PERPETUAL CREDIT INCOME TRUST
ARSN 626 053 496

Perpetual

17 March 2020

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Perpetual Credit Income Trust
Monthly Investment Update announcement

Perpetual Credit Income Trust (the Trust) (ASX: PCI) advises that it has released the Monthly Investment Update (the Report) for the period ending 29 February 2020 (as attached).

If shareholders or other interested parties have any queries regarding the Report, they can contact:

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Perpetual Investment Management Limited
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Yours faithfully

Kristy Bradley
Client Manager
(Authorising Officer)

INVESTMENT UPDATE
February 2020

INVESTMENT OBJECTIVE

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

PORTFOLIO SNAPSHOT

AS AT 29 FEBRUARY 2020	AMOUNT
ASX unit price	$1.045
NTA per unit [1]	$1.101

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 INFORMATION [2]

AS AT 29 FEBRUARY 2020

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	$418 million
Units on issue:	400,297,904
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 PERFORMANCE [4]

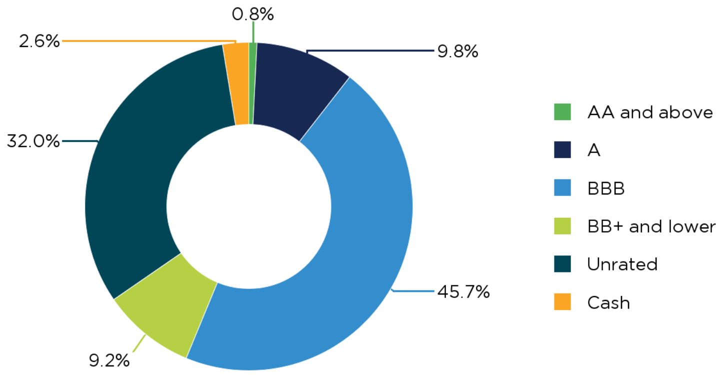
AS AT 29 FEBRUARY 2020	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP
PCI Investment portfolio Returns net of operating expenses	0.0%	1.0%	1.8%	-	-	-	3.0%
RBA Cash Rate	0.1%	0.2%	0.4%	-	-	-	0.8%
Excess returns	0.0%	0.8%	1.4%	-	-	-	2.2%
Distribution return	0.3%	1.0%	2.0%	-	-	-	2.9%

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

PORTFOLIO SUMMARY

AS AT 29 FEBRUARY 2020	AMOUNT
Number of holdings	86
Number of issuers	64
Running yield	3.4%
Portfolio weighted average life	4.5 years
Interest rate duration	19 days

RATINGS BREAKDOWN



Source: Standard & Poor's and Perpetual Investments. Data is as at 29 February 2020. All figures are unaudited and approximate.

DISTRIBUTIONS CPU[5]

PCI announced a 0.35 cent per unit (CPU) distribution for February paid on 6 March 2020. The annualised financial year to date distribution rate is 4.16%*. 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 29 FEBRUARY 2020	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
FY2019	-	-	-	-	-	-	-	-	-	-	-	0.09	0.09
FY2020	0.40	0.40	0.39	0.37	0.36	0.37	0.37	0.35	-	-	-	-	3.02

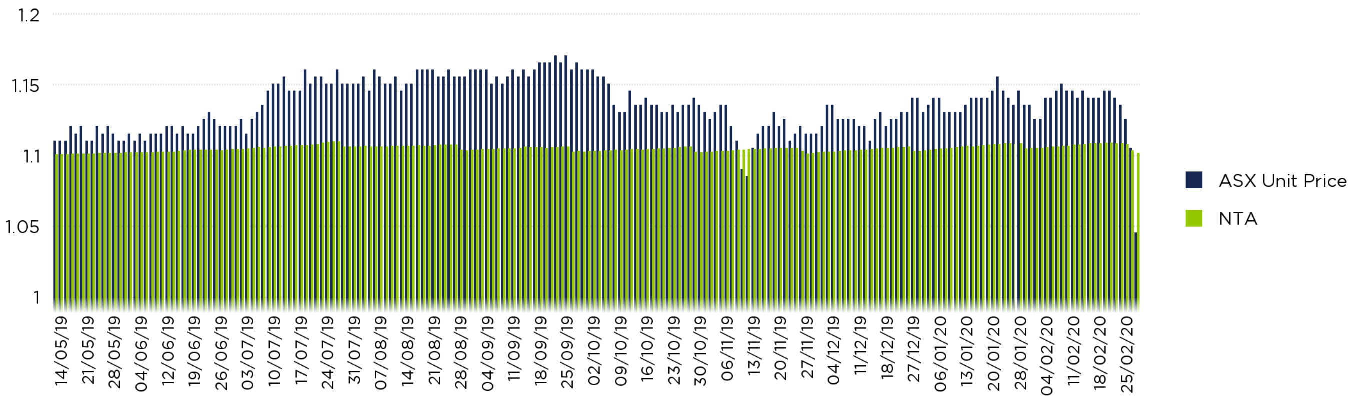
5 Distributions are stated as cents per unit and have been rounded to two decimal places. Detailed distribution announcements are available on the PCI website and are stated in Australian dollars rather than cents per unit.

TOTAL UNITHOLDER RETURN[6]

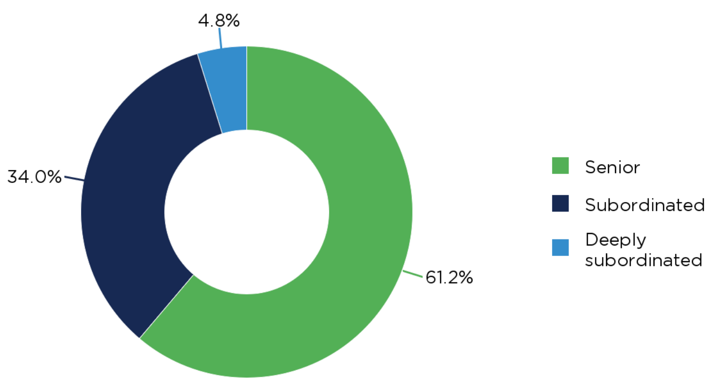
AS AT 29 FEBRUARY 2020	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	3 YRS P.A.	5 YRS P.A	SINCE INCEP
Total unitholder return	-7.6%	-5.4%	-7.7%	-	-	-	-2.4%
RBA Cash Rate	0.1%	0.2%	0.4%	-	-	-	0.7%
Excess returns	-7.7%	-5.5%	-8.1%	-	-	-	-3.1%
Distribution return	0.3%	0.9%	1.8%	-	-	-	2.6%

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

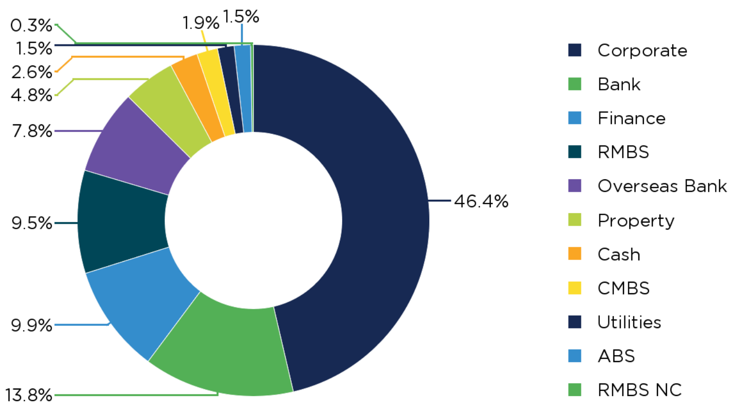


SENIORITY BREAKDOWN



Source: Bloomberg and Perpetual Investments. Data is as at 29 February 2020. All figures are unaudited and approximate.

SECTOR ALLOCATION



Source: Bloomberg and Perpetual Investments. Data is as at 29 February 2020. All figures are unaudited and approximate.

Month in Review

Perpetual Credit Income Trust's (PCI's) ASX unit price to net tangible assets (NTA) had been at a sustained premium to the Trust's NTA for the majority of the time since the Trust listed in May 2019. Following elevated market volatility since 28 February 2020, the Trust's unit price has traded below NTA. The NTA, however, has remained relatively stable over the month, reflecting the continued strength of underlying assets. In fact, since listing, the NTA has only moved from $1.10 to $1.085 (as at 13 March 2020) despite the change in market conditions.

Although this monthly report reflects Trust data as at the end of February 2020, the Manager confirms that there have been no material changes to the portfolio between the end of February and the publication date of this report. To keep investors informed, details on market events and the portfolio were released in Investor Updates on 4 March 2020 and 12 March 2020. Commentary in this report will cover portfolio positioning up to 13 March 2020.

Trust Commentary

The continuous spread of the Coronavirus (COVID-19) dominated news headlines and caused volatility across markets in February. Despite the market turmoil, the Portfolio Manager has not made material changes to the portfolio and is confident in the defensive capabilities of the portfolio and the current credit exposures.

The Trust has paid a monthly distribution totalling approximately 3.1 cents per unit since inception. The annualised financial year to date distribution rate is 4.16%[1]. This is in line with the Trust's target return[2] objective of the RBA cash rate + 3.25% p.a. (net of fees) through the economic cycle.

The Trust's income is primarily generated by coupon payments. In February, the Trust continued to collect a strong running yield at 3.4% with income return predominately by non-financial corporates, prime residential mortgage backed securities (RMBS), domestic banks and non-bank financials. The Trust's selection of good quality issuers with a strong running yield produced income return which assisted in offsetting widening credit spreads in challenging conditions.

The Trust's portfolio is an Australian dollar floating rate portfolio which predominately comprises Australian domiciled securities and assets. This includes Australian corporations, banks, property trusts, asset backed securities (ABS) and infrastructure groups. As at 13 March 2020, 87.4% of the portfolio was domiciled in Australia, followed by 8.1% in Europe, 2.9% in the US and 1.6% in Asia. Our limited non-Australian domiciled exposures are in the investment grade part of the portfolio, while our sub-investment grade or unrated investments are with Australian issuers.

The securities in the portfolio are typically bonds and floating rate notes which are tradeable with daily pricing and liquidity. As at 13 March 2020, 58.8% of the portfolio is in investment grade securities. The Portfolio Manager focuses on capital stability and strong management when identifying issuers of securities and ensures diversification across issuers and sectors having 86 securities and 64 issuers. The immediate impacts of COVID-19 have been on the education, tourism and energy sectors. The Trust has less than 5% of the portfolio allocated to these sectors and the Manager is comfortable with the resilience of each of those Australian assets (with no offshore names in those sectors). The Trust does not hold any ASX listed bank hybrids.

The portfolio holds ~13% of its assets in RMBS, ABS and Commercial Mortgage Backed Securities. These securities, which are collateralised with real assets such as residential property, motor vehicles, equipment, or commercial real estate, continue to generate attractive and stable income returns through the payment of coupons and repayment of principal to the Trust.

It is particularly important in times of market volatility that investors are reminded of the typical capital structure of companies when investing in fixed income securities (refer figure below). This is because assets at the top of the capital structure are amongst the first to be repaid if a company goes into liquidation. For PCI, over 60% of the portfolio is held in senior debt assets. More specifically, the Trust's investments in private debt (mainly senior secured loans) offer high coupons and capital stability because of their position in the capital structure (at the top as opposed to shares which are at the bottom). Likewise, the Trust's investments in non-investment grade or unrated bonds, which are exclusively with Australian domiciled borrowers, are also mostly senior securities. The Trust has a diversified allocation to loans and bonds with high quality borrowers spread across sectors.

[1] Based on NTA per unit as at 30 June 2019. Past performance is not indicative of future performance
[2] This is a target only and may not be achieved.

Figure: The typical capital structure of a company

SENIOR SECURED DEBT Bank loans, first lien and bonds	Senior debt has first priority in the case of a company's liquidation.
SUBORDINATED SECURED DEBT Second lien and mezzanine loans to small companies	Secured debt is a loan in which the borrower pledges some assets (such as a property) as collateral for the loan. In the event the loan is not repaid, the creditor will seize the pledged assets to recoup monies.
SENIOR UNSECURED DEBT Corporate bonds, credit lines, bilateral loans	Senior unsecured debt has no specific collateral backing from the borrower.
SUBORDINATED UNSECURED DEBT Subordinated bank bonds and loans	Subordinated (or unsecured) debt is lower priority than that of another debt claim on the same asset. Investors in subordinated debt, sometimes called junior debt, are paid a higher interest rate to compensate for being ranked below senior debt but above shareholders in the priority distribution of funds after an insolvency event.
HYBRID SECURITIES Convertible bonds, contingent capital in banks	Hybrid securities are lower priority than subordinated debt but higher than equity.
ORDINARY SHARES Equity	Shareholders have the last claim.

Source: Perpetual Investments.

The Trust's portfolio is managed by Perpetual Investment's credit and fixed income team who have an average of 22 years' experience gained through a variety of market conditions. The Manager is comfortable that the assets and portfolio will be resilient through the current period of uncertainty as the world addresses COVID-19 and is continuing to actively monitor the portfolio to identify prudent opportunities and manage risk.

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

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*For further details on the Trust's Investment Strategy please see the Trust's PDS dated 8 March 2019 at www.perpetualincome.com.au

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