

Perpetual Pure Series Funds

PERPETUAL PURE CREDIT ALPHA FUND CLASS W

January 2024

FUND FACTS

Investment objective: The Fund aims to provide investors with a positive return above the cash rate over rolling three-year periods (before fees and taxes) by primarily investing in and actively trading fixed income securities and related derivatives.

Benchmark: RBA Cash Rate
Inception date: March 2012
Size of fund: \$424.7 million as at 31 December 2023
Mgmt Fee: 1.00% pa*
Benchmark Yield: 4.320% as at 31 January 2024
Suggested minimum investment period: Three years or longer

FUND BENEFITS

Perpetual aims to meet its objective by utilising an active and risk aware investment process that leverages the full use of the Perpetual Credit team's experience. The strategy allows the team discretion to invest in areas of the market or a company's capital structure where they see relative value. The portfolio is diversified, takes into account changes in market-wide and security-specific credit margins while seeking to maximise returns from liquidity premiums.

FUND RISKS

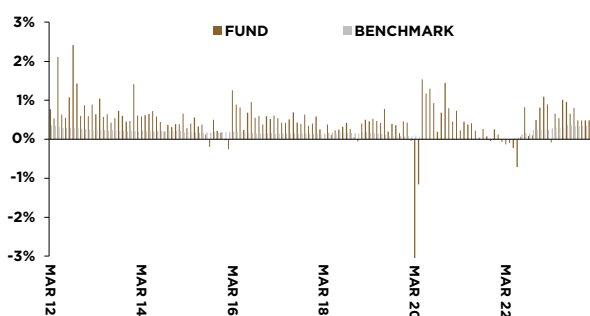
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

TOTAL RETURNS % (AFTER FEES) AS AT 31 January 2024

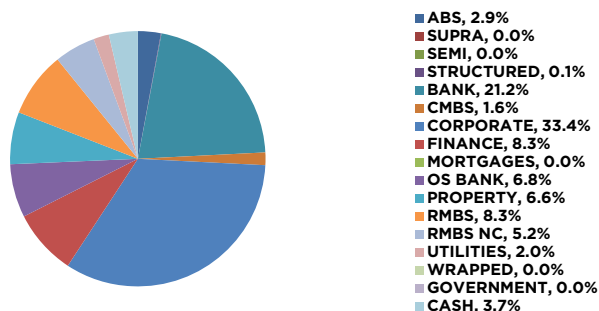
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Pure Credit Alpha Fund W Class	0.56	2.41	4.42	8.65	5.39	4.65	4.29	4.32	5.65
RBA Cash Rate	0.37	1.10	2.15	4.06	2.80	1.89	1.41	1.44	1.88

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.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	49.92%
Subordinated Debt	40.76%
Hybrid Debt	9.32%
% Geared	0.00%
Running Yield [#]	7.00%
Portfolio Weighted Average Life	3.00 yrs
No. Securities	162
Long	96.41
Short	-0.01
Net	96.40

GEOGRAPHIC LOCATION OF MATERIAL ASSETS

The Fund holds no single international asset representing more than 10% of the Fund's net asset value.

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

MARKET COMMENTARY

Financial markets remained buoyant throughout January, consolidating on a strong finish to 2023 for credit, bonds and equities. The easing macroeconomic outlook, the substantial repricing of US monetary policy expectations and the subsequent fall in discount rate has fuelled the robust rally in risk assets. Equity markets continued to rally with the recent fall in bond yields contributing to strong outperformance for higher duration cyclical growth sectors.

Domestic credit spreads were placid following a strong rally in the fourth quarter of 2023. Corporate spreads outperformed financials, bucking the recent trend which has seen sustained outperformance of financial spreads, led by domestic and offshore banks. Offshore spreads continued to rally with Euro denominated credit performing notably well.

Domestic bond yields were subdued in January. The yield curve steepened slightly as 10-year yields rose marginally to be back above 4% by month end. Global long term yields also saw rises most notably the UK where 10-year yield lifted 36bps. Most global yield curves remain inverted despite the easing recession concerns.

Primary markets were active during January – counter to the typical seasonal trend – with a number of financial issuers taking advantage of robust demand. Westpac and ANZ raised \$5.1B and \$5B respectively, of senior paper. Tier-two issuance was also robust with ANZ (\$2.285B) and NAB (\$1.75B) coming to market with subordinated deals.

PORTFOLIO COMMENTARY

The Fund continued to collect running income well in excess of the RBA cash rate. Income return was broad based, with robust contributions from non-financial corporates, financials and securitised sectors. The Fund's running yield was 7.0% at month end, with the spread measured at 2.9%.

Credit spread dynamics were constructive for performance during a month where spreads consolidated following an extended rally. The Fund's allocation to domestic banks, real estate and non-financial corporates performed well, contributing to credit spread return. Offshore spreads continued to rally and the Fund's USD denominated exposure to Macquarie and NAB subordinated bonds were notable contributors. Note that all foreign currency exposures are hedged back to Australian Dollars.

Sector and risk allocations were actively managed during January. The Manager elected to increase the allocation to domestic banks, by taking part in new benchmark deals from Westpac and ANZ.

Despite the easing macroeconomic outlook and improved lending conditions, the outlook for credit remains delicately poised. Investors continue to face an uncertain economic and interest rate outlook, along with ongoing risks associated with slow earnings growth and the potential for rising default rates. The Manager maintains that the key to investing in credit and fixed income assets is constructing – and actively managing – a well-diversified portfolio of quality assets. This includes undertaking in-depth credit research to identify quality issuers that have a good balance sheet, predictable cash flows, quality capable management, and are offering attractive yields.

OUTLOOK

The credit outlook remained unchanged in January before improving to neutral in the first week of February.

Valuation indicators remained marginally negative throughout January. US High Yield spreads are tight relative to recent levels, detracting from the outlook. Domestic swap spreads have widened from their recent lows and are now neutral.

Robust economic print and improving lending conditions have reduced the negative impact of macro indicators. The Fed's Senior Loan Officer's survey showed improving financial conditions while the resilient US economy and better-than-expected inflation data eased the pressure on the outlook for spreads.

Market demand has improved providing a tailwind for the credit, increasing the supply and demand outlook to neutral. Above seasonal trend issuance volumes over recent months continue to weigh on the outlook although market demand is healthy reflected in oversubscribed primary market deals and robust secondary market liquidity.

Technical indicators remained positive in January with US credit, equity and equity volatility all positive. Cash levels among real money accounts and intermediary positioning are neutral.

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Past performance is not indicative of future performance.
** UBS Australian Bond Index changed to Bloomberg AusBond Bank Bill Index effective 26 September 2014

MORE INFORMATION

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