

Perpetual Investment Funds

PERPETUAL ESG CREDIT INCOME FUND - CLASS A

May 2026

FUND FACTS

Investment objective: To provide investors with regular income and consistent returns above the Bloomberg AusBond Bank Bill Index (before fees and taxes) over rolling three-year periods by investing in a diverse range of income generating assets that meet Perpetual's ESG and values-based criteria.

Benchmark: Bloomberg AusBond Bank Bill Index
Inception date: June 2018
Size of fund: \$102.8 million as at 31 March 2026
APIR: PER1744AU
Mgmt Fee: 0.59% pa*
Benchmark Yield: 4.320% as at 31 May 2026
Suggested minimum investment period: Three years or longer

FUND BENEFITS

Provides investors access to an actively managed credit and fixed income fund and the opportunity to align their investments with their personal values and ESG preferences.

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 2026

	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual ESG Credit Income Fund – Class A	0.56	1.47	2.82	6.47	6.42	7.35	5.19	4.58	4.34
Bloomberg AusBond Bank Bill Index	0.34	1.00	1.91	3.78	4.10	4.18	3.03	1.55	2.27

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

- Middle East conflict persists; oil prices ease towards month end;
- Domestic credit spreads rangebound; US spreads rally;
- Domestic bond yields fall; yield curve steepens;
- RBA hikes; softening inflation and labour data see policy expectations moderate;
- The credit outlook declined marginally, remaining negative.

ESG APPROACH

Before being considered for investment, companies or issuers must pass a series of exclusionary screens. The screening processes is designed to limit the investible universe to only those companies or issuers that meet minimum values-based and ESG standards. The Perpetual ESG Credit Income Fund first applies a values-based and ESG exclusionary screen. Sovereign issuers are subject to a separate exclusionary screen. Please refer to the Perpetual Investment Funds PDS for further information.

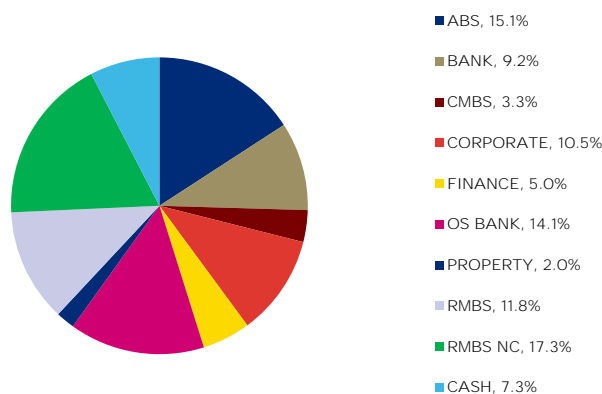
PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	16.29%
Subordinated Debt	66.05%
Hybrid Debt	17.67%
Running Yield [#]	5.99%
Average Credit Rating	A
Portfolio Weighted Average Life (yrs)	3.96 yrs
No. Securities	102
Modified Duration	-0.12

* 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.

PORTFOLIO SECTORS



MARKET COMMENTARY

May proved a volatile month for global fixed income and credit markets, shaped by Middle Eastern geopolitics, elevated energy prices, and the question of how long central banks can hold their nerve against inflation. Risk assets including global equities pushed higher while credit spreads traded in a tight range.

The RBA delivered a widely anticipated third consecutive 25 basis point hike at its 5 May meeting, taking the cash rate back to 4.35%. April employment declined by 18,600 jobs — against expectations for modest growth — pushing the unemployment rate up to 4.5%, above the RBA's own year-end forecast of 4.3%. The April monthly CPI indicator then showed headline inflation moderating from 4.6% to 4.2% annually, 0.2 percentage points below consensus, helped by a 7% fall in automotive fuel and a 20% drop in urban transport fares following government intervention. Together, the weaker labour market and softer inflation data saw markets wind back pricing for further near-term tightening. By Month end, rate hike expectations had fallen from two further hikes to less than one. Australian government bond yields fell over the month with the curve steepening as the front end led the rally.

Domestic credit spreads were resilient throughout May with the ITraxx Australia CDS index narrowing slightly while trading in a relatively tight range over the month. Major bank senior and regional covered bonds performed well. Corporate and nonbank financial hybrids and tier 2 subordinated bank debt remain well supported. Primary market demand is increasingly discerning with longer dated issues less liquid and energy price sensitive sectors softening slightly. US spreads performed well with IG and HY spreads tightening reflecting the broader risk on sentiment as markets anticipated a resolution to the US Iran conflict and resumption of transit through the strait of Hormuz.

Primary market activity was elevated in May with a number of deals across senior, tier 2 and additional tier 1 tranches pricing as issuance accelerated following bank earnings releases. ANZ (\$5B senior), Westpac (\$3B Senior) and NAB (\$2.5B Senior and \$1B Tier 2) printed deals following half year results. May saw an increase in kangaroo issuance as narrow spreads and resilient demand for AUD paper attracted offshore banks and non-financial corporates.

PORTFOLIO COMMENTARY

Credit spread dynamics were constructive for relative performance over the month. While spreads moved in a relatively tight range, issuer and security selection was rewarded with allocation to subordinated domestic and offshore banks alongside non-financial corporates performing well. The Fund's allocation to hybrids also performed well with EUR, GBP and USD hybrid spreads tightening, contributing to outperformance. The Manager took the opportunity to selectively lengthen the portfolio's credit exposure, deploying a portion of the cash position and increasing the spread duration marginally by adding long dated positions including a sizeable allocation to the newly issued 15-year subordinated bond from NAB.

The Fund's yield premium above benchmark was the strongest contributor to relative performance over the month. Income return remained attributable primarily to RMBS and offshore bank allocations. The impact of rising base rates on the Fund's floating rate exposures will continue to contribute to the yield as coupons reset and the Manager further increased the Fund's running yield by deploying a portion of the cash position in long dated credit. The Portfolio's running yield was 6.0% at month end, with the spread (credit yield premium) measured at 1.8%.

Duration management was positive for performance over the month. Despite the Fund's very tight duration limits – which mitigate the risk of interest rate volatility – the Manager is able to add incremental value by actively trading government bond futures at market dislocations. The Fund held a small long duration position and a curve steepener in May before taking profit as yields rallied and the curve steepened in the final week of the month reflecting easing inflation and higher than anticipated unemployment. The Fund ended the month with a very slightly negative duration position.

Risk allocations were adjusted over the month. Alongside the aforementioned lengthening of the portfolio, the Manager took the opportunity to lock in gains on USD denominated credit trimming exposures and adding AUD denominated non-bank financial and non-conforming RMBS exposures.

The outlook for credit remains marginally negative. Notwithstanding the slight increase in term risk over the month, the Fund has been defensively positioned for some time. The Fund maintains a material cash allocation offering the optionality to take advantage of relative value opportunities presented by uncertain conditions.

The Fund invests in quality issuers that meet Perpetual's ESG and Values based criteria relating to what the company is in the business of and the way business operations are conducted respectively. Upon application of the ESG and Values based criteria, several bond issuers have been screened out. These include, for example, companies involved in the extraction of fossil fuels or companies whose revenues are significantly associated with socially questionable products or services.

OUTLOOK

The credit outlook declined marginally led by softening valuation and macroeconomic indicators.

Valuation indicators deteriorated over the month to a negative reading. The key driver was a downgrade of US high yield from neutral to negative, reflecting spread levels that offer insufficient compensation relative to a deteriorating macro backdrop and elevated oil price persistence. Opportunistic issuance remained a headwind, with elevated supply from SSA, kangaroo and domestic issuers continuing to weigh on the outlook.

The macroeconomic outlook remains the most significant headwind to the credit view. Softening global growth and reduced GDP forecasts from the RBA weigh on the outlook. Oil price volatility remains a watchpoint with the indicator remaining negative at month end. The ratio of upgrades to downgrades has softened to a neutral reading as tighter financial conditions have seen an uptick in downgrade activity, notably among high yield names.

Supply and demand indicators remain negative. Elevated issuance supply – both recent and upcoming – remains a key headwind. Market demand has proven resilient thus far although increasingly discerning.

Technical indicators remain marginally positive. Cash balances among real money accounts have normalised. US credit, equity and equity volatility indicators are all positively contributing to the outlook.

This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL No 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

The product disclosure statement (PDS) for the relevant fund, issued by PIML, 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 return shown for the fund(s) 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 contribution or withdrawal fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

MORE INFORMATION

Investor Services 1800 022 033
Email PerpetualUTqueries@cm.mpms.mufg.com
www.perpetual.com.au

