

INVESTMENT UPDATE

July 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 31 JULY 2022	AMOUNT
ASX unit price	\$0.995
NTA per unit ¹	\$1.076

¹ Daily Net Tangible Asset (NTA) is available at 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 INFORMATION²

AS AT 31 JULY 2022

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$399 million
Units on issue:	400,855,618
Distributions:	Monthly
Management costs:	0.88% p.a. ³
Manager:	Perpetual Investment Management Limited
Responsible Entity:	Perpetual Trust Services Limited

² Perpetual Credit Income Trust ARSN 626 053 496.

³ Estimate inclusive of net effect of GST.

INVESTMENT PERFORMANCE⁴

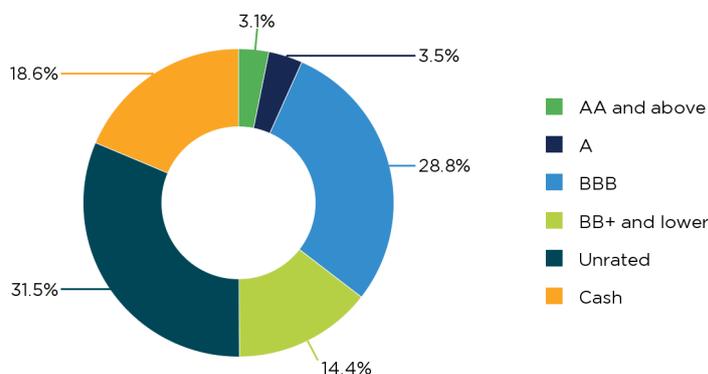
AS AT 31 JULY 2022	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PCI Investment portfolio	0.3%	-0.6%	-0.4%	0.8%	2.9%	-	3.0%
Returns net of operating expenses							
RBA Cash Rate	0.1%	0.2%	0.2%	0.2%	0.3%	-	0.4%
Excess returns	0.2%	-0.7%	-0.6%	0.6%	2.6%	-	2.6%
Distribution return	0.4%	1.2%	2.3%	4.0%	3.8%	-	3.7%

⁴ 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.

PORTFOLIO SUMMARY

AS AT 31 JULY 2022	AMOUNT
Number of holdings	110
Number of issuers	83
Running yield	4.7%
Portfolio weighted average life	2.4 years
Interest rate duration	19 days

RATINGS BREAKDOWN



Source: Standard & Poor's and Perpetual Asset Management Australia. Data is as at 31 July 2022. All figures are unaudited and approximate.

DISTRIBUTIONS CPU⁵

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

AS AT 31 JULY 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	-	-	-	-	-	-	-	-	-	-	-	0.42

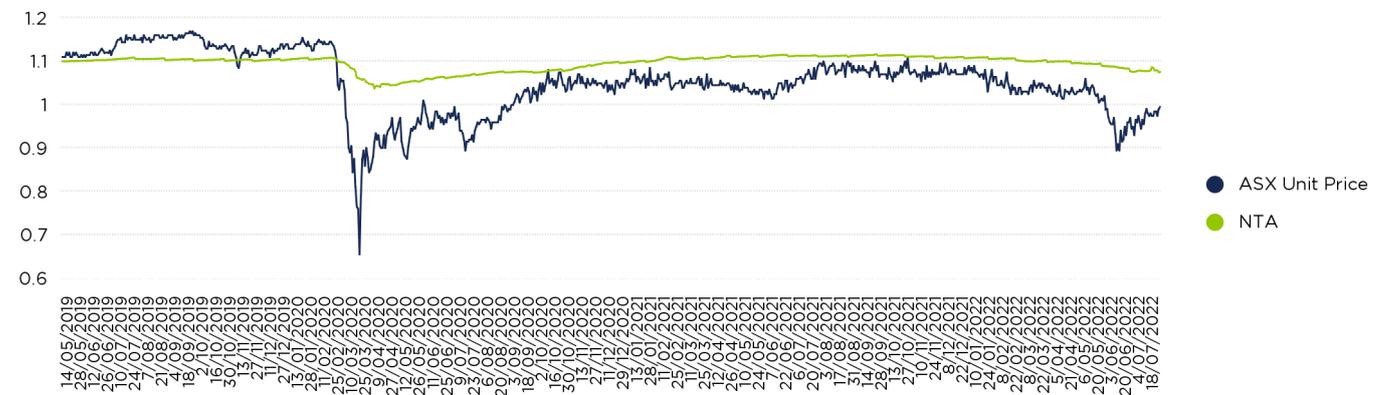
⁵ Distributions are stated as cents per unit and have been rounded to two decimal places. Detailed distribution announcements are available on the [PCI website](#) and are stated in Australian dollars rather than cents per unit. Distribution return has been calculated based on the PCI investment portfolio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

TOTAL UNITHOLDER RETURN⁶

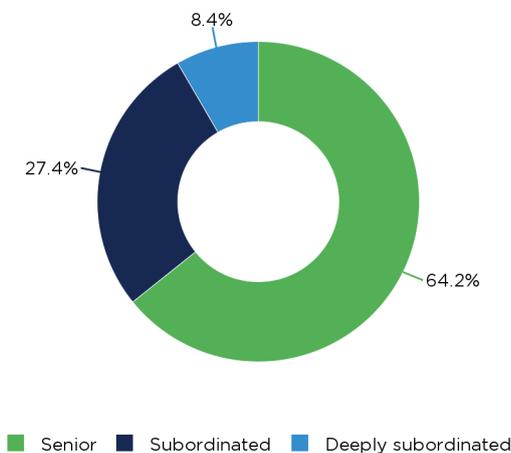
AS AT 31 JULY 2022	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
Total unitholder return	5.7%	-2.1%	-4.2%	-5.1%	-0.9%	-	0.7%
RBA Cash Rate	0.1%	0.2%	0.2%	0.2%	0.3%	-	0.3%
Excess returns	5.6%	-2.2%	-4.4%	-5.3%	-1.2%	-	0.3%
Distribution return	0.4%	1.3%	2.4%	4.0%	3.8%	-	3.7%

⁶ 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.

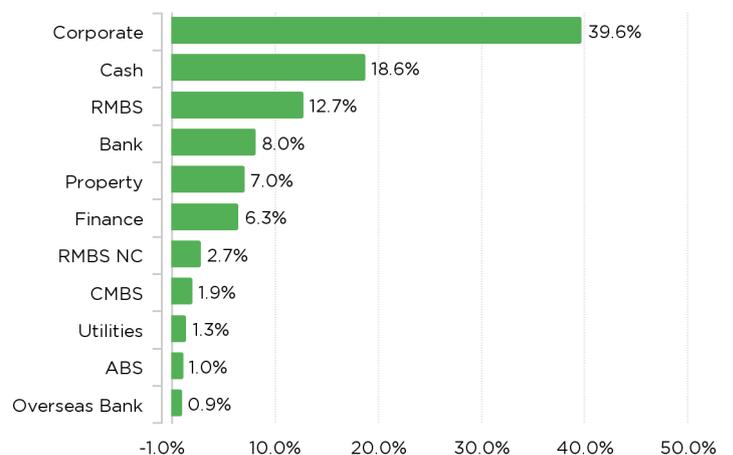
NTA PER UNIT VS ASX UNIT PRICE PERFORMANCE



SENIORITY BREAKDOWN



SECTOR ALLOCATION



Source: Bloomberg and Perpetual Asset Management Australia. Data is as at 31 July 2022. All figures are unaudited and approximate.

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PORTFOLIO UPDATE

In July, the Trust continued to deliver on its investment objective to provide monthly income by investing in a diversified pool of credit and fixed income assets. The July distribution was paid on 8 August 2022 and contributed to an annual distribution return of 4.0%.

The Trust's portfolio returned 0.3% in July, outperforming the Reserve Bank of Australia (RBA) Cash Rate (benchmark). Over the 12 months to 31 July 2022, the Trust's portfolio returned 0.8%.

Financial markets rebounded in July with global equities and bond yields clawing back a small portion of the deep losses experienced in the first half of 2022. As recession risks continued to rise, markets were buoyed by the softening of monetary policy tightening expectations. A second successive quarter of GDP contraction in the US saw expectations of the Federal Reserve tightening their monetary policy moderate. This saw bond yields rally globally including Australia where lower than expected June inflation data, as measured by the consumer price index (CPI), also contributed to falling yields. The Trust remains well insulated from bond market volatility as a result of its floating rate structure.

Credit spread dynamics detracted from performance during the month. Domestic credit spreads continued to grind wider during July although the rate of expansion slowed. The Trusts' allocation to Residential Mortgage Backed Securities (RMBS), diversified financials and non-financial corporates all detracted from credit spread return. Corporate credit spread widening was mixed with a small number of high yield corporate issuers widening sharply. On the other hand, the early repayment of a private loan was positive for return.

The Trust's running yield continues to be crucial as it provides a substantial and predictable component of return in these conditions. Income return was the most significant contributor to performance during July, offsetting 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 with contributions from RMBS, banks, and diversified financials. The Manager believes that active floating rate credit has the capability to deliver as income is expected to rise in line with rising interest rates. Over the year to date, the portfolio's running yield has increased from 3.8% to 4.7%.

The Manager's proprietary credit outlook score remained negative throughout July. At month end, the Trust's cash allocation was elevated following the redemption of a callable high yield corporate bond and the early repayment of a private loan. The Trust's elevated cash allocation contributed to the Manager's defensive positioning while giving the Manager the flexibility to take advantage of relative value opportunities. One such opportunity executed upon during the month was a private loan to UP education which is detailed further below.

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 is confident that the Trust's robust running income and diverse exposure to quality issuers will deliver amidst the market volatility. The Manager remains selective in adding risk to the Trust's portfolio and retains the capacity to add risk at attractive valuations offered by widening spreads.

Issuer Profile - UP education (Senior Creditor Analyst: Michael Murphy)

During the month, the Trust invested in a private loan issued by UP education (UP). UP provides education services across New Zealand and Australia, offering tertiary education across vocational and higher education, university pathway courses and online learning. The Manager believes that the company benefits from attractive industry fundamentals. The education sector has seen strong growth historically and government funding regimes have been supportive. The Manager considers demand for education to typically be resilient to economic downturns and believes the normalisation of Australia and New Zealand's education exports following the impact of COVID-19 to provide a tailwind.

The Manager views UP's market position as defensible as it has a strong brand, high regulatory barriers to entry, strong Australian presence and a very strong market position in New Zealand where the private college business is 9x larger than its largest competitor.

The Manager considers the diversification of the company's revenues to be a key strength supporting the Manager's reason for investment. UP's revenue is diversified across multiple business divisions. The company's primary division is its private colleges business. UP offers a diverse array of both VET courses (comparable to TAFE in Australia) and higher education courses across disciplines including tourism, hospitality, trades, design, health and early childhood education.

Alongside the private college division, UP also operates a university pathway program predominantly for international students offering pre and first year university courses. The university partnerships within this division are on a multi-year contract basis with UP benefitting from a 100% contract renewal rate which contributes to the Manager's confidence in the persistence of ongoing revenues.

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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.

PERPETUAL KEY CONTACTS

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