

PERPETUAL ACTIVE FIXED INTEREST FUND CLASS A

January 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 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 Wholesale Active Fixed Interest Fund Class A ^{1,3}	0.28	6.32	3.98	4.05	-1.50	-2.10	1.02	1.98	2.01
Perpetual Wholesale Active Fixed Interest Fund Class W ^{2,3}	-	-	-	-	-	-	-	-	4.73
Bloomberg Ausbond Composite Index	0.21	5.96	3.17	2.45	-2.00	-2.49	0.56	1.56	-

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.

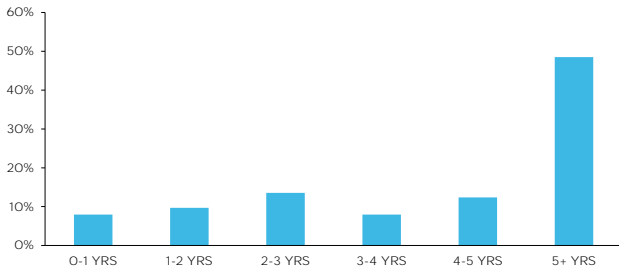
² To give a longer term view of the performance of the Fund, the returns for Class W, which has been operating since July 2004, are shown. Class W has identical investments to Class A. We have adjusted the return of Class W to reflect the fee applicable to Class A (a 0.45% Management Fee). This has been 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.

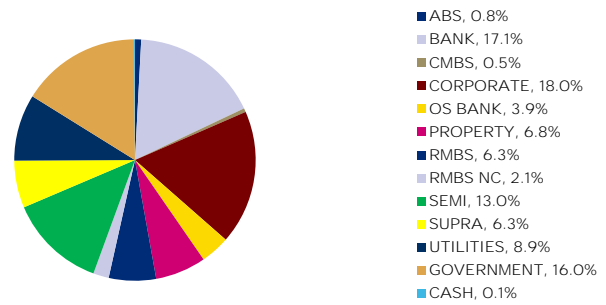
POINTS OF INTEREST

- Bond yields consolidate, domestic yield curve steepens;
- Domestic spreads rangebound; USD and EUR spreads tighten;
- Primary market unseasonably busy; demand robust;
- The outlook for credit improves to neutral.

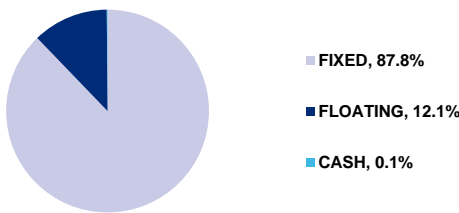
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	86.85%
Subordinated Debt	12.13%
Hybrid Debt	1.02%
Running Yield*	4.09%
Portfolio Weighted Average Life (yrs)	5.94
No. Securities	148
Modified Duration	4.85

* 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

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'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 4.1% with the spread measured at 1.1%.

Interest rate dynamics detracted from outperformance during the period. The Fund's underweight exposure to shorter dated bonds (1-5 years) detracted as the yield curve steepened. The fund remains very marginally short of benchmark duration with slightly overweight exposure to long-term yields, balanced by its small allocation to floating rate securitised assets.

Credit spread tightening was the most substantial contributing factor to out performance during the month. Overweight allocation to credit across banks, real estate, non-financial corporates, and utilities all contributed to relative return. This was further amplified by security selection within REITs and utilities.

Sector allocations were broadly maintained over the month with the manager electing to marginally increase domestic bank exposure while trimming non-financial corporates. The Fund took part in the new deal from Banco Santander during January taking the opportunity to rotate issuer allocations within the offshore bank sector.

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 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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