

Perpetual Investments

PERPETUAL WHOLESALE DIVERSIFIED INCOME FUND

July 2021

FUND FACTS

Investment objective: Aims to provide regular income and consistent returns above the Bloomberg AusBond Bank Bill Index (before fees and taxes) over rolling three-year periods by investing in a diverse range of income generating assets.

Benchmark: Bloomberg AusBond Bank Bill Index**
Inception date: October 2005
Size of fund: \$1,200.7 million as at 30 June 2021
APIR: PER0260AU
Mgmt Fee: 0.59% pa*
Benchmark Yield: 0.027% as at 31 July 2021
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, highly diversified 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 July 2021

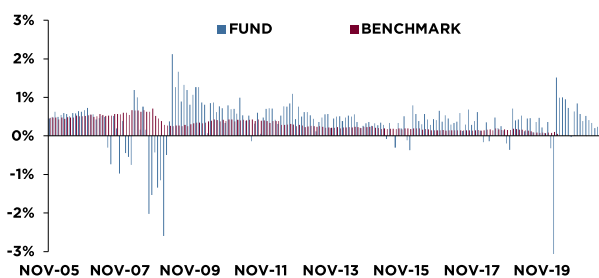
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Wholesale Diversified Income Fund	-0.01	0.43	1.71	4.93	3.04	3.09	3.53	3.40	4.40
Bloomberg AusBond Bank Bill Index**	0.00	0.01	0.01	0.05	0.39	0.89	1.26	1.58	3.41

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.

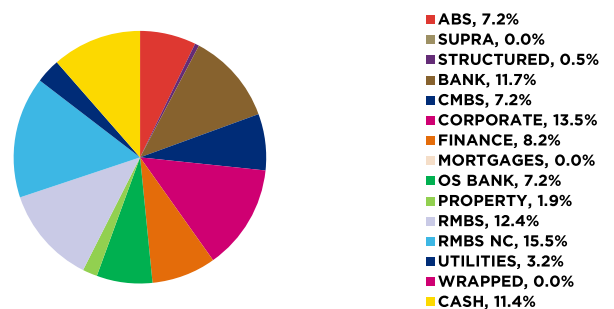
POINTS OF INTEREST

- 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.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	69.30%
Subordinated Debt	22.18%
Hybrid Debt	8.52%
Core Component	90.49%
Plus Component	9.51%
% Gearing	0.00%
Running Yield [#]	1.70%
Portfolio Weighted Average Life	3.46 yrs
No. Securities	152

* 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

Income return contributed to relative performance over the month. The portfolio collected running income in excess of the benchmark across all corporate and collateralised sectors. Contributions to income return were broad based, led by non-financial corporates, banks and RMBS. The portfolio running yield at month end was 1.7% with the spread measured at 1.5%.

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 non-financial corporates, banks and securitised assets were the main detractors from credit spread return. While the credit outlook remains positive, valuations are looking full and upside in credit spreads is increasingly limited following the extended rally. As such risk management is paramount. During July, the Manager elected to hedge tail risks by taking a position in a credit default swap index which performed well during the month.

Risk allocations were actively managed over the month. The manager took the opportunity to selectively increase the Fund's credit risk, trimming AAA exposures and increasing allocation to BBB rated issuers. The Fund's AAA ABS and RMBS positions were trimmed to lock in recent gains and in anticipation of a busy issuance schedule in the securitisation market. The Fund's exposure to A rated issuers was also increased with Manager building positions in a number of US bank names. The manager also invested in US dollar subordinated debt from major Australian banks which offered a significant premium relative to their AUD comparables.

The Fund was very active in the secondary market throughout the month, reinvesting a portion of the cash generated from recent profit taking. Despite the positive credit outlook, the manager remains selective. With many credit spreads tighter than their pre-COVID levels, active management is crucial to identifying the remaining pockets of compelling relative value in the credit market.

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.

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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.

** UBS Australian Bond Index changed to Bloomberg AusBond Bank Bill Index effective 26 September 2014

*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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