

Perpetual Investments

PERPETUAL DIVERSIFIED INCOME FUND

February 2024

FUND FACTS

Investment objective: Aims to provide regular income and consistent returns above the Bloomberg AusBond Bank Bill Index (before fees and taxes) over rolling

Benchmark: Bloomberg AusBond Bank Bill Index**

Mgmt Fee: 0.70% pa*

Buy / Sell spread: 0.15% / 0.15%

Benchmark Yield: 4.320% as at 29 February 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, highly diversified and liquid investment.

FUND RISKS

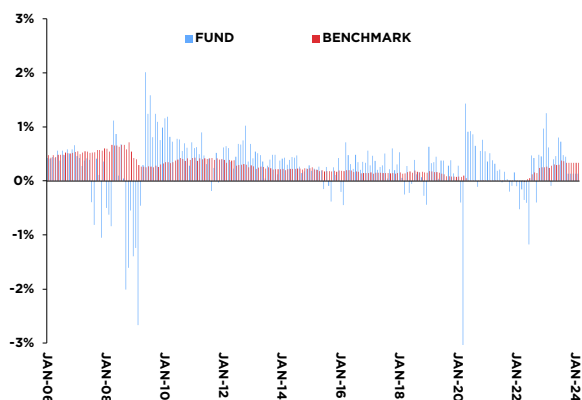
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether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

TOTAL RETURNS % (AFTER FEES) AS AT 29 February 2024

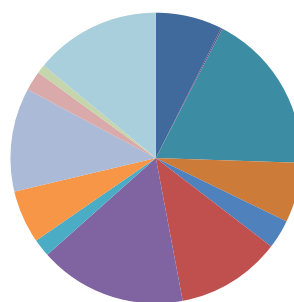
	APIR	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS PA	5 YRS PA	7 YRS PA	10 YRS PA
Perp. WealthFocus Investments	PERO284AU	0.69	2.28	4.19	7.11	3.22	2.95	2.73	2.79
Perp. WealthFocus Investment Advantage	PERO490AU	0.65	2.23	4.14	7.06	3.22	2.95	2.73	2.80
Perp. WealthFocus Super	PERO286AU	0.62	1.98	3.66	6.10	2.77	2.54	2.35	2.41
Perp. WealthFocus Pensions	PERO285AU	0.69	2.27	4.18	7.09	3.20	2.94	2.72	2.78
Perp. WealthFocus Term Allocated Pension	PERO339AU	0.69	2.27	4.18	7.09	3.20	2.94	2.72	2.78
Bloomberg AusBond Bank Bill Index**		0.34	1.09	2.12	4.10	1.95	1.47	1.58	1.80

Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

MONTHLY PERFORMANCE SINCE INCEPTION^



PORTFOLIO SECTORS



- ABS, 7.4%
- SUPRA, 0.0%
- SEMI, 0.0%
- STRUCTURED, 0.2%
- BANK, 18.0%
- CMBS, 6.7%
- CORPORATE, 3.2%
- FINANCE, 11.6%
- MORTGAGES, 0.0%
- OS BANK, 16.4%
- PROPERTY, 2.0%
- RMBS, 5.9%
- RMBS NC, 11.5%
- UTILITIES, 2.2%
- WRAPPED, 1.0%
- GOVERNMENT, 0.0%
- CASH, 14.0%

PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	51.12%
Subordinated Debt	47.78%
Hybrid Debt	1.10%
Core Component	97.73%
Plus Component	2.27%
% Geared	0.00%
Running Yield [#]	5.83%
Portfolio Weighted Average Life	3.40 yrs
No. Securities	104

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

MARKET COMMENTARY

February saw a typical 'risk-on' month with fixed rate bonds down and stocks up. Bonds were in the red on the back of pushed out & reduced rate cut expectations while stocks paid little attention. Stronger than expected US economic and inflation data pulled back expectations around the timing and scale of rate cuts resulting in rising bond yields over the month. US reported earnings, particularly from NVDA, helped keep the AI theme running propping up the overall equity market.

Domestic credit spreads participated in the global rally and tightened slightly in February, as the short end outperformed. Corporate spreads kept pace with Financials, bucking the recent trend which has seen sustained outperformance of Financial spreads, led by domestic and offshore banks. Offshore spreads continued to rally with Euro denominated credit performing notably well.

Domestic bond yields rose in February, in line with most global bond markets. Australian 10-year Government bond yields rose 12bps up to 4.14% while US 10-Year Treasury yields rose 30bps, back above 4% to close at 4.24%. UK and German government bonds were the global underperformers. Domestically, semi-government bonds underperformed Commonwealth government bonds.

Primary markets were active in February with issuers & arrangers back in full swing for the year. Kicking off the month, NAB came to market with dual-tranche tier-two \$1.75bn deal met with strong demand. Corporates also saw a healthy bid as Melbourne Airport raised €650m in a 10-year deal and Telstra raised \$1.2bn AUD in a dual-tranche transaction with strong investor demand, particularly in the 10 year tranche.

PORTFOLIO COMMENTARY

The Fund's income premium above bank bills remains a strong contributor to outperformance. The portfolio's running yield was 5.8% at month end, with the spread (credit yield premium) measured at 1.4%.

Credit spread dynamics remain the most substantial contributing factor to outperformance as domestic spreads extended their rally. The Fund's exposure to securitised assets was the most significant contributing sector, led by RMBS. New primary deals coming to an – until recently –subdued market was a catalyst for repricing the secondary RMBS curve tighter. This was most prevalent among subordinated tranches where the Fund's exposure is centred. Domestic and offshore banks also contributed significantly, driven exposure to subordinated paper. Marginally detracting from credit spread outperformance was the Fund's small short position on the iTraxx crossover CDS index which offers downside protection against credit tail risks.

Sector allocations were actively managed throughout February. The Manager took profits on USD subordinated debt as it began to look fair value while continuing to hold cheap EUR subordinated debt. Capital was redeployed into AUD denominated – predominantly subordinated – major bank debt. We initially added to these USD denominated bonds in September last year given their relative attractiveness and were highly rewarded for doing so. The Manager also took part in a number of new deals in the securitisation space making up for the ongoing amortisation of securitised assets which reduces their weight in the portfolio over time.

The Fund is positioned for what looks like an inflexion point in markets. The outlook for credit is improving but remains delicately balanced. The Manager continues to look for attractively priced issues and relative value opportunities while carefully managing credit and liquidity risks.

OUTLOOK

The credit outlook improved to neutral in the first week of February before it was unchanged for the remainder of the month.

Valuation indicators remained marginally negative throughout February. US High Yield spreads are tight relative to recent levels, detracting from the outlook. Domestic swap spreads have widened from their recent lows and are now neutral.

Robust economic print and improving lending conditions have reduced the negative impact of macro indicators. Secondary market equity raises show the markets are open, with equity raises executed with limited discounts. The Fed's Senior Loan Officer's survey released in February showed improving financial conditions while the resilient US economy eased the pressure on the outlook for spreads.

Market demand has improved providing a tailwind for credit, increasing the supply and demand outlook to neutral. High issuance volumes over recent months were met with robust market demand reflected in oversubscribed primary market deals and robust secondary market liquidity. However, while demand appears strong, the market is beginning to become a bit saturated with investors increasingly funding primary market purchases out of secondary market sales.

Technical indicators remained positive in February with US credit and equity both positive, however, our equity volatility signal flipped from positive to neutral. Cash levels among real money accounts and intermediary positioning are neutral.

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The relevant product disclosure statement (PDS), issued by PIML as responsible entity for the WealthFocus Investment Funds or PSL as trustee for Perpetual WealthFocus Superannuation Fund, should be considered before deciding whether to acquire or hold units in the fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au. 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 an investor's capital.

Total returns shown in this publication have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is not indicative of future performance. ¹ Fund information in this document is relevant to the Wholesale option unless stated.

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[^] The chart represents the WealthFocus Investment option.

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

MORE INFORMATION

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