

Perpetual Investment Funds

PERPETUAL CREDIT INCOME FUND

September 2024



FUND FACTS

Investment objective: Aims to provide investors with regular income by investing in a diversified range of income generating assets, and outperform the Bloomberg AusBond Bank Bill Index** over rolling three-year periods before fees and taxes.

Benchmark: Bloomberg AusBond Bank Bill Index**
Inception date: November 2004
Size of fund: \$179.1 million as at 30 June 2024
APIR: PER0263AU
Mgmt Fee: Please contact us for a copy of the disclosure document.
Benchmark Yield: 4.361% as at 30 September 2024
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 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 30 September 2024

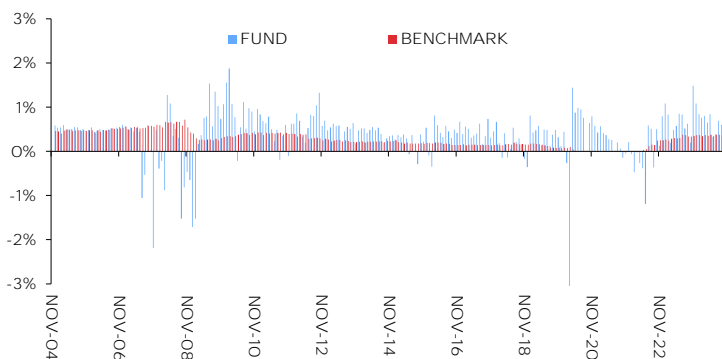
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Credit Income Fund	0.60	1.69	3.55	9.02	8.35	4.91	4.24	4.06	4.68
Bloomberg AusBond Bank Bill Index**	0.36	1.11	2.21	4.41	3.99	2.82	1.81	1.81	3.40

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.

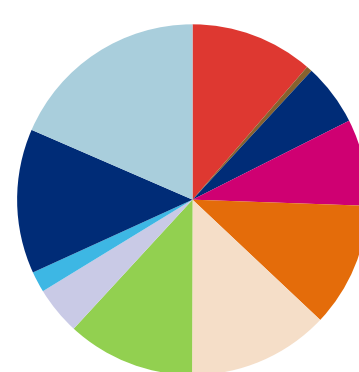
POINTS OF INTEREST

- RBA on hold; Fed lowers rates by 50 bps;
- Domestic credit rangebound;
- Primary market busy, led by securitisations;
- The outlook remains negative.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



■ ABS, 11.3%
■ SUPRA, 0.0%
■ SEMI, 0.0%
■ STRUCTURED, 0.5%
■ BANK, 5.7%
■ CMBS, 8.0%
■ CORPORATE, 11.5%
■ FINANCE, 13.0%
■ MORTGAGES, 0.0%
■ OS BANK, 11.8%
■ PROPERTY, 4.4%
■ RMBS, 1.9%
■ RMBS NC, 13.3%
■ UTILITIES, 0.0%
■ WRAPPED, 0.0%
■ GOVERNMENT, 0.0%
■ CASH, 18.5%

PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	39.00%
Subordinated Debt	52.12%
Hybrid Debt	8.88%
Modified Duration	0.06
Running Yield [#]	6.04%
Portfolio Weighted Average Life	3.16 yrs
No. Securities	87

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

MARKET COMMENTARY

Financial markets consolidated during September with equities posting gains as the US commenced monetary easing and China unveiled a substantial monetary policy stimulus package intended to resuscitate the economy and support the embattled property market.

Domestic bond yields traded in a tight range, ending the month close to start of month levels. The RBA held rates at 4.35% at their September meeting while minutes revealed a dovish shift from a tightening to neutral bias. The Fed commenced monetary easing, cutting rates by 50 bps in September. US bond yields reacted favourably and the treasury curve flattened as short end yields rallied.

Credit spreads were rangebound during September. Spreads in government adjacent sectors including supranational and government agencies tightened while non-financial corporates widened marginally on aggregate.

A notable development in September was commentary from APRA proposing that banks phase out the use of additional Tier 1 capital bonds (Hybrids) and replace them with cheaper and more reliable forms of capital that would absorb losses more effectively in times of stress. This was in response to the 2023 turmoil observed in global banks following the collapse of Silicon Valley Bank and acquisition (and subsequent write-off of AT1 capital) of Credit Suisse by UBS.

Primary markets saw a diverse array of issuers, highlighted by the return to market of a number of non-financial corporates. There were a number of new senior unsecured corporate deals, including Qantas (10 year 5.9% \$500M), Origin Energy (7 year 5.35% \$500m) and Telstra (6 Year 4.75% \$450M). QBE Insurance Group raised \$750M across fixed and floating tranches while major bank issuance was headlined by \$2.7B senior unsecured deal from Westpac. By the end of the third quarter, securitisation volumes surpassed their previous full calendar year record. Despite the elevated securitisation volume throughout 2024, demand has proved resilient.

PORTFOLIO COMMENTARY

Credit spread dynamics were mixed, contributing slightly to performance overall. While credit spreads traded in a tight range on aggregate, the Fund's allocation to non-financial corporates and securitised assets detracted marginally. Allocation to EUR denominated financial also detracted slightly from outperformance. Allocation to securitised sectors was constructive in spite of the pressure on spreads from persistent elevated securitisation volumes.

The Fund's yield premium above bank bills was the most substantial contributor to performance during the month. Allocation to RMBS, domestic and offshore banks – led by subordinated issues – remain the key contributors to income return. The portfolio's running yield was 6.0% at month end, with the spread (credit yield premium) measured at 1.6%.

Active duration management contributed to performance during the month. The portfolio began September with a short (negative) duration position which was closed for profit early in the month. Following a rally in yields over the first two weeks of September, the Manager elected to reinstate the short duration position mid-month which performed well as yields rose from their mid-month nadir, following the U.S Federal Reserve's initial 50 basis point reduction in the cash rate. Duration was returned close to benchmark later during the month as profit was taken on this position.

Sector and risk allocations were actively managed. Exposure to offshore banks were trimmed. The Manager elected to add allocation to the property sector via a new \$600M fixed rate deal from Scentre Group. The Fund also added allocation to CMBS.

The outlook for credit is negative and the Fund is defensively positioned. The Manager continues to look for attractively priced issues and relative value opportunities while carefully managing credit and liquidity risks.

OUTLOOK

The credit outlook declined further throughout September ending the month with a strong negative reading.

Valuation indicators are marginally negative. While credit spreads are at neutral levels, AUD swap and basis swap levels are detracting from the overall outlook.

The Growth outlook declined to neutral. The ratio of upgrades to downgrades remains supportive however the macroeconomic growth and equity capital market indicators worsened during the month. Survey data has declined over the September quarter, UK Q2 GDP failed to meet consensus expectations and China – while improving – remains challenged.

Supply and demand indicators remained firmly negative. Elevated recent primary market volumes, coupled with a lean upcoming maturity schedule weigh on the credit outlook. The issuance pipeline has moderated somewhat, softening the negative reading.

Technical indicators remain marginally negative. Intermediary positioning and US equity market indicators are positively contributing, while cash levels of domestic real money accounts and US credit spread indicators are detracting from the overall outlook.

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No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital.

Total return shown for the fund(s) have been calculated using exit prices after taking into account 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.

* Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries.

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

MORE INFORMATION

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