

## Perpetual Investment Funds

# PERPETUAL DIVERSIFIED INCOME FUND

May 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:** \$2,467.1 million as at 31 March 2026  
**APIR:** PER0260AU  
**Mgmt Fee:** 0.59% pa\*  
**Benchmark Yield:** 4.320% as at 31 May 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 May 2026

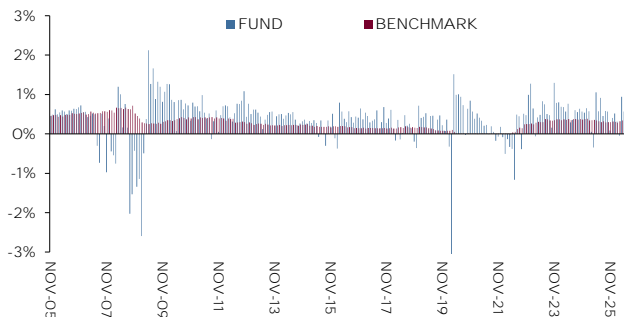
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Diversified Income Fund	0.57	1.46	2.72	6.02	5.85	6.76	4.64	4.28	4.48
Bloomberg AusBond Bank Bill Index**	0.34	1.00	1.91	3.78	4.10	4.18	3.03	2.31	3.35

Please note: Performance for Perpetual's complete list of investment funds is available on [www.perpetual.com.au](http://www.perpetual.com.au). Past performance is not indicative of future performance.

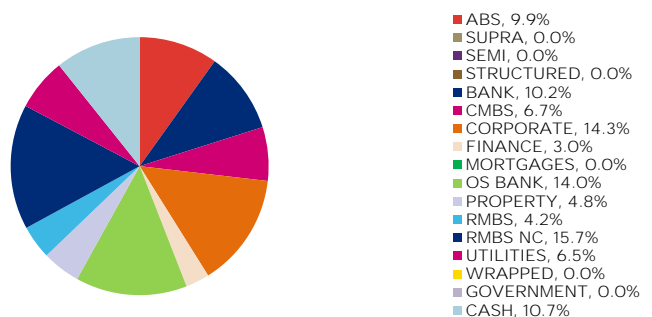
### POINTS OF INTEREST

- Middle East conflict persists; oil prices ease towards month end;
- Domestic credit spreads rangebound; US spreads rally;
- Domestic bond yields fall; yield curve steepens;
- RBA hikes; softening inflation and labour data see policy expectations moderate;
- The credit outlook declined marginally, remaining negative.

### MONTHLY PERFORMANCE SINCE INCEPTION



### PORTFOLIO SECTORS



### PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	39.31%
Subordinated Debt	42.54%
Hybrid Debt	18.15%
Core Component	95.08%
Plus Component	4.92%
Running Yield <sup>#</sup>	5.83%
Average Credit Rating	A
Portfolio Weighted Average Life	3.63 yrs
No. Securities	176

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

## MARKET COMMENTARY

May proved a volatile month for global fixed income and credit markets, shaped by Middle Eastern geopolitics, elevated energy prices, and the question of how long central banks can hold their nerve against inflation. Risk assets including global equities pushed higher while credit spreads traded in a tight range.

The RBA delivered a widely anticipated third consecutive 25 basis point hike at its 5 May meeting, taking the cash rate back to 4.35%. April employment declined by 18,600 jobs — against expectations for modest growth — pushing the unemployment rate up to 4.5%, above the RBA's own year-end forecast of 4.3%. The April monthly CPI indicator then showed headline inflation moderating from 4.6% to 4.2% annually, 0.2 percentage points below consensus, helped by a 7% fall in automotive fuel and a 20% drop in urban transport fares following government intervention. Together, the weaker labour market and softer inflation data saw markets wind back pricing for further near-term tightening. By Month end, rate hike expectations had fallen from two further hikes to less than one. Australian government bond yields fell over the month with the curve steepening as the front end led the rally.

Domestic credit spreads were resilient throughout May with the ITraxx Australia CDS index narrowing slightly while trading in a relatively tight range over the month. Major bank senior and regional covered bonds performed well. Corporate and nonbank financial hybrids and tier 2 subordinated bank debt remain well supported. Primary market demand is increasingly discerning with longer dated issues less liquid and energy price sensitive sectors softening slightly. US spreads performed well with IG and HY spreads tightening reflecting the broader risk on sentiment as markets anticipated a resolution to the US Iran conflict and resumption of transit through the strait of Hormuz.

Primary market activity was elevated in May with a number of deals across senior, tier 2 and additional tier 1 tranches pricing as issuance accelerated following bank earnings releases. ANZ (\$5B senior), Westpac (\$3B Senior) and NAB (\$2.5B Senior and \$1B Tier 2) printed deals following half year results. May saw an increase in kangaroo issuance as narrow spreads and resilient demand for AUD paper attracted offshore banks and non-financial corporates.

## PORTFOLIO COMMENTARY

Credit spread dynamics were constructive for relative performance over the month. While spreads moved in a relatively tight range, issuer and security selection was rewarded with allocation to subordinated domestic and offshore banks alongside performing well. Spread contribution was positive among securitised sectors as well despite persistent elevated issuance volumes. The Fund's allocation to hybrids also performed well with EUR, GBP and USD hybrid spreads tightening contributing to outperformance. The Manager took the opportunity to selectively lengthen the portfolio's credit exposure, deploying a portion of the cash position and increasing the spread duration marginally by adding long dated positions including a sizeable allocation to the newly issued 15-year subordinated bond from NAB.

The Fund's yield premium above benchmark was the strongest contributor to relative performance over the month, closely followed by the contribution from spread contraction. Income return remained attributable primarily to RMBS and offshore bank allocations. The impact of rising base rates on the Fund's floating rate exposures will continue to contribute to the yield as coupons reset and the Manager further increased the Fund's running yield by deploying a portion of the cash position in long dated credit. The Portfolio's running yield was 5.8% at month end, with the spread (credit yield premium) measured at 1.4%.

Duration management was marginally positive for performance over 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 Fund held a small long duration position and a curve steepener in May before taking profit as yields rallied and the curve steepened in the final week of the month reflecting easing inflation and higher than anticipated unemployment. The Fund ended the month with a very slightly negative duration position.

Risk allocations were adjusted over the month. Alongside the aforementioned lengthening of the portfolio, the Manager took the opportunity to lock in gains on USD denominated credit and added AUD denominated offshore Bank and utilities exposures.

The outlook for credit remains marginally negative. Notwithstanding the slight increase in term risk over the month, the Fund has been defensively positioned for some time. The Fund maintains a material cash allocation offering the optionality to take advantage of relative value opportunities presented by uncertain conditions.

## OUTLOOK

The credit outlook declined marginally led by softening valuation and macroeconomic indicators.

Valuation indicators deteriorated over the month to a negative reading. The key driver was a downgrade of US high yield from neutral to negative, reflecting spread levels that offer insufficient compensation relative to a deteriorating macro backdrop and elevated oil price persistence. Opportunistic issuance remained a headwind, with elevated supply from SSA, kangaroo and domestic issuers continuing to weigh on the outlook.

The macroeconomic outlook remains the most significant headwind to the credit view. Softening global growth and reduced GDP forecasts from the RBA weigh on the outlook. Oil price volatility remains a watchpoint with the indicator remaining negative at month end. The ratio of upgrades to downgrades has softened to a neutral reading as tighter financial conditions have seen an uptick in downgrade activity, notably among high yield names.

Supply and demand indicators remain negative. Elevated issuance supply – both recent and upcoming – remains a key headwind. Market demand has proven resilient thus far although increasingly discerning.

Technical indicators remain marginally positive. Cash balances among real money accounts have normalised. US credit, equity and equity volatility indicators are all positively contributing to the outlook.

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](http://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](mailto:PerpetualUTqueries@cm.mpms.mufg.com)  
[www.perpetual.com.au](http://www.perpetual.com.au)

