Perpetual Investment Funds

PERPETUAL HIGH GRADE FLOATING RATE FUND - CLASS R

October 2024

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:	$181.2 million as at 30 September 2024
APIR:	PER0562AU
Mgmt Fee:	0.30% pa*
Benchmark Yield:	4.357% as at 31 October 2024

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 October 2024

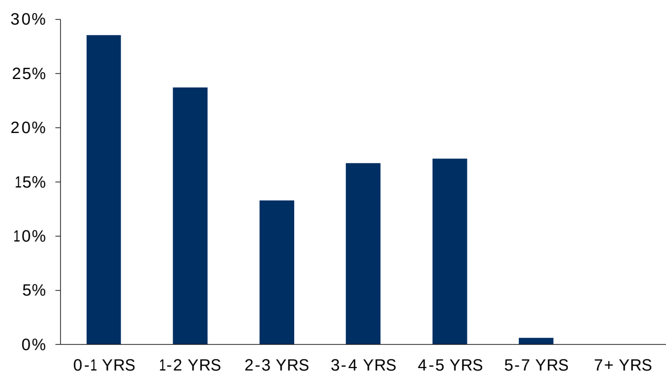
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund - Class R	0.61	1.47	3.06	6.37	6.11	3.97	3.03	2.95	3.60
Bloomberg AusBond Bank Bill Index	0.37	1.12	2.23	4.45	4.05	2.94	1.87	1.84	2.37

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.

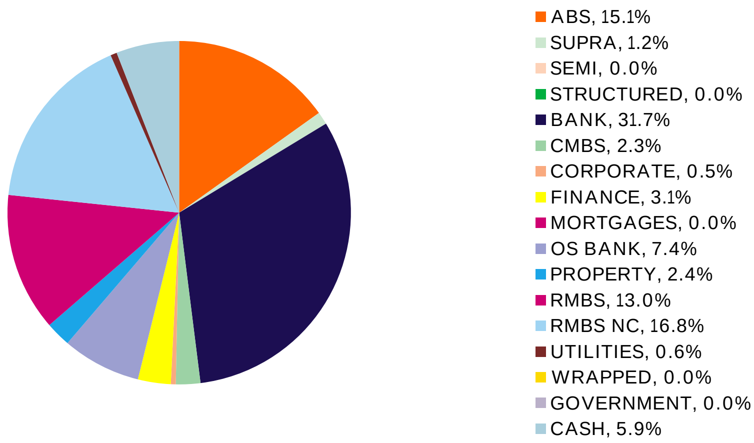
POINTS OF INTEREST

•Domestic credit resilient as bonds and equities selloff;
•Domestic and global bond yields rise on US inflationary policy expectations;
•RBA on hold in early November, retaining neutral stance;
•Primary market demand robust, securitisation volumes remain elevated;
•The outlook remains negative.

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	79.43%
Subordinated Debt	20.57%
Hybrid Debt	0.00%
Running Yield#	5.27%
Portfolio Weighted Average Life	2.16 yrs
Modified Duration	0.03
No. Securities	138

* 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 bank bills was a contributing factor to outperformance during October. The Portfolio' yield advantage remains centred around allocation to domestic banks and RMBS. The portfolio running yield at month end was 5.3%, with the average credit spread measured at 1.0%.

Credit spread dynamics were the most substantial contributing factor to performance during the month. In a month where equities and bond yields sold off, floating rate credit performed well. The Fund's allocation to domestic banks was the key contributor to credit spread performance.

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.

Sector and risk allocations were broadly maintained over the month. The Fund added exposure to regional banks via a pair of primary deals. Elsewhere, RMBS allocations were added, replenishing exposure to securitised assets which amortise over time as a result of prepayment.

The outlook for credit improved throughout the month but remains marginally negative. In these conditions risk management is crucial, and the Mandate is defensively positioned while retaining the capacity to take advantage of relative value opportunities where available.

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.

MORE INFORMATION

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