

Perpetual Investment Funds

PERPETUAL DIVERSIFIED INCOME FUND

July 2026

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: \$2,513.2 million as at 30 June 2026
APIR: PER0260AU
Mgmt Fee: 0.59% pa*
Benchmark Yield: 4.344% as at 31 July 2026
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 2026

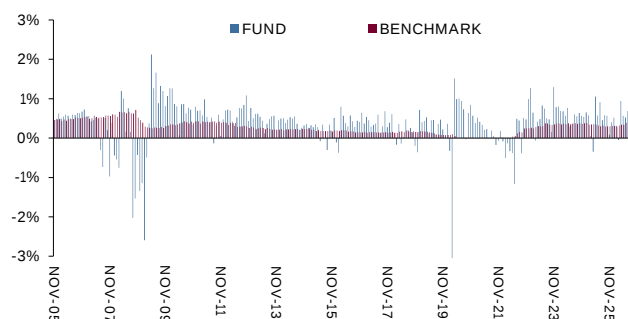
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Diversified Income Fund	0.69	1.79	3.01	5.73	6.14	6.63	4.84	4.32	4.51
Bloomberg AusBond Bank Bill Index**	0.38	1.11	2.06	3.94	4.12	4.21	3.19	2.38	3.36

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.

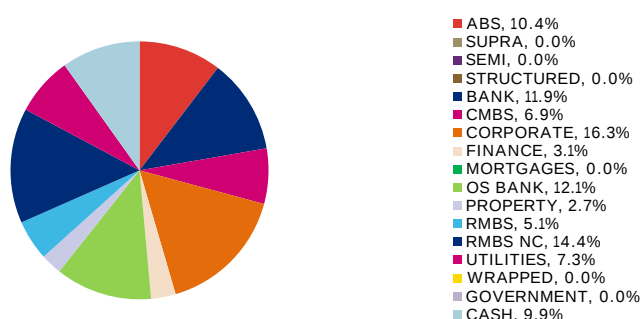
POINTS OF INTEREST

- Middle East conflict re-escalates; oil surges before retracing as tensions ease;
- Domestic credit spreads remain rangebound;
- Australian and global bond yields rise on oil-driven inflation fears;
- Inflation surprises to the downside; August hike pricing moderates;
- The credit outlook improves to positive.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	35.15%
Subordinated Debt	45.66%
Hybrid Debt	19.19%
Core Component	96.73%
Plus Component	3.27%
Running Yield [#]	5.86%
Average Credit Rating	A
Portfolio Weighted Average Life	3.57 yrs
No. Securities	196

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

MARKET COMMENTARY

July proved to be another volatile month for global fixed income and credit markets, again shaped by the trajectory of the Middle East conflict, its impact on oil prices and the path of central bank policy. Renewed strikes and the announced closure of the Strait of Hormuz sent Brent crude from the low US\$70s to above US\$100 a barrel at its peak — a rise of more than 30% for the month — before a pause in hostilities and softer inflation data in the final week saw prices ease. The upward pressure on oil prices saw markets increasingly price further US rate hikes, precipitating a selloff in global bond yields.

Australian bond yields moved higher over July, in line with global curves which sold off while steepening. Mid-month, a much stronger than expected June employment report (+76,300 jobs) saw expectations of further rate rises firm before improving inflation data and neutral commentary from Governor Bullock moderated expectations. Bond yields rallied into month-end, although the move only recovered a portion of July's earlier selloff.

Domestic credit spreads traded in a relatively tight range over the month despite the rates volatility. Credit spreads ended the month marginally tighter on aggregate. Tier 2 markets were particularly quiet, with major bank five-year non-call spreads trading in a 3bp range (119–122bp) — the tightest monthly range since 2022 — supported by very light primary supply and continued ETF inflows into the subordinated debt space. Hybrid paper performed well, supported by supply-side dynamics, while higher-beta credit continued to draw interest even as APRA phases out the domestic bank AT1 market.

Primary market issuance volumes were below trend in July. NAB (\$2.5B senior) and Royal Bank of Canada (\$500M covered) priced short-dated three-year deals. CDC Data Centres priced \$700M in senior bonds — the first-ever AUD senior deal from a data centre operator — across six- and 10-year tranches.

PORTFOLIO COMMENTARY

Spread dynamics were strongly positive for performance despite aggregate spreads trading in a relatively tight range. Sector, capital structure and issuer selection were all rewarded with spread contraction benefitting the Fund's securitised, offshore bank and hybrid exposures. Securitised spreads tightened despite continued elevated issuance volumes. Hybrid exposures within the utilities sector — a position that the Manager has been building over recent months — continued to perform well alongside an Additional Tier 1 capital hybrid from Barclays, which has rallied since its issue in May. The Manager continues to see attractive relative value among offshore bank and corporate hybrids, which are meeting strong primary and secondary market demand in the wake of APRA's phase-out of domestic AT1 hybrids.

The Fund's yield premium above benchmark remained a strong contributor to relative performance over the month. Income return is primarily attributable to securitised sectors, supported by non-financial corporate and domestic and offshore banks. The portfolio's running yield was 5.9% at month-end, with the spread (credit yield premium) measured at 1.3%.

Duration positioning was positive for outperformance during the month. Despite the Fund's very tight duration limits — which mitigate the risk of interest rate volatility — the Manager is able to add incremental value by actively trading government bond futures at market dislocations. The Manager took advantage of yield volatility during July, taking profit on a short duration position as yields sold off in sympathy with global bonds. Towards the end of the month, the Manager took the opportunity to add a 0.6-year long position after yields rose sharply in the wake of robust employment data. Yields moderated over the remainder of the month — helped by a neutral monthly CPI indicator — and the Manager took profit on the trade, ending the month with a neutral duration position.

Risk allocations were broadly maintained over the month. The Manager took the opportunity to increase CMBS and ABS exposures marginally, taking part in new auto and personal loan securitisations and combined commercial and residential mortgage-backed issuance. The Fund added exposure to domestic regional banks while taking profit and rotating issuer exposures within the offshore bank sector.

The outlook for credit improved to reach a marginally positive reading by month-end. While the outlook has improved, the Fund retains a defensive posture with a material cash allocation offering the optionality to take advantage of relative value opportunities presented by uncertain conditions.

OUTLOOK

The credit outlook improved over July, reaching a slight positive reading by month-end.

Valuation indicators are neutral, with US investment grade, US high yield, Australian investment grade and Australian swap spreads trading within the range of recent averages. Relative value measures (the basis swap, domestic versus offshore spreads and opportunistic issuance) were similarly benign.

The macroeconomic outlook is the primary headwind to the credit outlook. Declining global growth expectations — including downgraded IMF estimates released during the month — weigh on the outlook.

This was partly offset by a positive reading on the ratio of upgrades to downgrades, reflecting a strong Q2 US earnings season. Oil price volatility remains a watchpoint, although the indicator ended the month broadly flat, having spiked and then retraced with the conflict.

Supply and demand indicators are finely balanced. Market demand remains relatively healthy especially in higher beta sectors. A softer month of primary market issuance saw the recent supply indicator neutralise.

Technical indicators were the standout positive contributor, with favourable readings across domestic real money and intermediary positioning, US credit conditions, US equity and equity volatility all supporting the improved overall reading.

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The product disclosure statement (PDS) for the Fund, issued by PIML, should be considered before deciding whether to acquire, dispose, or hold units in the Fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au.

Total returns shown for the Fund 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 taxation. Past performance is not indicative of future performance.

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** 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

