

ASX:PCI

PERPETUAL CREDIT INCOME TRUST INVESTOR PRESENTATION

3 February 2022

Perpetual 

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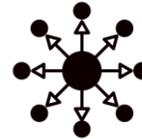
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THE INVESTMENT OPPORTUNITY WITH PERPETUAL CREDIT INCOME TRUST (ASX: PCI)



MONTHLY INCOME

PCI targets a total return of RBA Cash Rate plus 3.25% (net of fees) through the economic cycle¹. It intends to pay distributions monthly.



DIVERSIFICATION

Typically 50 – 100 assets in the portfolio across the broad spectrum of credit and fixed income assets.



SPECIALISTS IN AUSTRALIAN CORPORATE CREDIT

We focus on Australian issuers given our local presence, ability to meet borrowers and manage credit risk for the portfolio.



DEFENSIVE CHARACTERISTICS

Credit and fixed income assets are defensive as they provide a combination of capital stability, liquidity and regular income.



FLOATING RATE EXPOSURE

We seek to minimise interest rate risk by investing in floating rate notes. Investments in fixed rate corporate bonds will typically be hedged to a floating rate.²



LIQUIDITY

PCI is listed on the ASX which provides investors with liquidity and transparency

¹ This is a target only and may not be achieved.

² "Floating rate" means that interest rates of the assets re-set in line with rising or falling market interest rates.

PERPETUAL CREDIT INCOME TRUST (ASX: PCI)

A ROBUST, ACTIVE AND RISK AWARE INVESTMENT PROCESS



Investment objective & target return

- To provide investors with monthly income by investing in a diversified pool of credit and fixed income assets.
- To target a total return of RBA Cash Rate + 3.25% per annum (net of fees) through the economic cycle.¹



Investment guidelines

Typically 50 – 100 assets

30% - 100%	Investment grade assets ² Maximum issuer limit 15%
0% - 70%	Unrated or sub-investment grade assets ³ Maximum issuer limit 10%
70% - 100%	Assets denominated in AUD
0% - 30%	Assets denominated in foreign currencies ⁴
0% - 70%	Perpetual Loan Fund



Investment process

- 1 Top down market screening
- 2 Risk appetite and matrix of preferences
- 3 Approved list of issuers
- 4 Fundamental research bottom up

FLEXIBLE INVESTMENT STRATEGY TO ADAPT TO CHANGING MARKET CONDITIONS

¹ This is a target only and may not be achieved.

² An investment grade asset has a long term rating of BBB-/Baa3 to AAA/Aaa.

³ A sub-investment grade asset has a rating below BBB-/Baa3 and includes unrated assets

⁴ Foreign currencies are typically hedged back to the Australia dollar.

HOW WE ARE POSITIONED AGAINST MARKET CONDITIONS

- The Manager's outlook on credit markets is marginally positive
 - Economic activity and earnings growth remain supportive for credit spread resilience moving forward.
 - However, acceleration of central bank tapering and tightening has contributed to volatility of bond yields and credit spreads.
 - The growth outlook and supply and demand factors (including issuance of debt, demand from investors and upcoming maturities) have moderated over recent months.
 - The ratio of upgrades to downgrades of credit quality remains very strong.
- The Manager believes PCI is well insulated from increasing yield volatility as a result of its floating rate structure
 - Floating rate exposure via PCI can offer regular income and protection against rising bond yields. If interest rates move up, the portfolio will benefit from an increase in interest payments.
 - The impact of month-to-month credit spread volatility is consistently offset by the PCI's income return
 - Investment in corporate loans have been top contributors to relative performance.

INCREASED DISTRIBUTION IN DECEMBER 2021

- In December 2021, the distribution increased to 0.35 cpu which results in an annual distribution return of 3.4% based on NTA or 3.7% based on the ASX unit price¹. This exceeds the PCI's target return rate².
- Portfolio running yield was 3.8% and was the most significant component of return in December. This was derived from the portfolio's income which was predominantly generated by coupon payments and interest income from portfolio exposure to non-financial corporate bonds and residential mortgage-backed securities (RMBS).
- The increased distribution reflects the Manager's confidence in the portfolio's running yield and ability to realise capital gains through active trading. 55% of the portfolio is comprised of high yield assets which provide more attractive income than investment grade assets.
- Since inception, PCI has paid consistently monthly income totalling 9.8 cents per unit³.

	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	-	-	-	-	-	-	1.91

Source: Perpetual Investment Management Limited

¹ As at 31 December 2021. Distribution return based on NTA has been calculated based on the PCI investment portfolio return less the growth of NTA. Distribution return based on share price has been calculated on the ASX unit price performance less the growth of the ASX unit price. Past performance is not indicative of future performance.

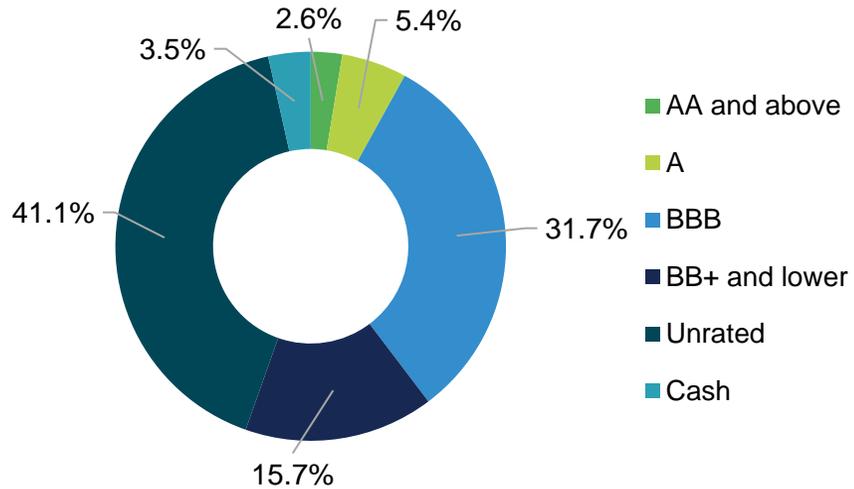
² This is a target only and may not be achieved.

6 | ³ 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.

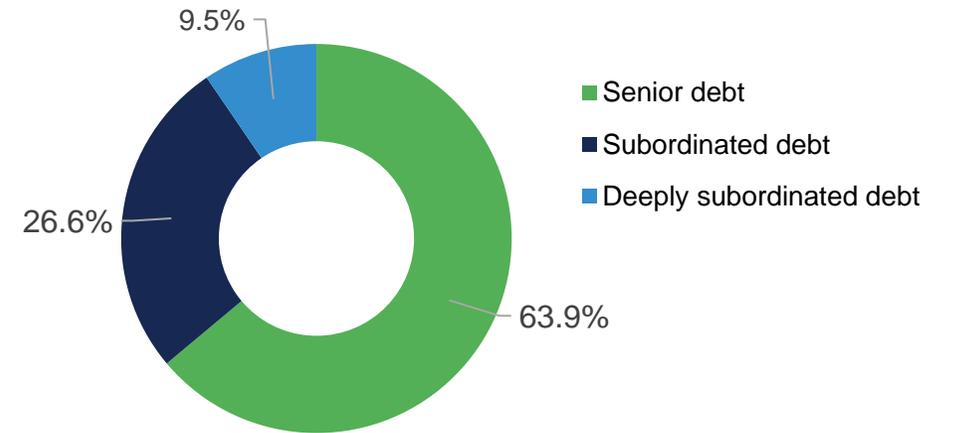
PORTFOLIO COMPOSITION

AS AT 31 DECEMBER 2021

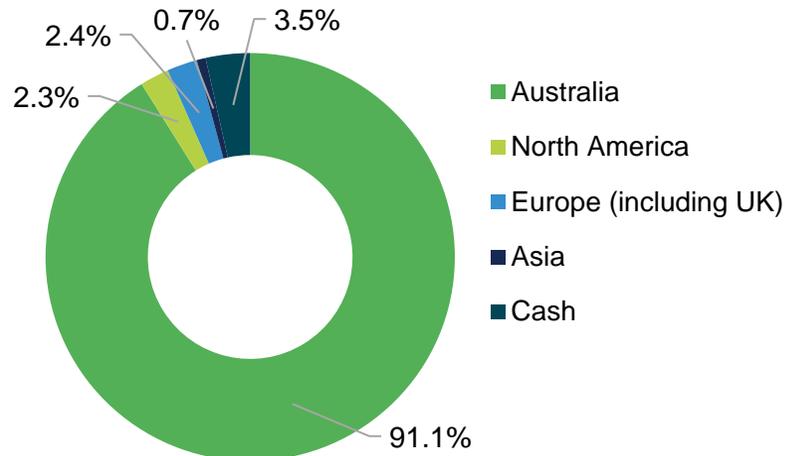
Breakdown by credit rating



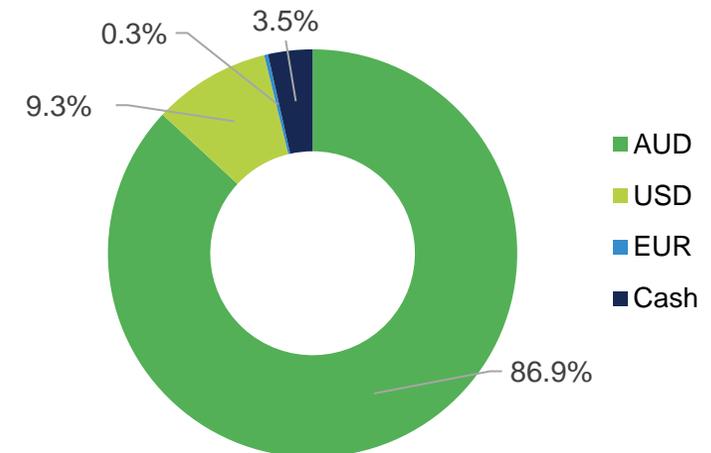
Breakdown by seniority



Domicile of issuer



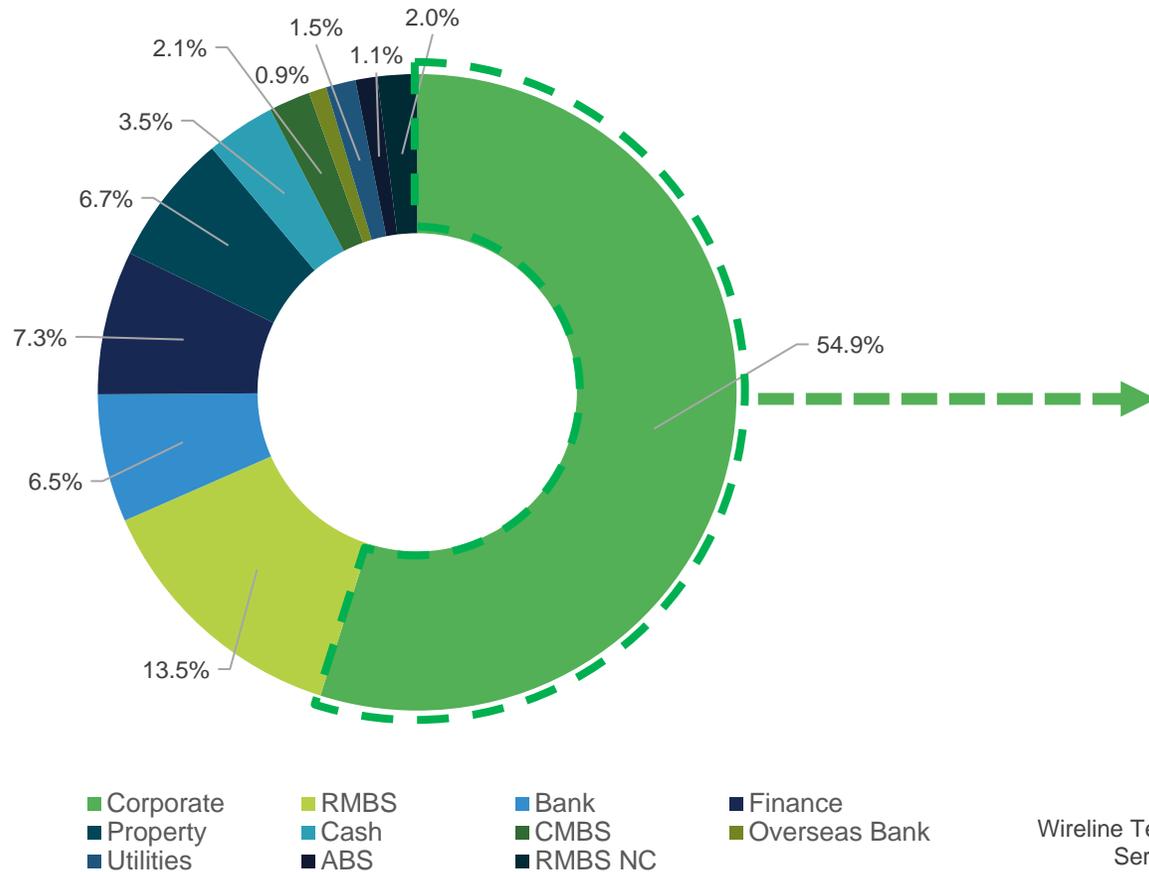
Currency breakdown



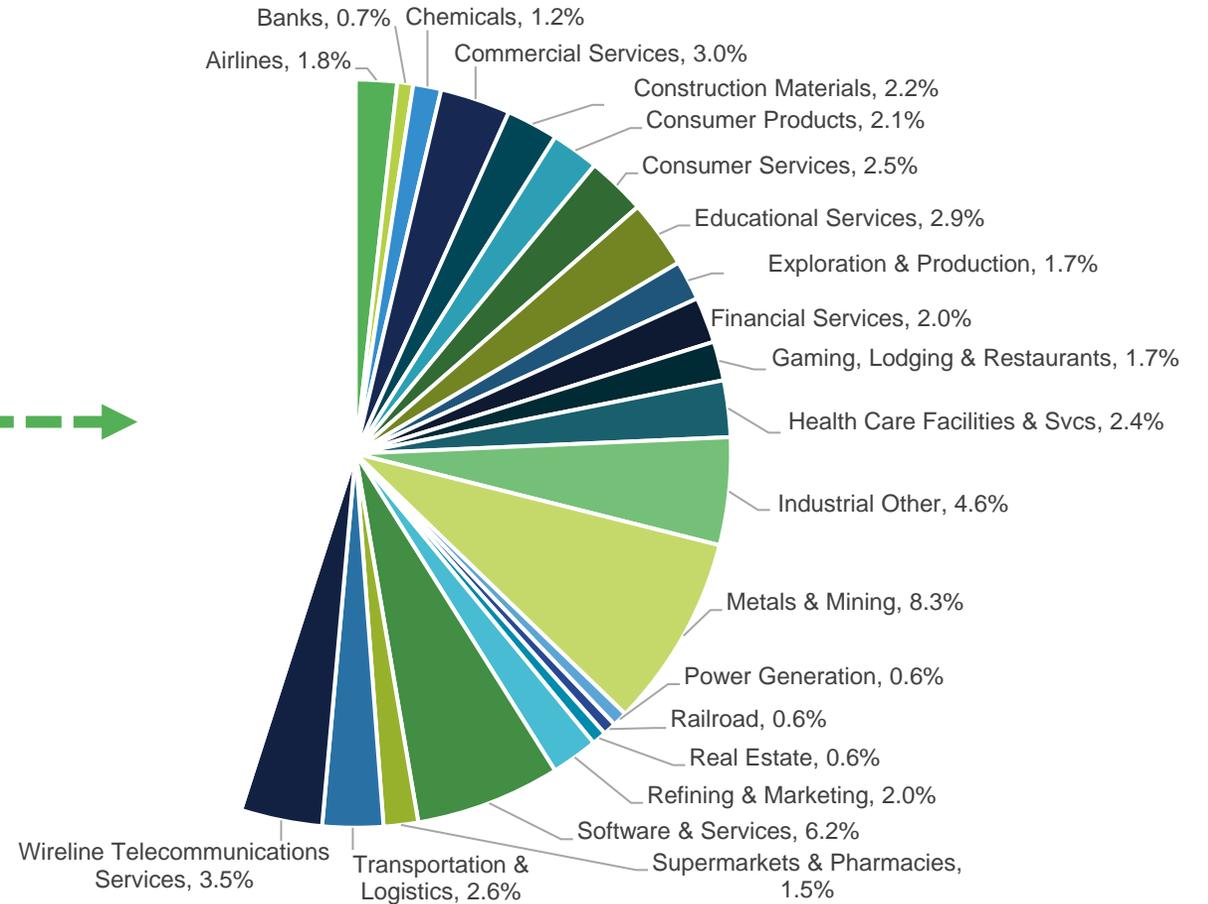
PORTFOLIO COMPOSITION

AS AT 31 DECEMBER 2021

Sector allocation



Breakdown by corporate sector



Source: Bloomberg and Perpetual Investment Management Limited. All figures are unaudited and approximate. Figures may not sum due to rounding.

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PORTFOLIO COMPOSITION

AS AT 31 DECEMBER 2021

- 119 assets across 90 issuers
- Top holding (excluding Perpetual Loan Fund) comprised of 3.3% of the portfolio
- Perpetual Loan Fund comprised 37.8% of the PCI portfolio
- Portfolio running yield was 3.8%
- Portfolio weighted average life was 3.7 years
- Interest rate duration was 36 days

Examples of assets in the Portfolio by Ratings

Investment grade ¹	Sub Investment grade ²	Unrated ²
<ul style="list-style-type: none"> • BNP Paribas • Ampol • Bluescope Steel • Qantas Airways • Macquarie 	<ul style="list-style-type: none"> • Mineral Resources • Perenti • Arnott's • MYOB 	<ul style="list-style-type: none"> • Omni Bridgeway • G8 Education • Centuria Capital

Source: Perpetual Investment Management Limited

These examples are a selection of assets held within the PCI portfolio as at 31 December 2021.

¹ An investment grade asset has a long term rating of BBB- to AAA for Standard & Poor's (S&P) and Fitch or Baa3 to Aaa for Moody's. The highest rating is AAA/Aaa which indicates that the issuer of the debt asset has extremely strong capacity to meet its financial commitments.

² A sub-investment grade asset has a rating below BBB- for S&P and Fitch or Baa3 for Moody's. Unrated securities refer to assets issued by borrowers without an established credit rating from a rating agency such as S&P, Moody's Investor Services or Fitch.

PERFORMANCE AS AT 31 DECEMBER 2021

INVESTMENT PERFORMANCE

	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PCI Investment Portfolio* Returns net of operating expenses	0.2%	0.3%	1.3%	4.4%	-	-	3.7%
RBA Cash Rate	0.0%	0.0%	0.0%	0.0%	-	-	0.4%
Excess Returns	0.2%	0.3%	1.2%	4.4%	-	-	3.3%
Distribution Return	0.3%	0.9%	1.7%	3.4%	-	-	3.5%

* 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.

TOTAL UNITHOLDER RETURN

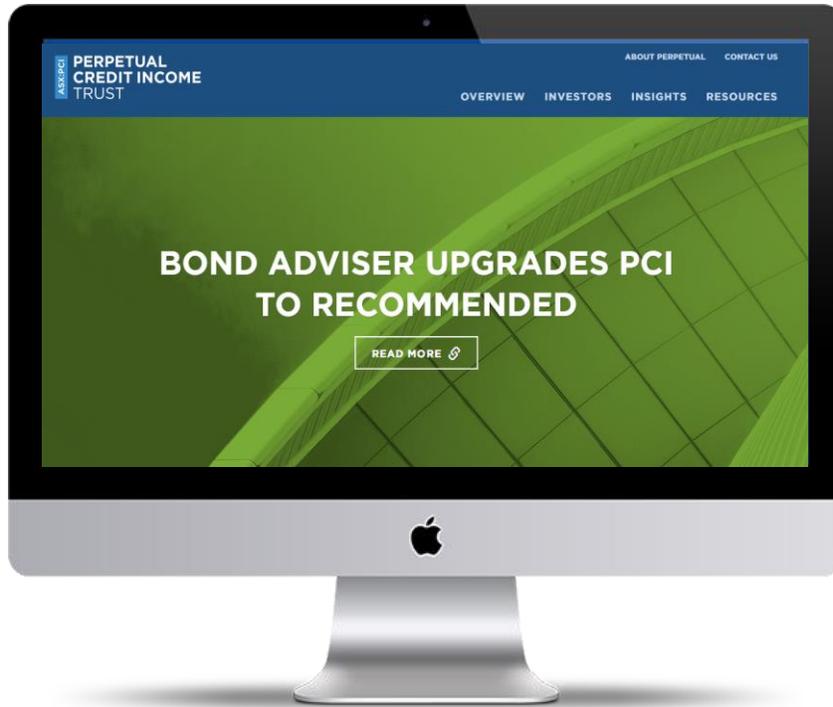
	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
Total unitholder return^	1.7%	2.8%	5.7%	7.0%	-	-	2.7%
RBA Cash Rate	0.0%	0.0%	0.0%	0.0%	-	-	0.3%
Excess Returns	1.7%	2.8%	5.6%	7.0%	-	-	2.4%
Distribution Return	0.3%	0.9%	1.8%	3.7%	-	-	3.2%

^ 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.

CONTINUING TO KEEP INVESTORS INFORMED

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