Perpetual Investment Funds

PERPETUAL ACTIVE FIXED INTEREST FUND - CLASS A

January 2026

FUND FACTS

Investment objective: The Perpetual Active Fixed Interest Fund aims to outperform the Bloomberg AusBond Composite Index (before fees and taxes) by actively investing in fixed interest securities, primarily corporate bonds.

Benchmark: Bloomberg Ausbond Composite Index
Inception date: February 2017
Size of fund: $596.6 million as at 31 December 2025
APIR: PER8045AU
Mgmt Fee: 0.40% pa*
Suggested minimum investment period: Three years or longer

FUND BENEFITS

Active management of credit risk through sector and sub sector rotation, curve positioning and relative value trading. Strategically maintain duration at benchmark, tactical overlay at extremes.

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 Active Fixed Interest Fund Class A [1,3]	0.31	-1.19	-0.17	3.96	4.13	4.10	0.35	1.90	2.48
Perpetual Active Fixed Interest Fund Class W [2,3]	-	-	-	-	-	-	-	-	4.67
Bloomberg Ausbond Composite Index	0.21	-1.29	-0.51	3.20	3.05	2.85	-0.31	1.26	-

[1] Class A of the Perpetual Active Fixed Interest Fund (Fund) has been operating since February 2017. This row represents the actual past performance of Class A of the Fund.

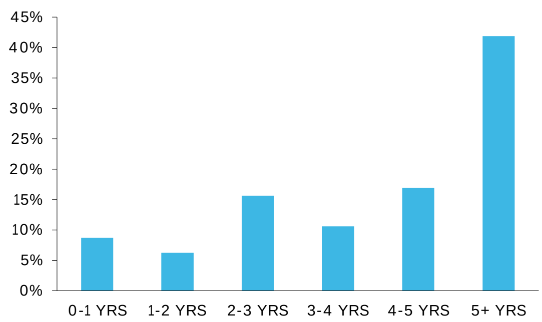
[2] To give a longer term view of the performance of the Fund, the returns for Class W, which has been operating since July 2004, are shown. Class W has identical investments to Class A. We have adjusted the return of Class W to reflect the fee applicable to Class A (a 0.45% Management Fee). This has been calculated by subtracting the fees for Class A from the actual gross past performance for Class W.

[3] Past performance is not indicative of future performance.

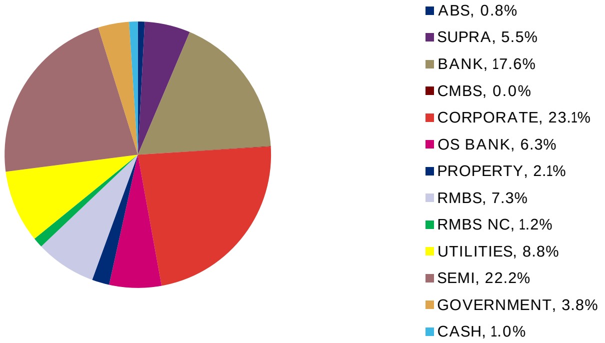
POINTS OF INTEREST

•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;

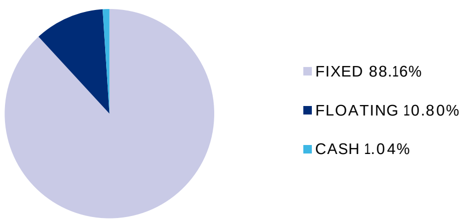
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	93.19%
Subordinated Debt	5.63%
Hybrid Debt	1.18%
Running Yield#	4.33%
Portfolio Weighted Average Life (yrs)	5.39 yrs
No. Securities	186
Modified Duration	5.07

* 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.

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 tights, 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

Income return continued to contribute to outperformance during January. The Fund's yield premium remains primarily attributable to overweight allocations to non-financial corporates, banks and off benchmark exposure to securitised sectors. The portfolio running yield at month end was 4.3% with the spread measured at 0.7%.

Duration positioning detracted from relative performance over the period. Bond yields continued to rise, and curve steepened as markets priced in a February rate hike. The Fund began the moment with a slightly longer than benchmark duration position which detracted from performance as bond yields continued to rise. Curve positioning was rewarded with the Fund's overweight allocation to 7-10 year tenors performing well as the yield curve flattened. The Fund retains a modest long duration position relative to benchmark, retaining the capacity to take advantage of relative value opportunities along the curve at meaningful dislocations.

Credit spread dynamics were the key contributing factor to outperformance over the period, offsetting the relative performance impact of rising bond yields. Overweight allocation to non-financial corporates, domestic banks and utilities all contributed to relative performance. Issuer and security selection was also constructive with non-financial corporate issuers in the fund outperforming the broader composite. The Fund's selective exposure to higher beta subordinated major and offshore bank paper contributed to outperformance. Subordinated bank spreads performed well reflecting both the broader rally in credit and supply dynamics with no tier 2 issuance since early November. The Fund's underweight allocation to semi-government spreads detracted slightly as semi spreads contracted.

The Manager was active in primary markets during January. The Fund took part in new offshore bank deals from Banco Santander, Rabobank and United Overseas Bank. The Fund also invested in both 5 and 12 year tranches of the new corporate deal from rail operator MTR corporation which attracted significant demand from Asian and EU investors and performed well on issue. Lastly, the Fund took part in the new $1.1B AusNet hybrid issuance which was offering an attractive all in yield for a defensive name. While the spread between the hybrid and senior curve is relatively tight, elevated demand for higher beta credit remains supportive.

The outlook for credit remained in neutral territory throughout January. The Fund remains defensively positioned while retaining the capacity to add risk where it is best rewarded and will continue to look for active duration opportunities along the curve.

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.

MORE INFORMATION

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