

## INVESTMENT UPDATE September 2022

### INVESTMENT OBJECTIVE

To provide investors with monthly income by investing in a diversified pool of credit and fixed income assets.

### PORTFOLIO SNAPSHOT

AS AT 30 SEPTEMBER 2022	AMOUNT
ASX unit price	\$0.930
NTA per unit <sup>1</sup>	\$1.077

<sup>1</sup> Daily Net Tangible Asset (NTA) is available at [www.perpetualincome.com.au](http://www.perpetualincome.com.au)

All figures are in Australian dollars (AUD), unless otherwise stated. All figures are unaudited and approximate. Past performance is not indicative of future performance. NTA figures are calculated as at the end of day on the last business day of the month.

### KEY TRUST INFORMATION <sup>2</sup>

#### AS AT 30 SEPTEMBER 2022

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$373 million
Units on issue:	400,928,163
Distributions:	Monthly
Management costs:	0.88% p.a. <sup>3</sup>
Manager:	Perpetual Investment Management Limited
Responsible Entity:	Perpetual Trust Services Limited

<sup>2</sup> Perpetual Credit Income Trust ARSN 626 053 496.

<sup>3</sup> Estimate inclusive of net effect of GST.

### INVESTMENT PERFORMANCE <sup>4</sup>

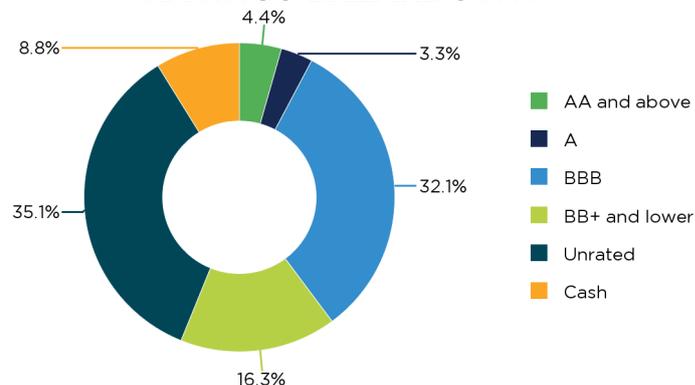
AS AT 30 SEPTEMBER 2022	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PCI Investment portfolio	0.1%	1.3%	0.5%	1.1%	3.1%	-	3.1%
Returns net of operating expenses							
RBA Cash Rate	0.2%	0.4%	0.5%	0.5%	0.3%	-	0.5%
Excess returns	-0.1%	0.9%	0.0%	0.5%	2.7%	-	2.6%
Distribution return	0.4%	1.3%	2.5%	4.3%	3.8%	-	3.7%

<sup>4</sup> Investment returns, net of management costs have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management costs) and assuming reinvestment of distributions on the ex-date. Distribution return has been calculated based on the PCI investment portfolio return less the growth of NTA. Past performance is not indicative of future performance. Since inception return is from allotment on 8 May 2019. Investment return and index return may not sum to excess return due to rounding. The comparison to the RBA Cash Rate is not intended to compare an investment in PCI to a cash holding. The RBA Cash Rate is displayed as a reference to the target return for PCI. The PCI investment portfolio is of higher risk than an investment in cash.

### PORTFOLIO SUMMARY

AS AT 30 SEPTEMBER 2022	AMOUNT
Number of holdings	119
Number of issuers	90
Running yield	5.8%
Portfolio weighted average life	2.9 years
Interest rate duration	41 days

### RATINGS BREAKDOWN



Source: Standard & Poor's and Perpetual Asset Management Australia. Data is as at 30 September 2022. All figures are unaudited and approximate.

## DISTRIBUTIONS CPU<sup>5</sup>

The table below shows the distribution in cents per unit for each distribution period in the respective financial year.

AS AT 30 SEPTEMBER 2022	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
FY2020	0.40	0.40	0.39	0.37	0.36	0.37	0.37	0.35	0.33	0.30	0.31	0.30	4.26
FY2021	0.32	0.32	0.30	0.31	0.28	0.30	0.30	0.27	0.30	0.29	0.33	0.32	3.63
FY2022	0.32	0.32	0.31	0.32	0.31	0.35	0.35	0.36	0.41	0.39	0.46	0.49	4.38
FY2023	0.42	0.47	0.47	-	-	-	-	-	-	-	-	-	1.35

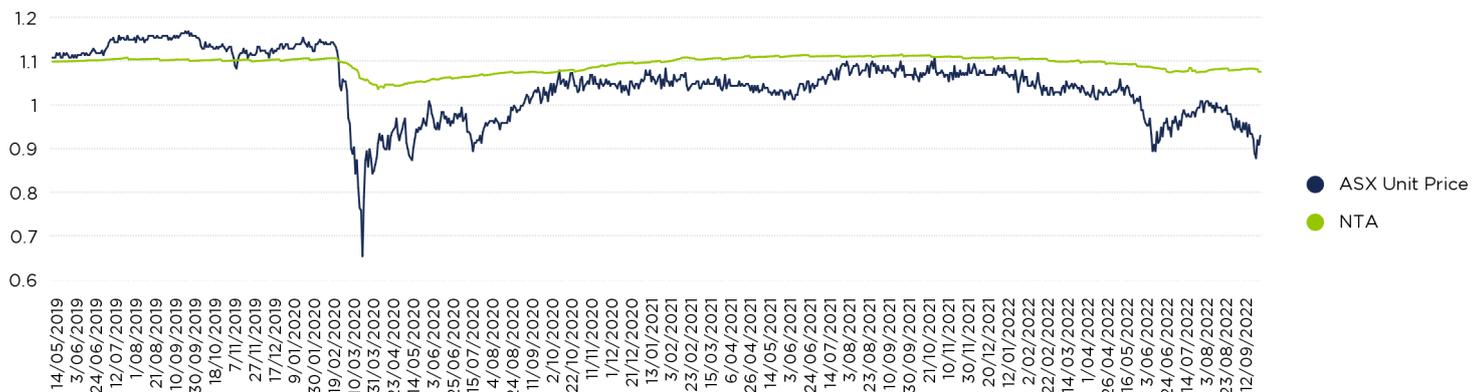
<sup>5</sup> Distributions are stated as cents per unit and have been rounded to two decimal places. Detailed distribution announcements are available on the [PCI website](#) and are stated in Australian dollars rather than cents per unit. Distribution return has been calculated based on the PCI investment portfolio return less the growth of NTA. Past performance is not indicative of future performance.

## TOTAL UNITHOLDER RETURN<sup>6</sup>

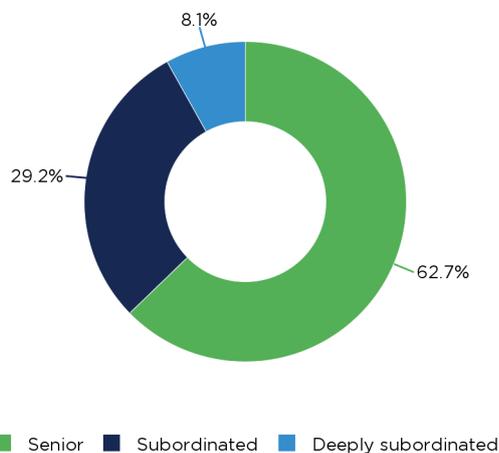
AS AT 30 SEPTEMBER 2022	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
Total unitholder return	-4.6%	-0.2%	-8.5%	-8.5%	-3.4%	-	-1.1%
RBA Cash Rate	0.2%	0.4%	0.5%	0.5%	0.3%	-	0.4%
Excess returns	-4.8%	-0.6%	-9.1%	-9.0%	-3.8%	-	-1.5%
Distribution return	0.5%	1.4%	2.5%	4.2%	3.8%	-	3.8%

<sup>6</sup> Total unitholder return - ASX unit price performance with reinvestment of distributions has been calculated on the growth of the ASX unit price and assumes reinvestment of distributions on the ex-date. Distribution return has been calculated based on the total unitholder return less the growth in the ASX unit price over the period. Past performance is not indicative of future performance. Since inception return is from listing on 14 May 2019, initial price used is the subscription price of \$1.10. Unitholder return and index return may not sum to excess return due to rounding. The comparison to the RBA Cash Rate is not intended to compare an investment in PCI to a cash holding. The RBA Cash Rate is displayed as a reference to the target return for PCI. The PCI investment portfolio is of higher risk than an investment in cash.

## NTA PER UNIT VS ASX UNIT PRICE PERFORMANCE

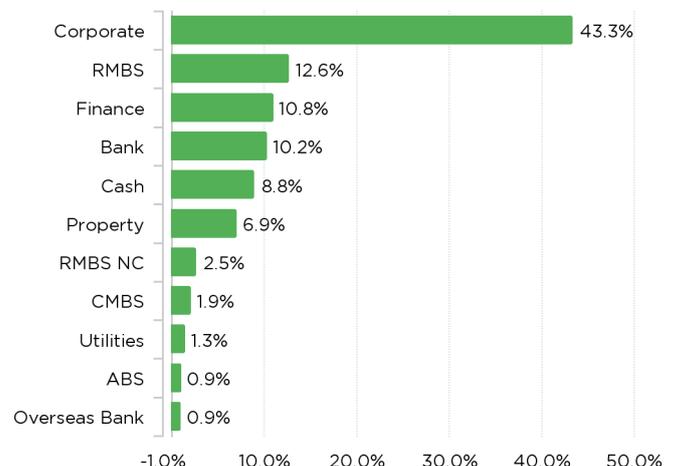


## SENIORITY BREAKDOWN



Source: Bloomberg and Perpetual Asset Management Australia. Data is as at 30 September 2022. All figures are unaudited and approximate.

## SECTOR ALLOCATION



Source: Bloomberg and Perpetual Asset Management Australia. Data is as at 30 September 2022. All figures are unaudited and approximate.

## PORTFOLIO UPDATE

During a period of persistent credit spread widening, it is important to reiterate that the Trust's running income remains the most substantial and predictable component of return. The Trust continues to meet its objective, delivering sustainable monthly income and performing in line with its target objective of RBA Cash Rate + 3.25% p.a. net of fees through the economic cycle.

The Trust's portfolio returned 0.1% in September, marginally underperforming the Reserve Bank of Australia (RBA) Cash Rate (benchmark) by 0.1%. Over the 12 months to 30 September 2022, the Trust's portfolio returned 1.1%, outperforming the benchmark by 0.5%.

We continue to observe volatility in PCI's share price and its lack of correlation to the Trust's Net Tangible Assets (NTA). In order to address concerns and endeavour to close the current discount to NTA, the Manager has increased communication to current and prospective investors. The Portfolio Manager believes that the current share price represents an attractive opportunity to buy a conservatively positioned, actively managed diversified portfolio that aims to provide monthly income for investors and has in the last month increased its personal stake in the Trust.

The Trust's unlisted assets are marked-to-market and evaluated regularly ensuring that the published NTA accurately reflects market conditions and risks. The Manager believes that recent share price levels do not accurately reflect the value of the Trust's assets. It is worth noting that being a listed investment trust (LIT), PCI's share price can exhibit some equity characteristics. Throughout 2022, persistent high inflation, accelerated monetary policy tightening, increased geopolitical risk and rising recession concerns have weighed on equity markets. This has contributed to elevated volatility in the Trust's share price which does not accurately reflect the stability of the domestic credit market and the conservative positioning of the Trust's portfolio.

Financial markets were again in turmoil during September as central banks continued to aggressively tighten monetary policy and recession risks persisted. Bond markets remain in the depths of one of the worst bear markets in history with the 12-month return on fixed rate bonds as low as any on record. However the Trust's floating rate structure, defensive positioning and robust running yield continues to mitigate the impact of rising rates and widening credit spreads. Importantly the period after a market downturn is typically when the Portfolio Manager sees a plethora of opportunities to invest in debt from quality issuers offering an attractive yield. The Trust has been very defensively positioned for some time which has mitigated the recent volatility while building a cash position that is ready to deploy as attractive opportunities are presented.

In September, credit spread dynamics were negative for performance as spreads continued to widen. Domestic spreads traded in a tight range over the first half of the month before widening sharply over the last week of September. Following the extended expansion over the first half of 2022, spreads are in range of levels seen in the period immediately following the 2020 COVID-19 selloff. Slowing economic growth, rising recession concerns and tightening financial conditions have contributed to the rising credit risk premium. The Trust's allocation to real estate investment trusts, residential mortgage backed securities (RMBS) and non-financial corporates were the main detractors from credit spread return. The Manager is comfortable with the level of credit risk in the Trust and none of the trust's assets are of current concern or subject to impairment.

The Manager expects the income in the portfolio to rise in line with rising interest rates. Sharply rising yields continue to benefit the Trust's robust running yield via increasing coupons on floating rate securities. Income return was the most significant contributor to performance during June and continues to offset the impact of credit spread widening. The Trust's income was predominantly generated by coupon payments and interest income from portfolio exposure to non-financial corporate bonds and RMBS. Widening credit spreads have allowed the Manager to increase the running yield on the Trust's portfolio while reducing credit risk. The portfolio's running yield increased from 5.3% in August 2022 to 5.8% at the end of September 2022. While the outlook for credit is challenging, the Manager believes that the current conditions are likely to provide attractive relative value opportunities as blue-chip companies offer attractive yields on short dated debt, high in their capital structure.

Sector and risk allocations within the Portfolio were broadly maintained during September. The Manager elected to take part in the new subordinated deal from ANZ during the month. The Manager believes that the Trust is well positioned to weather challenging conditions presented by elevated inflation, central bank tightening and slowing economic growth. The Manager continues to take steps to reduce the credit risk in the portfolio in order to navigate these conditions. The Manager is confident that the Trust's robust running income and diverse exposure to quality issuers is well positioned in an environment of indiscriminate spread widening as the Trust retains the capacity to add risk at attractive valuations offered by widening spreads.

## INVESTMENT OBJECTIVE

To provide investors with monthly income by investing in a diversified pool of credit and fixed income assets.

## TARGET RETURN

The Trust has a target total return of RBA Cash Rate plus 3.25% p.a. (net of fees) through the economic cycle. This is a target only and may not be achieved.

## INVESTMENT STRATEGY

The Perpetual Credit Income Trust (PCI) (the "Trust") will hold a diversified and actively managed portfolio of credit and fixed income assets.

The Trust will typically hold 50 to 100 assets.

30% - 100%	Investment grade assets
0% - 70%	Unrated or sub-investment grade assets
70% - 100%	Assets denominated in AUD
0% - 30%	Assets denominated in foreign currencies (which are typically hedged back to AUD)
0% - 70%	Perpetual Loan Fund

The Trust will diversify exposure and will have maximum exposure limits to issuers.

Typical investments will include corporate bonds, floating rate notes, securitised assets and private debt (for example, corporate loans). Exposure to corporate loans may be gained indirectly through the Perpetual Loan Fund.

## ABOUT THE MANAGER

The Trust is managed by Perpetual Investment Management Limited. The Manager has one of the most experienced, proven and stable credit and fixed income teams in the Australian fixed income market. The Manager and the Responsible Entity are wholly owned subsidiaries of Perpetual Limited.

## PORTFOLIO MANAGER

**Michael Korber**



**Managing Director, Credit & Fixed Income**

**Portfolio Manager:**  
**Perpetual Credit Income Trust**  
**Perpetual Pure Credit Alpha**  
**Perpetual Loan Fund**

Michael has over 37 years' experience, having been involved in credit markets since their development in Australia during the 1990's. Unlike many other fixed income portfolio managers in this market, Michael has a background in lending and banking, understanding credit risk in a fundamental way.

## PERPETUAL KEY CONTACTS

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Before making any investment decisions you should consider the Product Disclosure Statement (PDS) for the Trust issued by PTSL and the Trust's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at [www.perpetualincome.com.au](http://www.perpetualincome.com.au) or can be obtained by calling 1300 778 468 (within Australia) or +61(2) 9299 9621 (from overseas).

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