

Perpetual Investment Funds

PERPETUAL DIVERSIFIED REAL RETURN

31 May 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 31 MAY 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	0.93	-0.12	2.70	6.70	5.41	3.92	4.41	4.1
Perp. WealthFocus Investment Advantage	PER0739AU	0.93	-0.13	2.62	6.39	5.21	3.71	4.20	4.0
Perp. WealthFocus Super	PER0742AU	0.84	-0.13	2.47	6.20	4.89	3.54	3.97	3.8

FUND OBJECTIVE OUTCOME AS AT 31 MAY 2026

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

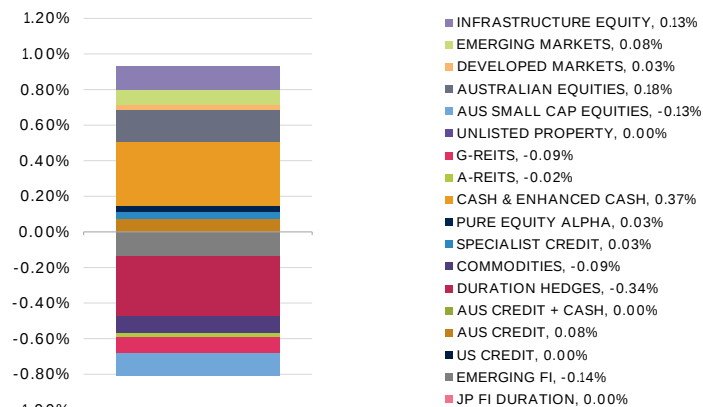
	5 YRS PA	INCEPT PA
Perpetual Diversified Real Return Fund (Gross)	4.9	6.5
CPI plus 5%	9.6	7.9

Past performance is not indicative of future performance.

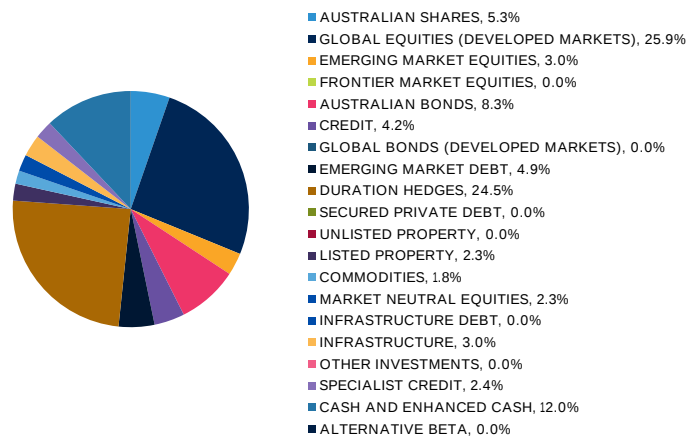
** Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS

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

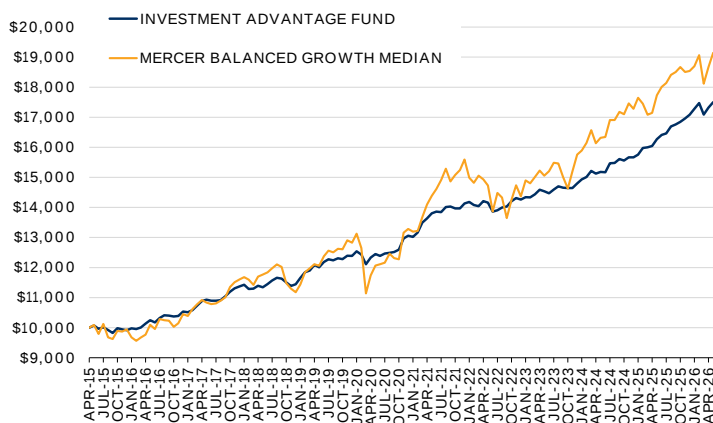
CONTRIBUTION TO 3MTH PERFORMANCE (GROSS)



PORTFOLIO SECTORS



GROWTH OF \$10,000 SINCE INCEPTION



CHANGES IN ASSET ALLOCATION (%)

	3 MTHS	6 MTHS	1 YR
Australian Shares	0.1	0.2	0.3
Global Equities (Developed Markets)	2.4	2.4	2.1
Emerging Market Equities	-0.2	-0.1	0.0
Frontier Market Equities	0.0	0.0	0.0
Australian Bonds	4.6	4.7	4.4
Credit	-0.3	-0.3	-0.2
Global Bonds (Developed Markets)	0.0	0.0	0.0
Emerging Market Debt	0.3	-0.1	0.0
Duration Hedges	0.7	0.5	-0.9
Secured Private Debt	0.0	0.0	0.0
Unlisted Property	0.0	0.0	0.0
Listed Property	0.0	-0.1	-0.1
Commodities	0.2	-0.7	-0.8
Market Neutral Equities	-0.2	-0.2	0.0
Infrastructure Debt	0.0	0.0	0.0
Infrastructure	-0.2	-0.4	-0.7
Other Investments	0.0	0.0	0.0
Specialist Credit	-0.2	-0.2	-0.1
Cash and Enhanced Cash	-7.1	-6.0	-4.1
Alternative Beta	0.0	0.0	0.0

FUND PERFORMANCE

The Diversified Real Return Fund returned 1.0% (gross) in May. Over the past year, the Fund has returned 7.6% (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 continued strength in equity markets was the key determining factor of performance over the month with developed and emerging market equity beta contributing to returns. This was supplemented by stock selection alpha from the JO Hambro UK Equity Income Fund, Perpetual Australian Share Fund, Global Deep Value Strategy and the Fund's Emerging Markets allocation. These positive contributions were partially offset by negative stock selection from the Barrow Hanley Global Share Fund and the Dividend Weighted Global Equity strategy which reflected the underperformance of value securities and sectors relative to growth.

Exposure to 2-year US government bonds detracted as the 2-year tenor rose 11 bps, while domestic fixed income exposures were benign. The Fund's exposures to a diversified basket of commodities, including soft commodities, materials and precious metals, also detracted from performance, albeit marginally.

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

MARKET COMMENTARY

Global equity markets extended their gains in May. The AI-driven rally continued, while bond markets remained volatile as investors weighed the inflationary consequences of the Middle East conflict. Sentiment was negative in the first half of the month, as investors focused on the inflationary impact of higher oil prices, but the pessimism gave way to a strong risk-on tone in the second half reflecting positive geopolitical headlines and hopes that a ceasefire could be agreed to. Government bond yields, which have become closely tied to the oil price, fell as crude retreated, and global equities proved remarkably resilient to the macro backdrop.

- Global developed-market shares rose (+4.7%), led once again by the US, where the S&P 500 (+5.3%) and the Nasdaq (+8.4%) rallied strongly, underpinned by continued strength in AI and the broader technology supply chain. Notably, equity-market volatility remained low despite the uncertain geopolitical context.
- Japanese equities were among the strongest of the developed markets (+11.9%), supported by a weaker yen, robust AI-related demand and growing expectations of fiscal easing. Japan's market has now risen 32.7% since the start of the year which is double the performance of the US tech sector.
- European equities advanced (+3.7%) as easing trade tensions, improving economic sentiment and resilient corporate earnings boosted investor confidence and encouraged a rotation into cyclical sectors. These tailwinds outweighed the conformation from the European Central Bank that rates would likely be hiked at its June meeting given the sharp rise in European inflation over recent months.
- UK equities were again the clear laggard among major markets (+0.7%), as their high weighting of traditional defensive sectors such as energy, consumer staples and healthcare provided few avenues to benefit from the global rally in technology and other growth-oriented sectors.
- Australian shares (+1.3%) also underperformed their developed market peers. Resources led the market on the back of higher iron ore and copper prices, while the banks weighed on the index amid concerns that proposed changes to capital gains tax and negative gearing could pressure an already-softening housing market.
- Emerging markets again outperformed (+9.7%) powered by extraordinary gains in Taiwan and South Korea, where the global semiconductor and AI capital-expenditure boom continued to drive earnings upgrades and capital inflows. Chinese equities were a notable exception, with Hong Kong and mainland indices declining.
- Commodities ended lower overall, dragged down by oil (-16.9%) and gold (-2.1%), even as industrial metals such as copper (+7.8%) rallied.
- Global bond yields saw elevated volatility over the month with 10-year Australian (-23bps), UK (-20bps) & German (-10bps) yields falling. US 10-year yields (+5bps) rose marginally while the curve flattened, and the policy sensitive 2-year tenor (+13bps) increased a bit more as markets priced out rate cut and partially priced in rate hikes by end-2026.

Geopolitics remained a key focus during May, with the Iran war driving sentiment. By month-end, optimism that a deal was close saw Brent crude fall around 19% to approximately US\$92 per barrel, its lowest level since mid-April. Even so, crude remains roughly 50% higher than where it started the year, and the risk premium embedded in the oil price has reset higher. With global oil inventories being drawn down each day and demand expected to rise over the Northern Hemisphere summer, there remains upside risk to the oil price should the Strait of Hormuz remain closed. Importantly, even if a deal is reached, restoring oil flows is expected to take several months to reach 80% of pre-war levels and around a year to fully normalise given the damage to infrastructure, meaning the inflationary impulse from energy is likely to linger. It is important to note, however, that 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 prospect of higher oil prices for longer has made central banks more wary of persistent inflation. The US Federal Reserve remained on hold, with the minutes of its May meeting read as hawkish; markets finally contemplated the possibility of a rate increase in late 2026 or early 2027 under Chair Kevin Warsh. Meanwhile, the European Central Bank is expected to raise rates at its June meeting, with some members arguing that policymakers can no longer "look through" the energy shock. Elsewhere, the Bank of Japan maintained a hawkish tone, and Japanese bond yields continued to rise, reflecting the combination of imported energy inflation and a reassessment of fiscal sustainability given Japan's large stockpile of debt and the government's desire to increase spending and lower taxes.

In Australia, the Reserve Bank raised the cash rate by 25 basis points to 4.35% in an 8-to-1 vote — a notably firmer split than the 5-to-4 decision in March — fully unwinding the prior year's easing cycle. The Governor signalled that the Board may now pause to assess how the conflict develops, and markets expect rates to be held in June with perhaps one further hike late in the year. The April monthly CPI indicator provided some relief, rising +4.2% year-on-year (softer than feared), though trimmed-mean inflation at +3.4% remains too high for the RBA, which projects a peak of 3.8% in the June quarter. Activity data was softer: the unemployment rate rose to 4.5% as employment fell, household spending declined 1.1% over the month, and the housing market weakened further, with prices falling in Sydney (-0.9%M) and Melbourne (-0.8%M) as proposed budget changes to capital gains tax and negative gearing adding to the uncertainty. 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.

Even as equity markets rallied strongly, market leadership remained narrow and growth-oriented, with the Russell 1000 Growth (+7.6%) again outpacing the value index (+3.3%) as investor appetite for companies leveraged to the AI investment cycle persisted, whether they made profits or not. Index concentration continued to build, with a small number of mega-cap names driving the bulk of returns. 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.

With the Middle East conflict unresolved, rising inflation and waning growth present risks to regional sharemarkets, which have elevated forward looking valuation and EPS 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 most regional sharemarkets trading above 80th-percentile 12MF PEs) and the long term (investors living in a '4% world', given high valuations and markets likely having already priced in years of productivity improvement). On a cyclically adjusted basis, US equities sit among the most expensive readings in market history, and roughly 30% of the S&P 500 is now tied to the AI theme— a record concentration in a single theme. Elevated P/E ratios and market concentration, alongside the preponderance of valuation-agnostic passive funds, have made regional equity markets increasingly vulnerable to unforeseen events.

Alongside its value-focused global and domestic equity exposures, the Fund retains allocations to Global Deep Value and UK Equity Income strategies, targeting undervalued, cash-generative companies that are overlooked by passive flows and whose returns are not reliant on further valuation expansion to deliver CPI plus 5% per annum. These holdings trade at a material discount to global benchmarks and provide genuine geographic diversification, including a substantial overweight to the UK and emerging markets and a large underweight to expensive US mega-cap technology. 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, layered S&P 500 put structures that risk only a low single-digit basis-point premium while delivering asymmetric protection across shallow, moderate and deep drawdown scenarios without requiring precise market timing.

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 curve reduces the portfolio's exposure to rising inflation, while 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 is the Fund's allocation to inflation-indexed bonds (ILBs). After 15 years of policy distortion — including deeply negative real yields during 2020–21 — the Australian 20-year ILB has reset to near-record real income. At CPI+3.1%, investors receive genuine carry, term premia compensation, inflation protection and a liquidity premium from an AAA-rated Commonwealth sovereign security. This is a defensive asset and a return-generating anchor, and it simultaneously hedges inflation, duration and macro uncertainty — aligned with the Fund's inflation and downside protection objectives.

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