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ASX Announcement

Perpetual Credit Income Trust

Additional disclosures in relation to the Investment Management Agreement

Perpetual Trust Services Limited ACN 000 142 049 (**Responsible Entity**), as responsible entity of the Perpetual Credit Income Trust (ASX:PCI) (**Trust**), entered into an Investment Management Agreement dated 27 February 2019, pursuant to which the Responsible Entity appoints Perpetual Investment Management Limited ACN 000 866 535 (**Manager**) as investment manager of the Trust (**IMA**). A full summary of the key provisions relating to the IMA can be found in section 11.1 of the product disclosure statement issued for the Trust dated 8 March 2019 (**PDS**).

The following additional disclosures provides further clarity on the investment management arrangements of the Trust disclosed in sections 1.1, 3, 4, 7, 11.1 and 12.5 of the PDS:

- a) *How the entity proposes to manage its assets or business if the management agreement is terminated before its scheduled expiry*

If the IMA is terminated before its scheduled expiry, the Responsible Entity may:

1. seek to appoint a new manager for the Trust and permit the Manager to deal with the assets of the Trust (**Portfolio**) for a transition period after the effective termination date of the IMA; or
2. terminate the Trust if it is in the best interests of all the Trust's unitholders.

Further details on each mechanism are provided below.

The Manager may also request the Responsible Entity to retire as responsible entity of the Trust. If the Responsible Entity receives this request it will retire as soon as reasonably practicable, provided its retirement is considered appropriate based on its duties under the Constitution, relevant law and other applicable law, and be replaced by a new responsible entity in accordance with the

Corporations Act 2001 (Cth). Under the Corporations Act 2001 (Cth), unitholders are entitled to vote on the appointment of the new responsible entity.

New manager

During any termination notice period and transition period set out below, the Responsible Entity would seek to identify, appoint and transition management of the Trust to a new appropriate investment manager for the Trust and relevant investor communication and approvals will be provided and may be sort, including the investment management of the assets of the Trust in accordance with the existing investment strategy, fund documents and all laws/regulations.

To facilitate this transition to a new investment manager, following the effective termination date of the IMA (**Termination Date**), the Manager is permitted to deal with the Portfolio for up to 20 business days in order to vest control of the Portfolio in the Responsible Entity or the new investment manager (**Transition Period**). During the Transition Period, the Manager:

- may enter into transactions to settle, extinguish or offset obligations incurred in relation to the Portfolio before the Termination Date with the consent of the Responsible Entity;
- for obligations incapable of being settled during the Transition Period, the Manager must create provision for such contingent liability and notify the Responsible Entity accordingly;
- must deliver all records in respect of the Trust;
- may, after consulting with the Responsible Entity, pay to the Responsible Entity or the new investment manager the net realisable value of any shares listed on a foreign exchange (i.e. the NZX) or any prescribed interest in a scheme, or an interests in a managed investment scheme promoted by the Manager or the proportion of any asset which is held jointly and is indivisible; and
- may deal with the Portfolio in accordance with the instructions of the new investment manager.

Trust termination

If as result of the IMA being terminated the Responsible Entity determines that it is in the best interests of all unitholders for the Trust to be terminated, the Responsible Entity will terminate the Trust in accordance with section 601NC of the Corporations Act (and any other applicable laws and regulations). The Portfolio will be realised in an orderly manner and proceeds distributed to unitholders.

Generally the Manager will be responsible for the orderly realisation of the Portfolio as soon as reasonably practicable. If this cannot be achieved, further discussions with the Manager and/or an external consultant around liquidation and valuation of the Portfolio will be considered by the Responsible Entity. The Responsible Entity will also provide transparency around this realisation process to unitholders.

- b) Whether security holder approval is required, or will be sought, for any material amendment to the management agreement*

The Responsible Entity has provided an undertaking to ASX dated 10 May 2019 that it will obtain the approval of the Trust's unitholders under an ordinary resolution for any material amendment to the IMA or provide for any material amendments to be conditional on this approval. A material amendment to the IMA is an amendment that would reasonably be likely or expected to have a material effect on the price or value of units in the Trust.

- c) The powers and discretions retained by the entity under the agreement (including, in particular, whether the board of the entity is required to approve any acquisition or disposal of assets proposed by the investment manager)*

The Responsible Entity has the power and discretion to manage and administer the Trust. However, the Responsible Entity has engaged the Manager under the IMA to promote, administer, invest and manage the Portfolio and perform services for, and on behalf of, the Responsible Entity in accordance with the terms of the IMA and the Trust's investment strategy (**Services**).

While the Manager has the power and discretion to perform the Services, the Responsible Entity must approve or consent to the Manager exercising certain powers and discretions under the IMA, including but not limited to:

- a. consenting to the Manager delegating any of its duties, responsibilities, functions or powers under the IMA;
- b. approving the Manager investing in, dealing with or engaging the services of the Manager's related bodies corporate;
- c. agreeing to changes to the Trust's investment strategy;
- d. any discretions permitted under the Trust's constitution to determine the issue, application price and withdrawal price (when relevant) in accordance with the unit pricing and valuation policy of the Responsible Entity.
- e. distributions are expected to match the income (net of fees and expenses) generated by the Trust but will be paid at the discretion of the Responsible Entity.

Additionally, while the Manager has the full power and discretion to invest and manage the Portfolio in accordance with the IMA and the Trust's investment strategy, the Responsible Entity may instruct the Manager or vary the Manager's decision in relation to the performance of the Services provided where such instruction is not inconsistent with the Trust's investment strategy.

- d) *If the investment manager is empowered to engage a related party to provide ancillary services (for example to provide brokerage or advisory services in relation to any acquisition or disposal of assets), what processes will be in place to ensure that this power is properly exercised and that any fees charged to the entity for the provision of those ancillary services are appropriate and reasonable*

Under the IMA, the Manager is only permitted to engage the services of a related party if the provision of such services are provided in the ordinary course of business, on arm's length terms and approved by the Responsible Entity before the engagement of the Manager's related party.

The Perpetual Group (**Perpetual**) also has a Conflicts of Interest (Corporate) policy (**Policy**), which outlines its approach to meeting its legal obligations to identify and manage corporate conflicts of interest (**Conflicts of Interest**).

Given that Conflicts of Interest can arise from time to time, it is essential that Perpetual identify, evaluate and appropriately manage any actual or potential Conflicts of Interest. In essence, this means that Perpetual will:

- act fairly, honestly and in good faith towards its clients and, where appropriate, in the best interests of clients;
- have adequate arrangements in place to ensure that Conflicts of Interest are identified and appropriately managed;
- avoid a Conflict of Interest that is likely to be materially detrimental to clients or where the conflict cannot be adequately managed through internal controls or appropriate disclosure;
- make appropriate disclosure to persons affected by a Conflict of Interest, where the view is formed that a Conflict of Interest cannot be avoided;
- adopt and promote a culture of awareness and effective management of any potential Conflicts of Interest;
- ensure that fiduciaries act in the best interests of clients, who must be prioritised in the event of a conflict; and
- ensure that clients are not disadvantaged as a result of a Conflict of Interest.

The Responsible Entity also has procedures in place with respect to managing Conflicts of Interest arising from related party transactions that allow it to comply with the Policy. In particular, the Responsible Entity must document all Conflicts of Interest and ensure any fees charged to its funds are on an arm's-length basis. All related party transactions must be entered into on commercial terms which are consistent with the conduct of similar transactions with third parties (or terms which are less favourable).

- e) *What processes will be in place to manage the potential conflicts if the investment manager proposes to the entity that it acquire assets from, or dispose of assets to, the investment manager or an associate of the investment manager*

The Responsible Entity must comply with the Policy and has implemented procedures in relation to proposed transactions with related parties that allow it to comply with the Policy. In particular, the Responsible Entity must document all Conflicts of Interest and ensure that any asset acquisitions or disposals are carried out on an arm's-length basis.

Particular focus and oversight will be required by the Responsible Entity to ensure that the Manager, who may be acting in multiple capacities on the same transaction, has identified and determined that the Conflict of Interest exists due to the structure of the Trust and that this Conflict of Interest is managed accordingly.

All related party transactions must be entered into on commercial terms which are consistent with the conduct of similar transactions with third parties (or terms which are less favourable).