

Perpetual Investments

PERPETUAL WHOLESALE DYNAMIC FIXED INCOME FUND

July 2021

FUND FACTS

Investment objective: Aims to provide capital stability and regular income by investing in a diversified range of income generating assets, and a positive return (before fees and taxes) irrespective of market conditions over a rolling three-year period.

Benchmark: 50% Bloomberg AusBond Composite Index/50% Bloomberg AusBond Bank Bill Index
Inception date: November 2010
Size of fund: \$34.1 million as at 30 June 2021
APIR: PER0557AU
Mgmt Fee: 0.45% pa*
Suggested minimum investment period: Three years or longer

FUND BENEFITS

The fund is designed to provide investors with a diversified fixed income solution that manages both credit risk (credit worthiness) and duration risk (sensitivity to changes in interest rates) in different economic conditions.

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 July 2021

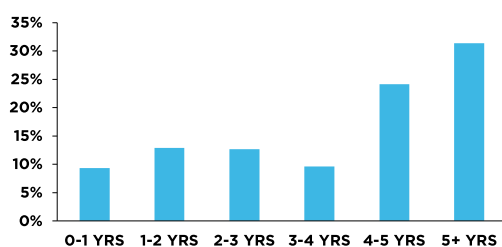
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Wholesale Dynamic Fixed Income Fund	0.67	1.33	1.34	3.76	2.98	3.82	3.61	3.71	4.89
Bloomberg AusBond Composite/Bank Bill Blend	0.88	1.37	0.23	0.32	1.24	2.83	2.33	2.94	3.80

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.

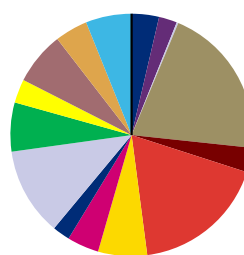
POINTS OF INTEREST

- Domestic spreads rangebound; Financials outperform corporates;
- Global spreads widen; Economic growth downgraded;
- Yields rally on COVID-19 concerns;
- Corporate primary market subdued; Securitisation market busy;
- The Credit outlook remains positive.

MATURITY PROFILE

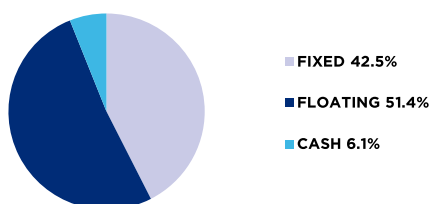


PORTFOLIO SECTORS



■ ABS, 3.6%
■ SUPRA, 2.5%
■ STRUCTURED, 0.2%
■ BANK, 20.4%
■ CMBS, 3.3%
■ CORPORATE, 17.9%
■ FINANCE, 6.5%
■ OS BANK, 4.3%
■ PROPERTY, 2.3%
■ RMBS, 11.8%
■ RMBS NC, 6.5%
■ UTILITIES, 3.2%
■ WRAPPED, 0.0%
■ SEMI, 7.0%
■ GOVERNMENT, 4.4%
■ CASH, 6.1%

FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	69.89%
Subordinated Debt	26.28%
Hybrid Debt	3.83%
Running Yield [†]	1.77%
Portfolio Weighted Average Life (yrs)	4.64
No. Securities	278
Modified Duration	2.07

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

MARKET COMMENTARY

Global markets were mixed in July. The resurgence of COVID-19 globally saw economic growth expectations reduced. Locally, the spread of the delta variant led to an extended lockdown in NSW and snap lockdowns in other states. Traditionally defensive assets performed well during the month long term yields falling across multiple markets and the US dollar appreciating against the AUD.

Domestic spreads remained in range of recent levels during the month. Spreads were supported by supply side constraints as primary market issuance was subdued. Spreads were resilient to increasing COVID concerns and offshore volatility. In contrast to domestic credit, USD spreads widened through July as the spread of the delta variant of COVID-19 impacted economic growth expectations. Financial spreads marginally outperformed non-financial spreads on aggregate. The credit curve steepened with shorter dated credit outperforming long term spreads.

Primary market issuance was subdued during July. The reduced supply was partially attributable to seasonal factors with corporate issuance expected to increase following company reporting season. Nonetheless, issuance volume remains below trend relative to the long-term average and significantly below 2020 volumes. The securitisation market was more active, and volumes are expected to rise substantially over the coming months.

Interest rate markets rallied through July as economic growth expectations cooled. The continued spread of the COVID-19 delta variant globally led investors to reduce risk and contributed to falling yields during the first two weeks of the month. The reintroduction and extension of lockdowns in Greater Sydney contributed to domestic 10-year bonds rallying further than global yields. Monetary policy tapering remained a key concern in global rates markets throughout the month. Lockdowns in Australia resulted in speculation that RBA tapering might be postponed.

PORTFOLIO COMMENTARY

The portfolio continued to collect strong running income across all sectors. Allocations to non-financial corporates, domestic banks and RMBS were the most significant contributors to income return. The running yield at month end was 1.77%.

Interest rate movements were the key contributing factor to performance over the month. Domestic yields rallied through July as the spread of the delta variant and the Greater Sydney lockdown led to a reduction in economic growth and earnings expectations. Investors moved to reduce risk and increase bond exposures while the potential for a delay to monetary tapering also contributed to the rally in yields. The portfolio's exposure to the mid-curve (7-10 years) was a significant contributor as the short end was stable while long term yields steepened.

Credit spread dynamics were mixed for performance. Domestic spreads were rangebound on aggregate, remaining resilient despite increasing COVID-19 concerns. The Fund's exposure to Financials and Utilities were positive for credit spread performance while allocation to non-financial corporate spreads detracted. While the credit outlook remains positive, valuations are neutral and upside in credit spreads is increasingly limited following the extended rally. As such risk management is paramount.

The portfolio remains in line with its strategic target duration of 2-2.5 years. Alongside the strategic target, duration is managed in line with signalling from our proprietary tactical asset allocation model. The model is used to determine valuation, economic cycle and technical indicators which are combined to form a tactical asset allocation bond score. During July, the combined score remained neutral. Technical indicators remain constructive while cyclical indicators are marginally negative. The portfolio retains a diversified profile and is well positioned to take advantage of the constructive credit outlook.

OUTLOOK

The credit outlook has cooled marginally but remains strongly positive.

Valuation indicators are neutral. Spreads have contracted significantly over the past year reaching below their pre COVID levels.

The growth outlook remains strongly positive. Despite a slight reduction in growth expectations during the month, leading and trailing economic indicators suggest conditions for strong economic growth and robust support for spreads. The ratio of upgrades to downgrades remains very supportive.

Demand and supply indicators continue to positively contribute to the overall credit outlook. Issuance volume in the primary credit market is below trend relative to long term averages. Reduced primary market activity over the recent months and subdued issuance pipeline continue to support credit spreads.

Technical indicators have quietened somewhat and are now neutral to the overall credit outlook. Investor and intermediary positioning remain neutral to the credit outlook. The widening of US credit spreads over July detracted from the technical outlook. Elsewhere, robust equity valuation and volatility continue to be supportive for domestic spreads.

The sustained rally in credit spreads continues to be supported by positive leading and trailing macroeconomic indicators and technical factors. The portfolios remain well positioned to take advantage of relative value opportunities presented by the current market conditions.

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Total return shown for the fund(s) have been calculated using exit prices after taking into account all 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.

*** The benchmark for the Fund was previously reported as both the Bloomberg AusBond Bank Bill Index and the Bloomberg AusBond Composite Index. As at 29 April 2015, the benchmark for reporting was updated to a composite benchmark comprising 50% Bloomberg AusBond Bank Bill Index & 50% Bloomberg AusBond Composite Index. The change in benchmark was to better reflect the investment strategy. The performance table above reflects the change in benchmark applied across all periods.

"The methodology used to calculate Running Yield is now derived from FactSet and the updated calculation is 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.

MORE INFORMATION

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