

Perpetual Investment Funds

PERPETUAL DIVERSIFIED INCOME FUND

June 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: \$2,049.6 million as at 31 March 2025
APIR: PER0260AU
Mgmt Fee: 0.59% pa*
Benchmark Yield: 3.645% as at 30 June 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 30 June 2025

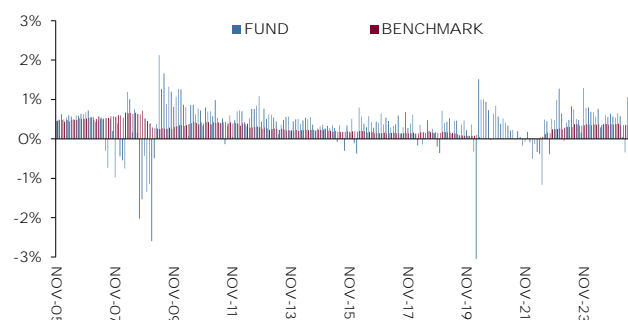
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Diversified Income Fund	0.57	1.28	2.58	5.96	6.99	6.75	4.69	3.90	4.42
Bloomberg AusBond Bank Bill Index**	0.32	1.02	2.10	4.39	4.38	3.88	2.34	2.08	3.33

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.

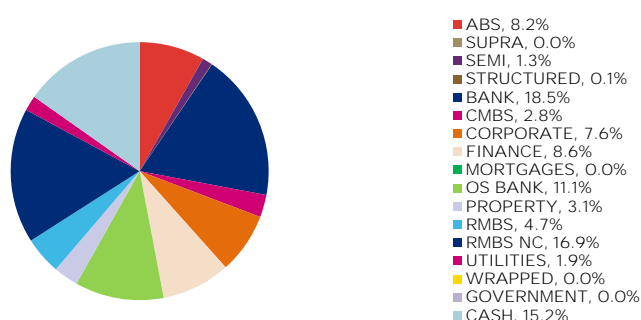
POINTS OF INTEREST

- Middle east geopolitical tensions elevated;
- July RBA rate cut 90% priced;
- Domestic credit spreads rangebound;
- Primary issuance volumes elevated;
- The credit outlook improved to neutral.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	30.10%
Subordinated Debt	57.96%
Hybrid Debt	11.94%
Core Component	97.18%
Plus Component	2.82%
% Geared	0.00%
Running Yield [#]	5.27%
Portfolio Weighted Average Life	3.46 yrs
No. Securities	136

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

MARKET COMMENTARY

Financial markets stepped higher in June, shaking off concerns around tariffs, the US fiscal outlook and geopolitical tensions in the middle east.

Domestic bond yields were reasonably stable through June with long term yields ending the month marginally lower. Futures markets increasingly priced in further near-term monetary policy easing with a mid-July rate cut more than 90% priced in by month end. May monthly CPI showed trimmed mean inflation at 2.4% year-on-year, below the midpoint of the RBA's target band. US bonds rallied during June, reflecting dovish central bank language and softer economic print. The US Fed kept rates on hold despite increasing pressure from the executive branch to accelerate monetary easing. The European Central bank eased by another 25bps while providing commentary that they may be "getting to the end of the monetary policy cycle". Meanwhile, the Bank of Japan announced plans to slow tapering while the Bank of Canada and Bank of England were on hold.

Domestic credit spreads traded in a tight range over the month. Itraxx Australia 5-year CDS spread tightened by 2bps. Spread performance was mixed by sector with utilities and non-financial corporate sectors widening reflecting elevated primary issuance volumes.

Primary issuance markets were busy during June, led by domestic and offshore banks. A busy month for primary issuance was headlined by senior bonds from Westpac (\$2.6B), Barclays (\$1B) and ING Bank (\$1.75B). Commonwealth Bank priced \$1.5B of subordinated bonds while Group BPCE raised \$1.5B across tier-two socially responsible and senior tranches. Non-financial corporate issuance was also elevated. Melbourne Airport raised \$1B in hybrid paper, meeting robust demand and building an initial book more than four times deal volume. Corporate hybrid issuance volumes have been elevated thus far in 2025 and will continue to draw attention as bank hybrids are phased out following confirmation from APRA in late 2024. Caisse d'Epargne (CDP) entered the kangaroo market for the first time, issuing \$1.75B in senior unsecured fixed rate bonds.

PORTFOLIO COMMENTARY

Credit spread dynamics were the key contributing factor to performance over the month. Although domestic spreads were rangebound during June, the Fund's allocation to USD and EUR denominated credit performed well across select corporates, domestic and offshore banks. Allocation to RMBS was also constructive with contracting securitised spreads contributing to performance. Among non-financial corporates, a pair of USD denominated senior Santos bonds (amongst the funds top 5 issuer exposures) rallied strongly in late June reflecting a takeover bid from Abu Dhabi National Oil Co combined with spiking oil prices as a result of geopolitical tensions. The Manager elected to liquidate the positions, locking in profit.

The Fund's yield premium above benchmark continues to contribute to relative returns, led by allocation to RMBS and offshore banks. The portfolio's running yield was 5.3% at month end, with the spread (credit yield premium) measured at 1.5%.

The Fund's sector allocation was rotated throughout June. The Fund rotated into domestically issued paper, increasing AUD exposures and reducing EUR and USD denominated positions as spreads rallied to near the bottom of their post GFC range. Note that all foreign currency exposures are hedged. The Manager elected to add major bank subordinated exposures both via new deals – including the \$1.5B Commonwealth Bank tier 2 issue – and in secondary. Non-financial corporate and offshore bank exposures were trimmed. The Fund's risk profile was more conservative by month end, with a shorter spread duration, elevated cash and reduced exposure to BBB and high yield. The Manager also elected to adjust capital structure risk allocations, with the Fund trimming hybrid exposures while increasing allocation to tier 2 subordinated debt.

The outlook for credit improved to neutral during June, reflecting improving technical indicators. The Fund retains a conservative liquidity profile to mitigate liquidity risks while providing ample dry powder to take advantage of relative value opportunities in both primary and secondary markets. The Manager continues to look for attractively priced issues and relative value opportunities while carefully managing credit and liquidity risks.

OUTLOOK

The credit outlook improved throughout June ending the month with a neutral reading

Valuation indicators remain marginally negative. While spreads have normalised from their April selloff, swap to bond spreads remain in negative territory, weighing on the outlook. Elevated primary issuance activity during June included a rise in opportunistic issuance including kangaroo deals from CDP and John Deere.

The macroeconomic outlook remains negative reflecting softening growth data and the anticipated 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 indicators remained neutral during the month. The heavy volume of recent primary issuance weighs on the outlook however thus far, issuers have met robust demand.

Improvement in technical indicators was the key factor in the improving credit outlook during June. US credit, equity and equity volatility all improved. Cash balances also remain elevated among real money accounts.

This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL No 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, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au. No company in the Perpetual Group (Perpetual Group means Perpetual Trustees Australia Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital. 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

Investor Services 1800 022 033

Email PerpetualUTqueries@cm.mpms.mufg.com

www.perpetual.com.au

