Perpetual Investment Funds

PERPETUAL HIGH GRADE FLOATING RATE FUND

For Institutional Investors

February 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:	$25.3 million as at 31 December 2024
Size of fund:	$211.5 million as at 31 December 2024**
APIR:	PER0265AU
Mgmt Fee:	0.226% pa*
Benchmark Yield:	4.099% as at 28 February 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 28 February 2025

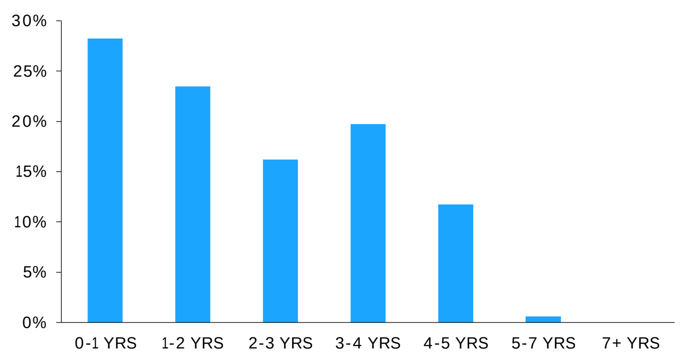
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund	0.47	1.40	2.92	6.15	6.12	4.75	3.34	3.16	4.40
Bloomberg AusBond Bank Bill Index	0.34	1.10	2.21	4.48	4.29	3.44	2.10	1.97	3.63

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

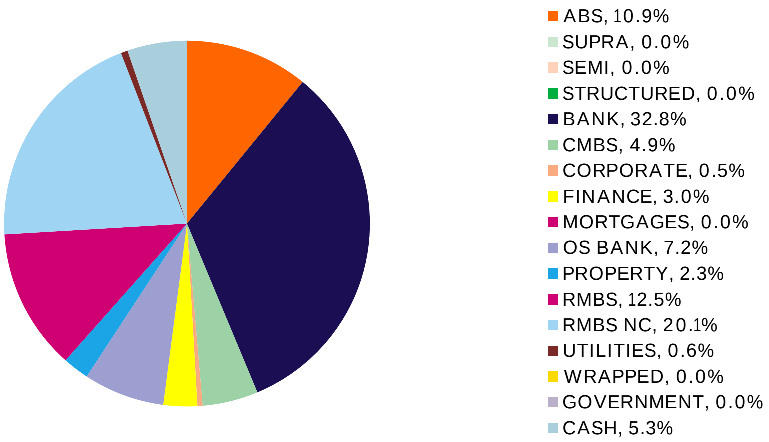
POINTS OF INTEREST

- Volatility persists on US trade policy, slowing growth;
- RBA lowers cash rate, next move is data dependant;
- Domestic spreads trade in a tight range;
- Diverse primary market activity meets strong demand;
- The credit outlook is marginally negative.

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	81.79%
Subordinated Debt	18.21%
Hybrid Debt	0.00%
Running Yield#	5.21%
Portfolio Weighted Average Life	2.14 yrs
Modified Duration	0.08
No. Securities	133

* 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

In February, global markets softened, driven by concerns over a mix of weakening US economic data and stubborn inflation. Uncertainties surrounding U.S. tariff, tax, and immigration policies further fuelled market volatility. While US and Australian markets fell, European and Chinese equities rallied, benefitting from better than expected earnings and technology advancement respectively.

Global bond yields rallied through the second half of the month. US yields rallied strongly, with markets appearing to shake off anticipation of elevated February inflation data, instead rallying on weaker US sentiment and softening growth. Australian bond yields rallied reflecting both falling US yields, softening global economic data and the commencement of the RBA's monetary easing. The RBA lowered the cash rate by 25 basis points to 4.10% in February. The RBA's next move will be data dependent with the governor noting that the market is too confident in pricing further rate cuts.

Australian credit markets saw mixed performance in February contracting through the start of the month before expanding as with physical spreads tightening marginally while the Australian iTraxx CDS index widened slightly. Domestic spreads tightened benefitted from strong demand for primary issuance. Spreads on non-financial corporates alongside consumer finance, insurance, and real estate investment trust sectors narrowed while trading in a tight range.

Primary markets in February were diversified by sector with corporates, financials, securitisations and government adjacent sectors all seeing new deals come to market. ANZ raised $4.5B across 3- and 5-year tranches in senior unsured deal. Domestic subsidiaries of offshore banks were also active with DBS ($1.5B), Mizuho Bank ($550M) and Rabobank ($2B) tapping the market. The non-financial corporate space saw new deals from Ausnet service Holdings ($950M), NBN Co ($750M) and QPH Finance – Port of Brisbane ($500M).

PORTFOLIO COMMENTARY

Income return remains the key contributing factor to outperformance. 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 5.2%, with the average credit spread measured at 0.9%.

Credit spread dynamics were constructive over the month. Spreads tightened over the first two weeks of February before retracing. Allocation to domestic banks remained the most substantial contributor to credit spread performance with a small number of longer dated subordinated bank bonds performing well. The Manager is comfortable with the of credit risk in the portfolio and the Fund's relatively short spread duration continues to contribute to the defensive posture.

Sector and risk allocations were broadly maintained over the month. The Manager elected to take part in a small number of new senior unsecured bank deals.

The outlook for credit turned marginally negative in the early days of March. The Fund remains defensively positioned, retaining the capacity to take advantage of relative value opportunities should the outlook improve.

OUTLOOK

The credit outlook softened from a mild positive reading to slight negative in the first week of March.

Valuation indicators are marginally negative. While US high yield spreads moderated over the month, AU swap spreads remain very tight. The issuance pipeline saw a tick up in opportunistic issuers looking to take advantage of strong primary demand and relatively tight spreads on new issues which weighs on the outlook.

The growth outlook is finely balanced. Macroeconomic indicators remain marginally negative reflecting softening data and rising uncertainty around the path of US trade policy. The ratio of upgrades to downgrades remains supportive however the macroeconomic growth indicators remain slightly challenging.

Supply and demand indicators improved to neutral over the month. A heavy pipeline of new deals weighs on the outlook although thus far market demand has been resilient.

Technical indicators worsened across the board during February with US credit spreads, equity markets and equity market volatility indicators all declining. Cash levels among real money accounts have settled while intermediary positioning is supportive with street inventory remaining light.

MORE INFORMATION
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