Perpetual Investment Funds

PERPETUAL ESG CREDIT INCOME FUND - CLASS A

November 2024

FUND FACTS

Investment objective: To provide investors with 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 that meet Perpetual's ESG and values-based criteria.

Benchmark:	Bloomberg AusBond Bank Bill Index
Inception date:	June 2018
Size of fund:	$45.9 million as at 30 September 2024
APIR:	PER1744AU
Mgmt Fee:	0.59% pa*
Benchmark Yield:	4.361% as at 30 November 2024

Suggested minimum investment period: Three years or longer

FUND BENEFITS

Provides investors access to an actively managed credit and fixed income fund and the opportunity to align their investments with their personal values and ESG preferences.

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 ESG Credit Income Fund – Class A	0.64	2.15	3.52	8.79	8.48	5.45	4.17	-	3.92
Bloomberg AusBond Bank Bill Index	0.36	1.10	2.22	4.46	4.11	3.07	1.92	-	1.87

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.

PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	26.00%
Subordinated Debt	60.44%
Hybrid Debt	13.56%
Running Yield[#]	5.71%
Portfolio Weighted Average Life (yrs)	3.08 yrs
No. Securities	67
Modified Duration	0.11

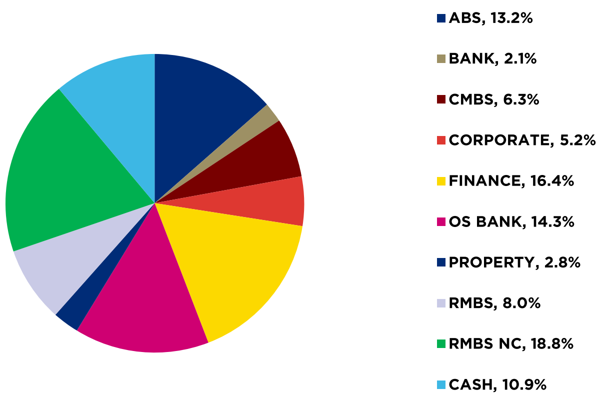
ESG APPROACH

Before being considered for investment, companies or issuers must pass a series of exclusionary screens. The screening processes is designed to limit the investible universe to only those companies or issuers that meet minimum values-based and ESG standards. The Perpetual ESG Credit Income Fund first applies a values-based and ESG exclusionary screen. Sovereign issuers are subject to a separate exclusionary screen. Please refer to the Perpetual Investment Funds PDS for further information.

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

^The methodology used to calculate Running Yield is derived from FactSet, and calculated 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.

PORTFOLIO SECTORS



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 5.7% 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 increase non-bank financial and utilities exposure. The Fund's government bond position was liquidated during the month and RMBS exposures were increased.

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.

The Fund invests in quality issuers that meet Perpetual's ESG and Values based criteria relating to what the company is in the business of and the way business operations are conducted respectively. Upon application of the ESG and Values based criteria, several bond issuers have been screened out. These include, for example, companies involved in the extraction of fossil fuels or companies whose revenues are significantly associated with socially questionable products or services.

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.

MORE INFORMATION

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