Perpetual Pure Series Funds

PERPETUAL PURE CREDIT ALPHA FUND CLASS W

January 2025

FUND FACTS

Investment objective: The Fund aims to provide investors with a positive return above the cash rate over rolling three-year periods (before fees and taxes) by primarily investing in and actively trading fixed income securities and related derivatives.

Benchmark: RBA Cash Rate
Inception date: March 2012
Size of fund: $657.7 million as at 31 December 2024
Mgmt Fee: 0.85% pa*
Benchmark Yield: 4.350% as at 31 January 2025
Suggested minimum investment period: Three years or longer

FUND BENEFITS

Perpetual aims to meet its objective by utilising an active and risk aware investment process that leverages the full use of the Perpetual Credit team's experience. The strategy allows the team discretion to invest in areas of the market or a company's capital structure where they see relative value. The portfolio is diversified, takes into account changes in market-wide and security-specific credit margins while seeking to maximise returns from liquidity premiums.

FUND RISKS

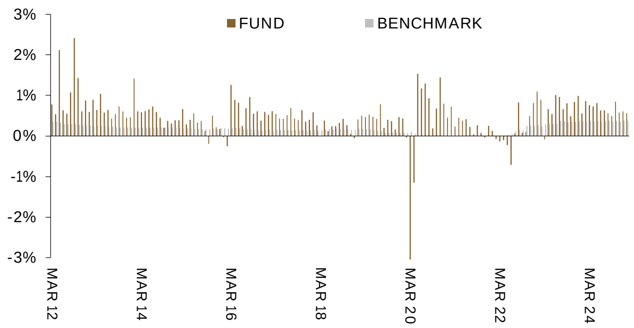
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

TOTAL RETURNS % (AFTER FEES) AS AT 31 January 2025

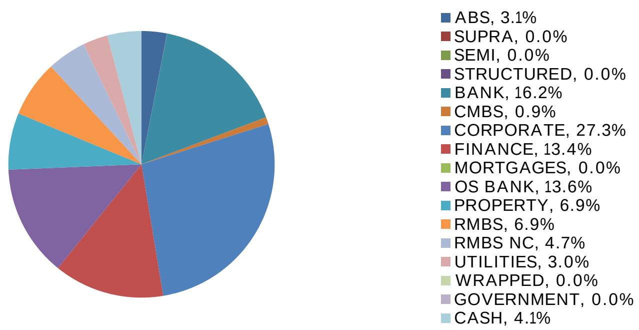
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Pure Credit Alpha Fund W Class	0.56	1.76	3.71	8.38	8.51	6.38	4.90	4.63	5.86
RBA Cash Rate	0.37	1.10	2.22	4.46	4.26	3.35	2.07	1.85	2.08

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.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	39.44%
Subordinated Debt	50.42%
Hybrid Debt	10.13%
% Geared	0.00%
Running Yield#	6.76%
Portfolio Weighted Average Life	2.88 yrs
No. Securities	223
Long	95.87
Short	0.00
Net	95.87

GEOGRAPHIC LOCATION OF MATERIAL ASSETS

The Fund holds no single international asset representing more than 10% of the Fund's net asset value.

* 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

Income return remains the most substantial contributing factor to performance. The Fund continues to collect a healthy yield premium above the RBA cash rate, led by allocation to non-financial corporate loans alongside contributions from securitised assets and domestic banks. At month end, the Fund's running yield was 6.8% with the average spread measured at 2.6%.

Credit spread dynamics were mixed for performance during January. The Fund's allocation to domestic and offshore banks alongside insurers and utilities contributed to performance. Corporate sectors were more mixed with widening spreads among a small number of high yield industrials detracting slightly. 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.

The Fund took part in a new $1.75B subordinated tier-2 deal from ANZ which priced in the first full week of the year. Elsewhere, the Fund's issuer exposure among offshore banks was adjusted with the Manager electing to add a new Credit Agricole deal while reducing exposure to Toronto Dominion, RBC and Bank of Montreal. Allocation to domestic banks was also increased with the Fund taking part in a new subordinated deal from ANZ.

The portfolio is defensively positioned and retains the capacity to take advantage of relative value opportunities as they arise.

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.

** UBS Australian Bond Index changed to Bloomberg AusBond Bank Bill Index effective 26 September 2014

MORE INFORMATION

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