Perpetual Investment Funds

PERPETUAL HIGH GRADE FLOATING RATE FUND

October 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: October 2001
Size of fund: $269.4 million as at 30 September 2026**
APIR: PER0265AU
Mgmt Fee: 0.226% pa*
Benchmark Yield: 4.716% as at 31 October 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 October 2026

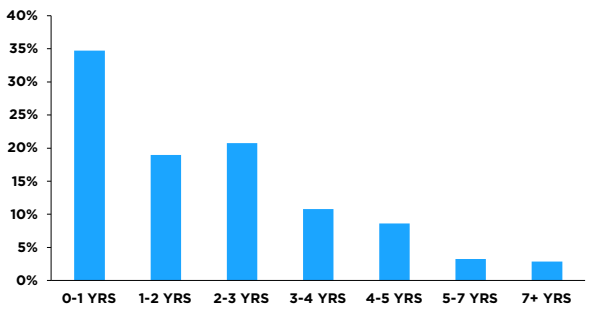
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual High Grade Floating Rate Fund	0.37	1.21	2.64	4.81	5.16	5.59	4.50	3.69	4.44
Bloomberg AusBond Bank Bill Index	0.37	1.11	2.23	4.14	4.12	4.23	3.41	2.51	3.66

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

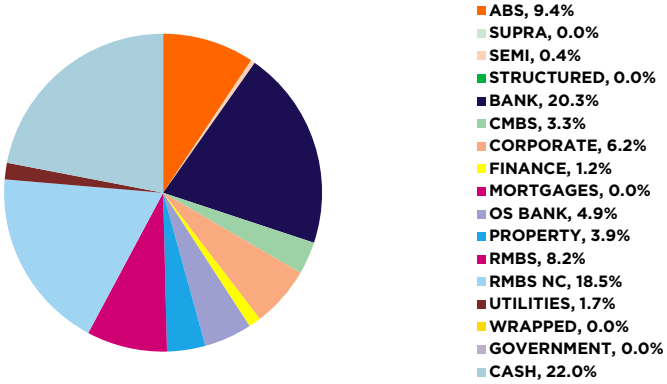
POINTS OF INTEREST

•Most government bond yield rally from multi-year highs; French yields continue to rise;
•Inflation accelerates; Early November RBA hike while Fed, ECB and BoJ hold;
•Credit spreads wider, led by hybrids and AI-exposed issuers;
•Robust primary market volumes meet increasingly selective demand;
•Credit outlook deteriorates further into negative territory.

MATURITY PROFILE



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	75.46%
Subordinated Debt	24.28%
Running Yield#	5.69%
Average Credit Rating	AAA
Portfolio Weighted Average Life	2.12 yrs
Modified Duration	0.14
No. Securities	130

* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.
**The total size of the Fund includes all unit classes of the Fund. This includes a retail class.

MARKET COMMENTARY

Credit markets weakened in October as investors reassessed the sustainability of debt-funded AI investment and higher sovereign yields reduced risk appetite. The RBA's October Financial Stability Review identified stretched asset valuations, rising leverage and increasingly opaque long-term debt financing for AI investment as important global vulnerabilities. Technology and AI-exposed issuers came under pressure as investors focused more closely on the prospective returns from elevated capital expenditure. Government bonds rallied from early-month highs as risk sentiment softened, although volatility remained elevated and sovereign fiscal concerns continued to weigh on parts of Europe, particularly France.

The RBA did not meet in October, but inflation data and official commentary reinforced the risk of further tightening. The September CPI rose 0.8% over the month and 4.3% over the year, while trimmed mean inflation increased to 3.6%, confirming that price pressures remained broad-based and above the RBA's target. Domestic activity continued to soften, with housing conditions weakening and unemployment rising, but capacity pressures and higher fuel prices remained important inflation risks. Shortly after month end, the RBA increased the cash rate by 0.25% to 4.85%, citing elevated inflation, higher energy prices and stronger-than-expected investment, including data centre-related spending.

Credit spreads widened in October, led by hybrid and subordinated securities and issuers exposed to AI infrastructure financing Domestically, spreads drifted wider as elevated issuance added to dealer inventories and investors became increasingly price-sensitive. Securitised spreads were resilient during October although supply fatigue emerged towards the end of the month reflecting persistent elevated supply and a heavy pipeline of activity

Primary markets became more subdued in October, reflecting the approaching major-bank reporting season, weaker risk sentiment, macroeconomic uncertainty and bond-market volatility. The exception was securitisation markets with volumes continuing to track toward a record year.

PORTFOLIO COMMENTARY

The Fund’s yield premium above benchmark remained the most substantial contributor to relative performance over the month, led by income attributable to securitised and domestic bank exposures. The portfolio running yield at month end was 5.7%, with the average credit spread measured at 0.9%.

Credit spreads widened in October, detracting from relative performance led by domestic and offshore bank exposures.

Securitised holdings were comparatively resilient, despite persistent, elevated issuance volumes. The Manager elected to add ABS and RMBS exposure in primary and secondary markets during the month.

The credit outlook softened further in October and remains in negative territory, as softer demand, weaker market technicals and a more challenging macroeconomic backdrop outweighed still-supportive credit fundamentals. The Fund remains defensively positioned, with a high-quality portfolio (average rating AA), a relatively short credit duration and an elevated cash allocation, ensuring the Manager retains the optionality to take advantage of relative value opportunities should spreads widen further.

OUTLOOK

The credit outlook softened further in October, remaining in negative territory as softer demand, weaker market technicals and a more challenging macroeconomic backdrop outweighed still-supportive credit fundamentals.

Value indicators are marginally positive. Valuations across US investment grade, US high yield, Australian investment grade and Australian swap spreads remain broadly neutral, although pockets of relative value remain in Australian dollar credit and the basis swap continues to contribute positively.

The macroeconomic assessment remains cautious. Growth has been relatively resilient in the US and China but weaker in Europe, while elevated oil prices add to downside risks and inflation uncertainty. Importantly, underlying corporate credit quality remains supportive, with upgrades continuing to materially exceed downgrades.

Supply and demand indicators remain negative. Investors have become increasingly price-sensitive, particularly in securitised markets, where a substantial issuance pipeline has coincided with softer demand. By late October, secondary-market liquidity had become patchier, with wider bid-offer spreads and greater dispersion between bids, particularly in higher-beta securities and RMBS. Elevated issuance and the remaining supply pipeline are likely to continue weighing on spreads in the near term.

Technical indicators declined during the month. The US credit measure turned negative, while weak domestic and intermediary positioning, difficult liquidity and softer demand pushed the overall technical assessment firmly into negative territory. Equity markets remained the main positive technical offset.

The Team remains risk aware. Softer demand, patchy liquidity and greater scrutiny of AI-related financing are likely to keep volatility elevated, with more leveraged borrowers and lower-ranking capital securities the most exposed. The portfolios retain liquidity and flexibility to add risk selectively where wider spreads create more attractive relative value opportunities.

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The product disclosure statement (PDS) for the Fund, issued by PIML, should be considered before deciding whether to acquire, dispose, 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.
Total returns shown for the Fund 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.
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