Perpetual Investment Funds

PERPETUAL DIVERSIFIED INCOME FUND - CLASS S

November 2024

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:	January 2022
Size of fund:	$170.4 million as at 30 September 2024
APIR:	PER1058AU
Mgmt Fee:	0.40% pa*
Benchmark Yield:	4.361% as at 30 November 2024
Suggested minimum investment period:	Three years or longer

FUND BENEFITS

Perpetual aims to meet its objective by utilising an active and risk aware investment process that leverages the full use of the Perpetual Credit team's experience. The strategy allows the team discretion to invest in areas of the market or a company's capital

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 2024

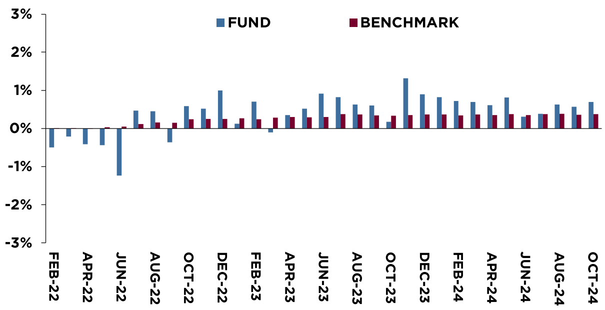
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Diversified Income Fund - Class S	0.59	1.86	3.22	8.01	8.27	-	-	-	5.34
Bloomberg AusBond Bank Bill Index**	0.36	1.10	2.22	4.46	4.11	-	-	-	3.30

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.

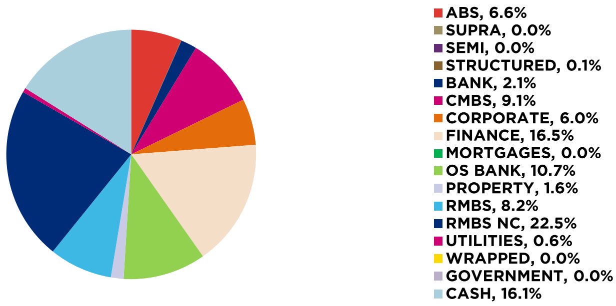
POINTS OF INTEREST

•Bond yields retrace following recent rises;
•Domestic spreads rangebound;
•RBA on hold, retaining neutral stance;
•Primary market issuance elevated meets strong demand;
•The outlook remains slightly negative.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	38.80%
Subordinated Debt	53.87%
Hybrid Debt	7.33%
Core Component	96.72%
Plus Component	3.28%
% Geared	0.00%
Running Yield#	5.93%
Portfolio Weighted Average Life	2.74 yrs
No. Securities	112

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

MARKET COMMENTARY

Financial markets responded positively to the results of the US presidential election with equities rallying globally, led by the US. Bond markets retraced slightly after selling off in September and October on concerns around the inflationary effect of proposed US trade policies.

Domestic bond yields fell through November with the Australian 10-year government bond yield rallying 16 bps over the month down to 4.34%. The short end 2-5 years fell back below 4% by month end. Offshore yields were more volatile with US yield spiking following the election before retracing and French bond yields selling off sharply reflecting political uncertainty.

AUD spreads traded in a tight range during November. While spread contraction was broadly muted, the utilities sector was the notable outperformer. EUR and USD spreads rallied following the US election consolidating their strong recent performance. US High yield and investment grade spreads are at levels last seen prior to the GFC. Swap spreads were in negative territory throughout November, contracting during the first two weeks before returning to near 0 by month end.

No indications of end of year fatigue were present in the primary market with a busy pipeline of deals across financials, corporate and securitised sectors. Demand was robust throughout the month leading to oversubscribed book builds, most notably Woolworths 10-year $800M which priced much tighter than guidance reflecting the market's appetite for long dated blue chip corporate paper. In the Financial space, NAB (7-year) and ANZ (5-year) each raised $2.5B of senior debt across fixed and floating tranches. Kangaroo issuance was also healthy with a number of offshore borrowers coming to the Australian market to meet the persistent robust demand.

PORTFOLIO COMMENTARY

The Fund's yield premium above bank bills was the key determinant of outperformance during November. Allocation to RMBS and offshore banks – led by subordinated issues – remain the key contributing sectors to income return. The portfolio's running yield was 6.1% at month end, with the spread (credit yield premium) measured at 1.6%.

Credit spread contraction was constructive for performance over the month. Domestic spreads traded in relatively tight range while USD and EUR denominated credit rallied. The Fund's allocation to foreign denominated bank paper performed well alongside AUD subordinated issues from Macquarie, regional and offshore banks.

Duration and curve positioning detracted very marginally from performance during November. The Fund began the month with 0.5 years of duration. This position detracted slightly as yields continued to selloff into early November. The Manager elected to increase exposure to fixed rate bonds, including a substantial allocation in the new Commonwealth bank 15 non-call 10 year fixed rate issue, hedging the duration with 10-year government bond futures. The CBA position was trimmed over the remainder of the month, returning the Fund's duration to near 0 by month end.

Sector and risk allocations were actively managed throughout November. The Fund's exposure to domestic and offshore banks was reduced including taking profits on a small number of USD denominated subordinated positions. Elsewhere, the Manager elected to add exposure to utilities and increase non-bank financial allocations, adding subordinated insurance sector bonds in both primary and secondary markets. The Fund's government bond position was liquidated during the month and the Fund ended November with a slightly elevated cash allocation.

The outlook for credit remains marginally negative. In these conditions risk management is crucial and the Manager remains cognisant of credit and liquidity risks. The Fund is defensively positioned while retaining the capacity to take advantage of relative value opportunities where available.

OUTLOOK

The credit outlook remained in marginally negative territory throughout November.

Valuation indicators are marginally negative. US high yield spreads are trading below the fair value range and AU swap spreads are very tight and were negative throughout the middle of the month. Elsewhere, a spike in opportunistic issuance is weighing on the outlook with borrowers exploiting strong demand, resulting in elevated issuance levels.

The growth outlook remains neutral. The ratio of upgrades to downgrades remains supportive however the macroeconomic growth indicators remain challenged.

Supply and demand indicators continue to weigh on the outlook. The high volume of recent issuance paired with a healthy pipeline and light maturity schedule conspire to negatively impact the outlook. In spite of these factors however, demand has remained very resilient thus far.

Technical indicators continued to improve, remaining in positive territory. Intermediary positioning remains positive with elevated cash levels expected to contribute to demand. US credit spreads, equity markets and equity market volatility indicators are all constructive.

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

MORE INFORMATION

Adviser Services 1800 062 725
Investor Services 1800 022 033
Email investments@perpetual.com.au
www.perpetual.com.au

Perpetual