

## INVESTMENT UPDATE August 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 AUGUST 2022	AMOUNT
ASX unit price	\$0.980
NTA per unit <sup>1</sup>	\$1.080

<sup>1</sup> Daily Net Tangible Asset (NTA) is available at [www.perpetualincome.com.au](http://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 <sup>2</sup>

#### AS AT 31 AUGUST 2022

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$393 million
Units on issue:	400,889,569
Distributions:	Monthly
Management costs:	0.88% p.a. <sup>3</sup>
Manager:	Perpetual Investment Management Limited
Responsible Entity:	Perpetual Trust Services Limited

<sup>2</sup> Perpetual Credit Income Trust ARSN 626 053 496.

<sup>3</sup> Estimate inclusive of net effect of GST.

### INVESTMENT PERFORMANCE <sup>4</sup>

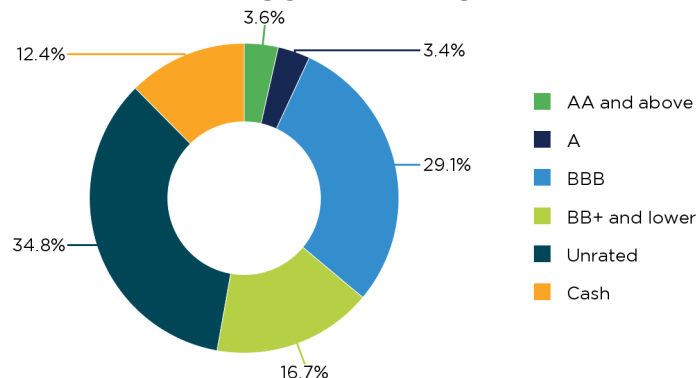
AS AT 31 AUGUST 2022	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PCI Investment portfolio Returns net of operating expenses	0.8%	0.5%	0.4%	1.4%	3.1%	-	3.2%
RBA Cash Rate	0.2%	0.3%	0.3%	0.4%	0.3%	-	0.4%
Excess returns	0.7%	0.1%	0.0%	1.1%	2.8%	-	2.7%
Distribution return	0.4%	1.3%	2.4%	4.2%	3.8%	-	3.7%

<sup>4</sup> 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. The comparison to the RBA Cash Rate is not intended to compare an investment in PCI to a cash holding. The RBA Cash Rate is displayed as a reference to the target return for PCI. The PCI investment portfolio is of higher risk than an investment in cash.

### PORTFOLIO SUMMARY

AS AT 31 AUGUST 2022	AMOUNT
Number of holdings	115
Number of issuers	86
Running yield	5.3%
Portfolio weighted average life	2.7 years
Interest rate duration	20 days

### RATINGS BREAKDOWN



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

## DISTRIBUTIONS CPU<sup>5</sup>

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

AS AT 31 AUGUST 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
FY2023	0.42	0.47	-	-	-	-	-	-	-	-	-	-	0.89

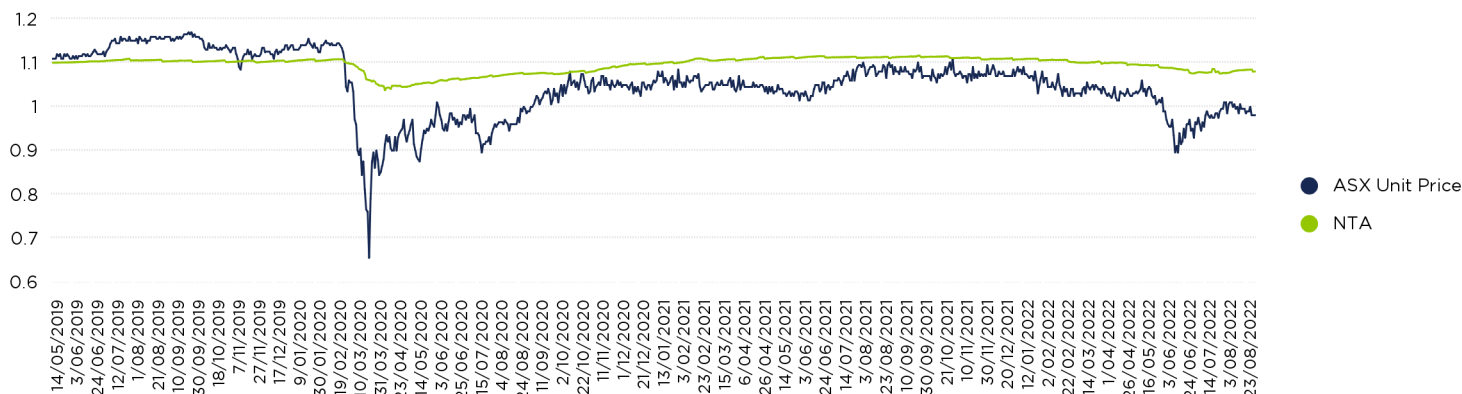
<sup>5</sup> Distributions are stated as cents per unit and have been rounded to two decimal places. Detailed distribution announcements are available on the [PCI website](#) and are stated in Australian dollars rather than cents per unit. Distribution return has been calculated based on the PCI investment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

## TOTAL UNITHOLDER RETURN<sup>6</sup>

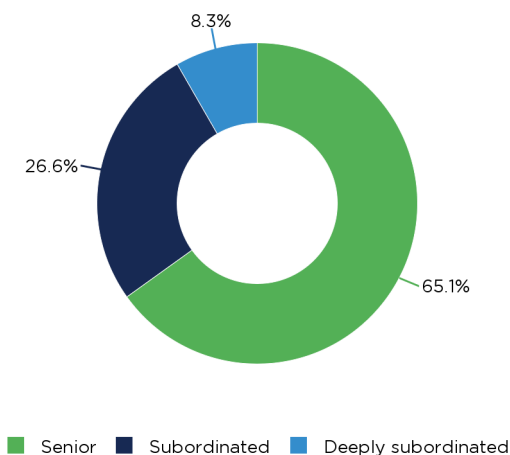
AS AT 31 AUGUST 2022	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
Total unitholder return	-1.0%	-1.6%	-1.8%	-6.0%	-1.5%	-	0.3%
RBA Cash Rate	0.2%	0.3%	0.3%	0.4%	0.3%	-	0.4%
Excess returns	-1.2%	-1.9%	-2.2%	-6.3%	-1.8%	-	0.0%
Distribution return	0.5%	1.4%	2.5%	4.1%	3.8%	-	3.8%

<sup>6</sup> 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. The comparison to the RBA Cash Rate is not intended to compare an investment in PCI to a cash holding. The RBA Cash Rate is displayed as a reference to the target return for PCI. The PCI investment portfolio is of higher risk than an investment in cash.

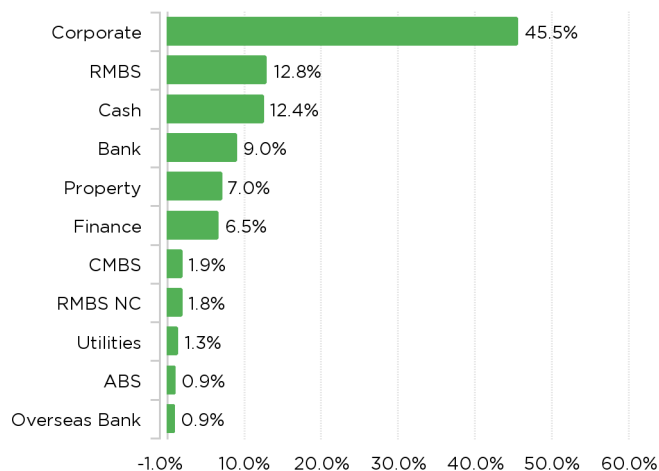
## NTA PER UNIT VS ASX UNIT PRICE PERFORMANCE



## SENIORITY BREAKDOWN



## SECTOR ALLOCATION



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

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## PORTFOLIO UPDATE

In August, the Trust continued to deliver on its investment objective to provide monthly income by investing in a diversified pool of credit and fixed income assets. The August distribution was paid on 7 September 2022 and contributed to an annual distribution return of 4.2%. The Trust's 1 year rolling distribution return has continued to increase in line with rising interest rates as expected by the Manager.

The Trust's portfolio returned 0.8% in August, outperforming the Reserve Bank of Australia (RBA) Cash Rate (benchmark). Over the 12 months to 31 August 2022, the Trust's portfolio returned 1.4%.

The reversal in fortunes of financial markets observed during July slowed during August. Bond yields rose in August while equities fell over the second half as hawkish central bank commentary saw investor sentiment weaken. Domestic bond yields rose throughout the month gaining more than 50 basis points (bps) at most tenors along the curve. The RBA maintained its aggressive tightening cycle, raising the target cash rate by 50bps in the first week of August, marking an increase of 1.75% since the start of May. The Manager maintained the Trust's floating rate exposure and believes it is well insulated from interest rate volatility as a result.

Credit spread tightening was mixed for performance during the month. Spreads rallied through the first two weeks of August before widening over the second half, ending the month slightly tighter on aggregate. Robust earnings season results and improved liquidity conditions in the secondary market supported performance. Non-financial corporate spreads contributed to performance, led by the Trust's exposure to Resources alongside Transport and Logistics spreads. Spread performance in Financials was also positive with the Trust's exposure to commercial real estate investment trusts (REITs) performing well. Elsewhere, the Trust's allocation to Residential Mortgage Backed Securities (RMBS) detracted from performance as securitised spreads widened.

Consistent with previous months, the most significant contributor to performance in August was the Trust's running income. The Trust's running yield increased from 4.7% in July to 5.3% in August and continues to be crucial as it provides a substantial and predictable component of return. The Trust's income was predominantly generated by coupon payments and interest income from portfolio exposure to non-financial corporates with contributions from RMBS, banks, and diversified financials.

The Trust's exposure to financials was selectively increased. The Manager elected to participate in new deals from ANZ, Commonwealth Bank and Suncorp. The Manager's outlook for credit markets remains negative and cautious as a result of disrupted supply and demand and deteriorating economic growth indicators. Therefore, it remains selective of the issuers of the portfolio and is focused on their quality, strength of their balance sheets, recurring earnings and cash flows to meet their debt requirements. At the same time, the Manager is focused on constructing a diversified portfolio and has invested in 115 assets across 86 issuers across a range of sectors.

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 is confident that the Trust's robust running income and diverse exposure to quality issuers will deliver amidst the market volatility. The Manager remains selective in adding risk to the Trust's portfolio and retains the capacity to add risk at attractive valuations offered by widening spreads.

### Issuer Profile – Legal Software (High Yield Analyst: Michael Murphy)

The Trust's position in a senior-secured term loan issued by Legal software reflects the attractive opportunities the Manager sees in the private debt market.

Legal Software offers cloud based legal practice solutions to manage and automate operations for law firms. Prior to the Trust participating in the most recent loan deal, the Trust was invested in a loan from Legal Software's parent company ATI. The Manager has invested in the company for a long time and has seen their management team execute well on their strategy, consistently grow market share and successfully enter new regions. Legal Software has a leading market position and robust recurring cashflows which the Manager considers very defensible.

The Manager views Legal Software's product offering to be superior to others in the market with the key competitive advantage being its integration with other products and the significant time and capital required by competitors to replicate their capabilities. The Manager has observed that Legal Software products are well embedded into client workflows, providing a sticky solution with material switching costs. The majority of revenue comes from recurring subscriptions and there is low customer churn.

The Manager believes that the Legal Software senior-secured loan offers a competitive yield and is attractive compensation for the level of risk. The deal also compares favourably to similar term loans offered by issuers in the Software as a Service space.

## INVESTMENT OBJECTIVE

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## 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

Karen Trau  
P: 02 9229 3138  
E: [karen.trau@perpetual.com.au](mailto:karen.trau@perpetual.com.au)

### NSW

Mark Williams  
Key Account Manager  
P: 0405 385 960  
E: [mark.williams@perpetual.com.au](mailto:mark.williams@perpetual.com.au)

### VIC/SA/NT/TAS

Daniel Moore  
Regional Manager  
P: 0400 032 819  
E: [daniel.moore@perpetual.com.au](mailto:daniel.moore@perpetual.com.au)

### QLD

Tony Harte  
Regional Manager  
P: 0407 708 109  
E: [tony.harte@perpetual.com.au](mailto:tony.harte@perpetual.com.au)

### WA

Tim McCallum  
Regional Manager  
P: 0411 209 403  
E: [tim.mccallum@perpetual.com.au](mailto:tim.mccallum@perpetual.com.au)

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## CONTACT DETAILS

Phone: 1300 778 468 within Australia,  
or +61(2) 9299 9621 outside Australia  
Email: [perpetual@automicgroup.com.au](mailto:perpetual@automicgroup.com.au)  
[www.perpetualincome.com.au](http://www.perpetualincome.com.au)

