

PERPETUAL ACTIVE FIXED INTEREST FUND CLASS A

February 2024



FUND FACTS

Investment objective: Aims to provide investors with regular income by investing in a portfolio of diversified fixed income securities which are predominantly corporate and government bonds; and outperform the Bloomberg AusBond Composite 0+Yr Index (before fees and taxes) over rolling three-year periods.

Benchmark: Bloomberg Ausbond Composite Index
Inception date: February 2017
Size of Strategy: \$384.0 million as at 31 December 2023
APIR: PER8045AU
Management fee: 0.40%*
Suggested minimum investment period: Three years or longer

FUND BENEFITS

Active management of credit risk through sector and sub sector rotation, curve positioning and relative value trading. Strategically maintain duration at benchmark, tactical overlay at extremes.

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

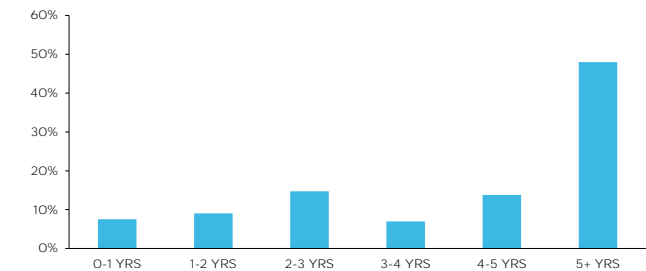
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Wholesale Active Fixed Interest Fund Class A ^{1,3}	-0.11	3.11	2.95	5.01	-0.91	-1.05	0.79	1.92	1.97
Perpetual Wholesale Active Fixed Interest Fund Class W ^{2,3}	-	-	-	-	-	-	-	-	4.71
Bloomberg Ausbond Composite Index	-0.30	2.59	2.11	3.51	-1.55	-1.40	0.31	1.49	-

¹ Class A of the Perpetual Active Fixed Interest Fund (Fund) has been operating since February 2017. This row represents the actual past performance of Class A of the Fund.
² To give a longer term view of the performance of the Fund, the returns for Class W, which has been operating since July 2004, are shown. Class W has identical investments to Class A. We have adjusted the return of Class W to reflect the fee applicable to Class A (a 0.45% Management Fee). This has been calculated by subtracting the fees for Class A from the actual gross past performance for Class W.
³ Past performance is not indicative of future performance.

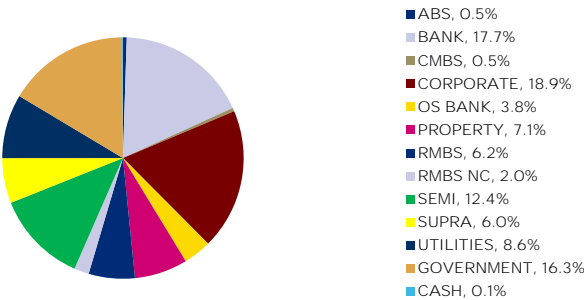
POINTS OF INTEREST

- US PCE stubborn; bond yields push higher;
- Domestic spreads rally; alongside their global counterparts;
- Primary markets back in full swing; demand robust;
- The outlook for credit remains to neutral.

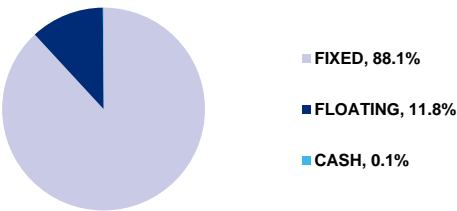
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	87.25%
Subordinated Debt	11.76%
Hybrid Debt	0.99%
Running Yield*	4.19%
Portfolio Weighted Average Life (yrs)	5.86
No. Securities	153
Modified Duration	4.80

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

*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.

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 income premium above benchmark was constructive for relative return over the month. The Fund maintains a yield advantage above benchmark, led by overweight allocations to non-financial corporates, Banks and Real Estate alongside off benchmark exposure to securitised sectors. The portfolio running yield at month end was 4.2% with the spread measured at 1.0%.

Duration positioning was the key contributing factor to outperformance over the month. Bond yields rose along the curve and the Fund's shorter than benchmark duration contributed. The Fund retains a slightly short of benchmark duration. The Manager is cognisant of the level and tenor of duration risk within the benchmark. The Fund's reduced interest rate sensitivity mitigates the impact of bond yield volatility as markets anticipate the path of monetary policy and the Manager will continue to look for active duration opportunities along the curve.

Credit spreads narrowed through February, extending their recent rally. The Fund's overweight allocation to credit alongside security selection contributed to outperformance. Off benchmark exposure to securitised assets benefitted from RMBS spreads repricing as a result of new deals meeting strong primary market demand.

The Manager was active in primary and secondary markets during the month, rotating issuer exposures while keeping sector and risk allocations broadly consistent. Deals the Fund took part in during February included the new deal from Telstra late in February and the fixed rate note issued by Cooperative Rabobank.

The outlook for credit is improving however the Manager remains cognisant of the challenging macro environment and the risks associated with tighter lending conditions. The Fund is defensively positioned, and the manager remains focused on identifying relative value opportunities presented as the outlook improves.

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.

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