

PERPETUAL HIGH GRADE FLOATING RATE FUND - CLASS R

January 2026



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: \$173.4 million as at 31 December 2025
APIR: PER0562AU
Mgmt Fee: 0.30% pa*
Benchmark Yield: 3.728% as at 31 January 2026
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 January 2026

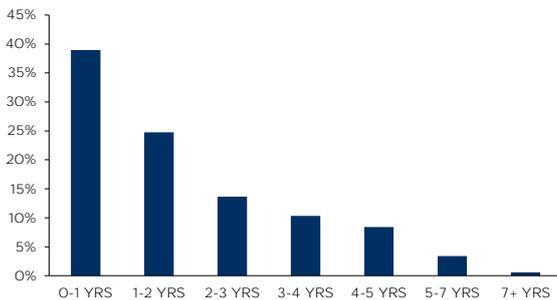
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund - Class R	0.45	1.13	2.49	5.22	5.71	5.78	3.82	3.45	3.74
Bloomberg AusBond Bank Bill Index	0.30	0.91	1.83	3.89	4.18	4.12	2.77	2.21	2.51

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.

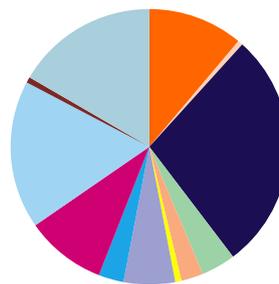
POINTS OF INTEREST

- Geopolitical and trade risks heightened; US Dollar weakness;
- Inflation above expectations; Labour data resilient;
- Bond yields sell off; Domestic yield curve steepens;
- Domestic credit spreads rally; Subordinated debt outperforms;
- Primary market returns with elevated volume.
- The credit outlook is neutral;

MATURITY PROFILE



PORTFOLIO SECTORS



- ABS, 11.1%
- SUPRA, 0.0%
- SEMI, 0.6%
- STRUCTURED, 0.0%
- BANK, 28.0%
- CMBS, 4.0%
- CORPORATE, 2.6%
- FINANCE, 0.7%
- MORTGAGES, 0.0%
- OS BANK, 6.0%
- PROPERTY, 2.9%
- RMBS, 9.4%
- RMBS NC, 17.4%
- UTILITIES, 0.7%
- WRAPPED, 0.0%
- GOVERNMENT, 0.0%
- CASH, 16.6%

PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	77.26%
Subordinated Debt	22.74%
Hybrid Debt	0.00%
Running Yield [#]	4.82%
Portfolio Weighted Average Life	1.88 yrs
Modified Duration	0.18
No. Securities	114

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

MARKET COMMENTARY

Credit spreads tightened as bond yields rose during a month hallmarked by rising geopolitical risks, tariff threats, US Dollar weakness, surging Japanese bond yields, and the pricing of 2026 RBA rate hikes. While volatility was elevated, equity markets advanced, supported by earnings growth expectations and the benign economic outlook.

Bond yields rose across developed markets as resilient labour market data and economic growth saw markets continue to reappraise the probability of near-term monetary easing. Australian government bond yields rose over the month, at times underperforming global counterparts. The December inflation report was hotter than expected, headline inflation rising to 3.8% year on year. The Yield curve flattened as the policy sensitive short end rose more sharply. By month end, the early February rate hike was 70% priced in by markets with at least one further rate hike fully priced in for 2026. Offshore, the most substantial movement was in Japanese long-term bond yields which rose sharply reflecting inflation concerns arising from aggressive fiscal policy expansion.

Despite higher government bond yields, Australian investment-grade credit remained well supported, with tight spreads and strong demand from both domestic and offshore investors. Global IG spreads reached their tightest levels since 1998. Australian physical credit spreads were 6bps tighter on average led by utilities and real estate. Subordinated bank spreads performed well reflecting both the broader rally in credit and supply dynamics with no tier 2 issuance since early November.

Primary market issuance volumes were strong to start the year with wide variety of issuer diversity. Elevated volumes reflected supportive conditions for issuers with spreads near all-time tight, light dealer inventories and attractive pricing relative to offshore credit. Commonwealth bank issued \$5B in senior debt across 3 and 5 year tranches while Banco Santander (\$1B) and Rabobank (\$1.25B) issued 5-year senior paper. Non-financial corporate issuance accelerated towards month end with AusNet Services issuing a \$1.1B hybrid deal while Aroundtown (\$600M) and MTR corporation (\$2B) issued kangaroo bonds reflecting the accommodative conditions for AUD issuers.

PORTFOLIO COMMENTARY

The Fund continued to generate a running yield above bank bills with the yield premium primarily attributable to RMBS, ABS and domestic banks. The portfolio running yield at month end was 4.8%, with the average credit spread measured at 0.8%.

Credit spread dynamics were positive for performance over the month. Spreads contracted across sectors and the Fund's allocation to banks and property trusts performed well. Exposure to higher beta parts of the capital structure benefitted the portfolio as spreads contracted with subordinated bank exposures contributing to outperformance. Spread contraction among semi-government, corporate and utilities sectors were also constructive.

Sector allocations were broadly maintained during January. The Manager took the opportunity to trim subordinated bank exposures, locking in profits and moving up the capital stack. Elsewhere, the Mandate increased its domestic bank exposure.

The outlook for credit remained in neutral territory throughout January. The Manager continues to carefully manage credit and liquidity risks. The Mandate maintains its defensive positioning supported by a relatively short credit duration and limited exposure to subordinated paper. **The Mandate's** cash allocation was increased over the month and the Mandate retains the capacity to take advantage of relative value opportunities as the outlook improves.

OUTLOOK

The credit outlook remained balanced throughout January with a neutral reading at month end.

Valuation indicators worsened slightly as US High Yield rallied below its historical fair value range. Attractive conditions for credit issuance saw an uptick in elevated issuance volumes from opportunistic and kangaroo issuers weighing on the outlook. Negative swap to bond spreads continue to detract from the valuation outlook.

The macroeconomic outlook remained neutral during January. While soft global growth expectations continue to weigh slightly on the outlook, the ratio of upgrades to downgrades is in positive territory. The credit rating outlook is benign with market participants anticipating further upgrades in 2026.

Supply and demand indicators declined marginally. Upcoming maturity volumes have normalised however elevated recent issuance volumes continue to detract from the outlook. The 2026 issuance pipeline is also building steadily, weighing on the outlook for spreads.

Technical indicators are strongly positive reflecting supportive US credit, equity and equity volatility indicators. Cash balances among real money accounts and intermediary positioning shows a capacity to take on credit risk.

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