

PERPETUAL WHOLESALE ACTIVE FIXED INTEREST FUND CLASS A



April 2021

FUND FACTS

Investment objective: Aims to provide investors with regular income by investing in fixed income securities, primarily corporate bonds. Outperform the Bloomberg AusBond Composite Index (before fees and taxes) over rolling three year periods.

Benchmark: Bloomberg Ausbond Composite Index

Inception date: February 2017

Size of Strategy: \$537.5 million as at 31 March 2021

APIR: PER8045AU

Management fee: 0.40%*

Suggested minimum investment period: Three years or longer

FUND BENEFITS

Active management of credit risk through sector and sub sector rotation, curve positioning and relative value trading. Strategically maintain duration at benchmark, tactical overlay at extremes.

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 30 April 2021

	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Wholesale Active Fixed Interest Fund Class A ^{1,3}	0.60	-2.01	-2.07	1.03	3.11	4.60	-	-	4.39
Perpetual Wholesale Active Fixed Interest Fund Class W ^{2,3}	-	-	-	-	-	-	4.14	4.73	5.85
Bloomberg Ausbond Composite Index	0.56	-2.26	-3.04	-1.19	2.54	4.29	3.52	4.25	-

¹ Class A of the Perpetual Active Fixed Interest Fund (Fund) has been operating since February 2017. This row represents the actual past performance of Class A of the Fund.

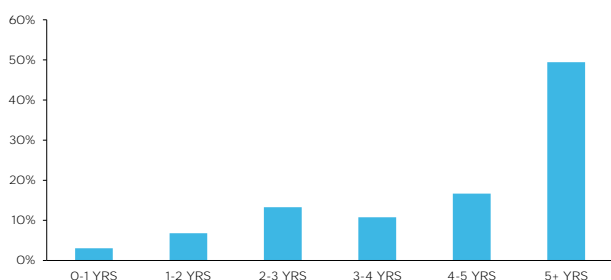
² To give a longer term view of the performance of the Fund, the returns for Class W, which has been operating since July 2004, are shown. Class W has identical investments to Class A. We have adjusted the return of Class W to reflect the fee applicable to Class A (a 0.45% Management Fee). This has been calculated by subtracting the fees for Class A from the actual gross past performance for Class W.

³ Past performance is not indicative of future performance.

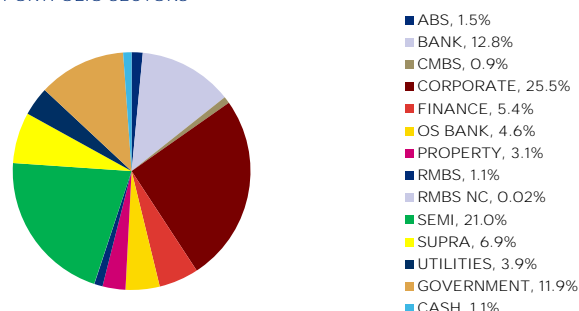
POINTS OF INTEREST

- Domestic spreads tighten; Corporates outperform financials;
- Economic growth indicators improving;
- Rates fall slightly; RBA maintains easing policy;
- The credit outlook remains supportive;

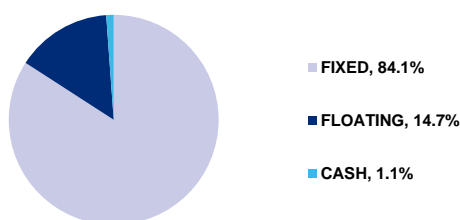
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	91.04%
Subordinated Debt	8.08%
Hybrid Debt	0.88%
Running Yield	1.39%
Portfolio Weighted Average Life (yrs)	6.48
No. Securities	141
Modified Duration	5.57

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

MARKET COMMENTARY

Financial markets continued their sustained rally through April, supported by strong macroeconomic indicators and robust US corporate earnings. Strong first quarter GDP print and a raft of promising global PMIs were supportive for risk assets. US first quarter earnings were constructive, headlined by strong beats by tech conglomerates including Apple, Facebook and Alphabet. The positive macroeconomic and corporate earnings results saw developed market shares rise, led by US equities. The continued optimism was offset somewhat by the surge in COVID-19 cases in India and its expected impact on global vaccine availability.

Domestic spreads remained in range of recent averages, ending the month tighter on aggregate. Spreads tightened through the first three weeks of the month before selling off marginally towards month end. Non-financial corporates outperformed financial spreads in spite of a busy month of corporate primary issuance. Spreads in commercial and residential real estate sub-sectors were particularly strong performers. Major bank spreads remained in range of recent averages and the recent rally in subordinated bank debt slowed in April. RMBS spreads tightened over the month, supported by the promising outlook and the continued hunt for yield.

Interest rate volatility continued to subside and long-term yields remained in range of recent levels. Domestic yields fell slightly, clawing back a small portion of the February selloff at the long end of the curve. The market continues to price some form of monetary tightening ahead of the RBA's guidance. This is despite subdued inflationary pressure with first quarter CPI returning below consensus expectations. The RBA left policy settings unchanged and reiterated guidance that the current cash rate and 3-year yield targets would remain in place until employment and inflation targets are met.

Primary credit market activity was mixed with subdued financial issuance offset by a busy month for corporates. Transurban Queensland Finance came to market for \$200M via a senior secured fixed rate note. Network Finance Company (the financing arm of Endeavour Energy) priced \$350M of 7-year senior secured paper which was met with strong demand and tightened on issue. The utilities sector was active with deals from Australian Gas Networks (\$450M) and Victoria Power Networks (\$700M). The securitisation market was also very busy for a second month running. Domestic major bank issuance remains impacted by the availability of the RBA's Term Funding Facility. As the TFF is yet to be fully drawn and remains accessible until June 30, major bank senior issuance is not expected until the second half of 2021. Bank of Queensland took the opportunity to issue \$650M of senior and \$500M of subordinated debt across multiple deals during the month.

PORTFOLIO COMMENTARY

The portfolio collected running income in excess of the benchmark across all corporate sectors. Non-financial corporates were the most significant contributors to income return. The portfolio running yield at month end was 1.39% with the spread measured at 0.55% above the benchmark.

Credit spread dynamics were positive for relative performance. Credit spreads tightened on aggregate, reflecting strengthening global growth expectations and robust corporate earnings results. The key contributing sector was non-financial corporates with corporate spreads outperforming financials on aggregate over the month. Recently entered positions in Westconnex and Lend Lease bonds - both issued during March - were the top contributors to return.

Interest rate dynamics were predominantly benign with the portfolio's duration positioning detracting marginally from outperformance as long-term yields fell. Portfolio duration remains short of the benchmark and the Fund retains a significantly underweight government bond allocation.

Sector allocation was broadly maintained over the month. Portfolio exposure to utilities was increased marginally, with the Fund taking part in the \$250M March senior issuance from Australian Gas Networks. Exposure to subordinated debts was also selectively increased via investment in new deals from Bank of Queensland and IMB Bank. Elsewhere, government exposures were selectively lengthened. Portfolio duration increased marginally but remains short of the benchmark. The portfolio remains well positioned to benefit from the constructive credit outlook with credit exposures

OUTLOOK

The credit outlook is positive.

Valuation indicators are neutral to the overall credit outlook. Investment grade credit spreads have tightened significantly over the last year with spreads below their pre-COVID levels on aggregate. Domestic spreads are broadly in line with offshore peers.

The growth outlook remains very constructive for credit spreads. Leading economic indicators have continued to surge with the ISM US manufacturing PMI reaching its highest activity level since 1983. First quarter GDP growth figures were strong although coming from a lower base as the economic recovery from the COVID pandemic continues. The volume of equity market capital raising also positively contributes to the macroeconomic outlook. Strong US first quarter earnings results saw an increase in the ratio of upgrades to downgrades as ratings agencies continued to roll back post COVID downgrades as earnings rebound.

Demand and supply indicators have further improved, continuing to support the overall credit outlook. A busy upcoming maturity scheduled paired with expectations of corporate issuance taking a breather in the near term is expected to be supportive for spreads. While non-financial issuance has been elevated recently, overall aggregate credit issuance is in line with expectations. Demand for primary issuance remains robust with multiple deals meeting strong demand and, pricing tighter than guidance and tightening in secondary.

Technical indicators remain positive for the overall credit outlook. Tightening US credit spreads alongside robust equity valuations and volatility are all supportive for domestic credit.

The sustained rally in credit spreads continues to be supported by positive leading and trailing macroeconomic indicators, supply and demand conditions and technical factors. The team remains well positioned to benefit from further spread contraction offered by the current conditions.

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