

## INVESTMENT UPDATE October 2019

### 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 OCTOBER 2019	AMOUNT
ASX unit price	\$1.135
NTA per unit <sup>1</sup>	\$1.102

<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.

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

AS AT 31 OCTOBER 2019	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PCI Investment portfolio	0.3%	0.7%	-	-	-	-	1.7%
RBA Cash Rate	0.1%	0.2%	-	-	-	-	0.5%
Excess returns	0.2%	0.4%	-	-	-	-	1.1%
Distribution return	0.3%	1.1%	-	-	-	-	1.5%

<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 Net Tangible Assets. 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. A full month of performance is not available for May 2019 as the Trust launched mid-month.

### PORTFOLIO SUMMARY

AS AT 31 OCTOBER 2019	AMOUNT
Number of holdings	91
Number of issuers	67
Running yield	3.4%
Portfolio weighted average life	4.5 years
Modified duration	0 years

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

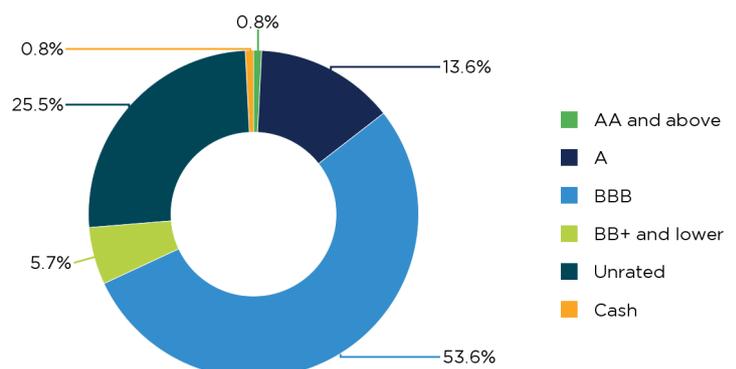
#### AS AT 31 OCTOBER 2019

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$454 million
Units on issue:	400,140,721
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.

### RATINGS BREAKDOWN



Source: Standard & Poor's and Perpetual Investments. Data is as at 31 October 2019. All figures are unaudited and approximate.

## DISTRIBUTIONS CPU

PCI announced a 0.4 cent per unit (CPU) distribution for October paid on 7 November 2019. The annualised financial year to date distribution rate is 4.3%\*. This is in line with the Trust's target return objective of the RBA cash rate + 3.25% (net of fees) through the economic cycle.

\*Based on NTA per unit as at 30 June 2019. Past performance is not indicative of future performance.

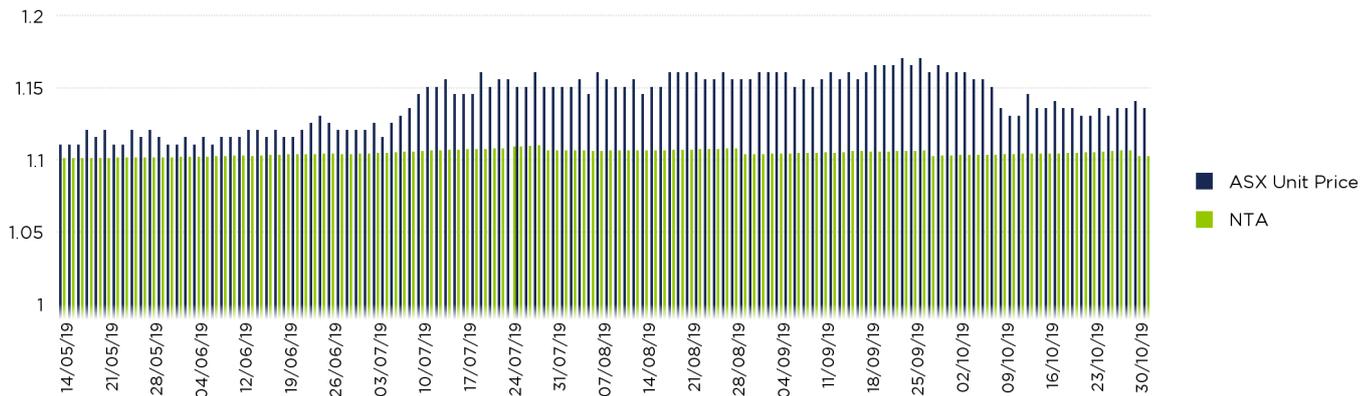
AS AT 31 OCTOBER 2019	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
FY2019	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1
FY2020	0.4	0.4	0.4	0.4	-	-	-	-	-	-	-	-	1.6

## TOTAL UNITHOLDER RETURN<sup>5</sup>

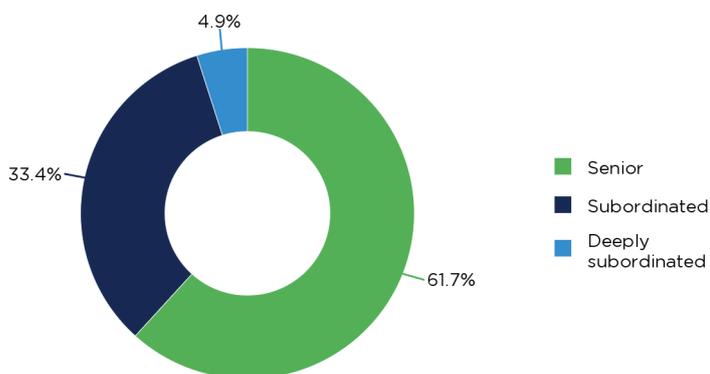
AS AT 31 OCTOBER 2019	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
Total unitholder return	-2.3%	-0.3%	-	-	-	-	4.7%
RBA Cash Rate	0.1%	0.2%	-	-	-	-	0.5%
Excess returns	-2.3%	-0.5%	-	-	-	-	4.2%
Distribution return	0.3%	1.0%	-	-	-	-	1.5%

<sup>5</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.

## NTA PER UNIT VS ASX UNIT PRICE PERFORMANCE

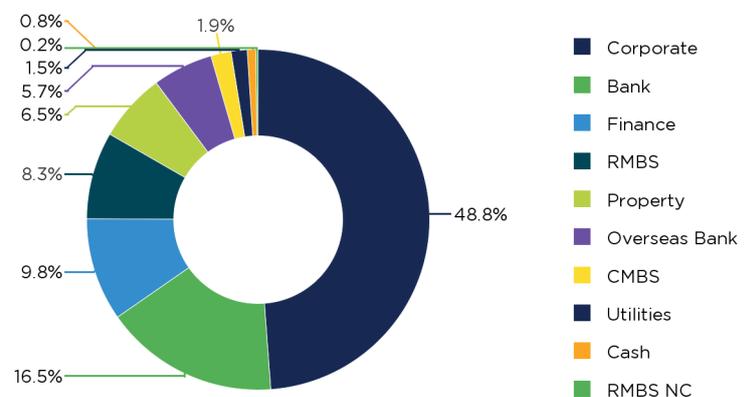


## SENIORITY BREAKDOWN



Source: Bloomberg and Perpetual Investments. Data is as at 31 October 2019. All figures are unaudited and approximate.

## SECTOR ALLOCATION



Source: Bloomberg and Perpetual Investments. Data is as at 31 October 2019. All figures are unaudited and approximate.

## MARKET COMMENTARY

Domestic credit spread movements were mixed through October. While there was a widening in major bank senior debt spreads, non-financial corporate spreads narrowed. Spreads overall traded in a tight range. Promising technical indicators in global credit, equity and volatility combined with the continued hunt for yield led to renewed buying of corporate securities.

Global economic growth indicators continued to return softer results, predicated on persistent trade and geopolitical uncertainty. Despite the US yield curve steepening, concerns remained that the US Economy is headed for recession. Announcement of the first phase of a US/China trade deal didn't break significant new ground. While the agreement signalled a reduction in economic downside risk, the impact on a potential global slowdown was minimal.

The Reserve Bank (RBA) cut the official cash rate by 0.25% to 0.75% in October. Bank Bill rates moved lower following the cut. The RBA Board reiterated that an extended period of low interest rates may be required to meet employment and inflation targets. The money market had already largely priced in the October cash rate cut and expectations remain for a subsequent interest-rate reduction in mid-2020.

## TRUST COMMENTARY

The Perpetual Credit Income Trust aims to provide investors with monthly income by investing in a diversified pool of credit and fixed income assets. We are pleased to note PCI announced a 0.4 cent distribution for October paid on 7 November 2019. The annualised financial year to date distribution rate is 4.3%\*. This is in line with the Trust's target return objective of the RBA cash rate + 3.25% (net of fees) through the economic cycle.

As at 31 October 2019 PCI's portfolio held 91 securities from 67 issuers across domestic and global credit and fixed income assets. These are diversified by asset type, credit quality, maturity, country and issuers through investment in corporate bonds, floating rate notes, securitised assets and private debt (mainly corporate loans).

The portfolio delivered in October a positive return of 0.3%, outperforming its benchmark by 0.2%.

The portfolio continued to collect running income in excess of the benchmark across all corporate sectors. This contribution from positive carry (i.e. yield earned compared to cost) was mainly associated with portfolio exposure to corporates, domestic banks, residential mortgage backed securities and non-bank financials.

In terms of portfolio positioning, sector allocation was actively managed. Attractive relative value corporate credit opportunities continue to be sought out within both the core investment grade and higher yielding segments of the market. The Portfolio Manager will continue the process of investing in good quality corporate issues with an attractive running yield.

\*Based on NTA per unit as at 30 June 2019. Past performance is not indicative of future performance.

## INVESTMENT STRATEGY

The Trust will hold a diversified and actively managed portfolio of domestic and global credit and fixed income assets. 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. The Trust will typically be invested in 50 to 100 assets. Derivatives may be used as part of the Trust's Investment Strategy.\*

## 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.

## 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

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

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

Nathan Boroughs  
State Manager, Perpetual Investments  
P: 0466 775 961  
E: nathan.boroughs@perpetual.com.au

### VIC/SA/NT/TAS

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

### QLD

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

### WA

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

[www.perpetualincome.com.au](http://www.perpetualincome.com.au)

\*For further details on the Trust's Investment Strategy please see the Trust's PDS dated 8 March 2019 at [www.perpetualincome.com.au](http://www.perpetualincome.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.

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)

