

Perpetual Investment Funds

PERPETUAL

CREDIT INCOME FUND

May 2025



FUND FACTS

**Investment objective:** Aims to provide investors with regular income by investing in a diversified range of income generating assets, and outperform the Bloomberg AusBond Bank Bill Index\*\* over rolling three-year periods before fees and taxes.

**Benchmark:** Bloomberg AusBond Bank Bill Index\*\*

**Inception date:** November 2004

**Size of fund:** \$198.7 million as at 31 March 2025

**APIR:** PER0263AU

**Mgmt Fee:** Please contact us for a copy of the disclosure document.

**Benchmark Yield:** 3.756% as at 31 May 2025

**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 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 May 2025

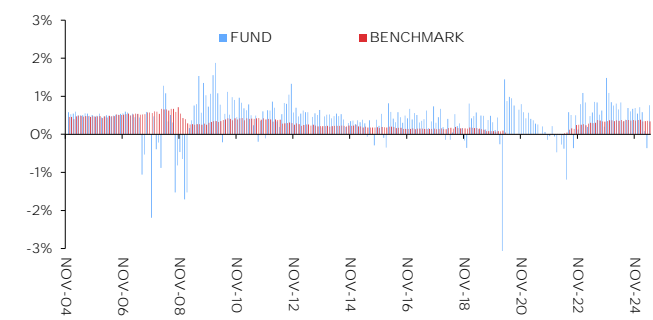
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Credit Income Fund	0.76	0.48	2.34	5.84	7.86	6.63	5.20	4.24	4.72
Bloomberg AusBond Bank Bill Index**	0.34	1.05	2.16	4.42	4.37	3.79	2.28	2.05	3.43

Please note: Performance for Perpetual's complete list of investment funds is available on [www.perpetual.com.au](http://www.perpetual.com.au). Past performance is not indicative of future performance.

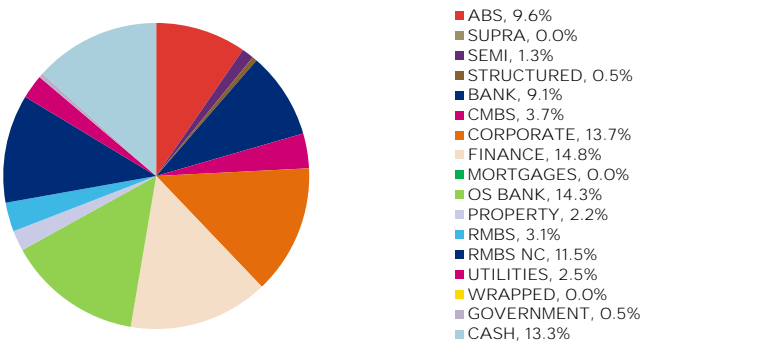
POINTS OF INTEREST

- Financial markets continue to recover from ‘Liberation Day’ volatility;
- Domestic credit spreads rally;
- Long term yields rise, curve steepens.
- RBA cuts cash rate 26 bps, considered 50bps cut;
- Primary market resurgent among corporates and banks;
- The credit outlook remains negative.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	30.68%
Subordinated Debt	52.61%
Hybrid Debt	16.71%
Modified Duration	-0.17
Running Yield <sup>#</sup>	5.55%
Portfolio Weighted Average Life	3.50 yrs
No. Securities	114

\* 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 dovish 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 constructive for relative performance over the month. Credit spreads rallied strongly, normalising after widening sharply during April. The Fund's allocation to domestic and offshore banks was the most substantial contributing factor. The Fund's allocation to US dollar denominated credit performed very well as US spreads retraced. The Fund's preference for subordinated financial paper also performed well as subordinated spreads rallied sharply.

Income return contributed to performance with the Fund's yield advantage led by allocation to securitised assets and subordinated financials. The portfolio's running yield was 5.5% at month end, with the spread (credit yield premium) measured at 1.8%.

The Manager was active in primary and secondary markets, deploying capital as the outlook improved. Allocation to non-financial corporates was increased with the fund taking part in a new fixed rate senior bond from Worley Financial services and a hybrid issued by Aurizon holdings. Both deals priced after being delayed in April and performed well in secondary, contributing to outperformance. The Fund also added exposure to domestic bank subordinated paper. During the month the manager reduced exposure to high yield debt, realising a loss which detracted from portfolio returns.

The Manager also actively traded government bonds during the month with opportunistic duration positioning contributing to return. The Manager elected to add government bonds in mid-May, increasing the Fund's duration as yields peaked, before taking profit following a rally over the second half of the month.

While conditions improved over the month, the outlook remains challenging and the Fund continues to maintain a defensive posture. While its cash allocation was reduced by month end, the Fund retains a conservative liquidity profile to mitigate liquidity risks while providing ample dry powder to take advantage of relative value opportunities presented by recent market volatility. 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 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.

---

This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 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 PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://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 any investor's capital.

Total return shown for the fund(s) have been calculated using exit prices after taking into account of Perpetual's ongoing fees and assuming reinvestment of distributions.

No allowance has been made for entry or exit fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

\* Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries.

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

---

## MORE INFORMATION

Investor Services 1800 022 033  
Email [PerpetualUTqueries@cm.mpms.mufg.com](mailto:PerpetualUTqueries@cm.mpms.mufg.com)  
[www.perpetual.com.au](http://www.perpetual.com.au)

