

PERPETUAL DIVERSIFIED INCOME FUND

May 2024



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

Benchmark: Bloomberg AusBond Bank Bill Index**

Mgmt Fee: 0.70% pa*

Buy / Sell spread: 0.15% / 0.15%

Benchmark Yield: 4.322% as at 31 May 2024

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

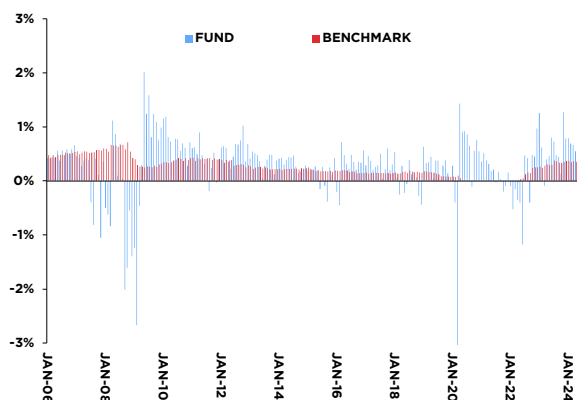
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether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

TOTAL RETURNS % (AFTER FEES) AS AT 31 May 2024

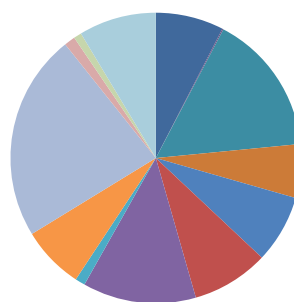
	APIR	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS PA	5 YRS PA	7 YRS PA	10 YRS PA
Perp. WealthFocus Investments	PERO284AU	0.76	1.99	4.32	8.41	3.60	3.19	2.90	2.88
Perp. WealthFocus Investment Advantage	PERO490AU	0.76	1.99	4.26	8.36	3.60	3.18	2.90	2.88
Perp. WealthFocus Super	PERO286AU	0.68	1.73	3.74	7.29	3.10	2.75	2.50	2.49
Perp. WealthFocus Pensions	PERO285AU	0.76	1.99	4.30	8.39	3.58	3.18	2.89	2.87
Perp. WealthFocus Term Allocated Pension	PERO339AU	0.76	1.99	4.30	8.39	3.58	3.18	2.89	2.87
Bloomberg AusBond Bank Bill Index**		0.37	1.10	2.20	4.32	2.32	1.59	1.68	1.85

Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

MONTHLY PERFORMANCE SINCE INCEPTION^



PORTFOLIO SECTORS



- ABS, 7.6%
- SUPRA, 0.0%
- SEMI, 0.0%
- STRUCTURED, 0.1%
- BANK, 15.7%
- CMBS, 6.0%
- CORPORATE, 7.6%
- FINANCE, 8.6%
- MORTGAGES, 0.0%
- OS BANK, 12.6%
- PROPERTY, 1.1%
- RMBS, 7.0%
- RMBS NC, 23.0%
- UTILITIES, 1.2%
- WRAPPED, 0.9%
- GOVERNMENT, 0.0%
- CASH, 8.6%

PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	46.38%
Subordinated Debt	48.75%
Hybrid Debt	4.87%
Core Component	97.45%
Plus Component	2.55%
% Geared	0.00%
Running Yield [#]	6.05%
Portfolio Weighted Average Life	3.11 yrs
No. Securities	116

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

MARKET COMMENTARY

Risk assets resumed their inexorable rally during May with equity and bond markets generating positive performance. There was notable risk-on trend best exemplified in the outperformance of high growth technology sectors. In these conditions, global credit spreads tightened, notably USD and Euro denominated high yield.

Domestic bond yields were relatively subdued during May. Global yields fell on aggregate, led by the US where 10-year yields rallied 18bps. Softer labour market data and dovish Fed commentary drove the move lower in US yields. In Australia, intransigent inflation data and a move higher in unemployment sent mixed signals regarding the path of RBA policy. Futures markets continue to price a very small chance a further rate increase during 2024.

Domestic credit spreads tightened marginally over the month, extending their recent rally. Performance was mixed by sector however, with major bank subordinated spread performing well while hybrid spreads widened. Aligning with competitors S&P and Moody's, Fitch upgraded their rating on the four major banks and Macquarie during the month reflecting the build up of equity to meet loss absorbing requirements.

May saw elevated primary market issuance, diversified across multiple sectors. NAB and Westpac raised \$2.9B and \$3.2B respectively across senior unsecured fixed and floating bonds. A number of corporate issuers tapped markets during May including Ausnet (\$500M) and Airservices Australia (\$425M). Securitisation volumes remained elevated throughout across both authorized deposit taking institutions and non-ADIs alike, continuing to meet robust demand.

PORTFOLIO COMMENTARY

The Fund's yield premium above benchmark remains a key contributing factor to outperformance. The Fund's allocation to RMBS is the most substantial contributor to the running yield with domestic and offshore banks also contributing strongly. The portfolio's running yield was 6.1% at month end, with the average spread measured at 1.5%.

Credit spread contraction was the key contributing factor to relative return during the month. Credit spreads continued to grind tighter across corporate, financial and government related sectors. The Fund's elevated allocation to subordinated spreads benefitted from the convergence of senior and subordinated curves. Over recent months, the Manager has selectively increased allocation to AUD denominated major bank sub debt, in recognition of attractive relative valuations and in anticipation of recent credit rating increases. A small number of Euro denominated offshore bank bonds also tightened, contributing to outperformance.

Sector allocations were actively managed over the month. The Manager took the opportunity to lock in profits on a number of domestic and offshore bank positions and rotate into RMBS. The portfolio's credit risk profile was reduced by month end as the increased allocation to securitised assets was focused on AAA tranches. Elsewhere, the fund small government bond allocation – which offers some protection against liquidity risks while contributing to the Fund's running yield – was liquidated and the Manager elected to selectively add semi-government and supranational bonds.

The outlook for credit remains delicately balanced. The Manager continues to look for attractively priced issues and relative value opportunities while carefully managing credit and liquidity risks.

OUTLOOK

The credit outlook remained neutral throughout May.

Valuation indicators have continued to degrade with tightening AUD swap rates now contributing to the negative reading. Tight US high yield spreads remain the other key detractor.

Our macro-outlook remains marginally positive. While labour market data in the US worsened over the month European recovery continues to surprise to the upside. Manufacturing PMIs are showing signs of improvement in the US, UK & China with all 3 PMIs in expansionary territory. Accessibility of equity market capital and the ratio of ratings upgrade to downgrades are providing support for spreads.

Supply and demand indicators remain neutral. Elevated upcoming maturity volumes are constructive however recent elevated primary issuance volume weigh on the outlook.

Technical indicators remained positive in May with improvements observed in the equity volatility indicator while US credit and equity both remained positive. Intermediary positioning and cash allocations among real money accounts remain balanced.

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. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital.

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. ¹ Fund information in this document is relevant to the Wholesale option unless stated.

¹ Fund information in this document is relevant to the wholesale option unless stated.

[^] The chart represents the WealthFocus Investment option.

^{**} UBS Australian Bond Index changed to Bloomberg AusBond Bank Bill Index effective 26 September 2014

MORE INFORMATION

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email investments@perpetual.com.au

www.perpetual.com.au

