

INVESTMENT UPDATE January 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 JANUARY 2022	AMOUNT
ASX unit price	\$1.065
NTA per unit ¹	\$1.106

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 JANUARY 2022

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$427 million
Units on issue:	400,657,996
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

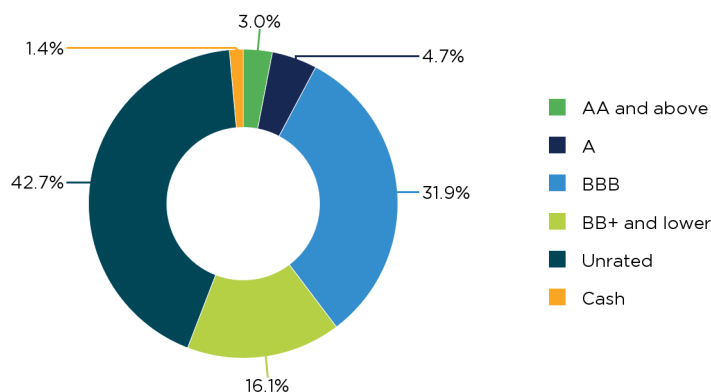
AS AT 31 JANUARY 2022	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PCI Investment portfolio	0.2%	0.4%	1.2%	4.1%	-	-	3.7%
Returns net of operating expenses							
RBA Cash Rate	0.0%	0.0%	0.0%	0.0%	-	-	0.4%
Excess returns	0.2%	0.4%	1.2%	4.0%	-	-	3.3%
Distribution return	0.3%	0.9%	1.8%	3.5%	-	-	3.5%

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 JANUARY 2022	AMOUNT
Number of holdings	122
Number of issuers	93
Running yield	4.1%
Portfolio weighted average life	3.2 years
Interest rate duration	33 days

RATINGS BREAKDOWN



Source: Standard & Poor's and Perpetual Asset Management Australia. Data is as at 31 January 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. The annual distribution return is 3.5%. 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 JANUARY 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	-	-	-	-	-	2.26

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

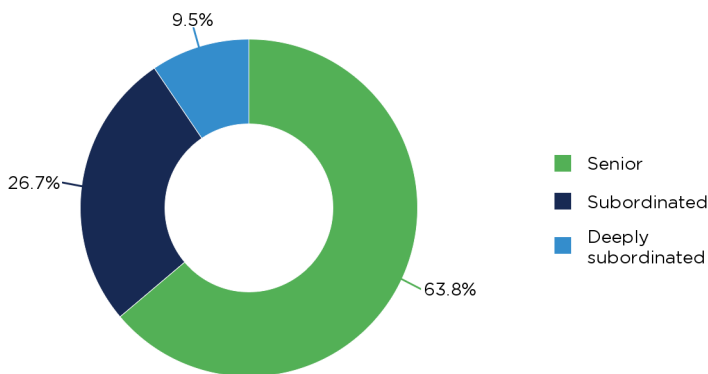
AS AT 31 JANUARY 2022	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
Total unitholder return	-1.5%	-0.9%	-1.0%	4.1%	-	-	2.1%
RBA Cash Rate	0.0%	0.0%	0.0%	0.0%	-	-	0.3%
Excess returns	-1.5%	-0.9%	-1.0%	4.1%	-	-	1.7%
Distribution return	0.3%	0.9%	1.8%	3.6%	-	-	3.2%

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.

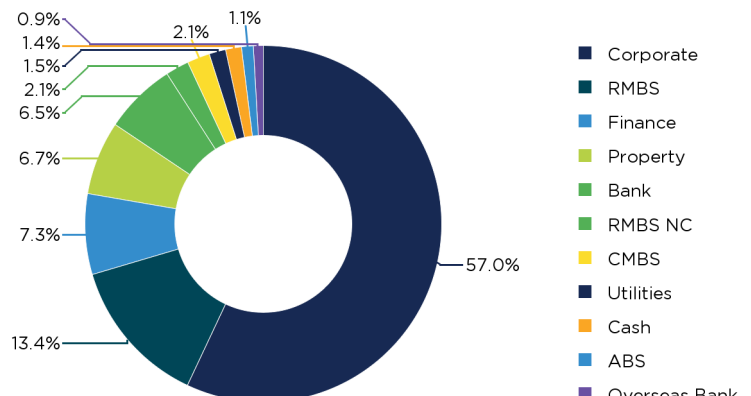
NTA PER UNIT VS ASX UNIT PRICE PERFORMANCE



SENIORITY BREAKDOWN



SECTOR ALLOCATION



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

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TRUST COMMENTARY

PORTFOLIO UPDATE

The Trust's portfolio delivered a return of 0.2% in January, outperforming the Reserve Bank of Australia (RBA) Cash Rate (benchmark). Over the 12 months to 31 January 2022, the Trust's portfolio has returned 4.1%, outperforming the benchmark by 4.0%. January was a turbulent month for markets with Australian and global equities selling off as a result of the increasingly hawkish tone from the US Federal Reserve. While the Trust's portfolio defended capital throughout, the Trust's ASX unit price was not immune to the broader selloff in equities, impacting total unitholder return.

Income return was the most significant contributor to performance during January. The Trust's income was predominantly generated by coupon payments and interest income from portfolio exposure to non-financial corporate bonds and residential mortgage-backed securities (RMBS). Non-bank financials, domestic banks and property also contributed to income return. The portfolio's running yield was 4.1% at month end.

Widening credit spreads were marginally negative for performance during January. Credit spread dynamics were mixed with financials widening somewhat while corporates traded in a tight range. Financials – led by regional and offshore banks were the most significant detractors from credit spread return during the month. Non-financial corporate spreads were benign for performance with spread movement mixed by sector. The Trust's portfolio remains heavily weighted towards corporate debt which is seen by the Manager as the sector offering the most attractive relative value and growth outlook. While widening credit spreads in some sectors contributed negatively, month to month volatility continues to be more than offset by the portfolio's robust running yield.

Sector and risk allocations were broadly maintained over January. Corporate primary market issuance in the was subdued while financial sectors saw elevated issuance. The Manager is comfortable with the current risk allocations of the Trust and remains selective in purchases made.

The Manager believes that the outlook for credit spreads has cooled somewhat over recent months based on Perpetual's proprietary credit outlook score, and that the portfolio is well positioned to weather increased volatility. Perpetual's proprietary credit outlook score examines valuation, macroeconomic factors, supply and demand alongside technical indicators to quantitatively assess the outlook for credit spreads. Slowing economic growth expectations and moderating demand for credit have contributed to the reduction in outlook over recent months.

It is important to recognize that while the outlook for credit spreads may not be as constructive as prior periods, the Trust's running income remains the most substantial and predictable component of return. It is also worth reiterating that while the central bank tightening cycle may weigh on the outlook for credit spreads, the Trust's floating rate structure will benefit from rising interest rates as the running income increases.

The Trust is near fully invested across multiple sectors with exposure to the breadth of the capital structure and credit rating spectrum. The Trust remains weighted towards corporate credit in the BBB, high yield and non-rated spaces where the Manager believes there are quality issuers offering healthy yields. In a persistent low yield environment with credit spreads at very tight levels, active management based on rigorous research and due diligence is, in the Manager's view, essential. The Manager will continue to look for relative value opportunities and with the aim of identifying quality issuers offering a competitive running yield.

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.

INVESTOR COMMUNICATIONS

The [PCI website](#) hosts a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources. The [my investments](#) section of the website also includes details for the Automatic Investor portal, where you can elect to receive regular communications, periodic statements and updates electronically.

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 Asset Management Australia 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 Trau
P: 02 9229 3138
E: karen.trau@perpetual.com.au

QLD

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

NSW

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

WA

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

VIC/SA/NT/TAS

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

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CONTACT DETAILS

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

