

Perpetual Investment Funds

PERPETUAL CREDIT INCOME FUND

October 2024



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: \$174.8 million as at 30 September 2024
APIR: PER0263AU
Mgmt Fee: Please contact us for a copy of the disclosure document.
Benchmark Yield: 4.357% as at 31 October 2024
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 31 October 2024

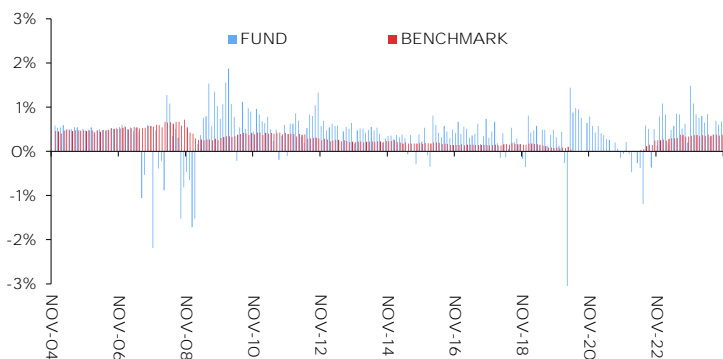
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Credit Income Fund	0.67	1.98	3.57	9.54	8.44	5.20	4.28	4.05	4.70
Bloomberg AusBond Bank Bill Index**	0.37	1.12	2.23	4.45	4.05	2.94	1.87	1.84	3.40

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.

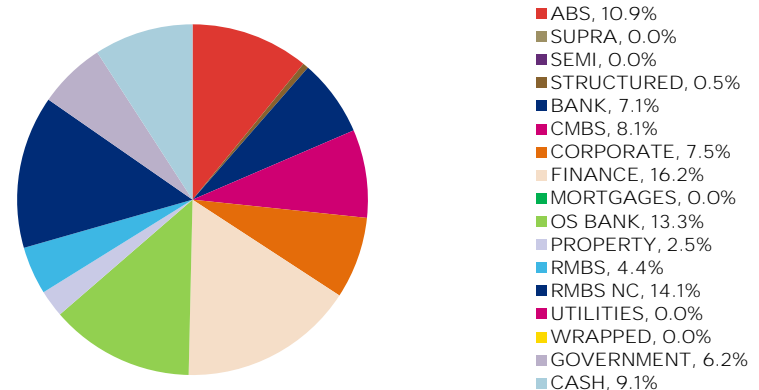
POINTS OF INTEREST

- 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.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	31.70%
Subordinated Debt	60.03%
Hybrid Debt	8.27%
Modified Duration	0.55
Running Yield [#]	5.95%
Portfolio Weighted Average Life	3.79 yrs
No. Securities	91

* 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

Credit spread contraction was the key contributing factor to outperformance over the month. In a month where Equities and bond yields sold off, floating rate credit performed well. Contribution to spread return was broad based with offshore banks, insurers, REITs and non-financial corporates all adding value. **Securitised sectors were constructive with the Fund's RMBS, ABS and CMBS allocations benefitting from tightening spreads.**

Income return remains a substantial contributor to outperformance. Allocation to RMBS and offshore banks – led by subordinated issues – are the key contributing sectors to the Fund's yield premium above benchmark. **The portfolio's running yield was 6.0% at month end, with the spread (credit yield premium) measured at 1.4%.**

Sector and risk allocations were actively managed throughout October. The Fund deployed cash, adding exposure to government bonds, RMBS and domestic banks. **The Fund's AAA allocation increased as a result of both adding government bonds as well as the continued rotation into higher quality securitised assets.**

The Fund took part in the new subordinated deal from Bank of Queensland during October, securing a material allocation in the deal despite very strong demand. With Australian Major Bank spreads close to fair value, the Manager prefers relative value opportunities among domestic regional banks and Macquarie. Similarly, the Manager continues to see valuation upside in European banks relative to domestic majors and US banks. The Fund retains its elevated exposure to financials and securitised sectors while non-financial corporates look fully priced and were trimmed during the month.

The outlook for credit improved throughout the month but remains marginally negative. In these conditions risk management is crucial and the Manager remains cognisant of credit and liquidity risks. The Fund 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.

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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

MORE INFORMATION

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