Perpetual Investment Funds

PERPETUAL HIGH GRADE FLOATING RATE FUND - CLASS R

January 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:	March 2011
Size of fund:	$186.2 million as at 31 December 2024
APIR:	PER0562AU
Mgmt Fee:	0.30% pa*
Benchmark Yield:	4.273% as at 31 January 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 January 2025

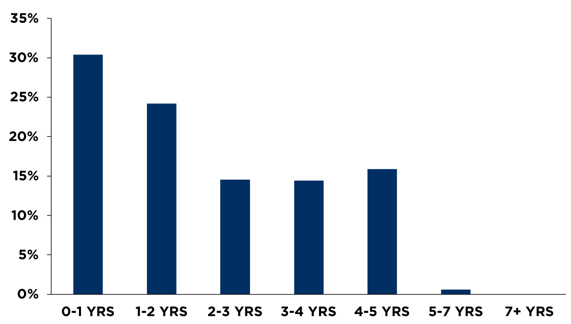
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund - Class R	0.46	1.35	2.84	6.19	6.06	4.46	3.19	3.04	3.64
Bloomberg AusBond Bank Bill Index	0.38	1.12	2.25	4.48	4.24	3.32	2.05	1.94	2.41

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 performance.

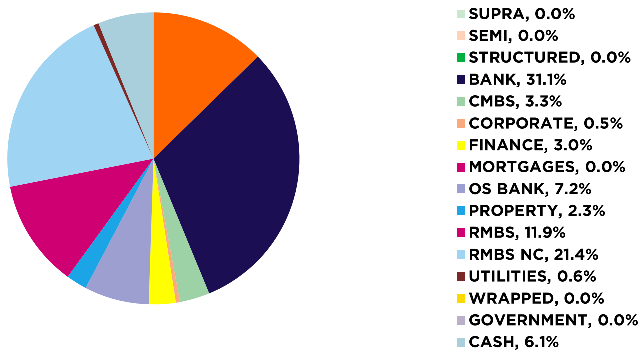
POINTS OF INTEREST

•Trump tariffs / US jobs data spark bond-market volatility;
•Inflation eases; February RBA rate cut expectations firm;
•Domestic spreads rangebound, tighten marginally;
•Primary market disrupted by seasonal factors; Banks, semis and supras active;
•The credit outlook is balanced.

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	83.14%
Subordinated Debt	16.86%
Hybrid Debt	0.00%
Running Yield#	5.39%
Portfolio Weighted Average Life	2.09 yrs
Modified Duration	0.07
No. Securities	134

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

MARKET COMMENTARY

Financial markets performed well during January, notwithstanding elevated volatility among global bond yields. Uncertainty around the implications of the second Trump presidency remained a driving force for global markets. Declining domestic inflation was a key theme locally with December quarter CPI data below expectations and nearing the midpoint of the RBA's target band. Improved inflation print alongside a run of soft economic data and slow wages growth saw expectations firm for the RBA to commence monetary policy easing as early as February.

Bond markets saw elevated volatility during January as strong US employment data saw long term yields spike before retracing. Domestic bond yields also rose mid-month before receding. The yield curve steepened slightly with the very short end rallying - reflecting the market increasingly pricing in a February RBA rate cut – while longer tenors ended the month marginally higher.

Domestic credit spreads contracted through January, led by industrial corporates and real estate sectors. Spreads remain supported by low recession risks and resilient employment data, despite softer economic growth. Default rates – while rising – remain low and the possibility of lower interest rates during 2025 is constructive. Globally, USD spreads traded in a tight range, remaining close to historically tight levels, while EUR denominated spreads rallied.

Primary market volumes were bumpy through January with a rapid pace set in the first full week of the year before easing over the remainder of the month and pausing in the last week as the January public holiday and lunar new year disrupted deal flow. Westpac raised $2.5B of senior paper across fixed and floating tranches, while CBA came to market for $3.0B. Deal flow was notable among government adjacent sectors, with elevated volumes of kangaroo supranational issuance alongside a number of domestic semi-government deals. There were no new securitisation deals during January, following record breaking volumes printed in 2024.

PORTFOLIO COMMENTARY

The Fund's yield premium above bank bills was the key determinant of outperformance during the month. The Portfolio' yield advantage remains centred around allocation to domestic banks and RMBS. The portfolio running yield at month end was 5.4%, with the average credit spread measured at 0.9%.

Credit spread dynamics were marginally positive for relative performance over the month. Spreads traded in tight range, tightening slightly. Allocation to domestic bank senior paper contributed, alongside securitised sectors. 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 during the month. The Fund's allocation to prime RMBS was increased in secondary with the manager taking advantage of an attractive relative value opportunity to replenish securitized allocations which amortise over time.

The outlook for credit is balanced. The Portfolio remains defensively positioned, retaining the capacity to take advantage of relative value opportunities should the outlook improve.

OUTLOOK

The credit outlook remained neutral at the first meeting of 2025.

Valuation indicators are marginally negative. US high yield spreads are trading below the fair value range and AU swap spreads remain very tight.

The growth outlook remains neutral. The ratio of upgrades to downgrades remains supportive however the macroeconomic growth indicators remain slightly challenging.

Supply and demand indicators remain marginally negative. While recent issuance volumes, the maturity schedule and market demand are benign, a heavy pipeline of new deals weigh on the outlook.

Technical indicators continued to improve, remaining in positive territory. Intermediary positioning is supportive with street inventory looking particularly light for RMBS. Cash levels among real money accounts remains elevated, supporting the outlook. US credit spreads, equity markets and equity market volatility indicators are all constructive.

MORE INFORMATION

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