PERPETUAL CREDIT INCOME TRUST
ARSN 626 053 496

Perpetual

15 July 2022
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 30 June 2022 (as attached).

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

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Investor Relations, PCI
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E: karen.trau@perpetual.com.au

Yours faithfully

Teresa Lee-Antonas
Senior Client Manger
Perpetual Trust Services Limited

# PERPETUAL CREDIT INCOME TRUST

ARSN 626 053 496

# INVESTMENT UPDATE

## June 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 30 JUNE 2022 | AMOUNT |
|---|---|
| ASX unit price | $0.945 |
| NTA per unit[1] | $1.077 |

[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 30 JUNE 2022

| | |
|---|---|
| ASX code: | PCI |
| Structure: | Listed Investment Trust |
| Listing date: | 14 May 2019 |
| Market capitalisation: | $379 million |
| Units on issue: | 400,816,133 |
| 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]

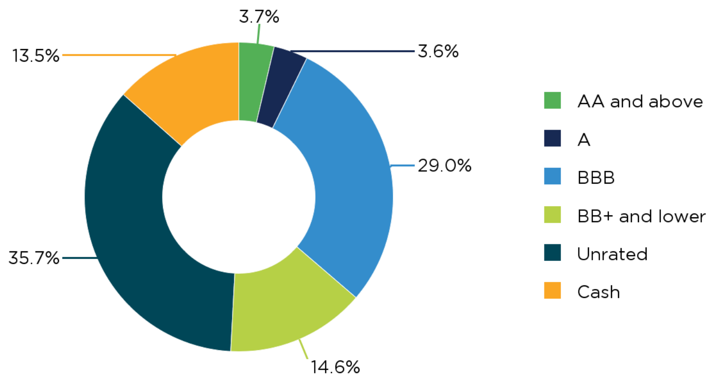
| AS AT 30 JUNE 2022 | 1 MTH | 3 MTHS | 6 MTHS | 1 YR | 3 YRS P.A. | 5 YRS P.A. | SINCE INCEP P.A. |
|---|---|---|---|---|---|---|---|
| PCI Investment portfolio<br>Returns net of operating expenses | -0.7% | -0.8% | -0.5% | 0.7% | 3.0% | - | 2.9% |
| RBA Cash Rate | 0.1% | 0.1% | 0.1% | 0.1% | 0.3% | - | 0.4% |
| Excess returns | -0.8% | -0.9% | -0.6% | 0.6% | 2.7% | - | 2.6% |
| Distribution return | 0.4% | 1.2% | 2.2% | 3.9% | 3.8% | - | 3.6% |

[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 30 JUNE 2022 | AMOUNT |
|---|---|
| Number of holdings | 113 |
| Number of issuers | 87 |
| Running yield | 4.7% |
| Portfolio weighted average life | 2.4 years |
| Interest rate duration | 30 days |

## RATINGS BREAKDOWN




Source: Standard & Poor's and Perpetual Asset Management Australia. Data is as at 30 June 2022. All figures are unaudited and approximate.

## DISTRIBUTIONS CPU[5]

The table below shows the distribution in cents per unit for each distribution period in the respective financial year.

| AS AT 30 JUNE 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 | 0.36 | 0.41 | 0.39 | 0.46 | 0.49 | 4.38 |

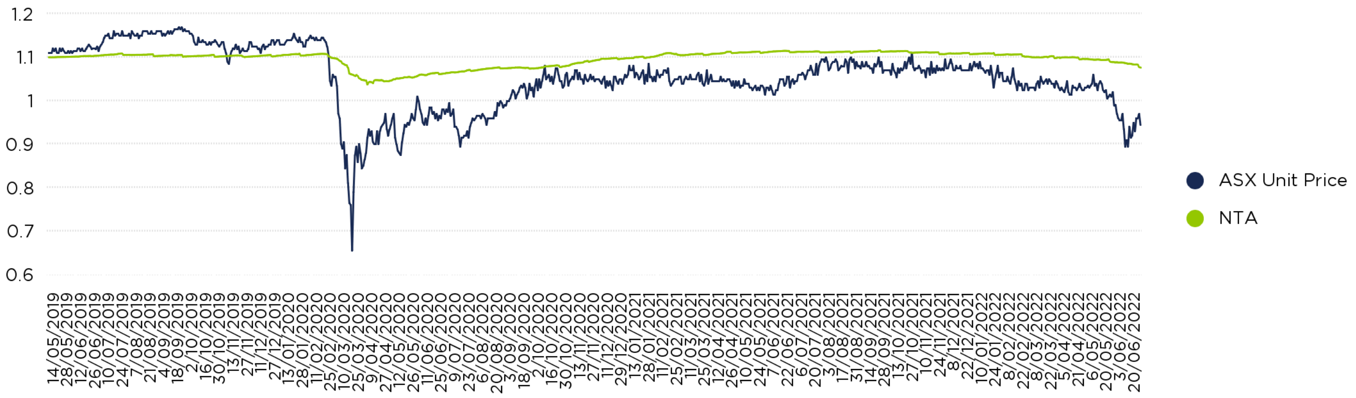
5 Distributions are stated as cents per unit and have been rounded to two decimal places. Detailed distribution announcements are available on the PCI website and are stated in Australian dollars rather than cents per unit. Distribution return has been calculated based on the PCI investment portfolio return less the growth of NTA. Past performance is not indicative of future performance.

## TOTAL UNITHOLDER RETURN[6]

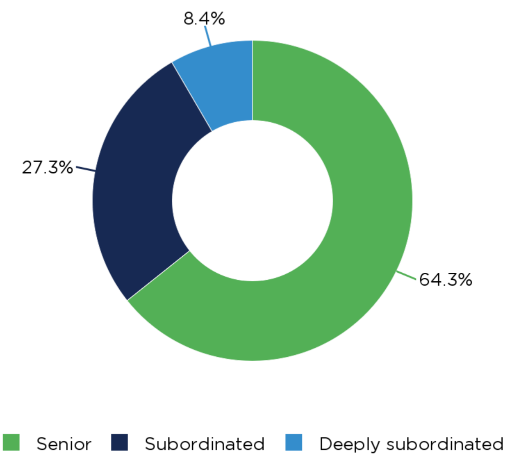
| AS AT 30 JUNE 2022 | 1 MTH | 3 MTHS | 6 MTHS | 1 YR | 3 YRS P.A. | 5 YRS P.A | SINCE INCEP P.A. |
|---|---|---|---|---|---|---|---|
| Total unitholder return | -6.0% | -8.4% | -10.8% | -5.7% | -1.8% | - | -1.1% |
| RBA Cash Rate | 0.1% | 0.1% | 0.1% | 0.1% | 0.3% | - | 0.3% |
| Excess returns | -6.0% | -8.4% | -10.9% | -5.8% | -2.0% | - | -1.4% |
| Distribution return | 0.5% | 1.2% | 2.1% | 3.8% | 3.7% | - | 3.6% |

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.

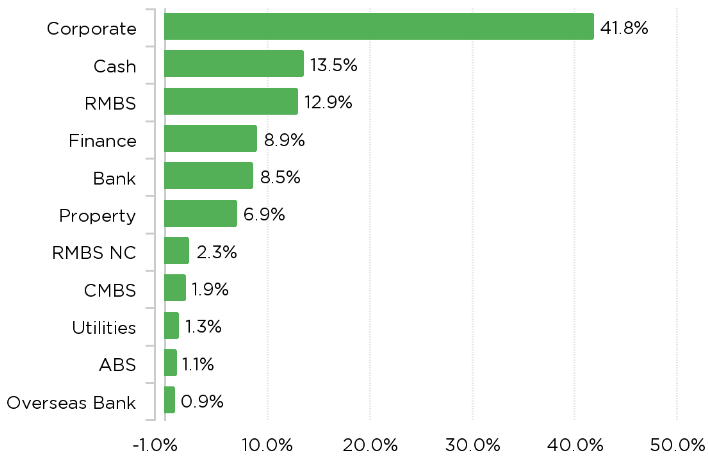
## NTA PER UNIT VS ASX UNIT PRICE PERFORMANCE




## SENIORITY BREAKDOWN




## SECTOR ALLOCATION




Source: Bloomberg and Perpetual Asset Management Australia. Data is as at 30 June 2022. All figures are unaudited and approximate.

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# PORTFOLIO UPDATE

The Trust's portfolio returned -0.7% in June, underperforming the Reserve Bank of Australia (RBA) Cash Rate (benchmark). Over the 12 months to 30 June 2022, the Trust's portfolio returned 0.7%, outperforming the benchmark by 0.6%.

Over an extremely challenging 12 months for fixed income and credit markets, the Trust's floating rate structure, defensive positioning and robust running yield has provided resilience. With bond yields and credit spreads selling off dramatically over the past six months, the Manager reiterates the importance of taking a long-term view and seeing through the "noise" in the immediate term. The Trust's positive 12-month return is notable. By contrast, the Bloomberg Ausbond Composite Index which tracks the domestic fixed income market (comprising government & semi government bonds and credit securities), has delivered -10.5% over the year, illustrating the benefits of not only floating rate credit but also active risk management. The Manager believes that risk factors such as rising interest rates, slowing growth, supply chain disruption and geopolitical risks that have resulted in elevated bond market volatility over the first half of 2022 persist and that looking forward, actively managed, value and quality focused floating rate credit will be crucial in providing downside protection to investors.

Financial markets were again in turmoil during June. Rising inflation weighed on equity and fixed income markets over the first two weeks of the month. Yields rose along the curve in reaction to accelerated monetary policy tightening, with the 10-year government bond yield rising above 4% during mid-June. High US inflation and the Fed's 75 basis point hike precipitated the global selloff in bonds. The RBA elected to increase the target cash rate by 50 basis points which was higher than market expectations. Recession risks took prominence over the second half of June with bond yields rallying while credit and equities continued to weaken. Through another tumultuous month for bond yields, the Trust's floating rate structure continues to significantly mitigate the impact of bond market volatility.

Credit spread dynamics were negative for performance as spreads continued to grind wider. Australian dollar spreads were more resilient than offshore peers, supported by reduced primary market issuance. Euro denominated spreads in particular widened dramatically following hawkish rhetoric from the European Central Bank and increasing economic growth concerns. The Trust's allocation to real estate investment trusts, banks and diversified financials were detractors from credit spread return over the month. Corporate credit spread return was mixed by sector with spreads in the technology sector widening sharply and the resources sector continuing to feel pressure from weakening materials demand.

During a period of persistent credit spread widening, it is important to reiterate that the Trust's running income remains the most substantial and predictable component of return. Sharply rising yields and widening credit spreads continue to benefit the Trust's robust running yield via increasing coupons on floating rate securities. Income return was the most significant contributor to performance during June and continues to offset the impact of credit spread widening.

The Manager believes that the Trust is well positioned to weather challenging conditions presented by elevated inflation, central bank tightening and slowing economic growth. The Manager has taken steps to reduce the credit risk in the portfolio in order to navigate these conditions. For example, the weighted average life (a measure of the Trust's sensitivity to credit spread movements) has been reduced over the last year. The Manager is confident that the Trust's robust running income and diverse exposure to quality issuers is well positioned to weather an environment of indiscriminate spread widening and the Trust retains the capacity to add risk at attractive valuations offered by widening spreads.

## 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.

## PERPETUAL KEY CONTACTS

### INVESTOR RELATIONS

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