

## Perpetual Investment Funds

# PERPETUAL CREDIT INCOME FUND

February 2025



### FUND FACTS

**Investment objective:** Aims to provide investors with regular income by investing in a diversified range of income generating assets, and outperform the Bloomberg AusBond Bank Bill Index\*\* over rolling three-year periods before fees and taxes.

**Benchmark:** Bloomberg AusBond Bank Bill Index\*\*  
**Inception date:** November 2004  
**Size of fund:** \$182.1 million as at 31 December 2024  
**APIR:** PER0263AU  
**Mgmt Fee:** Please contact us for a copy of the disclosure document.  
**Benchmark Yield:** 4.099% as at 28 February 2025  
**Suggested minimum investment period:** Three years 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

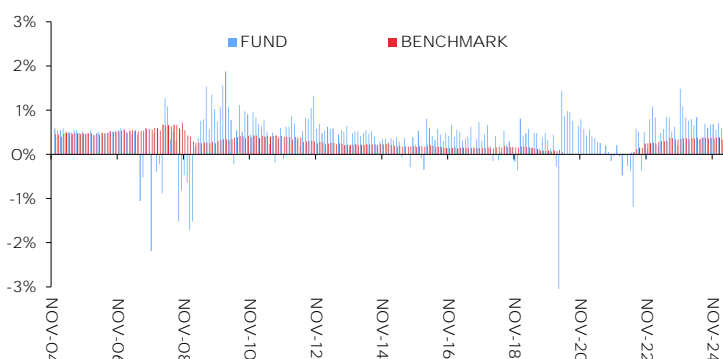
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Credit Income Fund	0.58	1.85	3.87	7.77	8.27	6.22	4.68	4.19	4.75
Bloomberg AusBond Bank Bill Index**	0.34	1.10	2.21	4.48	4.29	3.44	2.10	1.97	3.42

Please note: Performance for Perpetual's complete list of investment funds is available on [www.perpetual.com.au](http://www.perpetual.com.au). Past performance is not indicative of future performance.

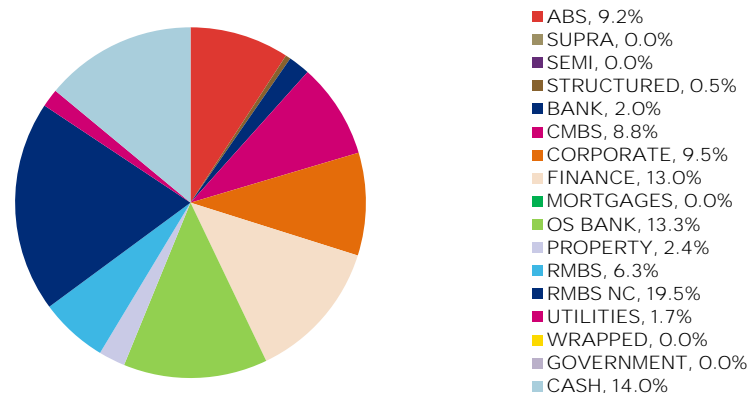
### POINTS OF INTEREST

- 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.

### MONTHLY PERFORMANCE SINCE INCEPTION



### PORTFOLIO SECTORS



### PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	29.42%
Subordinated Debt	57.70%
Hybrid Debt	12.88%
Modified Duration	0.07
Running Yield <sup>#</sup>	6.21%
Portfolio Weighted Average Life	2.60 yrs
No. Securities	106

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

## 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 remained a substantial contributor to outperformance during February, the Fund's yield premium above benchmark is centred around securitised sectors, offshore and domestic regional banks. The portfolio's running yield was 6.2% at month end, with the spread (credit yield premium) measured at 1.5%.**

Credit spread contraction was the most substantial component of outperformance over the month. Spreads tightened over the first two weeks of February before retracing, ending the month marginally tighter. Allocation to securitised assets, offshore banks and a small number of corporate issuers contributed strongly to outperformance.

Sector and risk allocations were adjusted during February. The Manager elected to add exposure to subordinated offshore banks in secondary. The Fund holds an elevated allocation to subordinate spreads, focused on Offshore banks and securitised sectors where subordinated spreads continue to offer attractive relative value. The Fund also increased RMBS exposure while trimming non-financial corporate allocations.

The Fund took part in a new corporate hybrid issue from Ausnet Services holdings during February, recognizing attractive valuation relative to **comparable deals. The \$950M deal was Australia's largest corporate hybrid listing and met very strong demand to build a book that was 5 times oversubscribed.** The deal performed very well on the break and the Manager elected to lock in profits, closing the position. The Corporate hybrid space will continue to draw attention as bank hybrids are phased out following confirmation from APRA in late 2024.

The outlook for credit turned marginally negative in the first week of March and the Fund remains defensively positioned. The Fund maintains its liquidity via an elevated cash allocation, retaining capacity to take advantage of relative value opportunities presented by market volatility. The Manager continues to look for attractively priced issues and relative value opportunities while carefully managing credit and liquidity risks.

## 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.

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No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital.

Total return shown for the fund(s) have been calculated using exit prices after taking into account of Perpetual's ongoing fees and assuming reinvestment of distributions.

No allowance has been made for entry or exit fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

\* Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries.

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

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## MORE INFORMATION

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