Perpetual Pure Series Funds

PERPETUAL PURE CREDIT ALPHA FUND CLASS W

October 2024

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: $568.5 million as at 30 September 2024
Mgmt Fee: 0.85% pa*
Benchmark Yield: 4.350% as at 31 October 2024
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

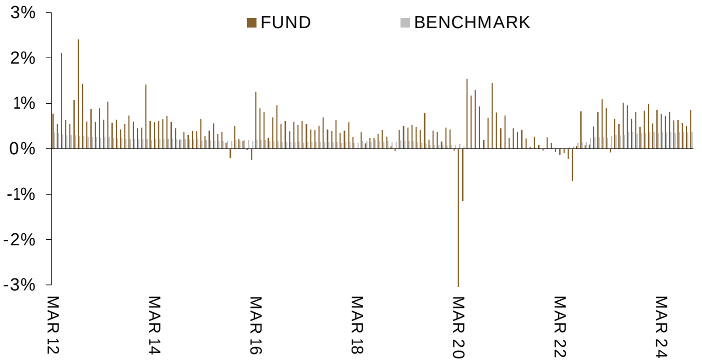
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether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

TOTAL RETURNS % (AFTER FEES) AS AT 31 October 2024

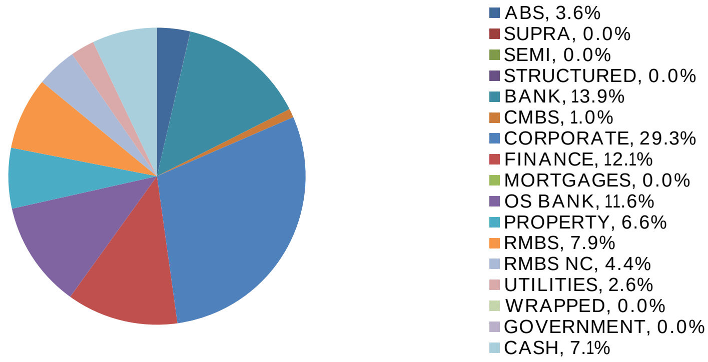
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Pure Credit Alpha Fund W Class	0.84	1.92	4.04	9.07	8.86	5.88	4.75	4.57	5.83
RBA Cash Rate	0.37	1.10	2.22	4.45	4.08	2.98	1.89	1.75	2.03

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	54.11%
Subordinated Debt	38.97%
Hybrid Debt	6.92%
% Geared	0.00%
Running Yield#	6.74%
Portfolio Weighted Average Life	2.89 yrs
No. Securities	230
Long	92.94
Short	0.00
Net	92.94

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 softened in October with equity markets and bond yields weakening globally. A key driver was the firming expectations of a second Trump presidency and the anticipation of inflationary policies including tax cuts and restrictive tariffs on foreign imports. While resurgent inflationary pressure would contribute to higher-for-longer rates, reduced regulations and corporate taxes would be expected to benefit US equities.

Domestic bond yields rose sharply during October, with the 10-year government bond yield rising 53bps to 4.51% by month end. This was in line with US 10-year bonds which also rose by 50bps. Alongside US inflationary policy concerns, robust US jobs and GDP data eased pressure on the Federal reserve to continue lowering rates. Domestically, inflation continues to ease with third quarter year-on year inflation reaching a three year low, led by falling oil prices. The domestic yield curve flattened during the month as 2-5 year yields rose more sharply than long term tenors.

Floating rate credit performed well in a month where equities and bonds weakened. Domestic credit spreads tightened as investors moved to take advantage of elevated base rates by rotating into corporate and financial credit. Credit spread tightening was widespread with utilities, non-financial corporates and financial spreads narrowing. Swap spreads contracted during October as bond yields sold off.

Primary markets were orderly during October. Issuance was headlined by NAB's $2.75B 3-year senior unsecured deal. Tier 2 regional bank issuance met elevated demand with a smaller deals from Judo Bank ($125M) and Bank of Queensland ($250M) attracting substantial investor interest in excess of 8 times the book size. Securitisation volumes remain elevated with almost $10B of new deals in October, continuing the already record breaking 2024 pace.

PORTFOLIO COMMENTARY

The Fund's yield premium above the RBA cash rate remains a key contributing factor to outperformance. Non-financial corporates, RMBS alongside domestic and offshore banks are the most substantial contributor to income return. At month end, the Fund's running yield was 6.7% with the average spread measured at 2.5%.

Credit spread dynamics contributed strongly to outperformance as floating rate credit performed well during a month where equities and bonds sold off. The Fund's allocation to domestic banks was the most substantial contributing sector to credit spread return during the month. Tightening spreads among Real estate Investment trust and securitised sectors were also constructive.

Swap spread contraction contributed slightly to outperformance over the month. The Fund hedges fixed rate exposures via short government bond futures and retains a small sensitivity to swap spreads. Swap spreads tightened further as bond yields sold off, contributing marginally to return.

The Fund's sector allocations were adjusted during the month, increasing exposure to non-bank financial and offshore banks while reducing allocation to non-financial corporates and domestic banks.

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

OUTLOOK

The credit outlook improved during October despite remaining in negative territory throughout the month.

Valuation indicators are marginally negative. While credit spreads are at neutral levels, recent AUD swap spread contraction continues to detract while a recent spate of opportunistic deals from both domestic and kangaroo issuers is reflected in the negative valuation score.

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

Supply and demand indicators have improved, ending the month marginally negative. The pipeline of upcoming maturities has improved marginally. Elevated recent issuance volumes continue to weigh on the outlook although this is partially offset by strong investor demand.

Technical indicators have improved to end the month in marginally positive territory. Intermediary positioning remains positive with elevated cash levels expected to contribute to demand. US credit spreads and equity markets are positively contributing while equity market volatility is detracting slightly from the overall outlook.

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

MORE INFORMATION

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