Perpetual Private

IMPLEMENTED FIXED INCOME PORTFOLIO

Fund Profile – 31 December 2024

FUND FACTS

APIR code	PER0710AU
Inception Date	9 December 2013
Asset class	Diversified Fixed Income
Investment style	Multi Manager Blend
Benchmark	Fixed Income Composite Benchmark#
Suggested length of investment	3 years or more
Unit pricing frequency	Daily
Distribution frequency	Quarterly
Legal type	Unit Trust
Product type	Wholesale Managed Investment Scheme
Status	Open
Management Fee* (%)	0.47%
Buy/Sell spread	0.20% / 0.00% as at February 2023
Issuer	Perpetual Investment Management Limited

*Additional fees and costs generally apply. Please refer to the Product Disclosure Statement for further details.

INVESTMENT OBJECTIVE

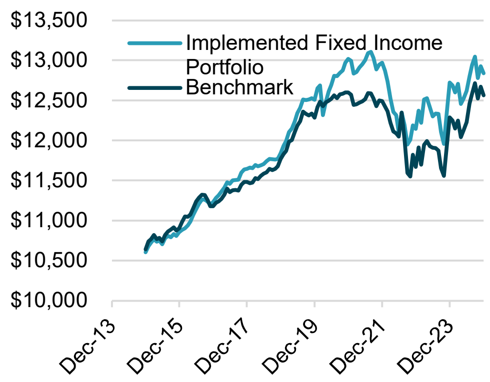
To provide investors with income through investment in a diversified portfolio of fixed income and floating rate investments (including mortgages). To outperform the stated benchmark over rolling three-year periods.

BENEFITS

Provides investors with the potential for maximising income and capital stability, with broad market exposure.

GROWTH OF $10,000 SINCE INCEPTION (NET OF FEES)

As at December 2024



Source: State Street.

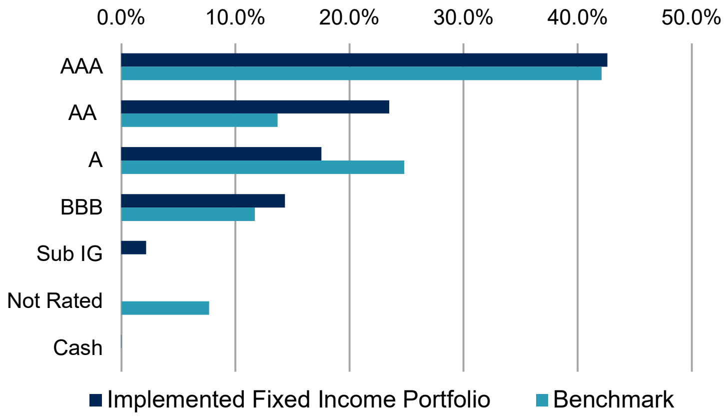
NET PERFORMANCE

As at December 2024

RETURNS	1MTH	3MTH	1YR	3YR	5YR	S/I*
Total return	-0.7%	-1.6%	0.9%	-0.3%	0.5%	2.4%
Growth return	-1.5%	-2.4%	-0.6%	-1.0%	-1.3%	-0.2%
Distribution return	0.8%	0.8%	1.5%	0.7%	1.8%	2.6%
Benchmark	-0.9%	-1.2%	2.2%	0.2%	0.5%	2.2%
Excess Return	0.2%	-0.4%	-1.3%	-0.5%	0.1%	0.2%

Source: State Street. Past performance is not indicative of future performance.
*Since Inception

RATINGS BREAKDOWN

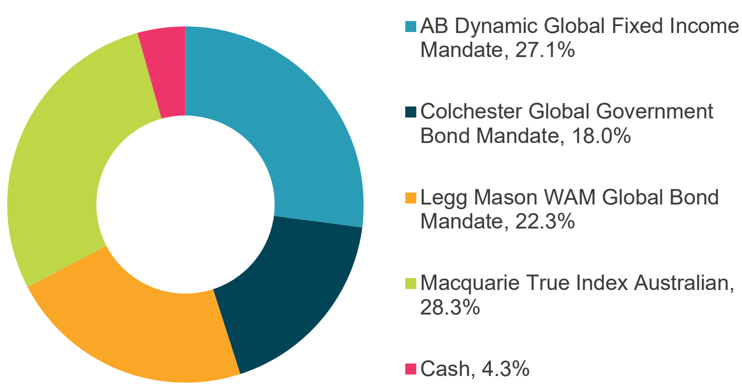


As at 31 December 2024^

Source: State Street, External Manager Reports.
^Portfolio exposures can be lagged by up to 3 months.

PORTFOLIO EXPOSURE BY MANAGER

As at December 2024



Source: State Street.

#The Fixed Income Composite benchmark, prior to 30th June 2022, consisted of 60% Bloomberg AusBond Bank Bill Index, 20% Bloomberg AusBond Composite Index & 20% Bloomberg Barclays Global Aggregate (AUD Hedged); effective from 30th June 22, it changed to 100% Bloomberg Global Aggregate Index (AUD Hedged)

INVESTMENT APPROACH

A multi-manager framework is utilised, where specialist investment managers are selected to form a diverse and complementary mix of investment strategies and styles. This can help reduce volatility by avoiding over exposure to a particular specialist investment manager. Derivatives may be used in managing the portfolio.

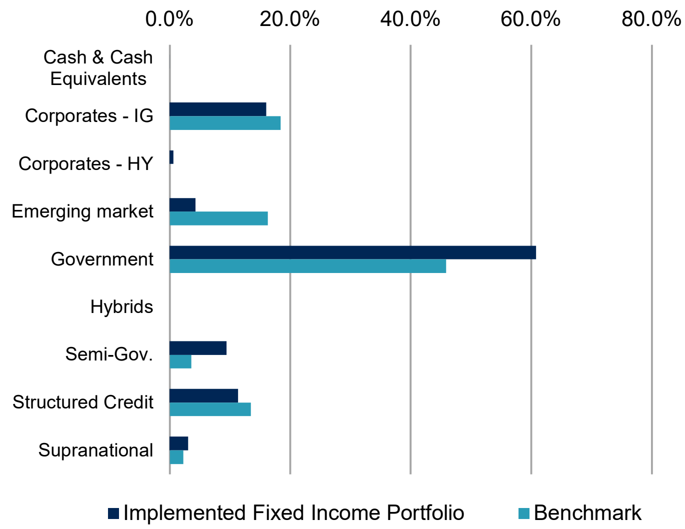
INVESTMENT STRATEGY

The Implemented Fixed Income Portfolio invests in both Australian and International fixed interest markets, as well as diversified credit markets.

The managers within the Implemented Fixed Income Portfolio will invest across the broad spectrum of available debt instruments diversified by industry, maturity and credit rating (the majority of which will be investment grade as assigned by a recognised global ratings agency). Their portfolios tend to be diversified across hundreds of positions both in physical securities and through the use of derivatives. The diversified nature of their portfolios aims for the delivery of consistent returns above their designated benchmarks and acts to mitigate a large negative portfolio impact from any single position that may underperform from time to time.

The Implemented Fixed Income Portfolio blends a small group of managers that construct well diversified portfolios, who have a long-term and consistent track record, are expected to continue to deliver on this track record, and whose investment styles complement each other well. Consistency and complimentary of return profiles are of critical importance such that we can comfortably blend managers to deliver consistent and stable outperformance above the benchmark.

SECTOR EXPOSURES



As at 31 December 2024^

Source: State Street, External Manager Reports

^Portfolio exposures can be lagged by up to 3 months.

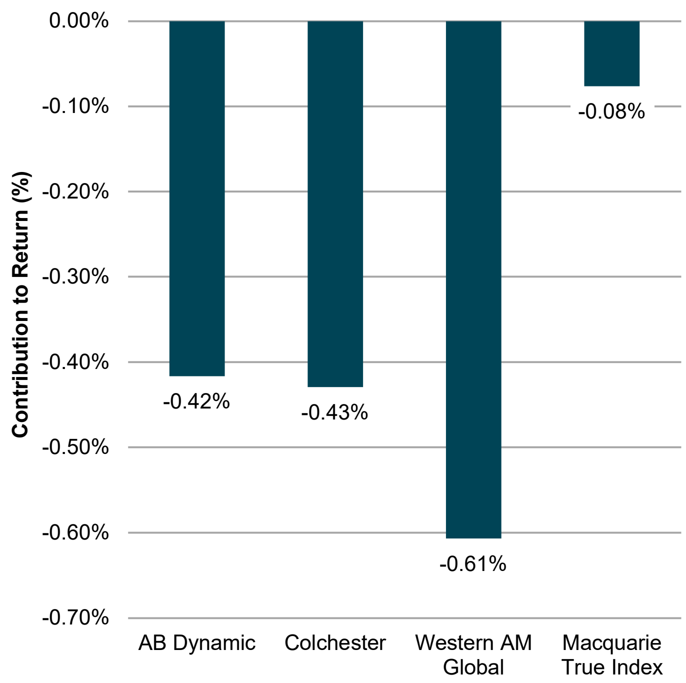
MANAGER LINE-UP AND APPROACH

As at December 2024

MANAGER	APPROACH
AB Dynamic Global Fixed Income Mandate	Global Rates and Sector Rotation, Relative Value.
Colchester Global Government Bond Mandate	Global Rates, Real Return.
Western Asset Management Global Bond Mandate	Global Rates and Sector Rotation, Macro.
Macquarie True Index Australian Fixed Interest	Australian passive core fixed income and True indexing fund.

CONTRIBUTION BY MANAGER

As at December 2024



MARKET COMMENTARY

Fixed income markets faced headwinds throughout the quarter, as interest rate increased through the length of the US and Australian yield curves. As has been the case since central banks increased interest rates in 2022, longer-term inflation expectations has remained frustratingly above target and thus interest rate cuts globally have arrived later than expected and smaller in magnitude. The December quarter typified the broader pattern of the past few years, with periods of lower interest rate expectations, acting as the countertrend against a broader 'higher for longer' thematic. That the US 10-year benchmark rate moved up by nearly 0.79%, from 3.78% to 4.57% over the quarter, does place emphasis on clearly diminishing expectations for more aggressive rate cuts in the near future. Indeed, in Australia we faced similar market conditions with our own 10-year benchmark gaining 0.39%, from 3.79% to 4.37%.

The implication of higher rates being priced in over the year, meant that for government bonds, returns were broadly below the level of income generated, as lower capital values dragged on performance. The trend of credit outperforming duration continues, as the higher yields commanded for credit risk, combined with lower degrees of interest rate sensitivity, has led to a more healthy level of total return. If we reflect on the Australian debt markets, bank bills did the best over the December quarter, gaining 1.1%[1]. However, over the year, Credit performed best gaining by a solid 5.4%[2] (vs 4.5%[3] for bank bills).

The trend of credit outperformance is not unique to Australia. Given that the US dominates global credit markets and the US economy remains strong, means that credit has been enjoying highly complementary conditions with interest rates being high enough to generate meaningful yields, whilst corporate defaults have remained stable. As such, we have seen a 4.0% return from global High Yield bonds for the three months to December 31st, and 13.1% for 2024. Even the broader credit markets have generated healthy outcomes, with an return of 3.9% for the quarter and 7.8% for the year

PORTFOLIO COMMENTARY

The Implemented Fixed Income Portfolio underperformed its benchmark over the December 2024 quarter by -0.52/-0.38%. Manager performance was the primary detractor over the quarter.

Macquarie True Index Australian Fixed Index Fund returned -0.26% during the quarter, broadly in line with the Bloomberg AusBond Composite 0+ Year Index. Australian government bond yields continued to be volatile over the period as the market re-adjusted their inflation and interest rate expectations. Despite the beginning of the rate cutting cycle in the US and Europe; concern over the longer-term inflation outcome saw bond yields rise over the quarter resulting in a negative return.

Western Asset Global Bond Mandate underperformed its benchmark for the period, with the portfolio returning -2.7% versus the Bloomberg Global Aggregate Bond Index (hedged AUD) return of -1.2%. Overweight duration in US and Core Europe; and overweight to emerging market bonds detracted over the quarter. Holdings in Japanese government bonds and inflation-linked bonds contributed positively to returns.

Colchester Global Government Bond Mandate returned -2.4% for the period, underperforming the Bloomberg Global Treasury Index Hedged to AUD which returned -1.1%. Overweight holdings in Mexico and Columbia, and underweight in China were the largest detractor to performance over the quarter.

Alliance Bernstein Global Plus Mandate underperformed global markets, returning -1.5% for the period versus the Bloomberg Global Aggregate Bond Index (hedged AUD) return of -1.2%. Underperformance was driven primarily by an underweight in China and long duration position in the UK. Long position in USD contributed positive to performance over the quarter.

OUTLOOK

In our previous commentary we noted that the US elections had global inflationary implications tied to expectations of US fiscal stimulus and trade tariffs. The advent of a Trump victory is consistent with a bullish inflationary scenario which may limit the ability of central banks to cut interest rates further.

Post US election, market sentiment has shifted from positive to negative with government bond yields rising over the quarter. At the current time of writing, Trump has yet to be inaugurated as the US president while the plans for trade tariffs are in the very early stages of discussion. Given the lack of key details, we believe markets may have overreacted.

Directionally, realised inflation has continued to fall with prints coming in within the targeted 2% to 3% p.a. band. This is consistent across US (2.8% over the year to December) and Australia (2.7% over the year to September) which continues to exhibit a downward trend. In-line with our previous outlook, consumer spending has continued to moderate while corporate defaults have ticked up marginally. Rate cuts implemented over the quarter by the US Fed and ECB are likely to support corporate balance sheets going forward as they flow through to the interest costs. We expect default rates to remain steady over the coming year

Credit spreads are at historical lows and have tightened marginally over the quarter despite the increases in corporate default. Credit issuance over 2024 was strong and continued to be supported by investor demand. The beginning of the rate cutting cycle is a net positive for corporate defaults but provides investors with lower absolute yield particularly for floating rate securities. Barring a substantial deterioration in

[1] As measured by the Bloomberg AusBond Bank Bill index
[2] As measured by the Bloomberg AusBond Credit (0+Y) index
[3] As measured by the Bloomberg AusBond Bank Bill index

economic conditions we expect this environment to persist for some time.

From a portfolio perspective, we remain broadly neutral on rates. We think at current yield levels, markets have overreacted to an incoming Trump presidency. However, given the magnitude of moves, we prefer to take a more considered approach and wait for more information before taking a directional view. Specific to credit we continue to retain a short duration bias has benefitted from cash rates remaining higher than previously expected.

PERPETUAL PRIVATE

Phone 1800 631 381
Email perpetualprivate@perpetual.com.au

Perpetual