets including credit and equities strengthened globally over the month, supported by the US Federal reserve's first rate cut since 2024. Resilient US economic print was contrasted with sticky inflation – most notably in the UK and Australia.

The RBA remained on hold in September, reflecting the uncertain economic outlook and intransigent inflation. Bond yields rose and the curve flattened with 2-year yields selling off, reflecting changing market expectations around near-term rate cuts in the wake of a stronger-than-expected monthly CPI indicator. Earlier in the month, domestic yields rallied in line with US yields on anticipation of Fed easing. Bond markets remain sensitive to growth and inflation expectations and yield volatility reflects the uncertain path of monetary policy both in Australia and the US.

Credit spreads narrowed over the month, continuing to grind toward historic lows despite trading in a relatively tight range. The persistent strength in credit markets since April reflects healthy technical support, continued investor demand for yield and increasing debt serviceability as rates decline. Spread contraction was broad based with banks, non-bank financials, non-financial corporates and utilities all narrowing. Government adjacent sector trailed with supra-nationals and semi-government spreads contracting only marginally.

Primary market issuance was orderly and continued to meet robust demand. Primary market issuance was led by domestic banks and kangaroo issuers. Foreign banks were active with Royal Bank of Canada (\$1.5B), Toronto Dominion (\$650) and Kiwibank (\$550B) pricing senior bonds while UBS group (\$1.25B) issued an additional tier 1 hybrid. The UBS deal was notable given both the rarity of kangaroo bank hybrids and the changing regulatory environment for local banks with APRA ending the domestic bank AT1 markets over the coming years. Among non-financial corporates, Caterpillar Financial (\$400M), AGI Finance (\$400M), AGL Energy (\$500M), Lonsdale Finance – Port of Melbourne (\$400M) and Air New Zealand (\$300M) all came to market.

PORTFOLIO COMMENTARY

Income return remained a key contributing factor to performance over the period. Despite the conservative positioning and elevated cash allocation the Fund retains a yield premium above benchmark, 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 1.3%.

Credit spread contraction was the key contributing factor to relative performance over the month as spreads continued to grind tighter. USD and EUR denominated offshore bank bonds alongside USD denominated subordinated bonds from Macquarie and National Australia bank performed well. Allocation to Banco Santander AT1 Hybrid paper was rewarded, benefitting from positive sentiment surrounding a ratings upgrade for Spain from all three major ratings agencies during the month. Meanwhile, the Manager's decision to reduce French bank exposures over recent periods following political instability proved prescient after Fitch downgraded France's credit rating from AA- to A+ during the month (with Moody's and S&P expected to follow in the coming months). In a month where spreads contracted, the Fund's allocation to a short CDS position detracted from performance.

The Fund maintained its relatively conservative positioning throughout September with a sizeable cash allocation and credit protection. This represents the culmination of a significant derisking over recent months, reflecting a challenging outlook – notwithstanding the recent improvement to neutral – and indicators of liquidity stress including the rising US LIBOR Option interpolated spread. The Manager elected to reduce offshore bank exposures, locking in profit on a number of subordinated positions. Capital was redeployed into ABS and triple A rated tranches of new RMBS deals, contributing to a more conservative credit risk profile by month end. The Fund also took the opportunity to monetize new issue concessions taking profit early on the new Additional tier 1 hybrid issue from UBS.

The Manager also elected to trim semi-government bond exposures, and actively traded government bonds throughout the month. Government and semi government allocations continue to contribute to the Fund's running yield while helping to manage liquidity risks. At month end the Fund held approximately half a year of interest rate duration across bonds and government bond futures, which was constructive for performance over the month.

The outlook improved marginally over the month but remains finely balanced. The Manager continues to carefully manage credit and liquidity risks. The Fund retains a substantial cash allocation providing ample dry powder to take advantage of relative value opportunities and attractively priced issues as the outlook improves.

OUTLOOK

The credit outlook returned to a neutral reading, improving towards the end of September.

Valuation indicators improved over the month while remaining marginally negative. Primary market issuance volumes remain strong, led by offshore borrowers however recent opportunistic issuance among domestic issuers has normalised. While US and domestic spreads are finely balanced, swap to bond spreads remain in negative territory, weighing on the outlook.

The macroeconomic outlook remains marginally negative. Soft global growth expectations continue to weigh slightly 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, with continued elevated volumes meeting demand and pricing near fair value.

Technical indicators remain strongly positive reflecting supportive US credit, equity and equity volatility indicators. Cash balances among real money accounts normalised while intermediary positioning continues to exhibit 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

Investor Services 1800 022 033

Email PerpetualUTqueries@cm.mpms.mufig.com

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