Perpetual Pure Series Funds

PERPETUAL PURE CREDIT ALPHA FUND CLASS W

February 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 29 February 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

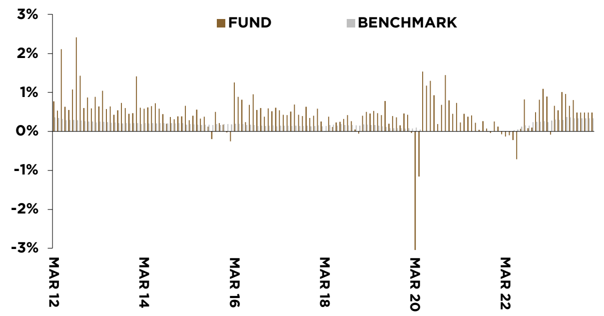
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether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

TOTAL RETURNS % (AFTER FEES) AS AT 29 February 2024

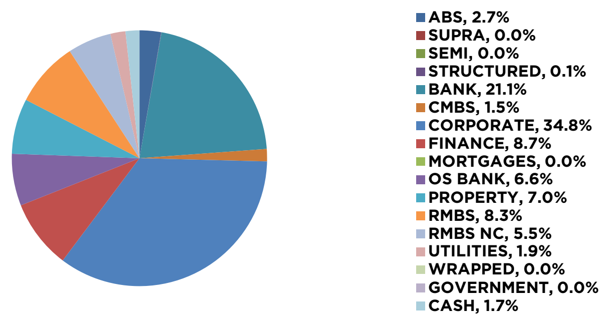
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Pure Credit Alpha Fund W Class	0.86	2.43	4.62	8.61	5.88	4.70	4.37	4.36	5.69
RBA Cash Rate	0.35	1.09	2.15	4.16	2.97	2.00	1.45	1.47	1.90

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	49.67%
Subordinated Debt	41.21%
Hybrid Debt	9.12%
% Geared	0.00%
Running Yield#	6.98%
Portfolio Weighted Average Life	3.14 yrs
No. Securities	175
Long	98.42
Short	-0.01
Net	98.41

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

February saw a typical 'risk-on' month with fixed rate bonds down and stocks up. Bonds were in the red on the back of pushed out & reduced rate cut expectations while stocks paid little attention. Stronger than expected US economic and inflation data pulled back expectations around the timing and scale of rate cuts resulting in rising bond yields over the month. US reported earnings, particularly from NVDA, helped keep the AI theme running propping up the overall equity market.

Domestic credit spreads participated in the global rally and tightened slightly in February, as the short end outperformed. Corporate spreads kept pace with 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 rose in February, in line with most global bond markets. Australian 10-year Government bond yields rose 12bps up to 4.14% while US 10-Year Treasury yields rose 30bps, back above 4% to close at 4.24%. UK and German government bonds were the global underperformers. Domestically, semi-government bonds underperformed Commonwealth government bonds.

Primary markets were active in February with issuers & arrangers back in full swing for the year. Kicking off the month, NAB came to market with dual-tranche tier-two $1.75bn deal met with strong demand. Corporates also saw a healthy bid as Melbourne Airport raised €650m in a 10-year deal and Telstra raised $1.2bn AUD in a dual-tranche transaction with strong investor demand, particularly in the 10 year tranche.

PORTFOLIO COMMENTARY

The Fund's yield premium above the RBA cash rate remains a key contributing factor to outperformance. During February, allocation to non-financial corporates, domestic banks and RMBS remained the key contributing sectors. The Fund's running yield was 7.0% at month end, with the spread measured at 2.8%.

Credit spread dynamics contributed strongly to performance during the month. The Fund's exposure to non-financial corporates and RMBS were the most substantial contributors to spread performance. RMBS exposures benefitted from repricing of the RMBS curve tighter as new deals came to market.

The Manager was active in primary markets as volumes were robust across corporate, financial and securitised sectors. The Fund allocated to new deals from Volkswagen Financial Services, National Australia Bank and ASX limited. The Fund's non-financial corporate exposure was added to via new deals from Telstra, Perth Airport and a syndicated loan issued by AVC.

AVC is an Australian based pub operator with a portfolio of predominantly inner-city venues. Aspects of the deal the Manager considered favourable included the attractive margins as a result as of scale, and growth opportunities both via acquisition and realisation of synergies. AVC is in a good market position given the several barriers to entry including government approvals and site availability that apply for the hospitality industry. Finally, The Manager finds the loan to have an attractive legal structure with sound protections and conservative leverage.

Despite the easing macroeconomic outlook and improved lending conditions, the outlook for credit remains delicately poised. The portfolio remains defensively positioned, retaining the capacity to take advantage of relative value opportunities as they arise.

OUTLOOK

The credit outlook improved to neutral in the first week of February before it was unchanged for the remainder of the month.

Valuation indicators remained marginally negative throughout February. 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. Secondary market equity raises show the markets are open, with equity raises executed with limited discounts. The Fed's Senior Loan Officer's survey released in February showed improving financial conditions while the resilient US economy eased the pressure on the outlook for spreads.

Market demand has improved providing a tailwind for credit, increasing the supply and demand outlook to neutral. High issuance volumes over recent months were met with robust market demand reflected in oversubscribed primary market deals and robust secondary market liquidity. However, while demand appears strong, the market is beginning to become a bit saturated with investors increasingly funding primary market purchases out of secondary market sales.

Technical indicators remained positive in February with US credit and equity both positive, however, our equity volatility signal flipped from positive to neutral. Cash levels among real money accounts and intermediary positioning are neutral.

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

MORE INFORMATION

Adviser Services 1800 062 725
Investor Services 1800 022 033
Email investments@perpetual.com.au
www.perpetual.com.au

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