Perpetual Investment Funds

PERPETUAL HIGH GRADE FLOATING RATE FUND

For Institutional Investors

May 2025

FUND FACTS

Investment objective: Aims to provide investors with regular income by investing in deposits, money market and fixed income securities, and outperform the Bloomberg AusBond Bank Bill Index on an ongoing basis before fees and taxes.

Benchmark:	Bloomberg AusBond Bank Bill Index
Inception date:	October 2001
Size of class:	$25.6 million as at 31 March 2025
Size of fund:	$218.7 million as at 31 March 2025**
APIR:	PER0265AU
Mgmt Fee:	0.226% pa*
Benchmark Yield:	3.756% as at 31 May 2025

Suggested minimum investment period: One year or longer

FUND BENEFITS

Provides investors with the potential for regular income, above cash returns and lower volatility than other income strategies through an actively managed and liquid investment.

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 May 2025

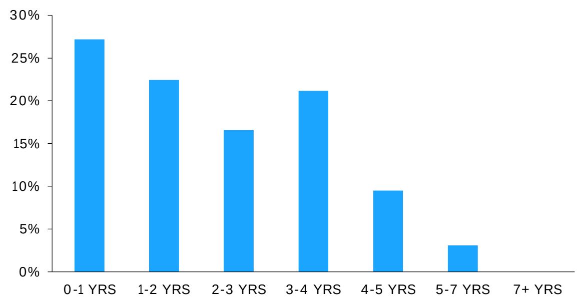
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund	0.66	1.15	2.56	5.58	6.14	5.33	3.63	3.25	4.40
Bloomberg AusBond Bank Bill Index	0.34	1.05	2.16	4.42	4.37	3.79	2.28	2.05	3.63

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

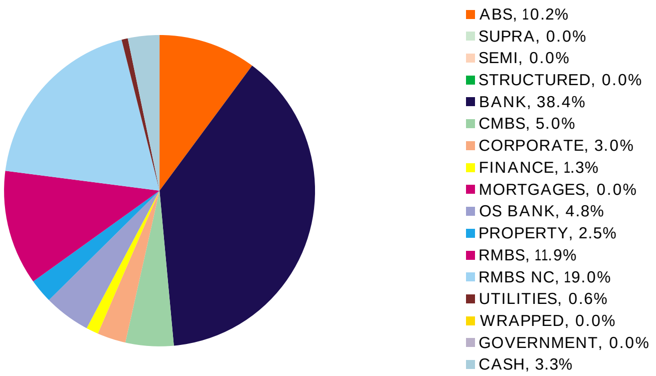
POINTS OF INTEREST

•Financial markets continue to recover from 'Liberation Day' volatility;
•Domestic credit spreads rally;
•Long term yields rise, curve steepens.
•RBA cuts cash rate 26 bps, considered 50bps cut;
•Primary market resurgent among corporates and banks;
•The credit outlook remains negative.

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	81.80%
Subordinated Debt	18.20%
Hybrid Debt	0.00%
Running Yield#	5.01%
Portfolio Weighted Average Life	2.24 yrs
Modified Duration	0.04
No. Securities	135

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

**The total size of the Fund includes all unit classes of the Fund. This includes a retail class.

MARKET COMMENTARY

Risk assets continued to recover from April volatility with equities and credit rallying as concerns around US trade policy eased. Tailwinds included the US and China's agreement to pause reciprocal tariffs for 90 days, robust first quarter earnings and the Trump administration's expansionary budget bill passing the House of Representatives. While equities and credit stabilised, sovereign bond yields rose reflecting fiscal concerns in the US.

The RBA reduced the target cash rate 25bps to 3.85% in mid-May, the second of this easing cycle. Commentary was increasingly doveish with discussion of a 50bps cut was well received by financial markets, contributing the rally in longer duration sectors including technology. Governor Bullock confirmed that "The Board considered a severe downside scenario and noted that monetary policy is well placed to respond decisively to international developments." 10-year yields on Australian government bonds rose 16 bps to 4.27% over the month, mirroring global trends while also reflecting expectations of fiscal expansion in the wake of Labour victory in the Federal Election. US long term government bond yields sold off, as concerns around the fiscal deficit intensified and Moody's lowered the US government's long term issuer rating.

Domestic credit spreads rallied strongly in May, following widening in March and April. The iTraxx Australia 5-year CDS spread rallied 16bps to 76bps and physical spreads also ended the month tighter. Banks – led by regional and offshore names – performed well with higher beta subordinated and hybrid issues rallying back strongly.

Following a very quiet April, impacted by financial market volatility and holiday shortened weeks, primary market issuance resumed with a busy start to the month. Corporate deals from Worley ($400M) and Aurizon ($500M) priced after being put on hold in April as volatility spiked. Aurizon's hybrid deal met robust demand, building a book more than four times deal volume and tightened on the break. Major banks were active following reporting season with NAB ($2.5B) and ANZ ($1.4B) issuing senior bonds. A number of subordinated deals also priced including Westpac ($1.5B), Macquarie ($1.25B) and QBE Insurance Group ($600M).

PORTFOLIO COMMENTARY

Income return continued to contribute to relative performance over the month. The Fund's yield premium above benchmark remains primarily attributable to allocation to domestic banks and RMBS. The portfolio running yield at month end was 5.0%, with the average credit spread measured at 1.0%.

Credit spread contraction was the most significant contributor to outperformance during the month. Credit spreads rallied strongly, normalising after widening sharpening during April. The Fund's allocation to financials – most notably senior offshore bank paper – was the key contributing factor. Securitised and non-financial corporate sectors also benefitted from spread tightening.

The Fund's sector allocation was selectively rotated. The Manager elected to add REIT, Insurance and domestic bank exposures, while trimming allocation to offshore banks.

While conditions improved over the month, the outlook remains challenging and the Fund maintains its defensive positioning supported by a relatively short credit duration and limited exposure to subordinated and hybrid paper. Meanwhile, the Fund retains the capacity to take advantage of relative value opportunities should the outlook improve.

OUTLOOK

The credit outlook improved slightly during May while remaining in negative territory.

Valuation indicators worsened marginally over the month as domestic investment grade spreads rallied into neutral territory while an increase in opportunistic issuers weighted on the valuation outlook. Negative swap to bond spreads continue to detract from the outlook.

Growth indicators remain in negative territory. The results of the Senior Loan Officer survey showed weakening credit demand and tightening lending standards. Macroeconomic indicators remain negative despite easing international trade concerns and improving employment print both domestically and in the US.

Supply and demand indicators are finely balanced with robust primary market demand meeting elevated issuance volumes and a relatively light upcoming maturity schedule following a busy April.

Technical indicators improved to neutral reflecting elevated cash levels among domestic real money accounts and improvements to US equity and volatility leading indicators. The US credit spread indicator continues to weigh on the outlook.

While the outlook has improved – primarily reflecting normalising technical indicators – the overall score is negative and the team remains cognisant of downside risks to credit markets.

MORE INFORMATION

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