

ASX: PCI

**PERPETUAL**  
CREDIT INCOME  
TRUST

# Investor Presentation

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January 2024

Perpetual 



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# Important note

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# Perpetual Credit Income Trust (ASX: PCI)

Active and risk aware investment process founded on delivering predictable and repeatable performance while preserving capital

## 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.<sup>1</sup>

## Investment guidelines



### Typically 50 – 100 assets

30% - 100%	Investment grade assets <sup>2</sup> Maximum issuer limit 15%
0% - 70%	Unrated or sub-investment grade assets <sup>3</sup> Maximum issuer limit 10%
70% - 100%	Assets denominated in AUD
0% - 30%	Assets denominated in foreign currencies <sup>4</sup>
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

An investment in PCI is subject to risks which may include, but are not limited to: ASX liquidity, investment, credit or default, credit margin and leverage risks.\*

<sup>1</sup> This is a target only and may not be achieved.

<sup>2</sup> An investment grade asset has a higher probability of payment of interest and repayment of principal.

<sup>3</sup> A sub-investment grade asset has a higher risk that the issuer may not be able to meet interest payments or the repayment of principal if difficult conditions arise.

<sup>4</sup> Foreign currencies are typically hedged back to the Australia dollar.

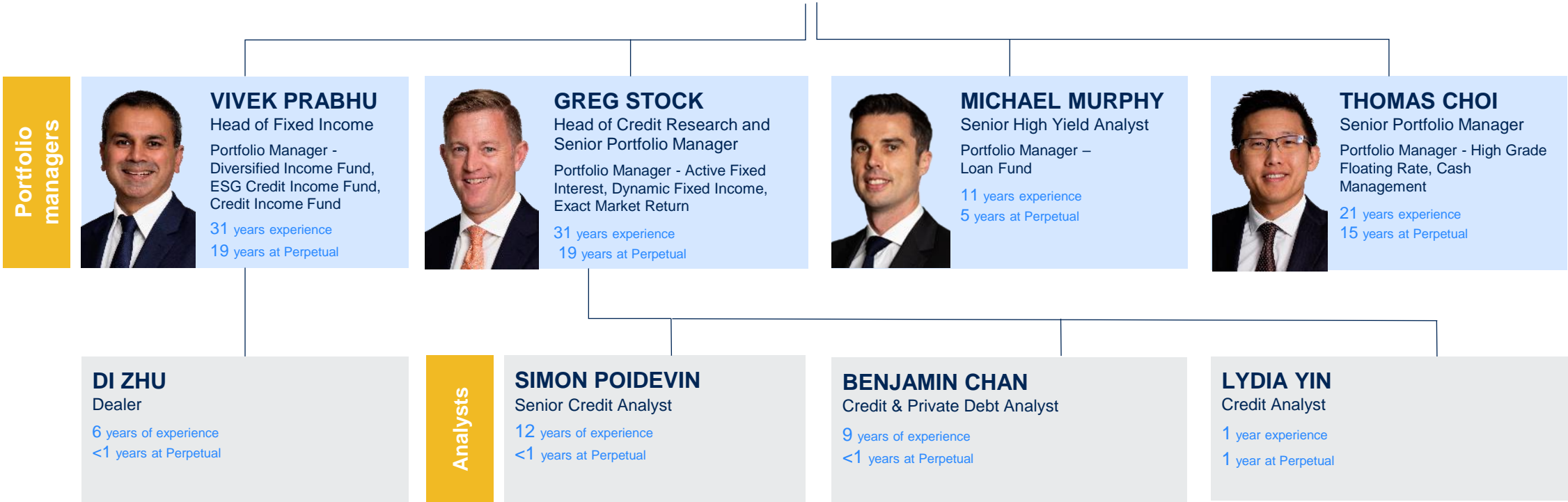
\* For more information on the risks associated with an investment in PCI, please refer to section 7 of the Product Disclosure Statement (PDS).

# Perpetual's specialist Credit and Fixed Income team

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



**MICHAEL KORBER**  
Managing Director of Credit and Fixed Income  
Portfolio Manager - Pure Credit Alpha, Credit Income Trust  
42 years experience, 19 years at Perpetual



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# Market update

## Improvement in growth outlook but we are maintaining a cautious stance

- Ongoing repricing of US monetary policy expectations and a subsequent fall in bond yields easing financial conditions
- US exhibiting exceptionalism counterbalanced by challenges in the broader global economy

## Market demand is healthy in primary and secondary markets

- Primary markets are experiencing record book builds and reduced new issue concessions
- Securitised transactions are being over subscribed
- Secondary market liquidity is strong
- High yield market has been muted since start of 2024, however, we expect issuance to pick up in coming months

## Technical indicators such as US credit, equity and equity volatility are positive

- Bond yields have calmed following a volatile last quarter of 2023
- Market positioning is supportive for risk

## We are seeing valuations become richer

- Certain sub-sector pockets of the market still present value opportunities

# Portfolio summary



Well diversified  
portfolio

- 119 assets across 82 issuers
- Each issuer exposure typically 1 – 2%
- Specialists in Australian corporate credit (bonds, floating rate notes and loans) and RMBS/ABS
- Corporate credit has exposure to a broad range of industries/sectors



Income

- Running yield of the portfolio has increased from 6.6% to 8.1% over 12 months to 31 January 2024
- Income return has consistently been the most significant contributor to portfolio return



Active, risk aware  
and opportunistic  
investing

- Investing with high conviction and identifying the best relative value opportunities across the full spectrum of credit and fixed income assets, in Australia and globally.
- Short duration portfolio to mitigate interest rate risk – 34 days duration; 2.6 years portfolio weighted average life
- Hedging – fixed rate bonds hedged back to floating rate; foreign currency exposures hedged back to AUD
- No loans in the portfolio are assessed as being at risk of impairment or default

# Key holdings

Issuer	Credit rating	Sector	Asset
<b>Ampol</b>	Investment grade	Oil and gas	Floating rate note
<b>Ausnet</b>	Investment grade	Utilities	Floating rate note
<b>IAG</b>	Investment grade	Insurance	Floating rate note
<b>Santos</b>	Investment grade	Energy	US denominated fixed rate bond (Hedged)
<b>Scentre Group</b>	Investment grade	Consumer services	US denominated fixed rate bond (Hedged)
<b>NAB</b>	Investment grade	Bank	Floating rate subordinated note & USD Fixed rate senior (Hedged)
<b>Centuria Capital</b>	Investment grade	REIT	Hybrid capital note
<b>Iron Mountain</b>	Sub investment grade	Record Storage	Floating rate corporate loan
<b>MYOB</b>	Sub investment grade	Software and services	Floating rate corporate loan
<b>SCF Group</b>	Unrated	Building materials	Floating rate corporate loan
<b>Arnotts</b>	Sub investment grade	Food	Floating rate corporate loan
<b>Legal software</b>	Unrated	Commercial services	Floating rate corporate loan

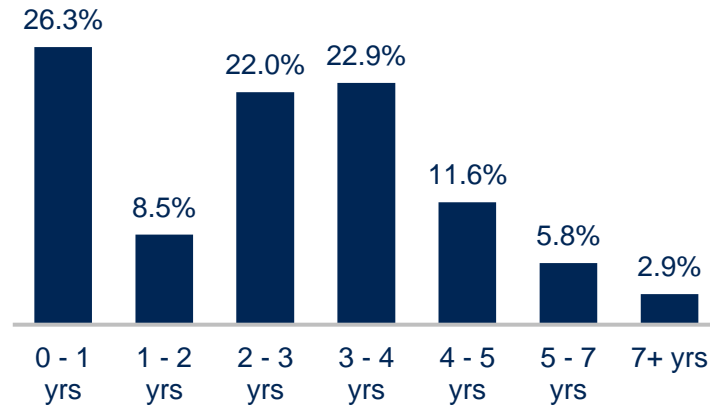
## Perpetual Loan Fund

- 19 issuers that have terms of between 1 and 6 years but the issuers typically repay prior to maturity.
- All loans valued independently at fair value.
- As at 31 January 2024, Perpetual Loan Fund comprised 47.6% of PCI.

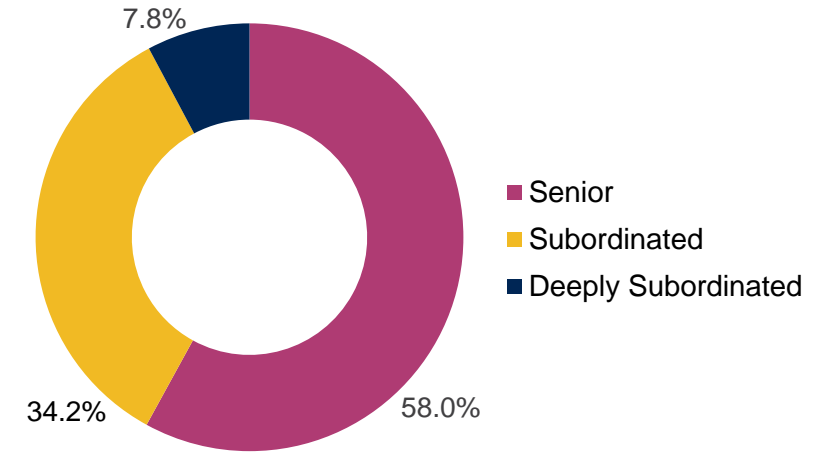
# Portfolio composition

As at 31 January 2024

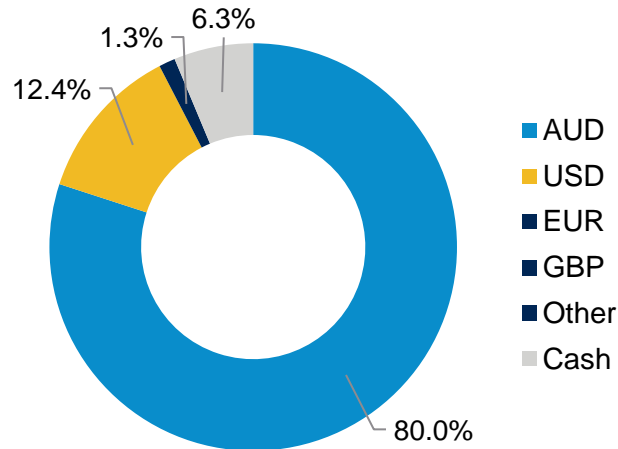
## Breakdown by maturity



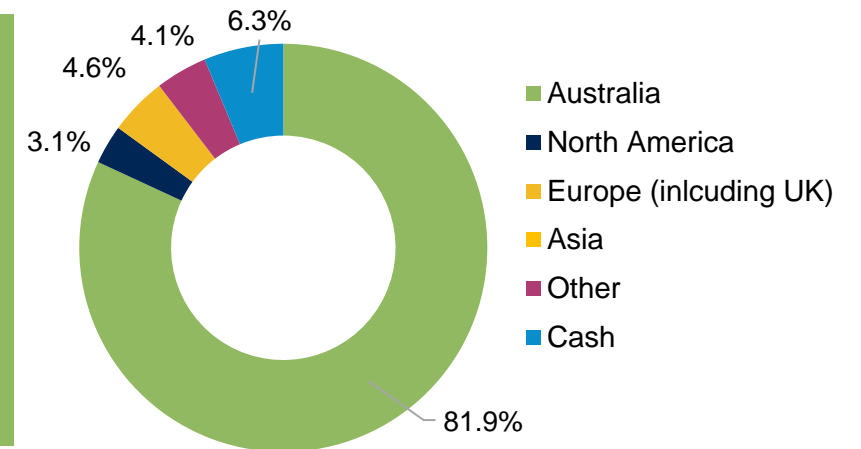
## Breakdown by seniority (capital structure)



## Breakdown by currency



## Breakdown by domicile of issuer



Source: Standard & Poor's, Bloomberg and Perpetual Investment Management Limited.

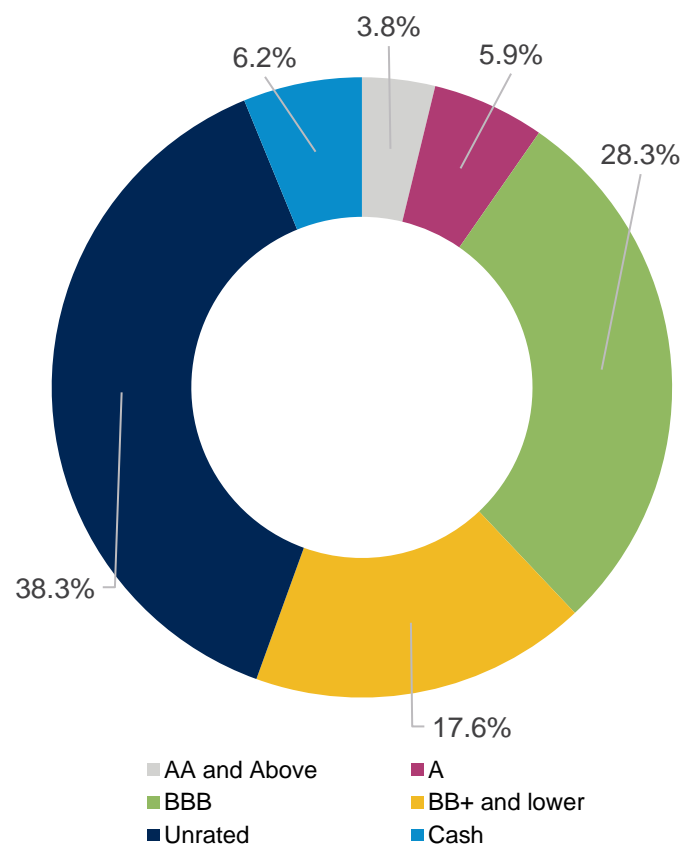
As at 31 January 2024, foreign currency exposures were hedged to Australian dollar floating rate. All figures are unaudited and approximate. Figures may not sum due to rounding.



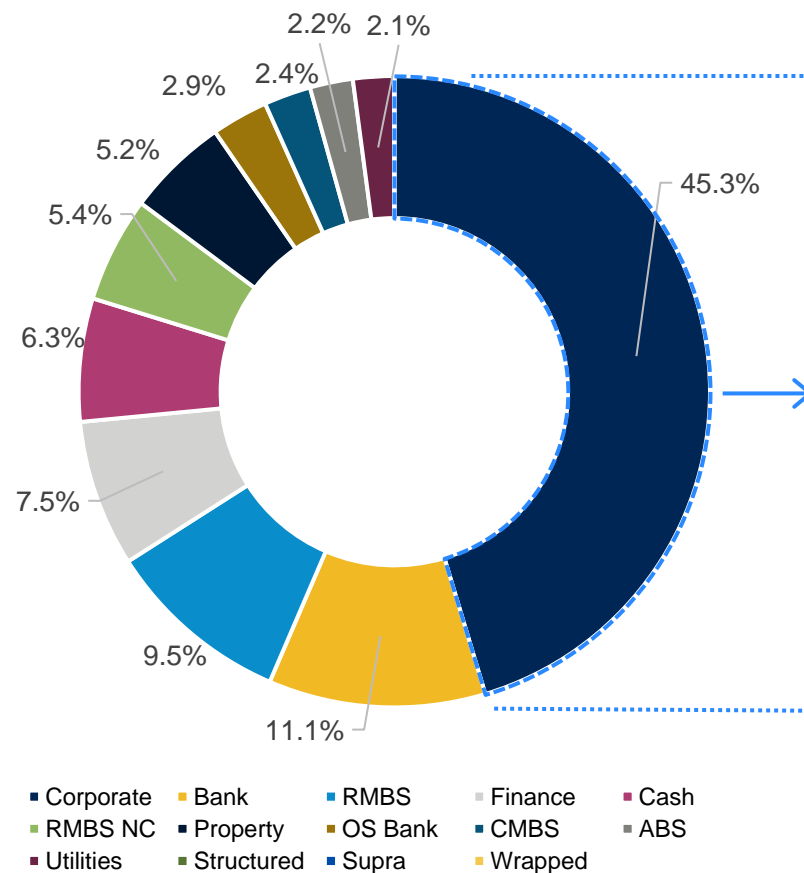
# Portfolio composition

As at 31 January 2024

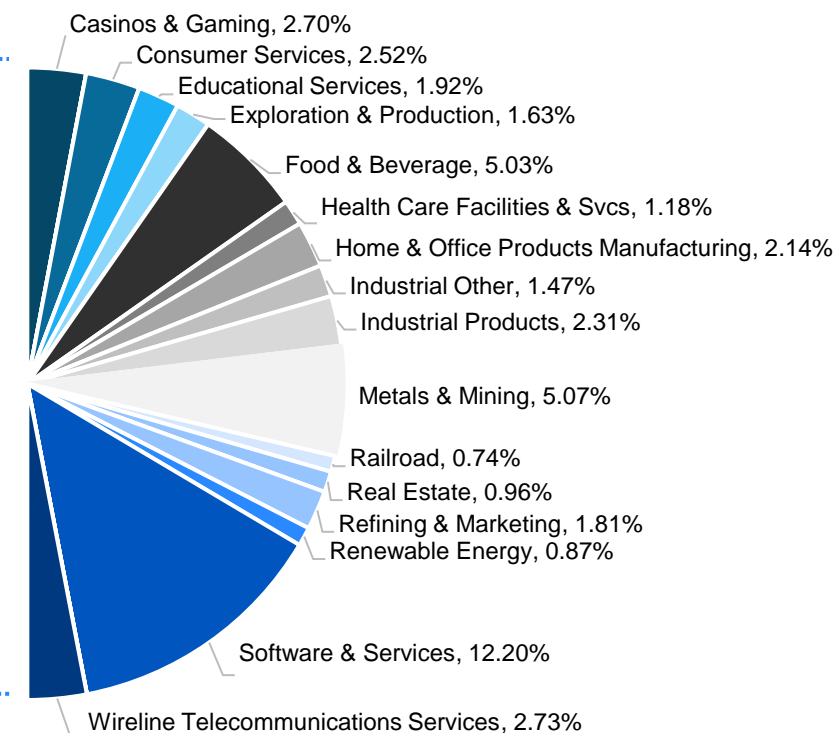
## Breakdown by credit rating



## Sector allocation



## Breakdown by corporate sector

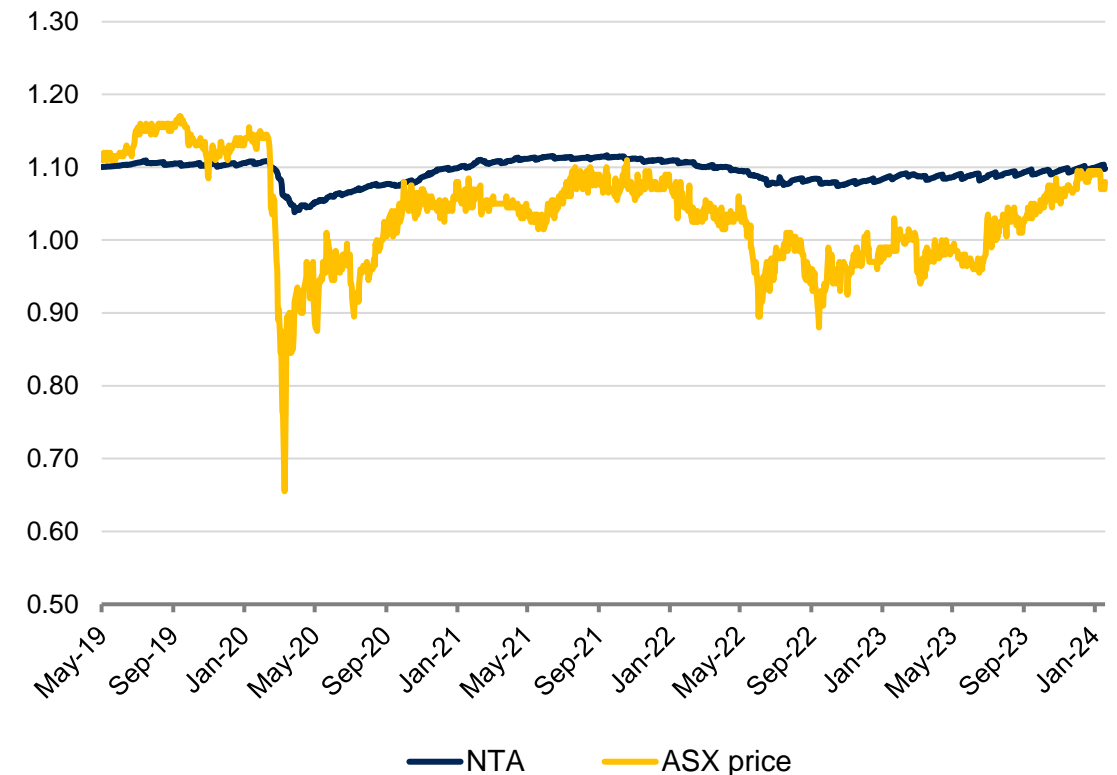


Source: Standard & Poor's, Bloomberg and Perpetual Investment Management Limited.  
All figures are unaudited and approximate. Figures may not sum due to rounding.

# Share price to NTA

- NTA has remained relatively stable, reflective of the defensive nature and quality of the underlying assets
- Estimated Daily NTA published on the ASX represents fair value of all assets
- As at 31 January 2024, PCI is trading at a -1.6% discount to NTA

**PCI share price to NTA**  
Inception to 31 January 2024



# PCI performance

## Investment performance

As at 31 January 2024	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since incep p.a.
<b>PCI Investment Portfolio*</b> Returns net of operating expenses	0.8%	2.6%	4.8%	9.2%	5.4%	-	4.7%
<b>Target Return^</b>	0.6%	1.9%	3.8%	7.5%	5.3%	-	4.8%
<b>Distribution Return</b>	0.6%	1.9%	3.8%	7.9%	5.5%	-	4.7%
<b>RBA Cash Rate</b>	0.4%	1.1%	2.1%	4.1%	1.9%	-	1.4%

\* Investment returns 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. The comparison to the RBA Cash Rate is not intended to compare an investment in PCI to a cash holding. The PCI investment portfolio is of higher risk than an investment in cash.

^ Target Return is RBA Cash Rate + 3.25% p.a. (net of fees) through the economic cycle. This is a target only and may not be achieved.

## Distribution (cents per unit)

- Delivered monthly income since inception
- Historical 12-month distribution yield is 7.5%#

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
<b>FY2023</b>	0.42	0.47	0.47	0.51	0.52	0.56	0.56	0.53	0.60	0.61	0.70	0.97	6.90
<b>FY2024</b>	0.67	0.68	0.67	0.68	0.68	0.68	0.68						4.74

Source: Perpetual Investment Management Limited, as at 31 January 2024

# Yield is calculated based on the total dividends of 8.145 cents per unit in the last 12 months and the closing share price of \$1.08 as at 31 January 2024. Past performance is not indicative of future performance.



**Thank you**

Perpetual *P*