

INVESTMENT UPDATE May 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 31 MAY 2022	AMOUNT
ASX unit price	\$1.010
NTA per unit ¹	\$1.089

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 INFORMATION²

AS AT 31 MAY 2022

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$405 million
Units on issue:	400,778,023
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 PERFORMANCE⁴

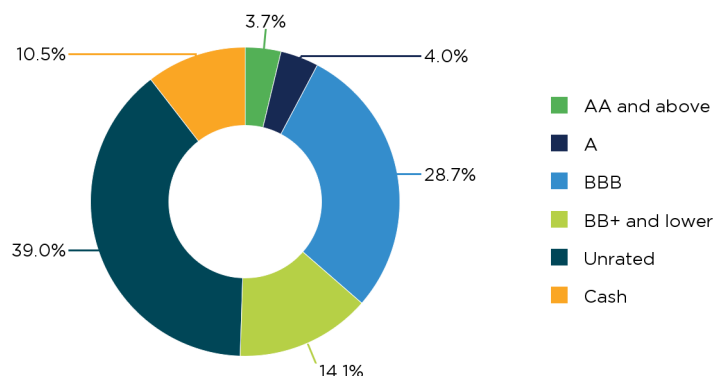
AS AT 31 MAY 2022	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PCI Investment portfolio	-0.2%	-0.1%	0.4%	1.9%	3.3%	-	3.3%
Returns net of operating expenses							
RBA Cash Rate	0.0%	0.0%	0.0%	0.1%	0.3%	-	0.4%
Excess returns	-0.2%	-0.1%	0.4%	1.8%	3.0%	-	2.9%
Distribution return	0.4%	1.1%	2.1%	3.8%	3.7%	-	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 31 MAY 2022	AMOUNT
Number of holdings	118
Number of issuers	93
Running yield	4.0%
Portfolio weighted average life	2.5 years
Interest rate duration	23 days

RATINGS BREAKDOWN



Source: Standard & Poor's and Perpetual Asset Management Australia. Data is as at 31 May 2022. All figures are unaudited and approximate.

DISTRIBUTIONS CPU⁵

The table below shows the distribution in cents per unit for each distribution period in the respective financial year. The annual distribution return is 3.8%. This is in line with the Trust's target return of RBA Cash Rate +3.25% (net of fees) through the economic cycle. This is a target only and may not be achieved.

AS AT 31 MAY 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	-	3.89

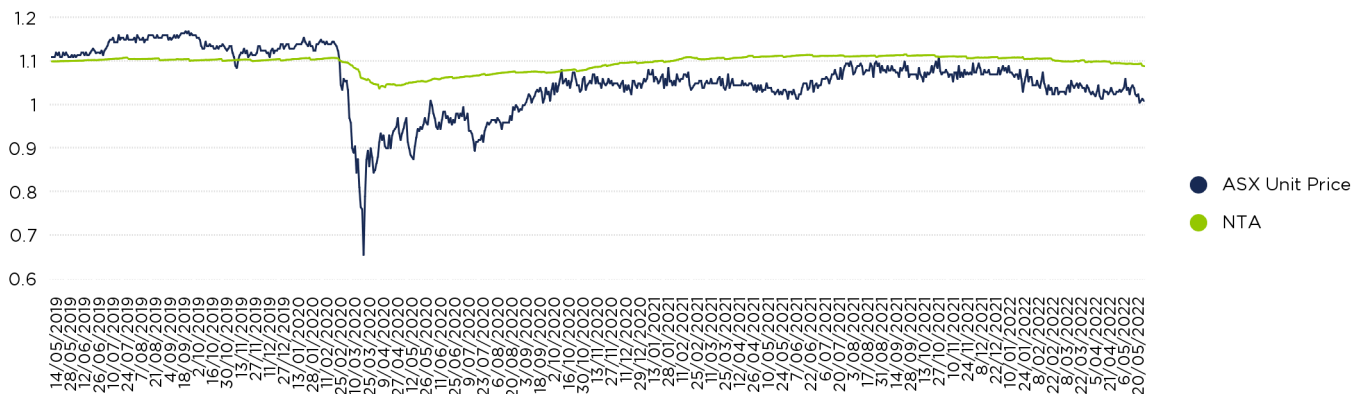
⁵ Distributions are stated as cents per unit and have been rounded to two decimal places. Detailed distribution announcements are available on the [PCI website](#) and are stated in Australian dollars rather than cents per unit. Distribution return has been calculated based on the PCI investment portfolio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

TOTAL UNITHOLDER RETURN⁶

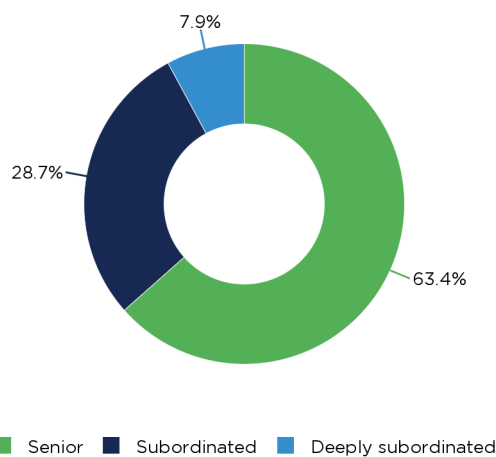
AS AT 31 MAY 2022	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
Total unitholder return	-1.5%	-0.2%	-3.5%	1.5%	0.6%	-	0.9%
RBA Cash Rate	0.0%	0.0%	0.0%	0.1%	0.3%	-	0.3%
Excess returns	-1.5%	-0.3%	-3.5%	1.5%	0.3%	-	0.6%
Distribution return	0.4%	1.2%	2.1%	4.0%	3.7%	-	3.6%

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.

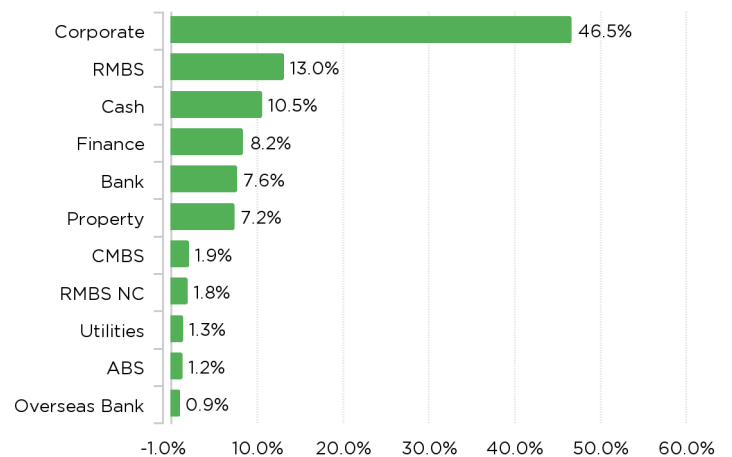
NTA PER UNIT VS ASX UNIT PRICE PERFORMANCE



SENIORITY BREAKDOWN



SECTOR ALLOCATION



Source: Bloomberg and Perpetual Asset Management Australia. Data is as at 31 May 2022. All figures are unaudited and approximate.

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PORTFOLIO UPDATE

Global financial markets moderated somewhat during May following a tumultuous start to the year. Domestic markets underperformed offshore peers across fixed income, credit and equities as the Reserve Bank of Australia (RBA) accelerated monetary tightening. Australian financial markets were impacted by the higher-than-expected May increase in the RBA target cash rate which saw Australian equities, credit and bonds underperform global peers over the month. The Trust maintains a low sensitivity to rising interest rates as a result of its floating rate structure.

The Trust's portfolio returned -0.2% in May, underperforming the RBA Cash Rate. Over 1 year, the Trust's portfolio has returned 1.9%. While not immune to month-to-month volatility, the Trust's resilience over the first five months of the year is notable when considering the turmoil in financial markets. The sharp rise in yields has seen fixed rate bond markets post their worst start to year ever. Throughout the recent selloff in bond markets, the Trust's floating rate structure has continued to insulate the portfolio from the impact of rising yields, while the Trust's running income has benefitted.

Income return remains the most significant contributor to performance and continues to mitigate the impact of widening credit spreads. In May, the Trust's income was predominantly generated by coupon payments and interest income from portfolio exposure to non-financial corporate bonds. Residential mortgage-backed securities (RMBS), non-bank financials and property also contributed to income return. The portfolio's running yield was 4.0% at month end.

Credit spread widening was the most significant detractor to performance over the month. Accelerated monetary policy tightening and economic growth concerns continue to contribute to spread expansion. The Trust's allocations to non-financial corporates, property and RMBS were the most significant detracting sectors. During periods of increased volatility in fixed income markets, it is important to reiterate that the Trust's running income remains the most substantial and predictable component of return. While the central bank tightening cycle may weigh on the outlook for credit spreads, the Trust's floating rate structure will benefit from rising interest rates as the running income increases. Furthermore, the recent spread expansion offers attractive entry points and relative value opportunities offering competitive yields.

The Manager elected to reduce risk in the portfolio in recognition of the challenging outlook for spreads. The portfolio's weighted average life (which indicates the sensitivity of the Trust's assets to changes in credit spreads) was shortened. Non-financial corporate exposures were trimmed, and the Trust ended the month with a slightly elevated cash allocation. Exposure to nonbank-financials and domestic bank were selectively increased. The Manager elected to take part in a new three-year deal from ANZ early in May before taking profits on a portion of the position later in the month. Elsewhere, the Trust took part in new deals from Macquarie Bank and Vicinity Centres in the last week of the month.

The outlook for credit has continued to deteriorate and remains negative. Perpetual's proprietary credit outlook score examines valuation, macroeconomic factors, supply and demand alongside technical indicators to quantitatively assess the outlook for credit spreads. Valuation indicators have turned slightly negative while disrupted liquidity in secondary markets and negative technical indicators continue to weigh on the outlook. The Manager is comfortable with the current level of risk in the portfolio and believes the Trust is well positioned to capitalise on buying opportunities presented by spread widening.

Santos Limited (Senior Credit Analyst: Simon Poidevin)

With credit markets facing a difficult outlook the Manager continues to look for issuers with positive tailwinds for their credit quality. ASX listed natural gas producer Santos Limited (ASX: STO) is one such issuer. The Trust holds a small allocation to US Dollar denominated debt issued by Santos.

The Manager believes that Santos is well positioned to benefit from current market conditions. Energy prices have surged over recent months, as a result of Russia's invasion of Ukraine and related sanctions. The Manager sees the spike in liquified natural gas (LNG) prices as a very positive tailwind for Santos's earnings and cash flow prospects. At the same time, it considers Energy to typically be a sector that performs well in inflationary environments.

In late 2021, Santos Limited merged with Oil Search which substantially increased the asset base of the company.

The Manager expects that some of the assets acquired through the merger will be sold to fund its growth strategy. Potential divestments include the firm's portfolio of Alaskan oil leases and a reduction of their exposure to Papua New Guinea LNG. These potential disposals would be supportive for creditworthiness by providing additional cash flows on top of the already robust operating cash flow. These flows could be used to fund the firm's growth strategy without necessitating the issuance of further debt. The Manager believes the strength and flexibility of Santos's balance sheet makes them an attractive issuer.

The Trust's exposure to Santos is via a US dollar denominated fixed rate bond which the Manager believes offers a attractive yield for its level of risk. Santos currently only has outstanding bonds denominated in US dollars. The ability to invest in foreign debt markets significantly expands the investable universe of the Trust and therefore the availability of relative value opportunities. The Manager hedges all foreign exchange and duration exposures.

The Trust's exposure to Santos debt offers an opportunity to access the benefits of favourable market conditions without the risk of equity exposure. At the same time, recent and potential M&A activity is expected to improve the creditworthiness and presents a good opportunity to access the growth opportunities of a listed Australian corporate at a lower level of risk.

INVESTOR COMMUNICATIONS

The [PCI website](#) hosts a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources. The [my investments](#) section of the website also includes details for the Automic Investor portal, where you can elect to receive regular communications, periodic statements and updates electronically.

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

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Before making any investment decisions you should consider the Product Disclosure Statement (PDS) for the Trust issued by PTSL and the Trust's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at www.perpetualincome.com.au or can be obtained by calling 1300 778 468 (within Australia) or +61(2) 9299 9621 (from overseas).

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