Perpetual Investment Funds
PERPETUAL DIVERSIFIED REAL RETURN FUND - CLASS Z
30 June 2026

FUND FACTS

Investment objective: Aims to target a pre-tax return of 5% per annum above inflation (before fees and taxes) over rolling five-year periods, while minimising downside risk over rolling two-year periods.

Inception date: May 2018
Size of Strategy: $657.8 million as at 31 March 2026
APIR: PER6115AU
Management Fee: 0.35% pa ^^Refer to PDS for Management Costs
Investment style: Diversified risk budgeting, active, valu
Suggested minimum investment period: Five years or longer

FUND BENEFITS

True alignment to investors real return objectives; Diversification of risk; Active management of the Asset Allocation; Access to an increased amount of investment opportunities

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.

FEE OPTION

Class Z is the performance fee option.
The maximum performance fee is 1%
The performance hurdle is 2.5%, the middle of the RBA target inflation rate.

TOTAL RETURNS % AS AT 30 JUNE 2026

PERFORMANCE	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS PA	5 YRS PA	INCEPT PA	VOLATILITY^	3 YRS PA	INCEPT PA
Perpetual Diversified Real Return Fund (Gross)*	1.02	0.14	3.21	7.63	6.41	4.87	6.49	Perpetual Diversified Real Return Fund (Class W)	2.68	3.18
Perpetual Diversified Real Return Fund (Net)	1.05	3.25	3.24	7.05	6.25	4.45	5.05	Mercer Balanced Growth Median	6.52	7.53

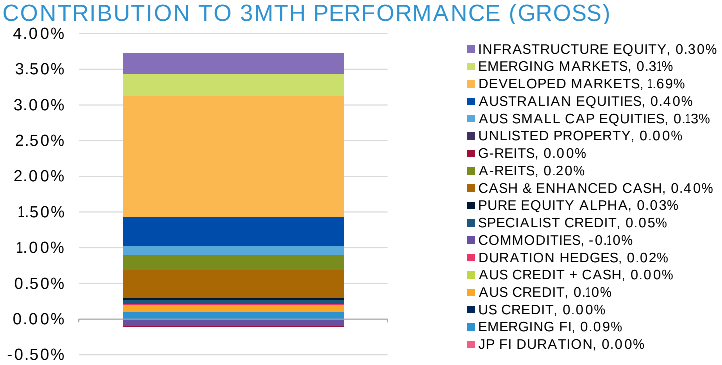
FUND OBJECTIVE OUTCOME AS AT 30 JUNE 2026

Objective: Gross returns of CPI plus 5% over rolling 5 year periods

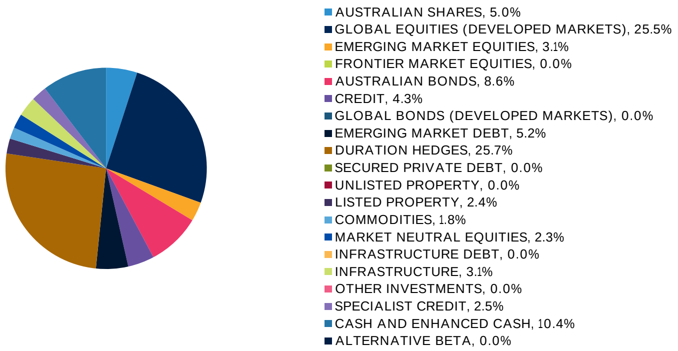
	5 YRS PA	INCEPT PA
Perpetual Diversified Real Return Fund (Gross - Class W)	4.9	6.5
CPI plus 5%	9.6	7.9

Past performance is not indicative of future performance.
^^ Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS
^ Volatility and Mercer Balanced Growth Median data is lagged by 1 month
* Gross performance presented here is for the Perpetual Diversified Real Return Fund Class W

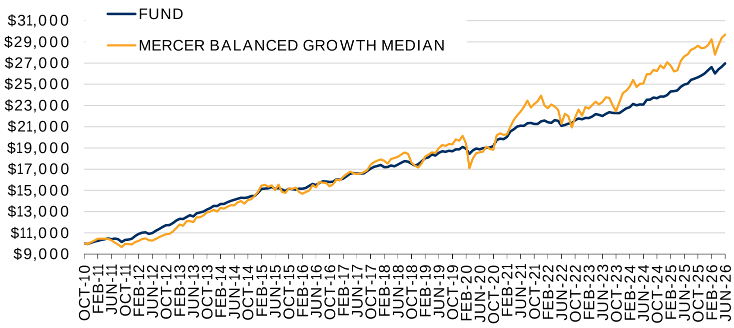
CONTRIBUTION TO 3MTH PERFORMANCE (GROSS)



PORTFOLIO SECTORS



GROWTH OF $10,000 SINCE INCEPTION



CHANGES IN ASSET ALLOCATION (%)

	3 MTHS	6 MTHS	1 YR
Australian Shares	0.0	-0.3	0.3
Global Equities (Developed Markets)	4.5	1.3	-0.4
Emerging Market Equities	0.1	0.0	0.2
Frontier Market Equities	0.0	0.0	0.0
Australian Bonds	5.2	4.9	5.0
Credit	0.1	-0.2	-0.1
Global Bonds (Developed Markets)	0.0	0.0	0.0
Emerging Market Debt	0.1	0.2	0.3
Duration Hedges	-0.9	2.7	0.9
Secured Private Debt	0.0	0.0	0.0
Unlisted Property	0.0	0.0	0.0
Listed Property	0.2	0.0	-0.1
Commodities	0.0	-0.8	-0.7
Market Neutral Equities	0.0	-0.2	0.0
Infrastructure Debt	0.0	0.0	0.0
Infrastructure	0.2	-0.2	-0.6
Other Investments	0.0	0.0	0.0
Specialist Credit	0.0	-0.1	0.0
Cash and Enhanced Cash	-9.6	-7.4	-4.7
Alternative Beta	0.0	0.0	0.0

FUND PERFORMANCE

The Diversified Real Return Fund returned 3.6% (gross) in the June quarter. Over the past year, the Fund has returned 8.0% (gross) and over the past 5 years the Fund has returned 5.0% (gross) per annum compared with the objective of 9.6% (CPI plus 5%*) over rolling 5 years. Since inception (in 2010) the Fund has returned 6.5% (gross) per annum compared with the objective of 7.9% (CPI plus 5%*).

Exposure to equity market beta was the key contributing factor to performance over the quarter as markets rallied reflecting moderating geopolitical risks and robust US corporate earnings. Australian Equity stock selection was constructive as the Perpetual Australian Share Fund outperformed the domestic equity market and this was supplemented by stock selection alpha from the JO Hambro UK Equity Income Fund and our Global Deep Value Strategy. These positive contributions were partially offset by negative stock selection from the Barrow Hanley Global Share Fund and the Dividend Weighted Global Equity strategy which reflected the underperformance of value securities and sectors relative to growth. Elsewhere, sustainable listed infrastructure LICs performed well as the energy transition thematic benefitted from elevated oil price volatility.

Fixed income exposures were mixed for performance over the quarter with the Fund's allocation to domestic bonds, credit and inflation linked bonds contributing to return. In contrast, exposure to 2-year US government bonds detracted, as short end yields rose on anticipation of a tightening by the US Fed in late 2026.

The Fund's exposures to a diversified basket of commodities, including soft commodities, materials and precious metals, also detracted from performance, albeit marginally.

*All groups CPI measured and published by the ABS as at 31 March 2026

1. RETURN SEEKING ASSET CLASSES

Beginning of the Quarter: Low Allocation
End of the Quarter: Low Allocation

Elevated P/E ratios and market concentration, alongside the preponderance of valuation-agnostic passive funds, have made regional equity markets increasingly vulnerable to unforeseen events. On a cyclically adjusted 10Yr basis, US equities sit among the most expensive readings in market history, and roughly 30% of the S&P 500 is now tied to the AI theme.

Alongside its value-focused global and domestic equity exposures, the Fund retains allocations to Global Deep Value and UK Equity Income strategies, targeting undervalued, cash-generative companies that are overlooked by passive flows and whose returns are not reliant on further valuation expansion to deliver returns of CPI plus 5% per annum. These holdings trade at a material discount to global benchmarks and provide genuine geographic diversification, including a substantial overweight to the UK and a large underweight to expensive US mega-cap technology. The Fund also maintains its allocation to sustainable listed investment companies trading at significant discounts to NAV, generating robust cash flows aligned with the investment objective, and as we saw over the quarter, prime for M&A activity.

The Fund's return seeking opportunities include:

- Global equities, in addition to exposures in emerging markets and Australian equities all with a value and quality style bias;
- Global and Australian listed property; and
- Australian credit and a small position in emerging market debt.

2. DIVERSIFYING OPPORTUNITIES

Beginning of the Quarter: Medium Allocation
End of the Quarter: Medium Allocation

With the Fund's cautious positioning with regards to return seeking assets, diversifying opportunities remain a key focus for risk management. These include:

- Stock selection alpha where equity holdings are concentrated in high quality 'value' companies which have strong balance sheets and highly resilient operating models.
- A range of FX exposures;
- We have started to build a position being long equal weighted S&P500 futures and short S&P500 futures. This position extends the tilt away from the mega-cap and AI thematics, while potentially benefiting from a broadening out in performance.

3. DOWNSIDE PROTECTION

Beginning of the Quarter: Medium Allocation
End of the Quarter: Medium Allocation

We continue to manage downside risks by maintaining little or no exposure to the most expensive parts of the global equity and credit markets, and we have zero exposure to private markets given their liquidity and valuation risks, where a left-tail event could spark vulnerabilities and contagion. The Fund complements this with option protection where it has been attractively priced to implement. This includes cost-effective, layered S&P 500 put structures that risk only a low single-digit basis-point premium while delivering asymmetric protection across shallow, moderate and deep drawdown scenarios without requiring precise market timing.

The Fund's defensive posture is supplemented by fixed income exposures centred on the short end of the US yield curve. US 2-year bonds offer an attractive running yield and greater stability in crises than longer-dated bonds, which are more sensitive to US inflation expectations. Holding securities at the short end of the US curve reduces the portfolio's exposure to rising inflation.

4. INFLATION PROTECTION

Beginning of the Quarter: Low to Medium Allocation
End of the Quarter: Low to Medium Allocation

We are living in a decade of higher inflation driven by deglobalisation, decarbonisation, political populism, larger fiscal deficits, higher tariffs, and lower immigration (outside Australia and the UK). The Fund maintains its allocation to a diversified basket of commodities (including gold, grains, livestock, silver, palladium, platinum and copper), which are typically positively correlated with inflation.

Further contributing to the inflation-protection quadrant is the Fund's allocation to inflation-indexed bonds (ILBs). After 15 years of policy distortion — including deeply negative real yields during 2020–21 — the Australian 20-year ILB has reset to near-record real income. This is a defensive asset and a return-generating anchor, and it simultaneously hedges inflation, duration and macro uncertainty — aligned with the Fund's inflation and downside protection objectives.

MARKET COMMENTARY

Markets staged a powerful recovery over the June quarter, more than reversing the March selloff that followed the outbreak of the US-Iran conflict. Early in the period, the ongoing disruption to global energy supply kept investor's focus firmly on inflation, growth and monetary policy risks. As the quarter progressed, a combination of de-escalation in the Middle East, resilient US corporate earnings and renewed enthusiasm for artificial intelligence (AI) drove a broad risk-on rally. In mid-June, when the United States and Iran signed a framework agreement to end the war, allowing the Strait of Hormuz to reopen without tolls and lifting the US naval blockade. Oil prices declined sharply and returned almost to their eb'26 close, safe-haven trades unwound, and equities rallied led by Asian markets with several indices reaching all-time highs.

- Global shares (+14.0%) rallied strongly over the quarter, more than recovering the March decline. The US market rallied (+15.2%) as the AI investment theme reasserted itself and corporate earnings beat expectations by a wide margin, led by US tech stocks.
- Growth (+19.2%) outpaced value (+9.6%) over the quarter as AI leadership resumed, although June saw a sharp reversal (Magnificent 7 Index was -8.0% lower) as investors began to question the returns on the enormous capital being committed to AI infrastructure.
- Japanese equities (+37.4%) were the standout of the developed markets, supported by a weaker Yen, expectations of fiscal easing, and strong AI-related demand.
- Emerging markets (+24.1%) led global markets, powered by semiconductor manufacturers in Taiwan (+46.0%) and Korea (+84.3%), while Chinese equities (+12.8%) rose by smaller amount and Hong Kong (Hang Seng –6.4%) fell on soft growth.
- European equities (+15.2%) were strong as energy-price relief and resilient earnings supported cyclicals and exporters, even as the ECB signalled further tightening. UK equities (+4.7%) lagged, with the FTSE 100 held back by the index's defensive composition in a quarter that rewarded growth and technology.
- Australian shares (+4.1%) rose more modestly, with resources supported while the banks lagged.
- Global bond markets diverged: US yields rose, led by the policy-sensitive 2-year tenor (+38bps), as markets increasingly priced the possibility of further monetary tightening. In contrast, Australian bond yields declined as the easing oil price softened the near-term inflation outlook, and market progressively priced in the peak of RBA rate hikes.
- Commodities fell sharply, led by Brent crude (–38.4%), as hostilities de-escalated in Iran, while gold (–11.4%) reversed its safe-haven rally; copper (+10.3%) rallied on the raw material intensity of AI infrastructure development .

Geopolitics remained the central driver early in the quarter, after the closure of the Strait of Hormuz removed an estimated 14 million barrels a day from the global oil market and kept energy prices elevated. The decisive shift came in mid-June, when the United States and Iran signed a memorandum of understanding to end the war, providing for the reopening of the Strait without transit fees and the immediate lifting of the US naval blockade. Brent crude, which had traded close to US$120 per barrel at the peak of the conflict, dropped sharply to around US$73 a barrel by quarter-end. A full normalisation of shipping is expected to take months given the backlog of vessels and the need to clear naval mines and rebuild energy infrastructure.

Central banks continued to converge towards patience, though policy divergence remained. The US Federal Reserve held rates steady and, with inflation appearing close to its cyclical peak, markets priced in around one further 25bp increase by the end of 2026, although several officials including the senior members of the committee signalled a willingness to pause and see how the US economy adjusts to the shock before deciding on any policy action. In Japan, political pressure from Prime Minister Takaichi for further fiscal expansion and continued monetary accommodation has raised concerns over Bank of Japan independence. The Yen fell to a 40-year low even as 10-year JGB yields reached 30-year highs of 2.83% as investors fretted about the size of the Japanese government's interest payments. In Australia, the RBA raised the cash rate by 25bps to 4.35% in May — its third increase of the year — before holding steady in June for the first time in 2026, as it sort to assess the impact of prior hikes and the oil-supply shock on the local economy desiring for inflation to not become embedded once the energy impulse has passed.

The broader macro backdrop remains constructive. The US expansion continues to be supported by strong corporate profitability, resilient labour demand and accommodative financial conditions. European disinflation continues only gradually, with core inflation around 2.4% and a resilient labour market, while global PMIs point to improving growth in the second half of 2026, albeit at a more measured pace than consensus currently expects.

The AI investment theme performed very strongly throughout April and May before retracing in June. For the past two years investors rewarded the rapid expansion of AI infrastructure, but the debate has shifted from the capacity build-out to utilisation, monetisation and returns on capital. The question is no longer whether AI will transform the economy, but which participants will capture the economic value. As infrastructure becomes more abundant, we expect market leadership to broaden and valuations to compress; the 12MF PE compression among AI builders and hyperscalers, has so far been masked by exceptional 12MF EPS growth upgrades, which may have further to run. We continue to have concerns around the quality and expected returns from the trillions of dollars being committed to AI capital expenditure, and we look for opportunities outside this cohort.

Geopolitical uncertainty and sticky inflation continue to present risks to regional sharemarkets, where forward-looking valuations and EPS growth expectations remain elevated. Meanwhile, with government bonds offering less reliable diversification, risk management remains paramount. The Fund retains multiple embedded risk protections and sources of portfolio convexity. As always, our focus remains on identifying investments that can generate returns of CPI plus 5% per annum over a five-year horizon while maintaining an asset allocation that ensures no individual position, or cluster of positions, places the medium-term investment objective at undue risk.

MORE INFORMATION

Investor Services 1800 022 033
Email PerpetualUTqueries@cm.mpms.mufg.com
www.perpetual.com.au

Perpetual