Perpetual Investment Funds

PERPETUAL DIVERSIFIED INCOME FUND

September 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: 4.588% as at 30 September 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 30 September 2026

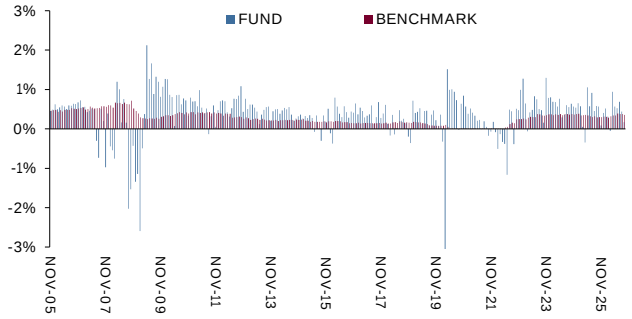
	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA	INCEPT PA
Perpetual Diversified Income Fund	0.17	1.30	3.37	5.28	5.86	6.50	4.92	4.35	4.50
Bloomberg AusBond Bank Bill Index**	0.36	1.11	2.20	4.06	4.12	4.22	3.34	2.46	3.37

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.

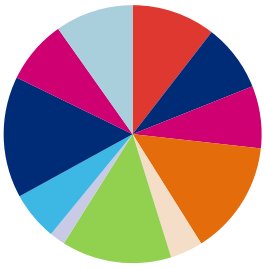
POINTS OF INTEREST

•Middle East escalation lifts oil; global bond yields reach multi-year highs;
•Fed, ECB, BoJ, RBNZ and RBA all raise rates;
•Credit spreads modestly wider; Kangaroo issuance remains heavy;
•Stress emerges in domestic private credit; French credit under pressure;
•Credit outlook unchanged, remains negative.

MONTHLY PERFORMANCE SINCE INCEPTION



PORTFOLIO SECTORS



- ABS, 10.5%
- SUPRA, 0.0%
- SEMI, 0.0%
- STRUCTURED, 0.0%
- BANK, 8.5%
- CMBS, 7.8%
- CORPORATE, 14.3%
- FINANCE, 4.1%
- MORTGAGES, 0.0%
- OS BANK, 13.8%
- PROPERTY, 2.0%
- RMBS, 6.1%
- RMBS NC, 15.2%
- UTILITIES, 8.0%
- WRAPPED, 0.0%
- GOVERNMENT, 0.0%
- CASH, 9.8%

PORTFOLIO COMPOSITION

	BREAKDOWN
Senior Debt	34.47%
Subordinated Debt	44.96%
Hybrid Debt	20.57%
Core Component	96.62%
Plus Component	3.38%
Running Yield#	5.99%
Average Credit Rating	A
Portfolio Weighted Average Life	3.91 yrs
No. Securities	214

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

MARKET COMMENTARY

Credit markets softened modestly in September as a sharp rise in global bond yields tested investor appetite for risk. The month began with the US and Iran exchanging strikes for the first time in almost a month, while attacks on shipping and Saudi energy infrastructure drove oil prices sharply higher. Higher energy prices, strong US growth, heavy debt issuance to fund the AI investment build-out and persistent fiscal deficits pushed yields higher across major markets. The US 10-year yield rose 0.54% to 5.29%, touching its highest level since 2007 during the month.

The RBA raised the cash rate by 0.25% to 4.60% at its 29 September meeting. The unanimous decision marked its fourth increase this year, with the RBA citing higher energy prices and inflation risks that had begun to materialise. Governor Bullock struck a more cautious tone at her press conference, while the softer-than-expected August monthly CPI led expectations for further 2026 rate increases to moderate. Domestic data were generally soft, with unemployment rising from 4.5% to 4.6% and NAB business conditions falling below zero for the first time since 2020. Australian bond yields rose materially over the month, although by less than US yields, which sold off sharply. The Federal Reserve raised rates to 3.75–4.00%, its first increase since 2023, signalling at least one more increase by year end. The ECB, Bank of Japan and Reserve Bank of New Zealand also tightened policy.

Credit spreads were modestly wider in September, although they remained resilient given the scale of the move in government bond yields. Spread dynamics were mixed by sector and geography. French bank and corporate paper underperformed, reflecting political uncertainty and rising risk premia. Sentiment towards domestic private credit also deteriorated following the August insolvency of property developer Bathla Group, with several managers restricting redemptions and ASIC warning that the sector should prepare for enforcement action.

Primary issuance was heavy through the first three weeks of September before slowing towards quarter end as global yields spiked and the RBA decision approached. Issuance volumes were led by a record month for securitised sectors. While the domestic major banks were largely absent, ING priced a $1.5 billion covered bond, while Macquarie issued a $1.4 billion Tier 2 deal across 10.5-year non-call 5.5-year and 15-year non-call 10-year maturities. Corporate supply was steady following reporting season and included ElectraNet, ARTC, The Lottery Corporation and Aurizon, as well as Kangaroo deals from E.ON and Anglian Water.

PORTFOLIO COMMENTARY

The Fund underperformed its benchmark in September as the sharp rise in bond yields weighed on returns. Income remained the key positive contributor, with the Fund's yield premium above the benchmark attributable primarily to securitised and bank allocations. The portfolio's running yield was 6.0% at month end, with the spread (credit yield premium) measured at 1.3%.

Duration was the largest detractor from relative performance. The Manager added duration in stages through the month as three-year government bond yields rose, viewing this as an attractive entry point with the RBA's hiking cycle close to its peak, lifting the Fund's modified duration from 0.6 to 0.8 years. Yields continued to rise through the month as global bonds sold off, detracting from performance.

Credit spreads were modestly wider, detracting slightly from performance. Securitised holdings were the standout contributor, with spreads on ABS tightening, while French bank paper and offshore telecommunications issuers detracted, with BPCE subordinated debt, Verizon hybrids and Telefonica senior bonds all widening.

The Manager was active throughout the month, repositioning the portfolio while maintaining a relatively defensive liquidity profile. The portfolio rotated out of longer-dated major bank Tier 2 paper and into securitised assets and shorter-dated offshore bank exposures. The Fund also participated in new issues from Macquarie Bank (15-year Tier 2), Transgrid and The Lottery Corporation. French exposures were reduced as political uncertainty and sovereign downgrades weighed on French credit. Sales of BFCM senior and BPCE subordinated bonds reduced exposure to French-domiciled credit to below 2%.

The credit outlook was unchanged through September and remains in negative territory, reflecting soft supply and demand indicators and macroeconomic headwinds from higher oil prices and slowing growth. The Fund remains relatively defensively positioned, with additional liquidity providing the Manager with the flexibility to take advantage of relative value opportunities should spreads widen further.

OUTLOOK

The credit outlook was unchanged through September and remains in negative territory.

Valuation indicators improved modestly as spreads widened, with US high yield and Australian swap measures moving from negative to neutral. The basis swap and the relative value of domestic versus offshore spreads continue to contribute positively, while opportunistic issuer activity is neutral.

The macroeconomic outlook is neutral. Higher oil prices and softening growth remain headwinds, while the ratio of upgrades to downgrades is strongly positive, reflecting robust US earnings growth and indicating a broader strengthening in credit quality.

Supply and demand indicators remain negative. Market demand softened to neutral as bond yields rose, while the pipeline of upcoming supply improved. The maturity schedule and elevated recent issuance continue to weigh on the near-term outlook for spreads.

Technical indicators eased to neutral from marginally positive. Domestic and intermediary positioning indicators turned negative, offsetting positive contributions from US credit, equity and equity volatility indicators.

The Team remains risk aware as rising yields increasingly test credit markets, with more leveraged borrowers the most exposed.

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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

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