Perpetual Investment Funds

PERPETUAL ACTIVE FIXED INTEREST FUND CLASS A

August 2023

FUND FACTS

Investment objective: Aims to provide investors with regular income by investing in a portfolio of diversified fixed income securities which are predominantly corporate and government bonds; and outperform the Bloomberg AusBond Composite 0+Yr Index (before fees and taxes) over rolling three-year periods.

Benchmark:	Bloomberg Ausbond Composite Index
Inception date:	February 2017
Size of Strategy:	$405.2 million as at 30 June 2023
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 31 August 2023

	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]	0.89	-0.11	2.00	3.18	-4.93	-2.64	0.82	-	1.67
Perpetual Wholesale Active Fixed Interest Fund Class W [2,3]	-	-	-	-	-	-	-	1.24	4.67
Bloomberg Ausbond Composite Index	0.74	-0.72	1.38	1.78	-5.09	-3.09	0.56	0.85	-

[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.

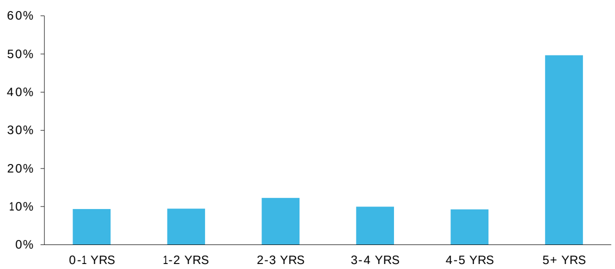
[2] To give a longer term view of the performance of the Fund, the returns for Class W, which has been operating since July 2004, are shown. Class W has identical investments to Class A. We have adjusted the return of Class W to reflect the fee applicable to Class A (a 0.45% Management Fee). This has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

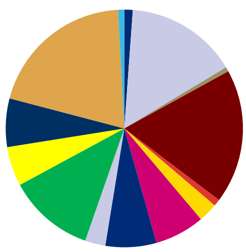
POINTS OF INTEREST

-Domestic credit spreads grind tighter;
-Primary market issuance resurgent, led by major bank senior;
-RBA cash rate unchanged; global bond yield volatility rises;
-Yield curve steepens; short end rallies.
-The outlook for credit is neutral.

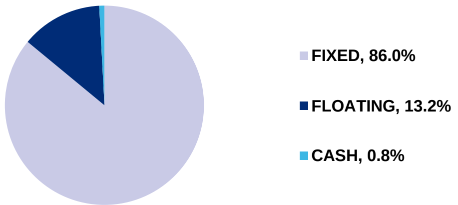
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	86.12%
Subordinated Debt	13.88%
Hybrid Debt	0.00%
Running Yield*	3.88%
Portfolio Weighted Average Life (yrs)	5.81
No. Securities	150
Modified Duration	5.01

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

*The methodology used to calculate Running Yield is derived from FactSet, and calculated as follows: The coupon rate of the security / the capital price of the security. Note that the exception is discounted securities, where a Yield to Maturity calculation is used.

MARKET COMMENTARY

Global financial markets saw increased volatility in August as markets attempted to assess the impact of shifting economic growth prospects on the path of monetary policy tightening. Stronger-than-expected US data led to a sharp rise in bond yields which impacted global equity markets over the first half of the month before moderating.

Domestic long term bond yields remained relatively unchanged at month end after the RBA held the target cash rate at 4.10% during the August meeting. The domestic yield curve flattened with short end yields rallying over the month.

Domestic credit spreads extended their rally, supported by stronger than anticipated corporate earnings results. The RBA's pause has also contributed to the increased optimism in credit market. Tightening was broad based with Banks, real estate, diversified financial and corporate sectors all benefitting spread contraction. Following a slight expansion during July, swap spreads reverted during August, tightening over the first week of the month as swap rates fell.

Primary credit markets were very busy during August with ~$25B in new credit supply. This represented a normalisation of volumes following a notably quiet July. The month was headlined by a pair of record setting senior unsecured deals from first CBA ($5.0B) and in then ANZ ($5.5B) in the last week of August. Notably, these deals had substantially larger bookbuilds, demonstrating resilient demand despite elevated volumes. Demand for senior unsecured major bank paper will continue to be tested as three-year TFF funding matures, requiring refinancing in public markets. Non-financial sectors were somewhat more subdued. NBN Co issued $850M of senior unsecured green bonds. Securitisation issuance volumes picked up over the second half of the month, headlined by deals from Heritage and People's Choice, ING Bank Australia and Firstmac.

PORTFOLIO COMMENTARY

The Fund's running income above benchmark was a key contributing factor to outperformance during the month. The Fund continues to collect a healthy yield premium via overweight allocations to domestic bank, non-financial corporate and securitised credit. The portfolio running yield at month end was 3.9% with the spread measured at 1.1%.

Interest rate dynamics were positive for absolute return during a month of elevate volatility for bond yields. Long term yields sold off over the first half of August before recovering while the short end rallied throughout the month. The Fund's underweight exposure to the short end detracted marginally from outperformance. In mid-August, the Manager rotated into shorter dated government bonds, adding exposure to 3 -and-5 year tenors which contributed to outperformance as the curve continued to steepen. At month end, the Fund remained marginally short of benchmark duration.

Credit spread contraction was a significant contributing factor to outperformance during the month. Spreads continued to grind tightener, supported by better-than-expected corporate earnings and the slowed pace of monetary policy tightening. The Fund's overweight allocation to credit was rewarded with non-financial corporates, domestic banks and REITs exposures all contributing to relative spread return. Off-benchmark allocation to RMBS was rewarded as securitised spreads performed well.

Sector allocations were actively managed during August. During a busy month for primary issuance, the Manager added exposure to domestic banks, taking part in new senior unsecured deals from Westpac, CBA and ANZ. Elsewhere, the Manager continued to rotate semi-government allocations, adding exposure to Treasury Corporation of Victoria while trimming other state government positions.

The outlook for credit is balanced, the Manager remains cognisant of the challenging macro environment and the risks associated with tighter lending conditions. The Fund is defensively positioned and the manager remains focused on identifying relative value opportunities presented as the outlook improves.

OUTLOOK

The Credit outlook remains neutral.

Valuation indicators are balanced with no decisive signals across a range of indicators. Spreads across domestic investment grade as well as US investment grade and high yield are in range of historical levels.

Macro indicators remain the most significant drag on the outlook for credit spreads. Challenging economic growth expectations and tightening financial conditions as described in the Fed's Senior Loan Officer survey continue to weigh on the outlook.

Supply and demand indicators moderated during August and are neutral at month end. Issuance volumes rose during August, meeting robust demand. While the light upcoming maturity schedule is supportive, the year to date and trailing 12-month pace of issuance remains elevated, weighing on the outlook.

Technical indicators remain supportive, continuing to provide a strong positive signal. Accommodative intermediary positioning and robust demand are positive for the outlook. US credit, equity and equity volatility indicators all remain supportive.

MORE INFORMATION
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