Perpetual Investments

PERPETUAL DIVERSIFIED INCOME FUND

March 2024

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

Benchmark:	Bloomberg AusBond Bank Bill Index**
Mgmt Fee:	0.70% pa*
Buy / Sell spread:	0.15% / 0.15%
Benchmark Yield:	4.324% as at 31 March 2024
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

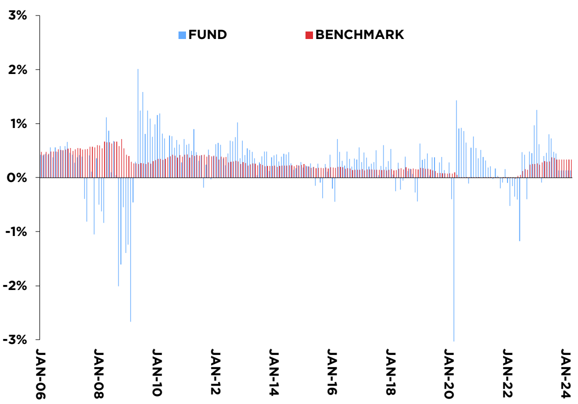
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial

TOTAL RETURNS % (AFTER FEES) AS AT 31 March 2024

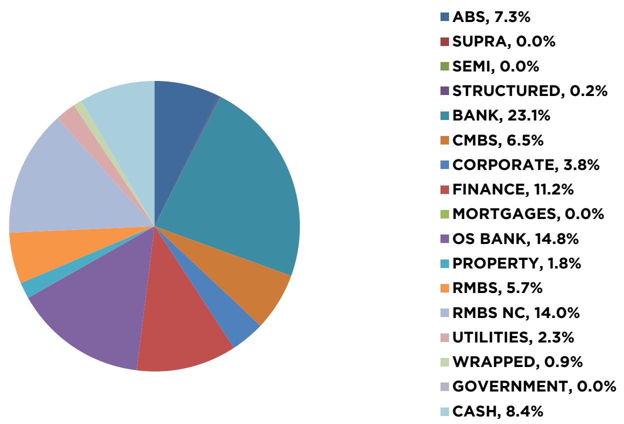
	APIR	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS PA	5 YRS PA	7 YRS PA	10 YRS PA
Perp. WealthFocus Investments	PER0284AU	0.67	2.17	4.41	7.92	3.32	3.02	2.77	2.83
Perp. WealthFocus Investment Advantage	PER0490AU	0.67	2.12	4.36	7.87	3.32	3.02	2.77	2.84
Perp. WealthFocus Super	PER0286AU	0.62	1.90	3.88	6.86	2.87	2.61	2.40	2.45
Perp. WealthFocus Pensions	PER0285AU	0.67	2.15	4.41	7.91	3.31	3.01	2.76	2.82
Perp. WealthFocus Term Allocated Pension	PER0339AU	0.67	2.15	4.41	7.91	3.31	3.01	2.76	2.82
Bloomberg AusBond Bank Bill Index**		0.37	1.09	2.15	4.19	2.08	1.51	1.62	1.82

Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

MONTHLY PERFORMANCE SINCE INCEPTION^



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	46.25%
Subordinated Debt	52.64%
Hybrid Debt	1.11%
Core Component	98.16%
Plus Component	1.84%
% Geared	0.00%
Running Yield#	6.07%
Portfolio Weighted Average Life	3.41 yrs
No. Securities	107

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

MARKET COMMENTARY

March saw both government & credit securities rally as global economic data continues to surprise on the upside, raising hopes that a soft economic landing is still on the horizon. Despite nominal growth surprising to the upside, the US Federal Reserve left rates unchanged in March but, importantly, the "dot plots" of expected future rates continued to indicate three cuts before the year's end.

Domestic credit spreads participated in the global rally and tightened in March, as the short end outperformed. Corporate spreads kept pace with Financials, while Utilities also performed strongly. March saw Moody's upgrade of the Australian banks following their Advanced Loss Given Failure analysis and coinciding methodology change. Offshore spreads continued their strong performance with Australian domiciled, Euro denominated credit performing notably well.

Domestic bond yields rallied in March ahead of most global bond markets. Australian 10-year Government bond yields rallied 17bps breaking the 4% mark settling at 3.97% to end the month. US 10-Year Treasury yields meanwhile rallied 4bps to 4.20%. Domestically, semi-government bonds underperformed Commonwealth government bonds.

Primary markets were active during March. The Tier 2 market saw a high-volume month boosted by a $1.5bn AUD 10NC5 deal from HSBC that generated a $5.8bn orderbook, one of the largest subordinated debt orderbooks in the Australian market's history. We also saw new deals from Infrastructure names (such as Transurban), Telecommunications (such as National Broadband Network) and Utilities issuers (Ausgrid).

PORTFOLIO COMMENTARY

The Fund's income premium above bank bills was a strong contributor to outperformance. The portfolio's running yield was 6.1% at month end, with the spread (credit yield premium) measured at 1.6%.

Credit spread dynamics were the major contributor to outperformance as domestic & offshore spreads extended their rally. Domestic and offshore banks were the most significant contributing sector, driven by exposure to subordinated paper. The manager took profits on the last of the portfolio's USD subordinated debt, selling Westpac Tier 2 USD bonds as they approached fair value, rotating back into AUD subordinated debt. With AUD denominated debt typically issued at shorter maturities compared to foreign denominated debt, the domestic rotation represented a shortening of the portfolio's credit spread duration, allowing the manager to close out the small short position on the iTraxx crossover CDS index which offered downside protection against credit tail risks. The Fund's exposure to securitised assets also added a significant contribution to performance, led by RMBS. New primary deals coming to an – until recently –subdued market was a catalyst for repricing the secondary RMBS curve tighter. This was most prevalent among subordinated tranches where the Fund's exposure is centred.

Sector allocations were actively managed throughout March. De-risking the portfolio, the manager began rotating out of the lower end of the credit quality spectrum. The "Plus" segment of the portfolio was reduced via high yield and unrated bond sales in addition to the manager taking profits on BBB Corporates including Transurban and Incitec Pivot. As mentioned above, the manager also took profits on USD subordinated debt. We initially added to these USD denominated bonds in September last year given their relative attractiveness and were highly rewarded for doing so. The Manager also took part in a number of new deals in the securitisation space making up for the ongoing amortisation of securitised assets which reduces their weight in the portfolio over time.

The Fund remains positioned for what looks like an inflexion point in markets. The outlook for credit is improving but remains delicately balanced. The Manager continues to look for attractively priced issues and relative value opportunities while carefully managing credit and liquidity risks.
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OUTLOOK

The credit outlook improved from neutral to positive in the first week of April following upgrades to some of our indicators.

Valuation indicators were upgraded to neutral coming into April. US High Yield spreads widened relative to recent levels, improving the valuation outlook. Meanwhile, Australian & US investment grade indicators remain neutral.

Robust economic growth prints turned our macro-outlook marginally positive. Manufacturing PMIs are showing signs of improvement in the US, UK & China with all 3 PMIs now in expansionary territory, while leading growth indicators in the US also improved.

Meanwhile, we saw no change to our market supply and demand indicators. High issuance volumes over recent months were met with robust market demand reflected in oversubscribed primary market deals and robust secondary market liquidity. However, while demand appears strong, the market is beginning to become a bit saturated with investors increasingly funding primary market purchases out of secondary market sales.

Technical indicators remained positive in March with US credit and equity both positive, however, our equity volatility signal flipped from neutral to negative. Intermediary positioning appears balanced with brokers showing modest inventories.

1 Fund information in this document is relevant to the wholesale option unless stated.

^ The chart represents the Wealthfocus Investment option.

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

MORE INFORMATION

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