Perpetual Investment Funds

PERPETUAL ACTIVE FIXED INTEREST FUND - CLASS A

October 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: $511.5 million as at 30 September 2026
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 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 Active Fixed Interest Fund Class A [1,3]	1.18	-0.06	2.25	0.38	3.81	5.41	1.54	1.00	2.46
Perpetual Active Fixed Interest Fund Class W [2,3]	-	-	-	-	-	-	-	-	4.59
Bloomberg Ausbond Composite Index	1.16	0.07	2.22	0.39	3.39	4.60	0.96	0.47	-

[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.

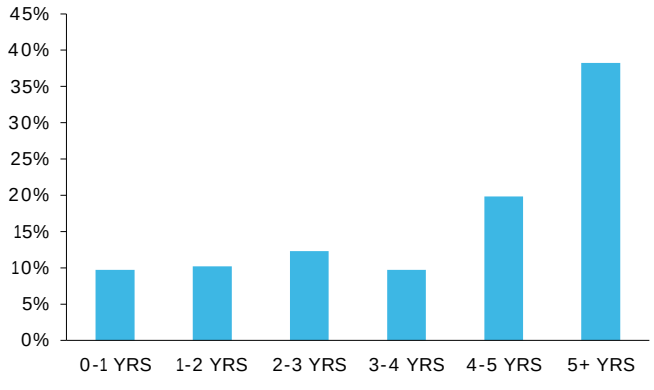
[2] To give a longer term view of the performance of the Fund, the returns for Class W, which has been operating since July 2004, are shown. Class W has identical investments to Class A. We have adjusted the return of Class W to reflect the fee applicable to Class A (a 0.45% Management Fee). This has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

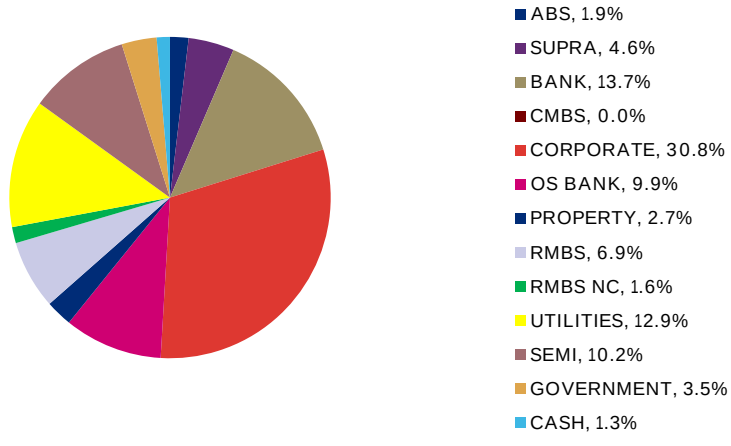
POINTS OF INTEREST

•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.

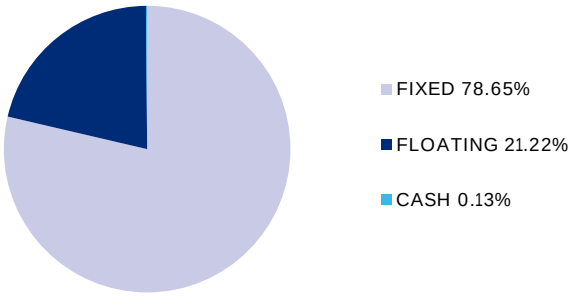
MATURITY PROFILE



PORTFOLIO SECTORS



FIXED AND FLOATING RATE BREAKDOWN



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	90.40%
Subordinated Debt	7.53%
Hybrid Debt	2.07%
Running Yield[#]	5.17%
Average Credit Rating	A
Portfolio Weighted Average Life (yrs)	5.12 yrs
No. Securities	172
Modified Duration	4.78

* 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 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 outperformed its benchmark in October, with income the key positive contributor to relative performance over the month. The Fund's yield premium above the benchmark remained driven by overweight allocations to non-financial corporates, utilities and banks, as well as off-benchmark exposure to securitised sectors. At month end, the portfolio's running yield was 5.2%, with the spread measured at 1.1%.

Duration positioning contributed positively to relative performance. Domestic bonds rallied as global yields eased from their September highs amid weaker risk sentiment and concerns over AI-related financing. The Fund had a slightly long duration position which performed well as yields rallied. As the risk of a November RBA rate hike increased, the Manager reduced the Fund's modified duration to 4.8 years, in line with the benchmark, primarily through sales of longer-dated government and semi-government bonds.

Credit spread dynamics detracted slightly from relative performance over the month. Spread widening was most pronounced in French issuers, including BFCM, Crédit Agricole, BPCE and Engie, as fiscal and political uncertainty in France persisted.

The Manager trimmed exposure to domestic bank, semi-government and government bonds. The manager elected to rim shorter dated senior bank bonds and reduced exposure to French banks. The Fund participated in Boral's new seven-year senior deal, increasing the funds overweight exposure to non-financial corporates.

Perpetual's proprietary credit outlook score remains in negative territory, as softer demand, weaker market technicals and a more challenging macroeconomic backdrop outweighed still-supportive credit fundamentals. The Manager remains focused on identifying relative value opportunities in the current environment and will continue to seek active duration opportunities along the curve.

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.

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 whether the information is suitable for your circumstances and we recommend that you seek professional advice. 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.
To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. 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. All investing involves risk including the possible loss of principal.

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