

# PERPETUAL DIVERSIFIED INCOME FUND

August 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\*\*  
**Mgmt Fee:** 0.70% pa\*  
**Buy / Sell spread:** 0.15% / 0.15%  
**Benchmark Yield:** 3.565% as at 31 August 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

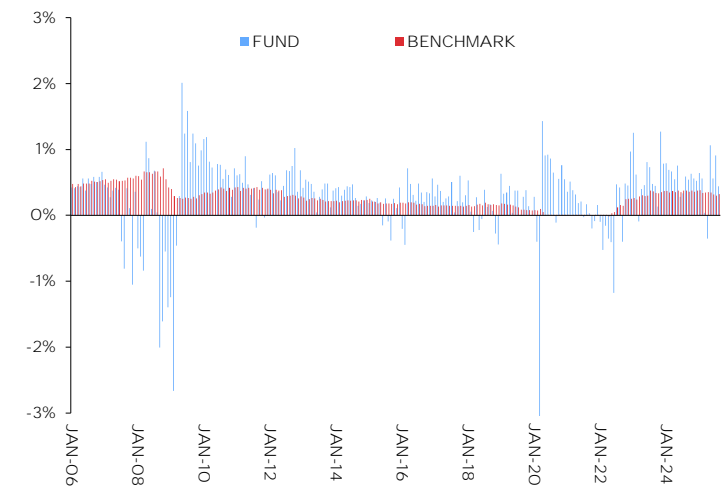
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether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

TOTAL RETURNS % (AFTER FEES) AS AT 31 August 2025

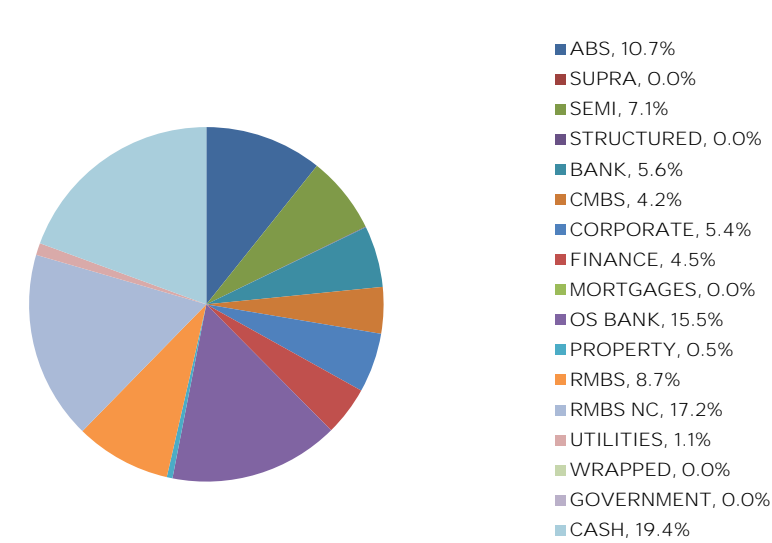
	APIR	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS PA	5 YRS PA	7 YRS PA	10 YRS PA
Perp. WealthFocus Investments	PER0284AU	0.44	1.92	2.68	6.28	6.72	4.37	3.53	3.31
Perp. WealthFocus Investment Advantage	PER0490AU	0.45	1.92	2.68	6.29	6.73	4.39	3.54	3.33
Perp. WealthFocus Super	PER0286AU	0.40	1.65	2.28	5.41	5.80	3.77	3.04	2.85
Perp. WealthFocus Pensions	PER0285AU	0.44	1.89	2.65	6.25	6.69	4.35	3.52	3.30
Perp. WealthFocus Term Allocated Pension	PER0339AU	0.44	1.89	2.65	6.25	6.69	4.35	3.52	3.30
Bloomberg AusBond Bank Bill Index**		0.32	0.94	2.00	4.25	4.00	2.47	2.11	2.06

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	46.18%
Subordinated Debt	44.41%
Hybrid Debt	9.41%
Core Component	97.72%
Plus Component	2.28%
% Geared	0.00%
Running Yield <sup>#</sup>	4.60%
Portfolio Weighted Average Life	2.92 yrs
No. Securities	147

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

## MARKET COMMENTARY

Stronger than anticipated corporate earnings and continued monetary policy easing buoyed global financial markets through August. This was in spite of softening macroeconomic data – notably US labour print.

The Reserve Bank of Australia (RBA) cut rates for the third time this year, signalling cautious optimism amid lowered GDP forecasts and steady inflation despite some component specific pricing spikes. Globally, yield curves steepened, influenced by softer than expected US labour data, dovish commentary from Fed chair Powell at the Jackson Hole symposium. US 2-year bond yields fell 33bps as market participants anticipated further interest rate cuts with a further 25bps at the mid-September FOMC meeting fully priced in by month end. The Bank of England elected to cut rates in spite of rising inflation.

Domestic credit spreads narrowed over the month, benefitting from a confluence of factors including corporate earnings results, monetary policy **tailwinds alongside US jobs and CPI data. August's corporate earnings season results were resilient with soft revenue growth** offset by improved margin discipline. Financial and corporate spreads contracted led by infrastructure and utilities. Semi government spreads EUR denominated and kangaroo issues from French banks saw some elevated volatility reflecting political concerns as the prime Minister called for a confidence vote after failing to secure supports for a range of budget cuts.

Primary market issuance volumes were elevated in August, keeping year to date aggregate volumes well above trend. Demand was healthy affording **issuers the opportunity to test unorthodox deal structures including ANZ Banking Group's (\$1.5B) fixed rate tier 2 subordinated deal** which included a 20-year bullet. Kangaroo issuance was elevated with PSP Capital (\$1.5B), Credit Agricole (\$1.5B), Vonovia (\$850M), New York Life (\$650M) and HSBC Holdings (\$1.75B) coming to market during August. The volume of issuance and strength of demand reflects the maturity of the local market as well as **supportive technicals. In the domestic space, CBA's landmark \$5B senior unsecured transaction built a record order book across 3 and 5-year tranches.**

## PORTFOLIO COMMENTARY

Credit spread dynamics were muted for performance. Domestic spreads tightened slightly while trading in range of recent levels. Non-financial corporate and securitised exposures were constructive, benefitting from persistently strong market demand. Allocation to domestic and offshore banks **was mixed with USD and EUR denominated spreads widening marginally. Elsewhere, the Fund's small allocation to semi-government bonds detracted** marginally as semi spreads expanded. The Manager elected to add credit protection in late August recognizing rising risks as credit demand has surged against a backdrop of tariffs, inflation risks and soft economic and labour data. The Fund added a short position on the iTraxx Crossover CDS index which tracks the 75 most liquid sub-investment grade European bonds, which contributed to performance.

Income return remained the key contributing factor to performance over the period. The Fund yield advantage above benchmark is attributable **primarily to RMBS and offshore bank allocations. The Portfolio's running yield was 4.6% at month end, with the spread (credit yield premium) measured at 1.1%.**

Sector and risk allocations were actively managed over the period with the Manager continuing to carefully manage credit risk in the portfolio in line with the declining outlook. The Fund reduced exposure to domestic banks, selling out of all AUD denominated subordinated major bank paper, locking in profits after a period of spread tightening. The Manager elected to trim government and add semi government exposure during the month, adding **bonds from Queensland and New South Wales state governments. The semi government exposures contribute to the Fund's running yield** while maintaining the conservative liquidity profile. At month end the Fund held approximately half a year of interest rate duration which was constructive performance over the month.

The Fund was active in primary markets over the month, taking part in new securitisation deals from Kingfisher (RMBS) and Resimac (Automotive ABS). The Fund also took the opportunity to monetize new issue concessions taking profit early on a landmark senior deal from Commonwealth Bank and the **15-year tranche of ANZ's subordinated deal during August.**

The outlook declined over the month and is slightly negative. The Manager continues to carefully manage credit and liquidity risks. The Fund retains a substantial cash allocation providing ample dry powder to take advantage of relative value opportunities and attractively priced issues as the outlook improves.

## OUTLOOK

The credit outlook worsened during August, ending the month with a marginally negative reading.

Valuation indicators are negative, reflecting elevated primary market activity attributable to opportunistic issuers including offshore corporates. While US and domestic spreads are finely balanced, swap to bond spreads remain in negative territory, weighing on the outlook.

The macroeconomic outlook improved over the month while remaining marginally negative. Improved results from the Senior Loan Officer survey were the catalyst, exhibiting marginally looser lending standards for large firms. The soft global growth outlook continues to weigh on the outlook.

Supply and demand indicators are mixed, detracting from the outlook. A lower volume of upcoming maturities alongside elevated recent and anticipated issuance volumes weigh on near term expectations for credit spreads. Market demand has thus far remained strong, observed in record order books built for domestic and kangaroo transactions during the month.

Technical indicators remain strongly positive reflecting supportive US credit, equity and equity volatility indicators. Cash balances also remain elevated among real money accounts and intermediary positioning shows capacity, supporting the outlook.

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This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535 AFSL No 234426 and issued by PIML as responsible entity of the Perpetual Diversified Income Fund ARSN 110 147 665, investable through Perpetual WealthFocus Investments, and Perpetual WealthFocus Investment Advantage Fund ARSN 091 142 460 ('the WealthFocus Investment Funds') and Perpetual Superannuation Limited (PSL) ABN 84 008 416 831 AFSL No 225246 RSEL No L0003315 as trustee for Perpetual WealthFocus Superannuation Fund ABN 41 772 007 500 RSE R1057010 (which includes the Super Plan, Pension Plan and Term Allocated Pension). 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 relevant product disclosure statement (PDS), issued by PIML as responsible entity for the WealthFocus Investment Funds or PSL as trustee for Perpetual WealthFocus Superannuation Fund, should be considered before deciding whether to acquire 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](http://www.perpetual.com.au).

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Total returns shown in this publication 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. <sup>1</sup> Fund information in this document is relevant to the Wholesale option unless stated.

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<sup>^</sup> The chart represents the Wealthfocus Investment option.

<sup>\*\*</sup> UBS Australian Bond Index changed to Bloomberg AusBond Bank Bill Index effective 26 September 2014

## MORE INFORMATION

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