Perpetual Pure Series Funds

PERPETUAL PURE CREDIT ALPHA FUND CLASS W

May 2025

FUND FACTS

Investment objective: The Fund aims to provide investors with a positive return above the cash rate over rolling three-year periods (before fees and taxes) by primarily investing in and actively trading fixed income securities and related derivatives.

Benchmark: RBA Cash Rate
Inception date: March 2012
Size of fund: $701.0 million as at 31 March 2025
Mgmt Fee: 0.85% pa*
Benchmark Yield: 4.100% as at 31 May 2025
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 structure where they see relative value. The portfolio is diversified, takes into account changes in market-wide and security-specific credit margins while seeking to maximise returns from liquidity premiums.

FUND RISKS

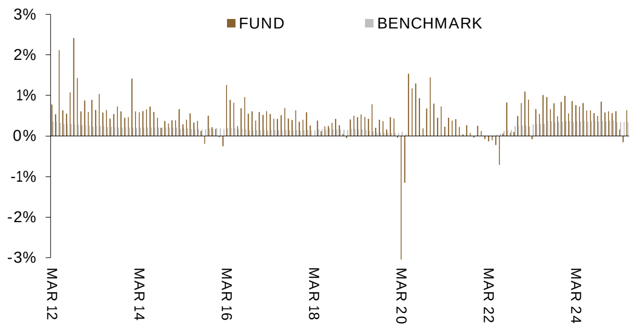
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

TOTAL RETURNS % (AFTER FEES) AS AT 31 May 2025

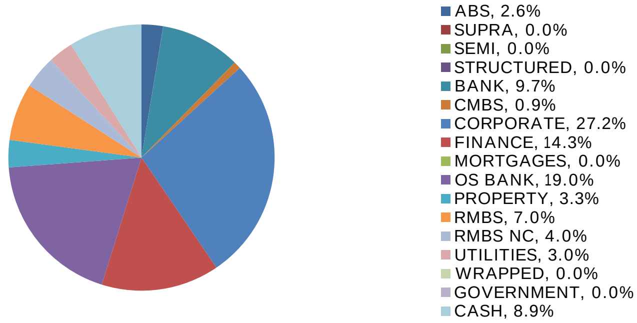
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Pure Credit Alpha Fund W Class	0.64	0.65	2.46	6.35	8.10	7.01	6.16	4.71	5.81
RBA Cash Rate	0.34	1.03	2.11	4.36	4.35	3.80	2.32	1.98	2.13

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.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	37.14%
Subordinated Debt	52.11%
Hybrid Debt	10.75%
% Geared	0.00%
Running Yield#	6.47%
Portfolio Weighted Average Life	3.33 yrs
No. Securities	214
Long	91.12%
Short	0.00%
Net	91.12%

GEOGRAPHIC LOCATION OF MATERIAL ASSETS

The Fund holds no single international asset representing more than 10% of the Fund's net asset value.

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

MARKET COMMENTARY

Risk assets continued to recover from April volatility with equities and credit rallying as concerns around US trade policy eased. Tailwinds included the US and China's agreement to pause reciprocal tariffs for 90 days, robust first quarter earnings and the Trump administration's expansionary budget bill passing the House of Representatives. While equities and credit stabilised, sovereign bond yields rose reflecting fiscal concerns in the US.

The RBA reduced the target cash rate 25bps to 3.85% in mid-May, the second of this easing cycle. Commentary was increasingly doveish with discussion of a 50bps cut was well received by financial markets, contributing the rally in longer duration sectors including technology. Governor Bullock confirmed that "The Board considered a severe downside scenario and noted that monetary policy is well placed to respond decisively to international developments." 10-year yields on Australian government bonds rose 16 bps to 4.27% over the month, mirroring global trends while also reflecting expectations of fiscal expansion in the wake of Labour victory in the Federal Election. US long term government bond yields sold off, as concerns around the fiscal deficit intensified and Moody's lowered the US government's long term issuer rating.

Domestic credit spreads rallied strongly in May, following widening in March and April. The iTraxx Australia 5-year CDS spread rallied 16bps to 76bps and physical spreads also ended the month tighter. Banks – led by regional and offshore names – performed well with higher beta subordinated and hybrid issues rallying back strongly.

Following a very quiet April, impacted by financial market volatility and holiday shortened weeks, primary market issuance resumed with a busy start to the month. Corporate deals from Worley ($400M) and Aurizon ($500M) priced after being put on hold in April as volatility spiked. Aurizon's hybrid deal met robust demand, building a book more than four times deal volume and tightened on the break. Major banks were active following reporting season with NAB ($2.5B) and ANZ ($1.4B) issuing senior bonds. A number of subordinated deals also priced including Westpac ($1.5B), Macquarie ($1.25B) and QBE Insurance Group ($600M).

PORTFOLIO COMMENTARY

Credit spread dynamics were mixed for performance during the month. Credit spreads rallied strongly, normalising after widening sharply during April. The Fund's allocation to domestic and offshore banks alongside non-financial corporates were the key contributing sectors. A small number of US dollar denominated positions among financials and materials performed well, benefitting from the sharp rally in USD spreads. Subordinated and hybrid bank positions also performed well. Positive performance was offset by a loss arising from the liquidation of a private loan position. During the month, Fund performance was impacted by the downward revaluation of a small private loan position. This was more than offset by spread contraction and the Fund's yield advantage above RBA Cash.

The Fund continued to collect a healthy yield premium above benchmark. Income turn remains led by allocation to non-financial corporate loans alongside contributions from securitised assets and domestic banks. At month end, the Fund's running yield was 6.5% with the average spread measured at 2.6%.

The Manager was active in primary and secondary markets during the month. Sector allocations were actively managed with the Fund trimming exposure to domestic banks while adding non-financial corporates and offshore banks. The Fund took part in a new fixed rate senior bond from Worley Financial services which priced after being delayed in April and performed well in secondary, contributing to performance. Elsewhere, the Manager elected to take part in new deals from Norfina, Macquarie Bank, Westpac and Contact Energy.

Our proprietary credit outlook score improved slightly during May while remaining negative. At month end, the Fund's cash allocation was slightly elevated. The Fund remains defensively positioned while retaining the capacity to take advantage of relative value opportunities as they arise.

OUTLOOK

The credit outlook improved slightly during May while remaining in negative territory.

Valuation indicators worsened marginally over the month as domestic investment grade spreads rallied into neutral territory while an increase in opportunistic issuers weighted on the valuation outlook. Negative swap to bond spreads continue to detract from the outlook.

Growth indicators remain in negative territory. The results of the Senior Loan Officer survey showed weakening credit demand and tightening lending standards. Macroeconomic indicators remain negative despite easing international trade concerns and improving employment print both domestically and in the US.

Supply and demand indicators are finely balanced with robust primary market demand meeting elevated issuance volumes and a relatively light upcoming maturity schedule following a busy April.

Technical indicators improved to neutral reflecting elevated cash levels among domestic real money accounts and improvements to US equity and volatility leading indicators. The US credit spread indicator continues to weigh on the outlook.

While the outlook has improved – primarily reflecting normalising technical indicators – the overall score is negative and the team remains cognisant of downside risks to credit markets.

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

MORE INFORMATION
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