

# Perpetual Investment Funds PERPETUAL DIVERSIFIED REAL RETURN

30 April 2026



## FUND FACTS

**Investment objective:** Aims to target a pre-tax return of 5% per annum above inflation (before fees and taxes) over rolling five-year periods, while minimising downside risk over rolling two-year periods.

**Management Fee** 1.10% pa\*\*

**Suggested minimum investment period:** Five years or longer

\*Refer to PDS for Management Costs.

^Management Fee for Super and Pension is 0.85%.

## FUND BENEFITS

True alignment to investors real return objectives; Diversification of risk; Active management of the Asset Allocation; Access to an increased amount of investment opportunities

## 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 30 APRIL 2026

PERFORMANCE	APIR	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS PA	5 YRS PA	7 YRS PA	10 YRS PA
Perp. WealthFocus Allocated Pension	PER0741AU	1.30	-0.02	2.36	7.12	4.95	3.97	4.16	4.1
Perp. WealthFocus Investment Advantage	PER0739AU	1.29	-0.03	2.27	6.80	4.75	3.76	3.94	4.0
Perp. WealthFocus Super	PER0742AU	1.12	0.03	2.17	6.51	4.47	3.58	3.74	3.8

## FUND OBJECTIVE OUTCOME AS AT 30 APRIL 2026

Objective: Gross returns of CPI plus 5% over rolling 5 year periods

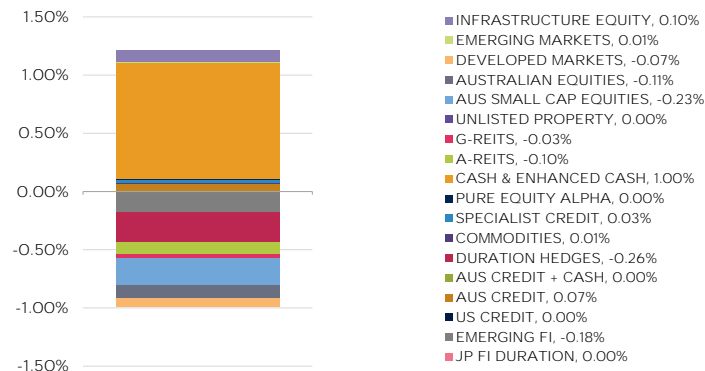
	5 YRS PA	INCEPT PA
Perpetual Diversified Real Return Fund (Gross)	4.9	6.5
CPI plus 5%	9.6	7.9

Past performance is not indicative of future performance.

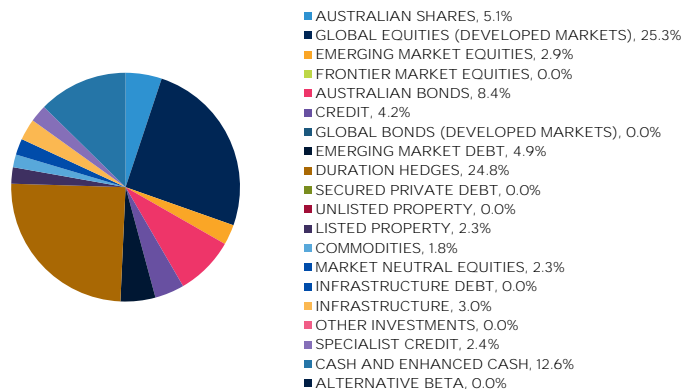
\*\* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS

\* Volatility and Mercer Balanced Growth Median data is lagged by 1 month

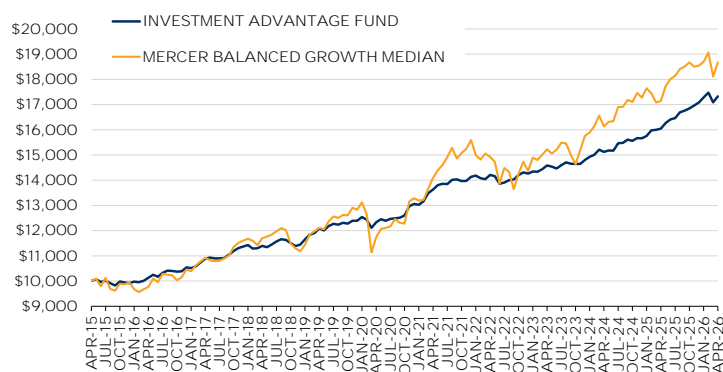
## CONTRIBUTION TO 3MTH PERFORMANCE (GROSS)



## PORTFOLIO SECTORS



## GROWTH OF \$10,000 SINCE INCEPTION



## CHANGES IN ASSET ALLOCATION (%)

	3 MTHS	6 MTHS	1 YR
Australian Shares	-0.3	0.1	0.0
Global Equities (Developed Markets)	-0.4	0.7	0.7
Emerging Market Equities	-0.4	-0.4	-0.2
Frontier Market Equities	0.0	0.0	0.0
Australian Bonds	4.6	4.7	4.5
Credit	-0.3	-0.3	0.0
Global Bonds (Developed Markets)	0.0	0.0	0.0
Emerging Market Debt	0.2	0.0	0.2
Duration Hedges	3.0	1.3	0.4
Secured Private Debt	0.0	0.0	0.0
Unlisted Property	0.0	0.0	0.0
Listed Property	-0.1	-0.2	-0.2
Commodities	0.1	-1.1	-0.7
Market Neutral Equities	-0.2	-0.1	-0.2
Infrastructure Debt	0.0	0.0	0.0
Infrastructure	-0.3	-0.3	-0.4
Other Investments	0.0	0.0	0.0
Specialist Credit	-0.2	-0.1	-0.3
Cash and Enhanced Cash	-5.6	-4.2	-3.9
Alternative Beta	0.0	0.0	0.0

## FUND PERFORMANCE

The Diversified Real Return Fund returned 1.4% (gross) in April. Over the past year, the Fund has returned 8.1% (gross), and over the past 5 years, the Fund has returned 4.9% (gross) per annum compared with the objective of 9.6% (CPI plus 5%\*) over rolling 5 years. Since inception (in 2010), the Fund has returned 6.5% (gross) per annum compared with the objective of 7.9% (CPI plus 5%\*).

The strong rebound in equity markets was the key contributing factor to performance over the month. This was supplemented by the positive contribution from allocation to domestic REITs and sustainable listed infrastructure investments. During a strong rally in equities, the Fund's global equity put options detracted.

Equity stock selection had a mixed effect on performance, with the Fund's focus on value stocks and sectors impacted as technology and AI-sensitive companies outperformed strongly. While the Fund's dividend-weighted equity strategy and allocation to the Barrow Hanley Global Share Fund detracted, the JO Hambro UK Equity Income Strategy outperformed its benchmark, even as UK equities trailed the broader market.

Exposure to US dollars and emerging market currencies detracted slightly as the AUD rallied against the greenback, reflecting stronger materials pricing and rising domestic interest rates.

\*Monthly CPI indicator measured and published by the ABS as at 30 April 2026

## MARKET COMMENTARY

Equity markets rebounded strongly in April, looking beyond persistent geopolitical risks to post new highs. The dominant market story was one of renewed confidence, driven by a powerful risk-on rally centred on artificial intelligence (AI) stocks and buoyed by a very positive US corporate earnings season. Tensions between the US and Iran continued to dominate headlines, with the Strait of Hormuz remaining severely disrupted and Brent crude pushing to US\$114 per barrel by month-end. Yet global equities staged a remarkable recovery, led by extraordinary gains across the AI semiconductor supply chain, but with advances in all regions.

- Global shares (+8.9%) staged a powerful rebound in April, underpinned by US equities (+10.5%), which benefited from a decisive rotation back into AI stocks and were buoyed by a strong earnings season in which 84% of reporting S&P 500 companies beat consensus expectations, with aggregate EPS growth of approximately 14.5% year-on-year. Resilient activity data and the Fed remaining on hold were also constructive.
- April saw a sharp reversal in equity market leadership with the Russell 1000 Growth index (+11.9%) outperforming its value peer (+8.2%) as investor appetite for companies leveraged to the AI investment cycle returned in force.
- Japanese equities (+16.1%) outperformed developed market peers, supported by yen weakness and the return of foreign investors to Japanese technology-related names.
- European equities (+6.2%) performed well as markets increasingly priced a contained Middle East outcome, and resilient global growth and strong US earnings supported cyclicals and exporters around the world. The rally was also aided by corporates having stronger-than-expected pricing power and improving financial conditions as the ECB remained on hold.
- UK equities (+2.3%) rose but underperformed primarily because the UK is one of the most stagflation-sensitive major markets which had greater sensitivity to higher energy costs and tighter financial conditions. The bourse also has limited exposure to the AI phenomenon, and rising bond yields and renewed inflation concerns weighed on domestic cyclicals and rate-sensitive sectors.
- Australian shares (+2.2%) advanced modestly, underperforming the broader global rally as the Australian market's more limited direct exposure to the AI theme constrained returns.
- Emerging markets (+13.3%) outperformed their DM peers, powered by extraordinary gains in Taiwan (+22.7%) and South Korea (+33.9%) and other parts of EM Asia, where the global capex and semiconductor investment boom continued to drive strong earnings upgrades and capital inflows.
- Commodity markets gained broadly, with energy and industrial metals the clear outperformers, reflecting both the sustained supply disruption from the Strait of Hormuz closure and surging real-world demand for materials underpinning the global AI data centre buildout.

The strong rally in risk markets during April was supported by strong US corporate earnings results and centred primarily on companies exposed to AI and the technology supply chain. Both the percentage of S&P 500 companies reporting earnings above expectations (84%) and the magnitude of those surprises were above recent averages. The largest contributors to the acceleration in earnings growth have been three of the "Magnificent 7" (Alphabet, Amazon and Meta). A key theme for the season has been its broad strength, with cyclical sectors contributing meaningfully despite a softer quarter of economic growth. Markets have notably rewarded revenue growth, not just cost discipline, with rising revenue growth and margins both contributing to corporate bottom lines.

We continue to look for opportunities in companies and sectors with more reasonable valuations, strong balance sheets, and earnings that are beatable against modest consensus expectations, particularly where the AI-driven capital expenditure cycle may benefit industries beyond the technology sector itself.

Geopolitical uncertainty persisted throughout April, with the Strait of Hormuz effectively closed which pushed spot Brent crude prices to US\$114 per barrel by month-end. The key for markets from here is not how high energy prices go, but rather where they stay; prices sustained above US\$110 per barrel for an extended period would be expected to trigger a material decline in consensus global growth and a rise in global inflation expectations, thereby threatening the duration of the business cycle. At present, markets have seemingly factored in that de-escalation is desired and beneficial for both sides. However, the bar for an oil spike threatening the business cycle is high given the development of large services industries, the world's reduced energy intensity, the strong state of global corporate balance sheets, and more diversified energy supply across regions and energy types.

The US Federal Reserve kept interest rates unchanged at its April FOMC meeting, as the FOMC weighed temporary energy-driven inflation against the resilience of the US labour market and consumer spending. By month end, market pricing implies that the Federal Reserve will hold rates steady for the remainder of 2026, with rate cuts increasingly pushed into 2027. The Bank of Japan, by contrast, moved to a more hawkish stance over the month, with upward revisions to its inflation forecasts leading markets to bring forward expectations for further rate hikes. Ten-year Japanese government bond yields rose to their highest level since 1997, reflecting the combination of imported energy inflation and a reassessment of fiscal sustainability given Japan's large stockpile of debt and the newly elected PM's desire to increase spending and lower taxes. In Europe, the ECB held rates at its April meeting, acknowledging the stagflationary pressures from elevated energy costs against a backdrop of weakening business activity, with eurozone Purchasing Managers' Index coming in a bit soft, although it is still aligned with GDP of about +0.4%QA in the Jun'26 quarter.

In Australia, there was no RBA Board meeting in April, but the Bank remained very much in focus over the month as the release of March quarter CPI data showed that headline inflation rose to +4.6%Y in the year to March 2026, its highest reading in 30 months, while trimmed mean inflation rose a slightly softer +0.8%Q to +3.5%Y. Against a backdrop of weakening consumer and business confidence, the RBA will be balancing the risk of higher inflation against downside risks to growth and the labour market. While the economy has shown improved growth momentum in recent quarters, the medium-term outlook remains tepid, with zero real wages growth expected over the next few years and an increasingly cautious corporate sector as the impact of previous (and upcoming) rate hikes slowly filters through the economy.

With the Middle East conflict unresolved, rising inflation and waning growth present risks to regional sharemarkets, which have elevated valuations and growth expectations. Meanwhile, with government bonds offering less reliable diversification, risk management remains paramount. The Fund retains multiple embedded risk protections and sources of portfolio convexity. As always, our focus remains on identifying investments that can generate returns of CPI plus 5% per annum over a five-year horizon while maintaining an asset allocation that ensures no individual position, or cluster of positions, risks the medium-term investment objective.

## CURRENT POSITIONING

Markets are facing challenges in both the near term (geopolitical concerns, inflation risks, central banks potentially having to hike further, rich expectations for corporate EPS growth, and markets trading above 80th percentile valuations) and the long term (investors living in a '4% world', given high valuations and markets likely having already priced in years of productivity improvement). The state of PEs, and elevated market concentration, alongside the preponderance of valuation-agnostic passive funds, have made regional equity markets increasingly vulnerable to unforeseen events.

Alongside value-focused global and domestic equity exposures, the Fund retains exposure to Global Deep Value and UK Equity Income strategies, targeting undervalued companies overlooked by passive flows. These firms continue to offer strong fundamentals and elevated free cash flows that are **aligned with the Fund's investment objective and are not reliant on valuation expansion to deliver returns of CPI plus 5% per annum**. The Fund also maintains its allocation to sustainable listed investment companies trading at significant discounts to NAV, generating robust cash flows aligned with the investment objective.

We continue to manage downside risks by maintaining little or no exposure to the most expensive parts of the global equity and credit markets, and we have zero exposure to private markets given their liquidity and valuation risks, where a left-tail event could spark vulnerabilities and contagion. The Fund complements this with option protection where it has been attractively priced to implement. This includes cost-effective S&P 500 put options, which risk only the premium if markets rise while providing protection against downturns without requiring precise market timing. The Fund also maintains a US dollar call option against the Hong Kong dollar, which provides inexpensive protection against geopolitical risks.

**The Fund's defensive posture is supplemented by fixed income exposures centred on the short end of the US yield curve.** US 2-year bonds offer an attractive running yield and greater stability in crises than longer-dated bonds, which are more sensitive to US inflation expectations. Holding **securities at the short end of the US yield curve reduces the portfolio's exposure to rising inflation and should provide some stability** if inflation pressures intensify because of rising energy and transport costs. The Fund also holds call options on very long-dated US government bonds.

We are living in a decade of higher inflation driven by deglobalisation, decarbonisation, political populism, larger fiscal deficits, higher tariffs, and lower immigration (outside Australia and the UK). The need for inflation hedges is reinforced by the Middle East situation, as more funds will be spent on defence, critical infrastructure, higher energy prices, and increased stockpiling of critical commodities. The Fund maintains its allocation to a diversified basket of commodities (including gold, grains, livestock, silver, palladium, platinum and copper), which are typically positively correlated with inflation.

Further contributing to the inflation-protection quadrant, the Fund added six months of inflation-indexed duration at the 20-year tenor during the month. Inflation-indexed bonds are offering historically attractive real income, while also providing duration and inflation protection.

**In addition, the Fund's cautious asset allocation is supported by a notable cash allocation, which provides solid income and significant optionality if valuations become more attractive.**

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## MORE INFORMATION

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