

PERPETUAL ACTIVE FIXED INTEREST FUND CLASS A

November 2022

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: \$350.3 million as at 30 September 2022

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 November 2022

	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}	1.73	0.94	-0.18	-8.74	-5.74	-2.88	0.80	-	1.51
Perpetual Wholesale Active Fixed Interest Fund Class W ^{2,3}	-	-	-	-	-	-	-	1.95	4.74
Bloomberg Ausbond Composite Index	1.55	1.09	0.32	-7.72	-5.50	-2.74	0.86	1.67	-

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.

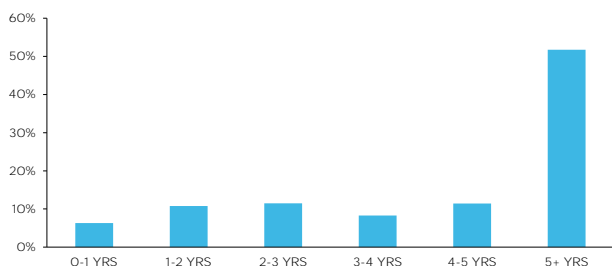
² To give a longer term view of the performance of the Fund, the returns for Class W, which has been operating since July 2004, are shown. Class W has identical investments to Class A. We have adjusted the return of Class W to reflect the fee applicable to Class A (a 0.45% Management Fee). This has been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

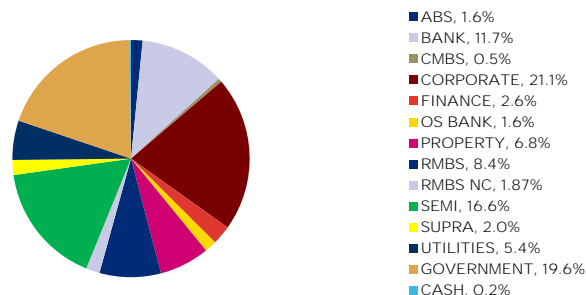
POINTS OF INTEREST

- Domestic spreads mixed; Financials outperform corporates.
- APRA disrupts subordinated financial sector.
- Bond yields rally; Swap spreads tighten.
- Banks headline primary issuance market.
- The outlook for credit has improved to neutral.

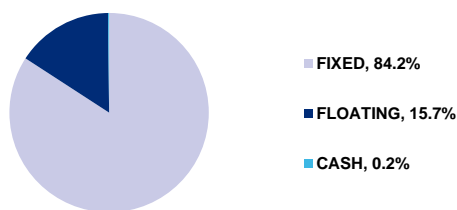
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	85.49%
Subordinated Debt	13.65%
Hybrid Debt	0.86%
Running Yield*	3.47%
Portfolio Weighted Average Life (yrs)	6.10
No. Securities	146
Modified Duration	5.00

* 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

Financial markets continued their recent rally as investors priced in a slower pace of monetary policy tightening and lower terminal rates.

Bond yields broadly moved lower over the month, supported by slowing growth indicators, below expectation CPI results and hawkish commentary from central banks including the Fed. Domestic yields performed well, falling throughout the month following a 25bps rate increase from the RBA which was in line with market expectations. Long term yields outperformed as the curve flattened. Swap spreads tightened over the month retracing their recent expansion.

Domestic credit spreads ended the month in range of recent levels. Spread dynamics were mixed by sector with financial spreads outperformed corporates on aggregate. There was increased volatility among subordinated financials as APRA published guidance on the expectations for callable instruments. The increased scrutiny spooked markets and subordinated bank and insurance paper widened sharply and saw dramatically reduced liquidity. By month end, subordinated spreads had normalised ending the month lower.

Primary market issuance continues to be dominated by the return of Major bank senior issuance. NAB came to market for \$4.75B, matching the recently set domestic market record. Elsewhere, ING raised \$1.25B via a covered bond issuance. Securitisation deal flow remains robust while non-financial corporate issuance continues to be very light.

PORTFOLIO COMMENTARY

The Fund's robust running yield continues to be a key contributor to relative return. The Fund's allocation to non-financial corporates, domestic banks and securitised sectors were the strongest contributors to relative income return during the month. The portfolio running yield at month end was 3.5% with the spread measured at 1.3%.

Credit spread dynamics were mixed for performance during the month. Financials outperformed, led by major bank spreads while non-financial corporate sectors corporate sectors saw widening. **The Fund's overweight allocation to domestic banks performed well while allocation to property and REITs detracted. The Fund's small-long position in the Euro XOVER CDS index (which tracks European non-investment grade corporate issuers) contributed to relative performance as Euro denominated spreads rallied strongly during the month. As the credit outlook improves, the Manager is comfortable with the current credit exposure of the fund and its capacity to take advantage of upcoming opportunities.**

Interest rate dynamics were positive for relative performance. Yields rallied over the month as the market priced in a slower rate of monetary tightening and a lower terminal cash rate. **Curve positioning was constructive, the fund's overweight exposure to the belly (3-7 years) of the curve performed well as the yield curve flattened. The Fund remains slightly short of benchmark duration and underweight the short end of the curve.**

A considerable contributor to relative return during the month was the Fund's exposure to swap spreads which retraced after widening sharply in October. The Fund has elevated exposure to movements in swap spreads as a result of the overweight allocation to credit.

Sector allocations were broadly maintained during the month. The Manager elected to liquidate a small number of short dated corporate bonds taking advantage of relatively stronger demand at the short end, reinvesting in longer dated government and semi-government issues. The Fund remains defensively positioned while retaining the capacity to add risk as the outlook for credit continues to improve.

OUTLOOK

Conditions have improved over the month and the outlook for credit has returned to neutral for the first time since the first quarter of 2022.

Valuation indicators remain neutral to the overall credit outlook. Recent swap spread expansion continues to contribute to the outlook. The USD AUD basis swap remains elevated relative to long term averages, detracting from the credit outlook.

Growth indicators continue to detract from the overall credit outlook. Recession risks remain prominent and financial conditions are notably tighter. The ratio of upgrades to downgrades has reached an inflection point and is no longer providing support for the growth outlook. Moderation in the oil price during the month was constructive.

Supply and demand continue to marginally detract from the overall credit outlook. Conditions in financial sectors have normalised somewhat while issuance and secondary market liquidity in corporate sectors remains disrupted.

Technical indicators have improved on the back of a noticeable uplift in cash across real money accounts and improving trends in US credit and equity markets.

While the outlook for credit spreads has improved considerably, the team remains cognisant of the risks associated with tightening financial conditions and slowing economic growth.

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