Perpetual Investment Funds

PERPETUAL HIGH GRADE FLOATING RATE FUND - CLASS R

December 2024

FUND FACTS

Investment objective: Aims to provide investors with regular income by investing in deposits, money market and fixed income securities, and outperform the Bloomberg AusBond Bank Bill Index on an ongoing basis before fees and taxes.

Benchmark:	Bloomberg AusBond Bank Bill Index
Inception date:	March 2011
Size of fund:	$181.2 million as at 30 September 2024
APIR:	PER0562AU
Mgmt Fee:	0.30% pa*
Benchmark Yield:	4.363% as at 31 December 2024

Suggested minimum investment period: One year 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 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 December 2024

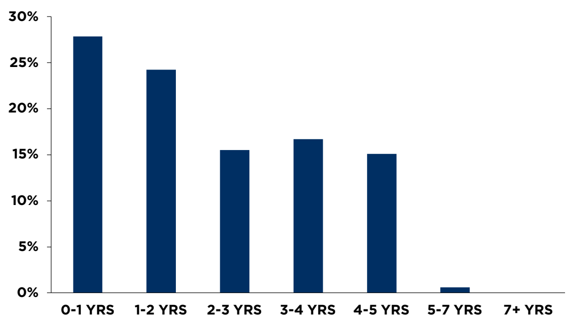
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund - Class R	0.46	1.51	2.89	6.16	6.09	4.30	3.14	3.01	3.63
Bloomberg AusBond Bank Bill Index	0.38	1.12	2.24	4.47	4.18	3.19	1.98	1.91	2.39

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.

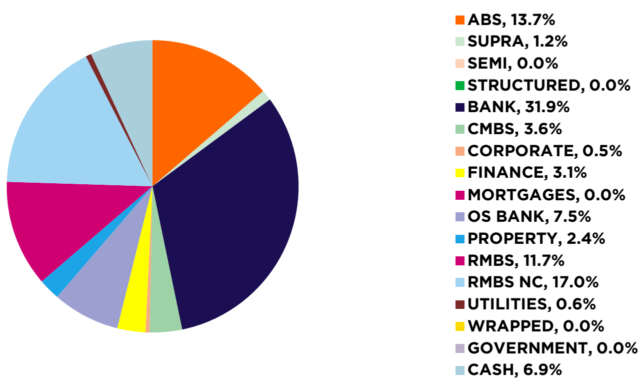
POINTS OF INTEREST

•RBA on hold; Fed lowers rates by 25 bps;
•Bond yields rise marginally. Domestic credit resilient;
•Primary market activity winds down;
•The outlook remains negative.

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	81.23%
Subordinated Debt	18.77%
Hybrid Debt	0.00%
Running Yield#	5.23%
Portfolio Weighted Average Life	2.10 yrs
Modified Duration	0.08
No. Securities	132

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

MARKET COMMENTARY

December marked the close of a robust year for risk assets, though equities saw some pressure as expectations for US monetary policy moderated. The Federal Reserve's decision to implement a 25bps rate cut was in line with market expectations, while its updated dot plot forecasted only two additional rate cuts in 2025. This shift in outlook led to some volatility in risk markets.

Bond markets experienced mixed movements, with Australian government bond yields rising slightly, with the 10-year yield up 3bps to 4.37%. In contrast, U.S. Treasury yields saw a sharper increase as the market priced in a slower pace of rate cuts. In Australia, the Reserve Bank of Australia (RBA) kept the cash rate steady at 4.35%, with the December meeting accompanied by a more dovish statement reflecting easing wage growth. By month's end, market pricing anticipated up to two rate cuts by May, ahead of the federal election.

On the credit front, domestic spreads remained stable throughout December, contributing to a strong year for credit. Despite occasional volatility driven by global events, the overall "risk-on" sentiment—fuelled by strong equity performance, soft economic landings, central bank easing, and low credit defaults—supported spread compression. This positive environment provided an encouraging backdrop for the credit market, concluding 2024 on a strong note.

December is historically a quiet month for primary issuance and wound down in the second half of the month. CIBC raised $1.5B across fixed and floating tranches in the last major deal of the year. There were a pair of corporate hybrid deals priced during early December from Pacific National ($500M) and Ampol ($600M). The deals met strong demand, benefitting from forthcoming changes to bank hybrid capital. The securitisation market capped off a very busy 2024 with a $1.2B prime RMBS deal from Columbus Capital.

PORTFOLIO COMMENTARY

The Fund's yield premium above bank bills remains the key contributing factor to outperformance. The Portfolio's allocation to securitised sectors, and domestic major bank paper were the key contributors to income return. The portfolio running yield at month end was 5.2%, with the average credit spread measured at 0.9%.

Credit spread dynamics were constructive for performance during the month. Credit spreads remained resilient through December, trading in a tight range. The Fund's allocation to securitised sectors alongside longer dated major bank senior paper performed well.

Sector allocations were maintained during November. The primary market was subdued in line with seasonal trends and the portfolio did not take part in any new deals. The Manager added securitised exposure in secondary, replenishing the Fund's prime RMBS allocation. Securitised exposures amortise over time as a result regular purchases are required to maintain the targeted allocation.

The outlook for credit is balanced. The Fund remains defensively positioned, retaining the capacity to take advantage of relative value opportunities should the outlook improve.

OUTLOOK

The credit outlook improved in mid-December to reach neutral territory for the final reading of 2024.

Valuation indicators are marginally negative. US high yield spreads are trading below the fair value range and AU swap spreads remain very tight. Elevated demand and attractive rates conditions for borrowers continued to contribute to elevated levels of opportunistic issuance in early December.

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

Supply and demand indicators improved in early December ending the month marginally negative. The high volume of recent issuance continues to weigh on the outlook. Market demand and the issuance pipeline have moderated somewhat reflecting seasonal trends.

Technical indicators remained in positive territory. Intermediary positioning has normalised however cash levels among real money accounts remains elevated. US credit spreads, equity markets and equity market volatility indicators are all constructive.

MORE INFORMATION

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