

## INVESTMENT UPDATE March 2021

### INVESTMENT OBJECTIVE

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

### PORTFOLIO SNAPSHOT

AS AT 31 MARCH 2021	AMOUNT
ASX unit price	\$1.045
NTA per unit <sup>1</sup>	\$1.106

<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 31 MARCH 2021

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$418 million
Units on issue:	400,423,101
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>

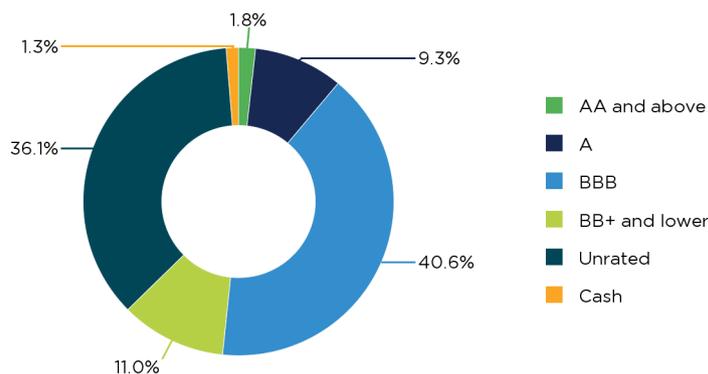
AS AT 31 MARCH 2021	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PCI Investment portfolio	0.3%	1.6%	4.6%	8.6%	-	-	3.7%
Returns net of operating expenses							
RBA Cash Rate	0.0%	0.0%	0.0%	0.1%	-	-	0.5%
Excess returns	0.3%	1.6%	4.5%	8.5%	-	-	3.2%
Distribution return	0.5%	0.8%	1.7%	3.6%	-	-	3.5%

<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 Responsible Entity aims to pay distributions to investors monthly. For such distributions, the record date is generally the last ASX trading day of each month and ex-date is one business day prior to the record date. The ex-date for the distribution period ending 28 February 2021 and 31 March 2021 was in March. Therefore, the 1 month distribution return for the PCI investment portfolio of 0.5% takes into account the distributions for the periods ending 28 February 2021 and 31 March 2021.

### PORTFOLIO SUMMARY

AS AT 31 MARCH 2021	AMOUNT
Number of holdings	120
Number of issuers	88
Running yield	3.6%
Portfolio weighted average life	4.2 years
Interest rate duration	48 days

### RATINGS BREAKDOWN



Source: Standard & Poor's and Perpetual Investments. Data is as at 31 March 2021. 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. The annual distribution return is 3.6%. This is in line with the Trust's target return of RBA Cash Rate +3.25% (net of fees) through the economic cycle. This is a target only and may not be achieved.

AS AT 31 MARCH 2021	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	-	-	-	2.69

<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 31 MARCH 2021	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
Total unitholder return	0.6%	0.4%	3.7%	20.3%	-	-	0.3%
RBA Cash Rate	0.0%	0.0%	0.0%	0.1%	-	-	0.9%
Excess returns	0.5%	0.4%	3.7%	20.2%	-	-	-0.5%
Distribution return	0.6%	0.8%	1.7%	4.2%	-	-	3.0%

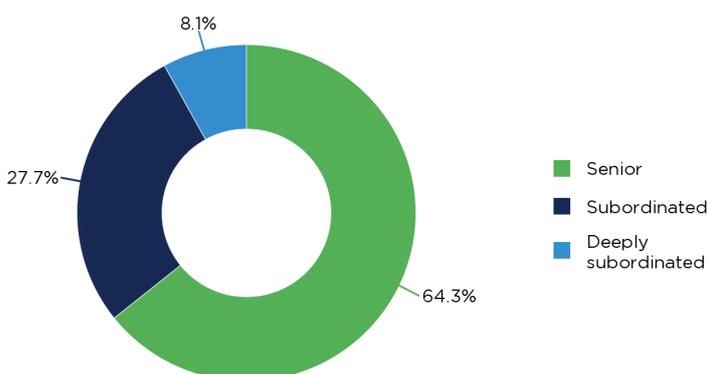
<sup>6</sup> Total unitholder return - ASX unit price performance with reinvestment of distributions has been calculated on the growth of the ASX unit price and assumes reinvestment of distributions on the ex-date. Distribution return has been calculated based on the total unitholder return less the 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 Responsible Entity aims to pay distributions to investors monthly. For such distributions, the record date is generally the last ASX trading day of each month and ex-date is one business day prior to the record date. The ex-date for the distribution period ending 28 February 2021 and 31 March 2021 was in March. Therefore, the 1 month distribution return for the PCI investment portfolio of 0.6% takes into account the distributions for the periods ending 28 February 2021 and 31 March 2021.

## NTA PER UNIT VS ASX UNIT PRICE PERFORMANCE

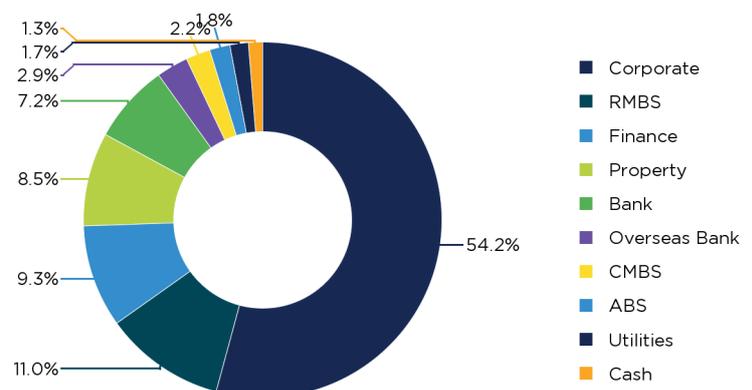


## SENIORITY BREAKDOWN



Source: Bloomberg and Perpetual Investments. Data is as at 31 March 2021. All figures are unaudited and approximate.

## SECTOR ALLOCATION



Source: Bloomberg and Perpetual Investments. Data is as at 31 March 2021. All figures are unaudited and approximate.

## TRUST COMMENTARY

### PORTFOLIO UPDATE

The Trust's portfolio returned 0.3% in March, outperforming the Reserve Bank of Australia (RBA) Cash Rate (benchmark). Over the 12 months to 31 March 2021, the portfolio has returned 8.6%, outperforming the benchmark by 8.5%.

Income return was the most significant contributor to performance during March. The Trust's income was predominantly generated by coupon payments and interest income from portfolio exposure to non-financial corporates, property and residential mortgage backed securities (RMBS). Assets in the domestic banks, non-bank financials and property sectors also contributed. The Trust portfolio's running yield increased slightly from 3.5% in February to 3.6% in March.

Credit spread tightening across assets held in the portfolio positively contributed to performance. Despite domestic credit spreads widening slightly on aggregate over the month, the Manager's selection of issuers and assets in certain sectors allowed the portfolio to post a positive credit spread return. Non-bank financials, domestic banks and property were the key contributing sectors to credit spread outperformance. The portfolio's non-financial corporate exposure detracted marginally from outperformance overall.

The portfolio's position in a 2029 Qantas bond was the most significant single contributor to performance in March. The Manager increased its position in the fixed rate bond in February in anticipation of improved conditions for domestic and international travel. The bond's credit spread tightened in March on the back of a number of constructive developments, including the reintroduction of trans-Tasman travel in addition to government subsidies on domestic fares.

Key changes to the portfolio are detailed below.

The portfolio was a net purchaser during March. This means cash generated from the redemption, maturity or selling of assets was more than offset by the Manager adding to existing positions or investing in new positions for the portfolio. The Manager's deployment of cash in primary and secondary markets reflects their positive outlook of credit markets and expectation that strong macroeconomic tailwinds and constructive technical indicators will be supportive for credit spreads over the short to medium term. Throughout the month, the portfolio's sector, capital structure and credit rating allocations were broadly maintained.

At the end of February 2021, the largest position in the portfolio was a David Jones Finance 2025 floating rate note. The asset was subject to early redemption when the company used proceeds from the sale of its flagship store in Sydney to repay the assets following the settlement of the transaction. This generated cash for the portfolio which the Manager used to invest into other assets it found to be of good relative value.

The Trust took part in the inaugural 10-year issuance from Sydney motorway network Westconnex. This fixed rate corporate bond is a significant position in the portfolio as the Manager believes it offers a competitive running yield over a long tenor and access to high quality infrastructure assets.

The Manager also elected to take part in the new green bond issued by Lendlease during the month. The issue was substantially oversubscribed and the credit spread tightened post-issuance which contributed to returns for the portfolio.

## HOW WE INVEST

The Manager employs a robust, active and risk aware investment process to invest across the broad credit and fixed income universe. It aims to find the most attractive credit investment opportunities on a risk-adjusted basis at any point in time. The investment strategy is outlined in more detail below.

**Diversification** - the Trust is actively managed and through its flexible investment strategy diversification can be achieved across asset type, credit quality, maturity, country and issuer. The allocation to high yield assets (sub-investment grade and unrated assets) provides the opportunity to generate higher returns for the portfolio while complementing the allocation to investment grade assets. The Manager typically focuses on assets at the top of the capital structure such as senior or subordinated debt as these assets are higher in the order of priority for payment in the event the issuer of the asset is liquidated.

**Australian focused credit LIT** - while the Trust has the flexibility to invest globally, the preference generally is to focus on Australian issuers which can be listed or unlisted and denominated in AUD or foreign currencies. The Manager believes its local presence and ability to meet borrowers and their management team provides an advantage in assessing opportunities and managing credit risk for the portfolio.

**Income** - the Trust's income is primarily generated by coupon payments from corporate bonds and asset backed securities, and interest income from investment in loans. Importantly, there is reliability in the receipt of these payments from borrowers as there is an obligation to pay unlike dividend payments from listed companies which are at the discretion of the Board. Therefore, predictability of coupon payments is typically high. The Trust's income also contributes to the running yield which is the expected return (based on net tangible assets) of the portfolio assuming assets are held to maturity. The Trust achieves its running yield by investing in a diverse mix of assets across issuers, sectors and asset types.

**Investment performance** - this is generally determined by the Manager's selection of assets for the portfolio and the movement of credit spreads. Credit spreads refer to the compensation or return provided for accepting credit risk, which is the risk that a borrower or counterparty does not meet its principal and/or interest payment obligations as they fall due. When credit spreads tighten, this indicates improving market conditions and/or a more positive view on the risk profile of borrowers. This means the value of an existing asset in the portfolio will increase. Conversely, when credit spreads widen, the value of the asset in the portfolio will decrease. This is usually the result of uncertain economic conditions or where the perceived creditworthiness of the borrower has deteriorated.

**Valuation of assets** - the assets in the portfolio are typically bonds and floating rate notes which are tradeable with daily pricing and liquidity. Where external pricing is not available, loan valuations are considered by the Perpetual Loan Valuation Committee (LVC) and valued at fair value. This means if there is a market price dislocation, as we observed in 2020 with the pandemic, or a risk of impairment on a credit, the fair value changes.

Critical to the Manager's investment process is having regular access to information to enable credit risk to be monitored on an ongoing basis. This allows the assessment of the loans to be current and timely. The full value of the portfolio's assets is reflected in the Trust's estimated Net Tangible Asset (NTA) released to the ASX daily.

## 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 MANAGERS

### Michael Korber



**Managing Director, Credit & Fixed Income**

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

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.

### Anne Moal



**Head of Corporate High Yield**

**Portfolio Manager:**  
**Perpetual Loan Fund**

Anne is an experienced credit markets specialist, having worked for 22 years in credit and fixed income markets in research, origination and trading roles. Anne joined the Credit and Fixed Income Team at Perpetual Investments in 2014. Anne is the portfolio manager of the Perpetual Loan Fund with a focus on higher yielding income opportunities.

## PERPETUAL KEY CONTACTS

### INVESTOR RELATIONS

Karen Davis  
P: 02 9229 9114  
E: karen.davis@perpetual.com.au

### NSW

Mark Williams  
Key Account Manager, Perpetual Investments  
P: 0405 385 960  
E: mark.williams@perpetual.com.au

### VIC/SA/NT/TAS

Daniel Moore  
Regional Manager, Perpetual Investments  
P: 0400 032 819  
E: daniel.moore@perpetual.com.au

### QLD

Tony Harte  
Regional Manager, Perpetual Investments  
P: 0407 708 109  
E: tony.harte@perpetual.com.au

### WA

Tim McCallum  
Regional Manager, Perpetual Investments  
P: 0411 209 403  
E: tim.mccallum@perpetual.com.au

This monthly report has been prepared by Perpetual Investment Management Limited ABN 18 000 866 535, AFSL 234426 (PIML or Perpetual Investments) and issued by Perpetual Trust Services Limited ABN 48 000 142 049, AFSL 236648 (PTSL). PTSL is the responsible entity and issuer of the Perpetual Credit Income Trust ARSN 626 053 496 (Trust). PTSL has appointed PIML to act as the manager of the Trust. This monthly report 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. Past performance is not indicative of future performance. This information is believed to be accurate at the time of compilation and is provided in good faith. This report may contain information contributed by third parties. PIML and PTSL do not warrant the accuracy or completeness of any information contributed by a third party. Any views expressed in this monthly report are opinions of the author at the time of writing and do not constitute a recommendation to act.

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).

No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of the Trust or the return of an investor's capital. This information does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of the Trust's units.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. **THIRD PARTY CONTENT PROVIDERS GIVE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. THIRD PARTY CONTENT PROVIDERS SHALL NOT BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, EXEMPLARY, COMPENSATORY, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES, COSTS, EXPENSES, LEGAL FEES, OR LOSSES (INCLUDING LOST INCOME OR PROFITS AND OPPORTUNITY COSTS OR LOSSES CAUSED BY NEGLIGENCE) IN CONNECTION WITH ANY USE OF THEIR CONTENT, INCLUDING RATINGS.** Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

## CONTACT DETAILS

Phone: 1300 778 468 within Australia,  
or +61(2) 9299 9621 outside Australia  
Email: [perpetual@automicgroup.com.au](mailto:perpetual@automicgroup.com.au)  
[www.perpetualincome.com.au](http://www.perpetualincome.com.au)

