

PERPETUAL DIVERSIFIED INCOME FUND

July 2025

FUND FACTS

Investment objective: Aims to provide 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.

Benchmark: Bloomberg AusBond Bank Bill Index**
Inception date: October 2005
Size of fund: \$2,111.6 million as at 30 June 2025
APIR: PER0260AU
Mgmt Fee: 0.59% pa*
Benchmark Yield: 3.704% as at 31 July 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, highly diversified 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 July 2025

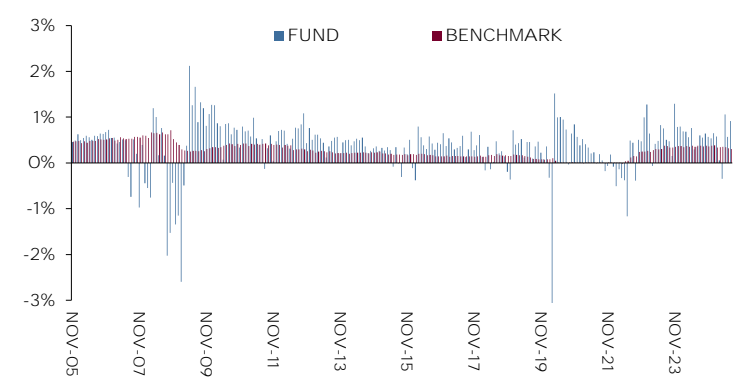
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Diversified Income Fund	0.92	2.57	2.85	6.56	7.08	6.90	4.68	3.96	4.45
Bloomberg AusBond Bank Bill Index**	0.30	0.97	2.02	4.31	4.34	3.94	2.40	2.09	3.33

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.

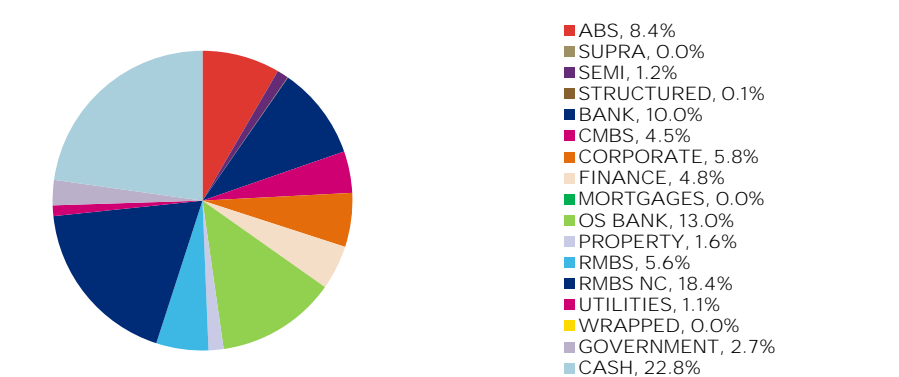
POINTS OF INTEREST

- Financial markets rally in ‘risk-on’ environment;
- Domestic credit spreads continue to tighten;
- RBA remains on hold, against expectations;
- Healthy demand for primary issues;
- The credit outlook remains neutral.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	39.26%
Subordinated Debt	49.14%
Hybrid Debt	11.60%
Core Component	97.59%
Plus Component	2.41%
% Geared	0.00%
Running Yield [#]	4.89%
Portfolio Weighted Average Life	2.84 yrs
No. Securities	139

* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

MARKET COMMENTARY

July saw risk assets including credit and equities rally despite rising yields, US trade concerns and uncertainty around the path of monetary policy easing. Domestic and US equities reached all time highs, supported by robust corporate earnings results while domestic credit spreads rallied.

The domestic bond yield flattened marginally over the month as long term yields fell despite elevated volatility early in July. The Reserve Bank of Australia defied market expectations, remaining on hold in July when a rate cut was more than 90% priced in, precipitating a sharp move higher in yields. The RBA cited upcoming Q2 inflation data as a key consideration, noting that inflation risks were balanced while the labour market “remains strong”. At month end, futures markets had fully priced in a August rate cut.

Credit spreads narrowed over July while trading in a relatively tight range. The contraction in spreads reflected new issue supply alongside the broader risk-on sentiment across risk assets with domestic and global equities also rallying. Non-financial corporates, infrastructure and utilities sectors were the top performing sectors over the month. Subordinated bank spreads also performed well over the month, supported by subdued primary supply with the spread between tier 2 and senior bank paper compressing.

Primary market activity was orderly and demand for issues was robust, contributing to spread compression. National Australia bank priced \$1.5B of tier 2 paper which met strong demand despite the 15-year non-call 10 tenor. There was activity among financials and offshore banks with Macquarie (\$2B), Norfina Suncorp Bank (\$1.75B) and Rabobank Australia (\$1.5B) issuing senior unsecured bonds. CIBC came to market raising \$2.5B in a covered bond transaction. Securitisation activity was subdued in early July with a number of smaller ABS deals before larger RMBS issues from Latrobe (\$1B) and Thinktank (\$750M) pricing in the last week of the month. In the last week of July, a \$500M corporate deal from Dyno Nobel highlighted strong market demand, building a book that was 8 times oversubscribed.

PORTFOLIO COMMENTARY

Credit spread dynamics were very positive for performance with the Fund fully participating in the rally in credit. The Fund’s allocation to longer dated subordinated bank paper was the key contributing factor as subordinated spreads converged on the senior curve. The Fund’s allocation to RMBS also performed well alongside non-financial corporates and utilities.

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 declined slightly over the month as the Manager took profit on a number of positions, ending the month with an elevated cash allocation. The Portfolio’s running yield was 4.9% at month end, with the spread (credit yield premium) measured at 1.2%.

Sector and risk allocations were actively managed with the Manager electing to lock in profit on a number of positions. The Fund ended the month with a shortened weighted average life and elevated cash allocation. The Manager elected to increase RMBS and offshore bank allocations while trimming exposure to subordinated domestic bank paper. The Manager actively traded government bonds during July to take advantage of duration opportunities and contribute to the Fund’s running yield. After a sharp selloff in yields following the RBA’s surprise decision to keep rates on hold, the Manager added duration to the portfolio, positioning which benefitted as yields normalised. By month end, the Fund’s duration remained marginally elevated at 0.35 years. The Manager was also active in primary markets, taking part in new securitised deals and monetising new issue concessions to quickly turnaround new issues from Port of Newcastle and explosives manufacturer Dyno Nobel for profit during July.

The outlook remains neutral and the Manager continues to carefully manage credit and liquidity risks. The Fund retains ample dry powder to take advantage of relative value opportunities and attractively priced issues as the outlook improves.

OUTLOOK

The credit outlook improved to positive in mid-July before declining ending the month with a neutral reading.

Valuation indicators remain marginally negative. While US and domestic spreads are finely balanced, swap to bond spreads remain in negative territory, weighing on the outlook. Primary market issuance has normalised somewhat after a period of elevated volumes including a number of opportunistic transactions.

The macroeconomic outlook remains negative reflecting softening growth data and uncertainty around the impact of US tariffs. Lending conditions as expressed in the Senior Loan Officer Survey continue to weigh on the outlook after tightening in May.

Supply and demand indicator declined in the second half of July, ending the month in marginally negative territory. A lower volume of upcoming maturities and heavier anticipated supply conspire to detract from the outlook. Robust market demand continues to provide a tailwind.

Technical indicators remain strongly positive reflecting supportive US credit, equity and equity volatility indicators. Cash balances also remain elevated among real money accounts and intermediary positioning shows capacity, supporting the outlook.

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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 entry or exit fees or taxation (except in the case of superannuation funds, as applicable).

Past performance is not indicative of future performance.

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

MORE INFORMATION

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