
Perpetual Credit Income Trust (ASX: PCI)

Investor Presentation

March 2023

Trust is earned.

Perpetual 

Important note

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Our views on the current market environment

Banking sector

- Our credit outlook improved slightly in the first few weeks of March, as valuations improved slightly from their muted February levels
- However the events last week centring around a bank liquidity run in several US regional banks, significantly changed market sentiment and volatility.
 - Whilst the epicentre was the US regional banking market, the spread widening, softening liquidity, and risk aversion spread globally.
 - This trend continued at the end of the week and this week as Swiss headquartered global bank Credit Suisse lost significant investor confidence as it revealed in its annual reporting an audit finding of material weaknesses in its internal controls over financial reporting and as a result UBS has entered into a merger agreement with Credit Suisse.
- PCI had 13.4% allocated across both domestic and offshore banks.
 - PCI currently has no direct or indirect exposure (via underlying funds) to US issuers including US Banks.
 - Our offshore bank exposure centres on large banking franchises which are systemically important in their domestic and/or global jurisdictions. This focus means we have not made investments in regional & smaller US banks.
 - No direct exposure to Silicon Valley Bank or Credit Suisse.

Our views on the current market environment

Risk management

- Diversification - 130 assets across 91 issuers
 - 40.0% investment grade, 54.8% high yield (sub investment grade and unrated) and 5.2% cash
 - Each issuer typically comprises less than 2% of the portfolio
 - 85.6% exposure to Australian issuers and 9.2% exposure to foreign issuers (with none in US)
- Focus on quality issuers - strong balance sheets, recurring earnings and cash flows that meet their debt requirements.
- Short duration portfolio indicating a low sensitivity to a change in interest rates
 - Portfolio weighted average life of 3 years and interest rate duration of 45 days
- Any fixed rate exposure hedged via short government bond futures to manage interest rate risk
- No loans in the portfolio is subject to or at risk of impairment.

Sources of return

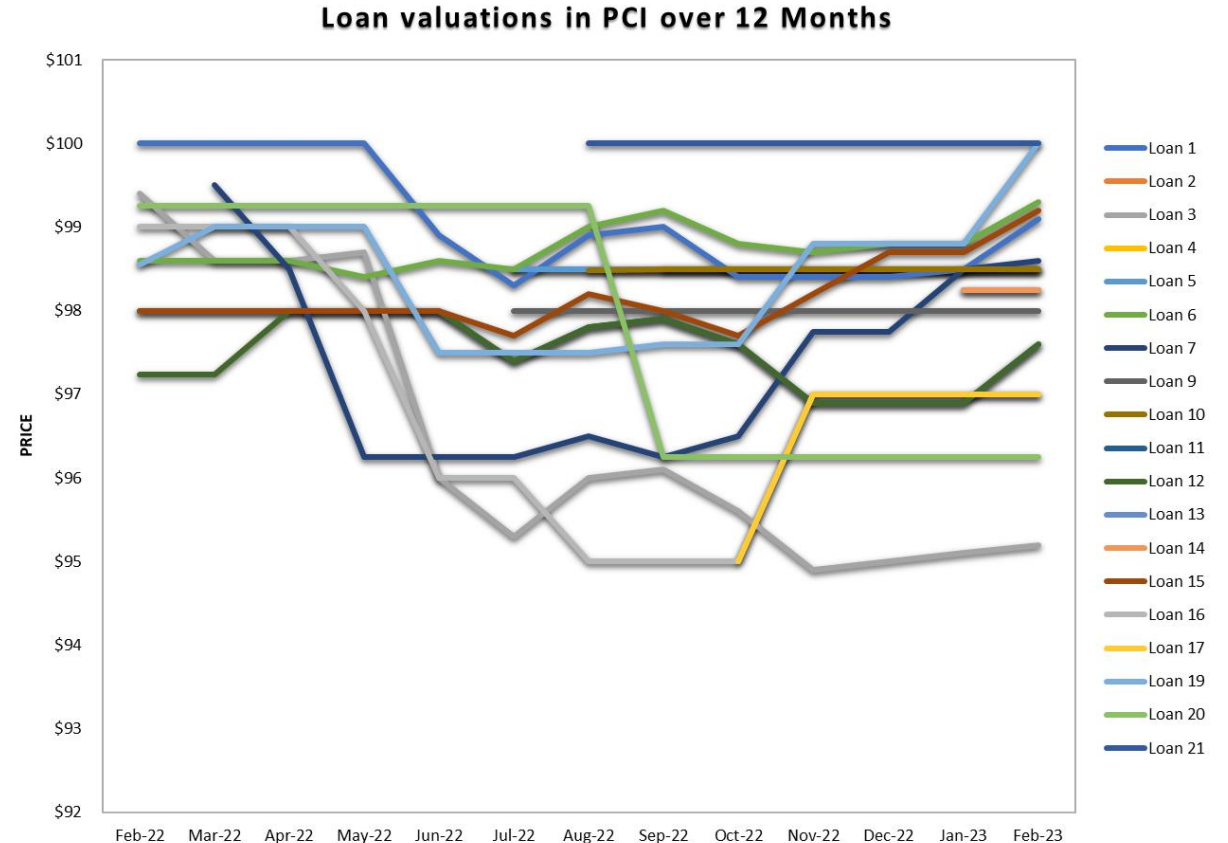
- PCI's portfolio running yield has increased to 6.8%^ and likely to provide a substantial and predictable component of return. This is expected to flow to monthly distributions paid to investors, which has a current yield of 5.3%*
- Market volatility has resulted in domestic credit spreads moving wider and we are seeing some investors selling fixed income assets. This has provided the Portfolio Manager with some additional attractively priced fixed income opportunities to generate returns for the portfolio.
- Relative value opportunities likely to be in blue-chip companies, short-dated debt with robust yields and assets high in capital structure (seniority of repayment in the event of a wind-up)

^ as at 28 February 2023. Running yield is the anticipated return on the asset if its held to maturity, assuming nothing else changes. It is calculated at a point in time and is done on each security and a weighted total derived (based on NAV).

*Yield is calculated based on the total distributions in the last 12 months and the NTA of \$1.088 as at 28 February 2023. Past performance is not indicative of future performance.

Valuations and fee transparency

- Current economic conditions, movements in credit spreads and risks of credit impairment have significantly impacted valuations.
- An estimate NTA is released to the ASX daily and is marked-to-market representing the full value of the assets of the portfolio. This includes loans with the chart showing the valuations of loans in the PCI portfolio being updated to reflect elevated volatility in markets.
- Further, PCI does not retain any upfront fees that may be paid by the borrower (issuer) when negotiating a deal with PCI as the lender. If fees are received, PCI passes through 100% of these fees to ensure investors receive the full benefit.



Source: Perpetual Investment Management Limited. Data is as at 28 February 2023. Loans de-identified due to confidentiality obligations with borrowers.

Current portfolio

Examples of direct and indirect exposures in the PCI portfolio are below:

Issuer	Credit rating	Sector	Asset
Ampol	Unrated	Oil and gas	Floating rate note
IAG	Investment grade	Insurance	Floating rate note
Santos	Investment grade	Energy	US denominated fixed rate bond
Mineral Resources	Sub investment grade	Metals & mining	Fixed rate bond
Incitec Pivot	Investment grade	Chemicals	Fixed rate bond
NAB	Investment grade	Bank	Floating rate note
QBE	Investment grade	Insurance	Floating rate note
Qantas	Investment grade	Airline	Floating rate note
AUB Group	Unrated	Insurance	floating rate corporate loan
Arnotts	Sub investment grade	Food	Floating rate corporate loan
SCF Group	Unrated	Building materials	Floating rate corporate loan
Colonial First State	Sub investment grade	Financial	Floating rate corporate loan

Perpetual Loan Fund

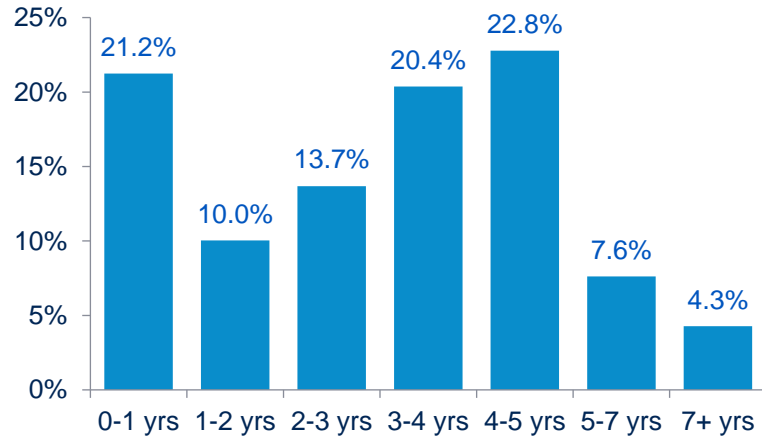
As at 28 February 2023, the Perpetual Loan Fund comprised 42.0% of the PCI. The Perpetual Loan Fund comprises 19 issuers that have terms of between 1 and 6 years but the issuers typically repay prior to maturity.

These examples are a selection of assets currently held within the Perpetual Credit Income Trust portfolio.
Source: Perpetual Investment Management Limited, as at 28 February 2023.

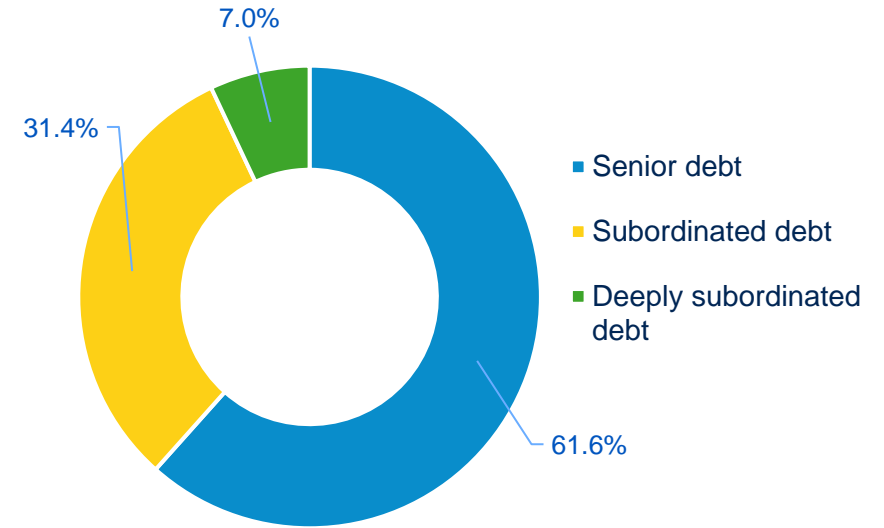
Portfolio composition

As at 28 February 2023

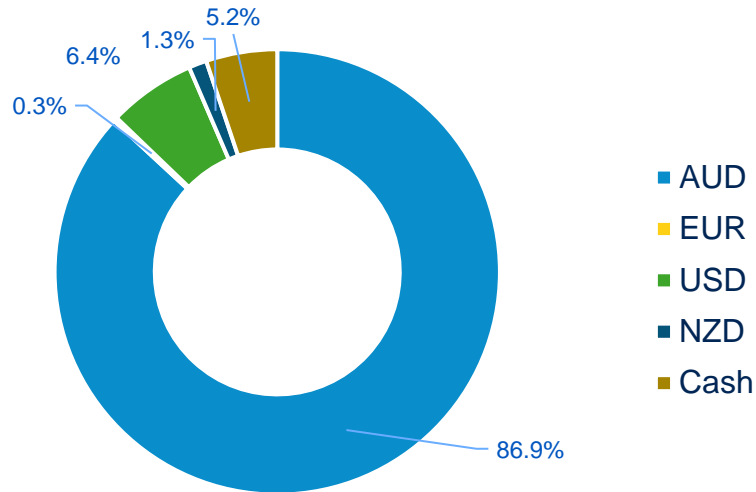
Breakdown by maturity



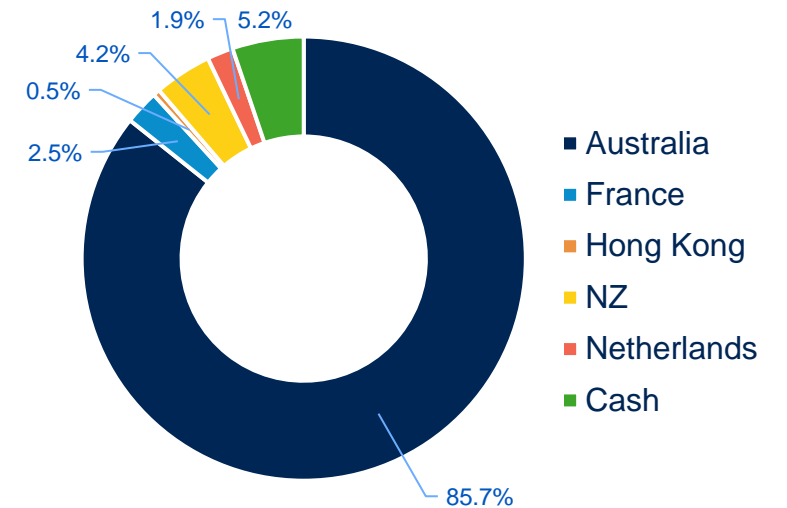
Breakdown by seniority (capital structure)



Breakdown by currency



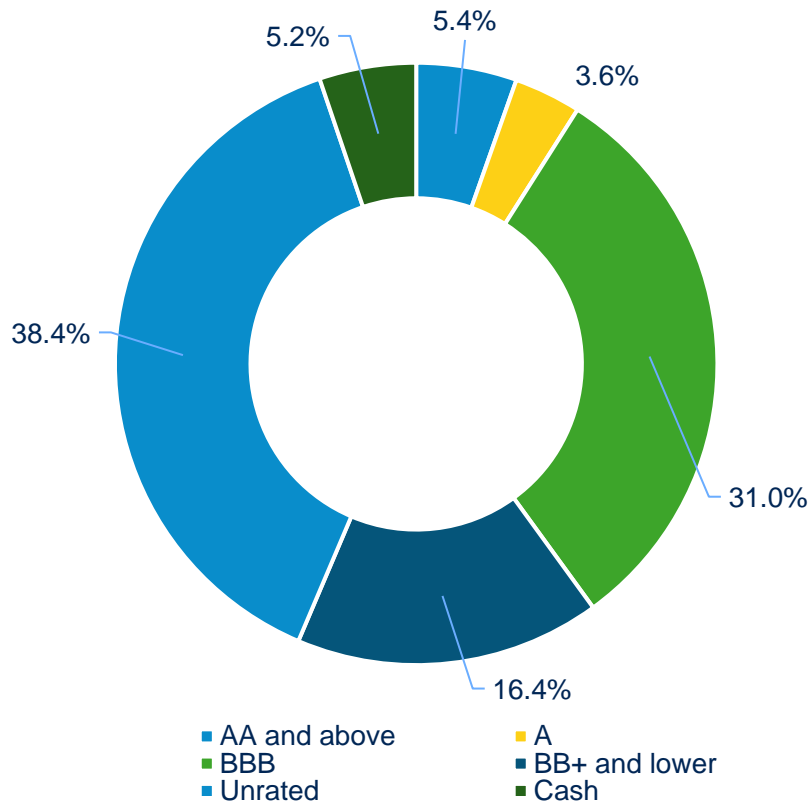
Breakdown by domicile of issuer



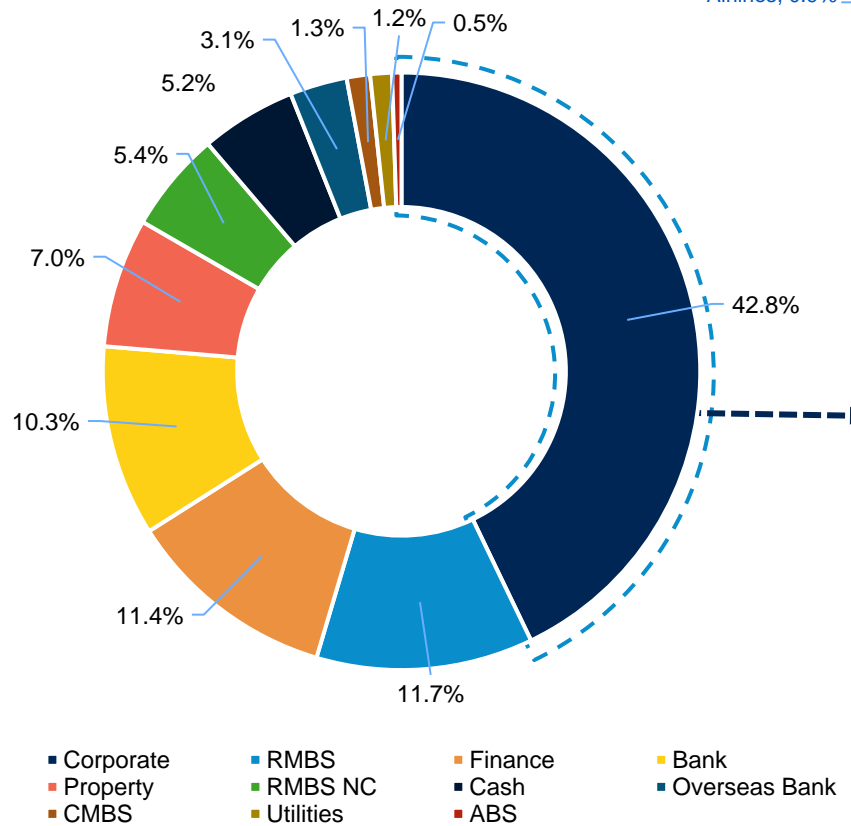
Portfolio composition

As at 28 February 2023

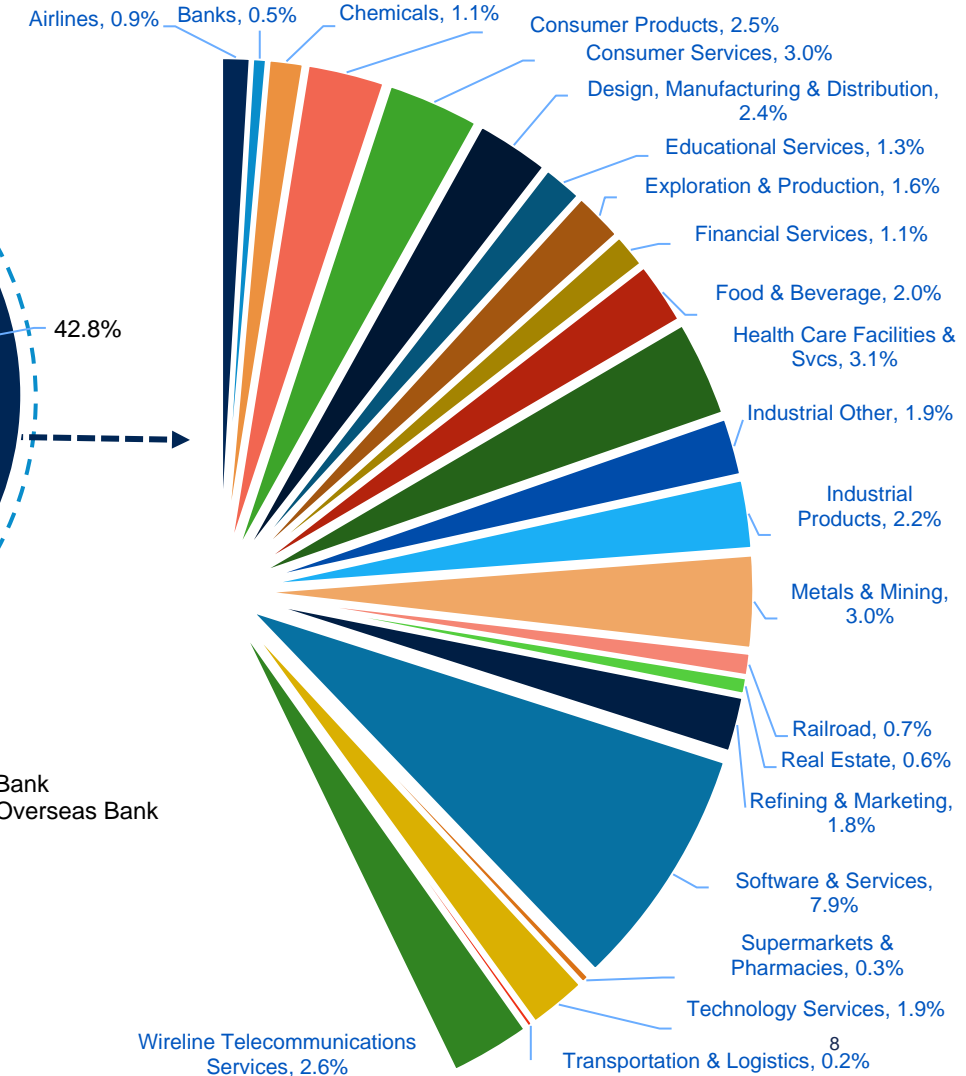
Breakdown by credit rating



Sector allocation



Breakdown by corporate sector



Source: Standard & Poor's, Bloomberg and Perpetual Investment Management Limited. All figures are unaudited and approximate. Figures may not sum due to rounding.

Appendix

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
<5%	Perpetual Securitised Credit 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

Risks may include, but are not limited to: ASX liquidity, investment, credit or default, credit margin and leverage risks.*

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.

* For more information on the risks associated with an investment in PCI, please refer to section 7 of the Product Disclosure Statement (PDS).

Perpetual's specialist Credit and Fixed Income team

One of the most experienced, stable and proven teams in the Australian market

Perpetual's highly regarded senior portfolio management team have been investing together for over a decade.



MICHAEL KORBER

Managing Director
Credit and Fixed Income

- Portfolio Manager - Pure Credit Alpha, PCI
- 41 years experience, 18 years at Perpetual

