Perpetual Private

IMPLEMENTED FIXED INCOME PORTFOLIO

Fund Profile – 31 March 2024

FUND FACTS

APIR code	PER0710AU
Inception Date	9 December 2013
Asset class	Diversified Fixed Income
Investment style	Multi Manager Blend
Benchmark	Fixed Income Composite Benchmark
Suggested length of investment	3 years or more
Unit pricing frequency	Daily
Distribution frequency	Quarterly
Legal type	Unit Trust
Product type	Wholesale Managed Investment Scheme
Status	Open
Management Fee* (%)	0.47%
Buy/Sell spread	0.20% / 0.00% as at February 2023
Issuer	Perpetual Investment Management Limited

*Additional fees and costs generally apply. Please refer to the Product Disclosure Statement for further details.

INVESTMENT OBJECTIVE

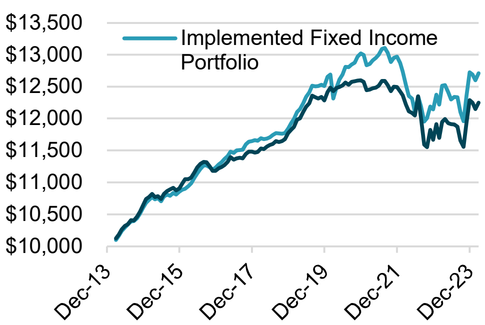
To provide investors with income through investment in a diversified portfolio of fixed income and floating rate investments (including mortgages). To outperform the stated benchmark over rolling three-year periods.

BENEFITS

Provides investors with the potential for maximising income and capital stability, with broad market exposure.

GROWTH OF $10,000 SINCE INCEPTION (NET OF FEES)

As at March 2024



Source: State Street.

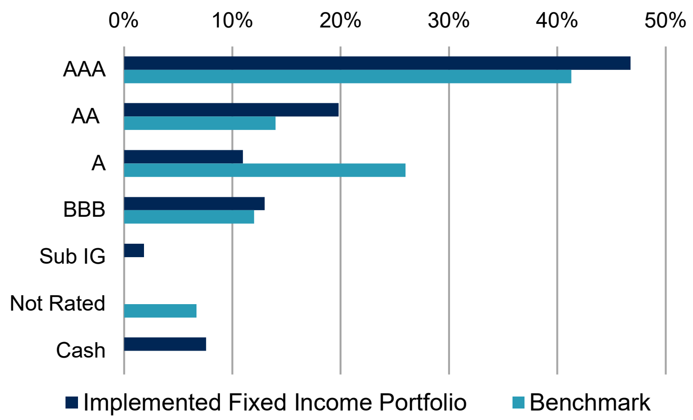
NET PERFORMANCE

As at March 2024

RETURNS	1MTH	3MTH	1YR	3YR	5YR	S/I*
Total return	0.8%	-0.1%	1.6%	-0.4%	1.0%	2.4%
Growth return	0.8%	-0.1%	1.6%	-2.2%	-1.2%	-0.2%
Distribution return	0.0%	0.0%	0.0%	1.8%	2.1%	2.6%
Benchmark	0.8%	-0.3%	2.5%	-0.6%	0.4%	2.1%
Excess Return	0.0%	0.2%	-1.0%	0.2%	0.5%	0.4%

Source: State Street. Past performance is not indicative of future performance.
*Since Inception

RATINGS BREAKDOWN

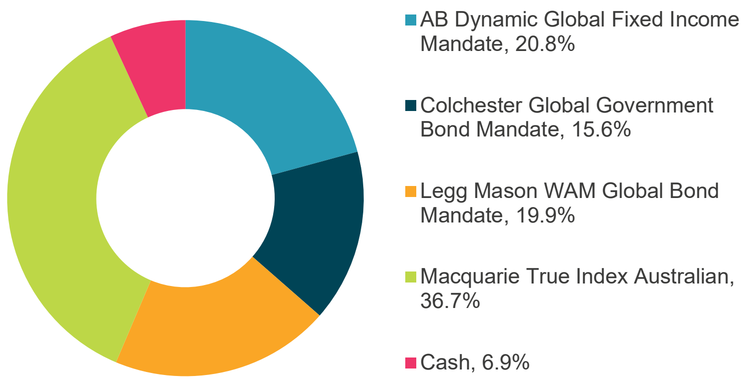


As at 31 March 2024^

Source: State Street, External Manager Reports.
^Portfolio exposures can be lagged by up to 3 months.

PORTFOLIO EXPOSURE BY MANAGER

As at March 2024



Source: State Street.

#The Fixed Income Composite benchmark, prior to 30th June 2022, consisted of 60% Bloomberg AusBond Bank Bill Index, 20% Bloomberg AusBond Composite Index & 20% Bloomberg Barclays Global Aggregate (AUD Hedged); effective from 30th June 22, it changed to 100% Bloomberg Global Aggregate Index (AUD Hedged)

INVESTMENT APPROACH

A multi-manager framework is utilised, where specialist investment managers are selected to form a diverse and complementary mix of investment strategies and styles. This can help reduce volatility by avoiding over exposure to a particular specialist investment manager. Derivatives may be used in managing the portfolio.

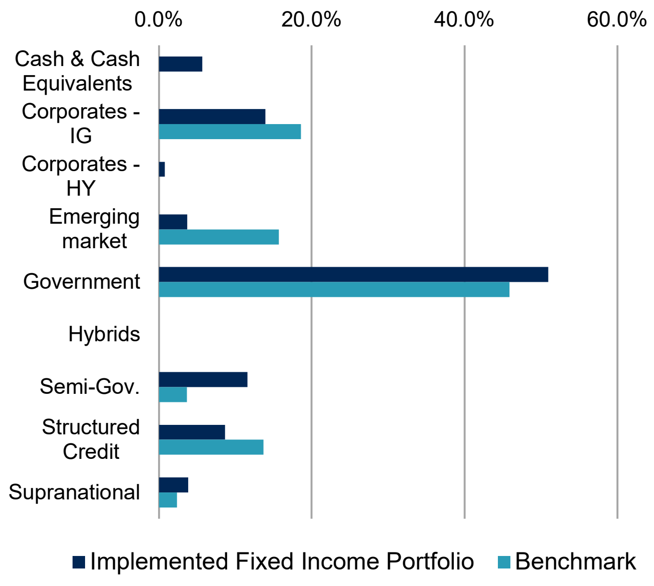
INVESTMENT STRATEGY

The Implemented Fixed Income Portfolio invests in both Australian and International fixed interest markets, as well as diversified credit markets.

The managers within the Implemented Fixed Income Portfolio will invest across the broad spectrum of available debt instruments diversified by industry, maturity and credit rating (the majority of which will be investment grade as assigned by a recognised global ratings agency). Their portfolios tend to be diversified across hundreds of positions both in physical securities and through the use of derivatives. The diversified nature of their portfolios aims for the delivery of consistent returns above their designated benchmarks and acts to mitigate a large negative portfolio impact from any single position that may underperform from time to time.

The Implemented Fixed Income Portfolio blends a small group of managers that construct well diversified portfolios, who have a long-term and consistent track record, are expected to continue to deliver on this track record, and whose investment styles complement each other well. Consistency and complimentary of return profiles are of critical importance such that we can comfortably blend managers to deliver consistent and stable outperformance above the benchmark.

SECTOR EXPOSURES



As at 31 March 2024^

Source: State Street, External Manager Reports

^Portfolio exposures can be lagged by up to 3 months.

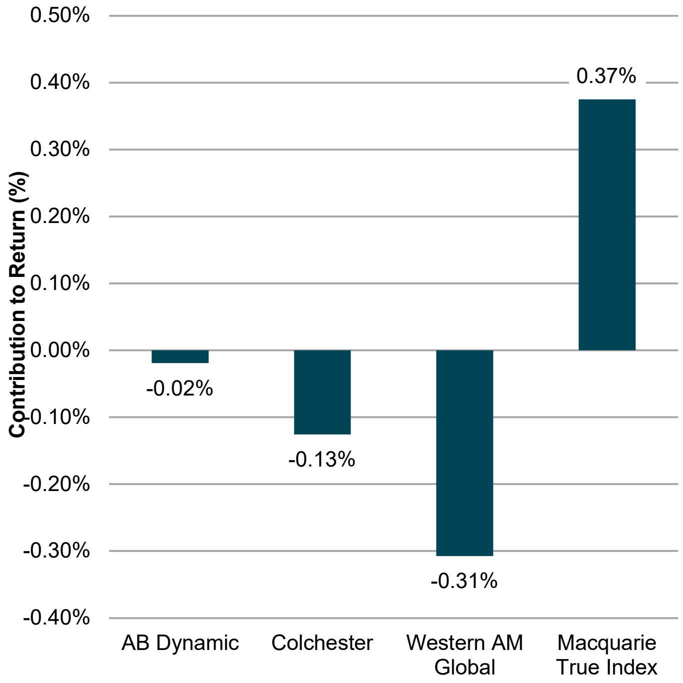
MANAGER LINE-UP AND APPROACH

As at March 2024

MANAGER	APPROACH
AB Dynamic Global Fixed Income Mandate	Global Rates and Sector Rotation, Relative Value.
Colchester Global Government Bond Mandate	Global Rates, Real Return.
Western Asset Management Global Bond Mandate	Global Rates and Sector Rotation, Macro.
Macquarie True Index Australian Fixed Interest	Australian passive cored fixed income and True indexing fund.

CONTRIBUTION BY MANAGER

As at March 2024



MARKET COMMENTARY

The domestic monetary landscape continues to be driven by a concerted focus on preventing an inflation expectations feedback loop. Additionally, a strong labour market has increased the primacy of the Reserve Bank of Australia's (RBA) inflation targeting mandate. Over the quarter, indicators of inflation broadly came in in-line with the RBA's expectations. As such, the Australian yield curve was relatively stable over the period, with Australian 10-year bond yields increasing a meagre 0.011%.

During the three months, the Bloomberg AusBond Composite 0+ Year index returned 1.1%, a figure almost entirely accrued to income. Meanwhile, the AusBond Credit 0+ Year index returned 1.4% with some benefit from a tightening of credit spreads (a reflection on a growing belief in an economic soft landing), though also enjoyed returns primarily driven by income accrual.

Considering the delicate balance present in RBA's monetary policy decisions, the Board reflected in its statement on its March Monetary Policy Decision that "While recent data indicate that inflation is easing, it remains high. The Board expects that it will be some time yet before inflation is sustainably in the target range. The path of interest rates that will best ensure that inflation returns to target in a reasonable timeframe remains uncertain and the Board is not ruling anything in or out."

Casting our attention internationally, the situation is somewhat more nuanced, with certain economies displaying robust resilience in economic terms whilst others, particularly in the UK and Europe, experiencing more imminent indications of economic softness. Indeed, with Europe arguably closer to interest rate cuts than many other regions it is notable to observe that the European 10-year bond yield increased 0.295% in the quarter as the European Central Bank (ECB) surprised the market with continued data dependency. Indeed, in a speech made in March by ECB Board member Piero Cipollone, he noted "If incoming data confirm the scenario foreseen in the March projections, we should stand ready to swiftly dial back our restrictive monetary policy stance. Increased confidence in a timely return of inflation to our target should then allow forward-looking information to regain prominence in our reaction function".

Despite the different underlying economic conditions, the clear delay to imminent cuts across major regions had the effect of pushing global yields higher, driving the Bloomberg Global Aggregate down by 0.3% over the period.

PORTFOLIO COMMENTARY

The Implemented Fixed Income Portfolio marginally outperformed its benchmark over the March 2024 quarter by 0.1%. An overweight to Australian Fixed Interest contributed excess returns, while manager performance has detracted.

Macquarie True Index Australian Fixed Index Fund returned 1.0% during the quarter, in line with the Bloomberg AusBond Composite 0+ Year Index. Australian government bond yields were steady over the period as the market re-adjusted their inflation and interest rate expectations. Australian fixed interest outperformed global fixed interest, contributing to the performance of the implemented portfolios over the period.

Legg Mason Western Asset Global Bond Mandate underperformed its benchmark for the period, with the portfolio returning -1.5% versus the Bloomberg Global Aggregate Bond Index (hedged AUD) return of -0.31%. Overweight duration in US, UK and Core Europe detracted from the total return outcome while underweight Japanese duration contributed. The portfolio maintained it overweight US and UK duration from the previous quarter which contributed strongly to relative returns. Allocation to inflation linked bonds and an overweight in investment grade credit contributed to returns.

Colchester Global Government Bond Mandate returned -0.8% for the period, underperforming the Bloomberg Global Treasury Index Hedged to AUD which returned -0.3%. Overweight position in Mexico and New Zealand; and underweight position in China detracted from relative returns. While from a currency standpoint, short positions in USD and Euros detracted.

Alliance Bernstein Global Plus Mandate outperformed global markets, returning -0.1% for the period versus the Bloomberg Global Aggregate Bond Index (hedged AUD) return of -0.3%. Portfolio outperformance was driven by a combination of positioning in investment grade credit and asset backed securities which continued to outperform rate sensitive government bonds. Tactical trading across government bond curves added value over the quarter as central bank uncertainty resulted in material levels of market volatility.

OUTLOOK

When reflecting on the last quarter of 2023, we highlighted a continued market sensitivity to central bank policy actions with an expectation that inflationary pressures are likely to persist. So far, that outlook has proven consistent with what we have seen in early 2024.

Discussions with fixed income investment managers highlight a substantial divergence in market views which can be generalised into two groups.

1. Asset managers who believe interest rate cuts are imminent as market shifts back to the low inflation, low interest rate environment experienced post financial crisis.
2. Asset managers who believe structural market changes mean interest rates are likely to stay higher for longer.

Our outlook remains more aligned with the latter, but we would also add that central bankers are adaptive by nature and are unlikely to make the same policy mistakes as has been experienced in the past. As it relates to credit, we would summarise the managers outlook as cautiously optimistic. Our comments reflect observed portfolio positioning where investment managers have continued to maintain a marginal overweight to credit but have also bought downside protection hedges in the form of credit default swaps.

The beginning of 2024 saw the return of investment confidence supported by more benign economic conditions. Australian and US government bond yield curves imply an expectation of interest rate cuts over the next 2 to 3 years; but this has begun to shift over the quarter as inflation proved stickier than expected. We continue to expect inflation levels to stay close to the higher end of central bank target range at approximately 3%, and this will in turn will likely see central banking committees hold off any interest rate cuts over the short-term.

Policy rates have generally remained steady in the last 2 quarters (with the exception of RBA raising rates in Nov 2023) and companies have adjusted to the higher interest rate environment. We have seen rationalisation of the labour force which has supported corporate earnings growth despite higher debt payments. For Investment Grade markets this has been received positively and has led to a compression in corporate spreads. Additionally, there has been strong demand for Investment Grade credit by investors seeking yield. For some cohorts (primarily insurance and defined contribution pension schemes), the high absolute level of yield provides a strong incentive to increase exposure in the segment, irrespective of tighter spreads. This is different in the lower rated non-investment grade market where default rates have ticked higher. The marginal increase in credit defaults is happening primarily in the B/CCC rated part of the universe leading to spread widening. We continue to keep our risk budget relatively low, leaning into exposures with shorter maturities.

PERPETUAL PRIVATE

Phone 1800 631 381
Email perpetualprivate@perpetual.com.au