

INVESTMENT UPDATE

June 2020

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 2020	AMOUNT
ASX unit price	\$0.960
NTA per unit ¹	\$1.062

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.

INVESTMENT PERFORMANCE⁴

AS AT 30 JUNE 2020	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PCI Investment portfolio	1.1%	1.8%	-1.9%	0.1%	-	-	0.4%
Returns net of operating expenses							
RBA Cash Rate	0.0%	0.0%	0.2%	0.6%	-	-	0.8%
Excess returns	1.1%	1.8%	-2.1%	-0.6%	-	-	-0.3%
Distribution return	0.3%	0.9%	1.8%	3.8%	-	-	3.4%

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 2020	AMOUNT
Number of holdings	102
Number of issuers	76
Running yield	4%
Portfolio weighted average life	4.4 years
Interest rate duration	18 days

KEY TRUST INFORMATION²

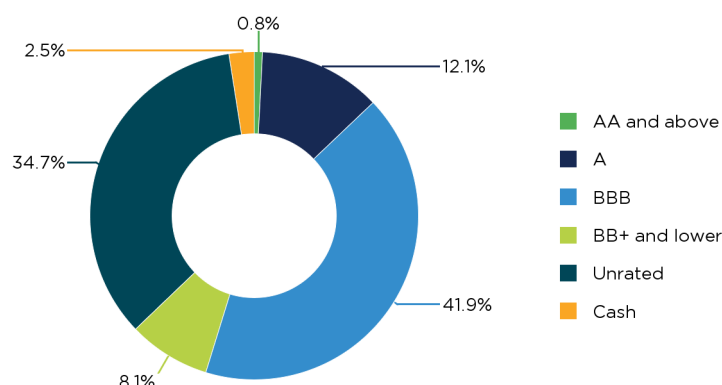
AS AT 30 JUNE 2020

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$384 million
Units on issue:	400,333,882
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.

RATINGS BREAKDOWN



Source: Standard & Poor's and Perpetual Investments. Data is as at 30 June 2020. All figures are unaudited and approximate.

DISTRIBUTIONS CPU⁵

PCI announced a 0.30 cent per unit (CPU distribution) for June paid on 7 July 2020. The annual distribution return is 3.8%. This is in line with the Trust's target return objective of the RBA cash rate + 3.25%.

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.

AS AT 30 JUNE 2020	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
FY2019	-	-	-	-	-	-	-	-	-	-	-	0.09	0.09
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

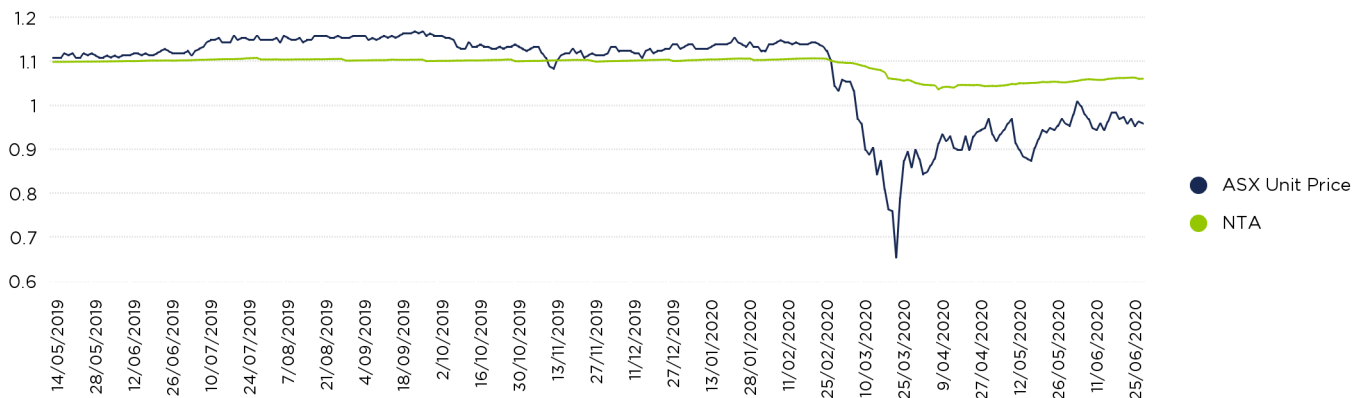
⁵ Distributions are stated as cents per unit and have been rounded to two decimal places. Detailed distribution announcements are available on the PCI website and are stated in Australian dollars rather than cents per unit.

TOTAL UNITHOLDER RETURN⁶

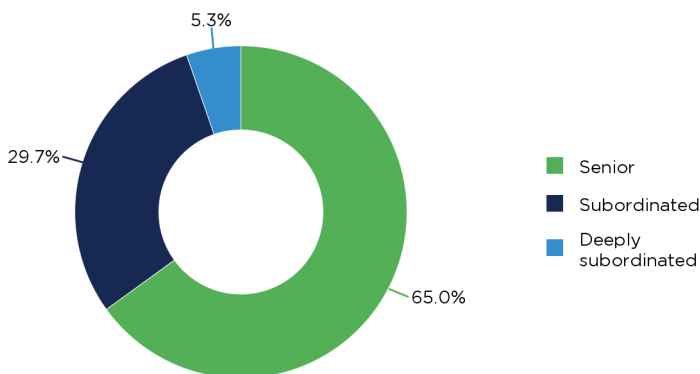
AS AT 30 JUNE 2020	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
Total unitholder return	0.3%	7.7%	-14.1%	-10.8%	-	-	-8.8%
RBA Cash Rate	0.0%	0.0%	0.2%	0.6%	-	-	0.8%
Excess returns	0.3%	7.6%	-14.3%	-11.5%	-	-	-9.7%
Distribution return	0.3%	1.0%	1.7%	3.5%	-	-	2.5%

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.

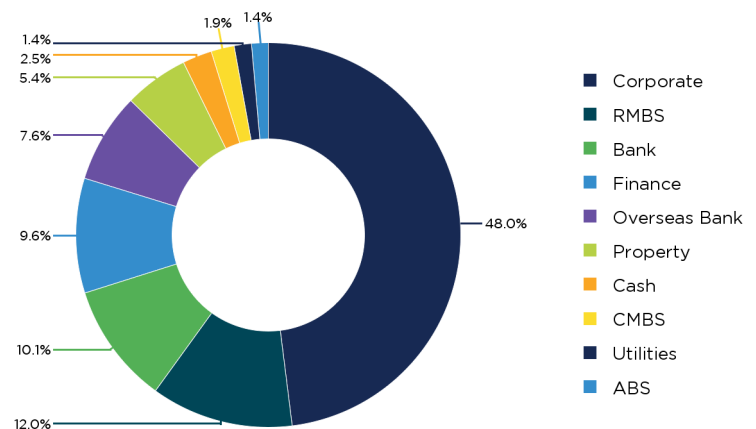
NTA PER UNIT VS ASX UNIT PRICE PERFORMANCE



SENIORITY BREAKDOWN



SECTOR ALLOCATION



Source: Bloomberg and Perpetual Investments. Data is as at 30 June 2020. All figures are unaudited and approximate.

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MARKET COMMENTARY

The recovery in financial markets continued through June. More broadly, equity and credit markets have performed strongly throughout the quarter following the support from monetary and fiscal policies. While the recovery in financial markets has been dramatic, economic and corporate earnings growth remain disrupted.

In June, credit spreads tightened and continued to recover from the acute widening observed in late February and March. However, the tightening of credit spreads was more subdued compared to recent months as the recovery began to slow across a number of sectors. The prevailing theme of the June quarter rally in credit spreads has been the outperformance of financial corporate spreads, especially those of major banks. In June, non-financial corporate spreads joined the rally, tightening through the month.

The secondary market saw diminished activity in June. Trading volumes were both reduced and spread volatility subsided. Primary issuance activity in June was mixed. Domestic financials were subdued while corporate issuance picked up through the month approaching historical averages for the first time since 2019. The securitised space was active in June with a number of deals going ahead. Residential mortgage backed securities (RMBS) and asset backed securities (ABS) issuance volume was in line with historical averages while spread tightening has lagged behind the banking sector and diversified financials.

TRUST COMMENTARY

The Trust portfolio's running yield at month end was 4.0%. The running yield is the expected return (based on NTA) of the portfolio assuming assets are held to maturity. Income return was predominantly associated with portfolio exposure to non-financial corporates, non-bank financials and RMBS. The Trust's largest allocation by credit rating is to BBB rated issuers which aims to provide a competitive yield while managing credit risk.

Credit spread tightening was the main contributor to positive performance for the Trust during June. Domestic banks and non-financial corporates were the key contributing sectors. Offshore banks and non-bank financials also continued to perform well. The top contributor to spread return was the Trust's exposure to Qantas debt. Qantas spreads rallied during June. Qantas had initially sold off due to the effects of COVID-19, however, their spreads rallied subsequently following Moody's keeping their rating unchanged.

The Manager actively managed credit risk throughout the month, reducing credit risk by increasing the Trust's allocation to senior debt. Senior debt ranks higher in priority of repayment of capital if a company is wound up, compared to subordinated debt. The Manager also actively managed issuer exposures and realised gains on positions that have outperformed. The Trust consolidated profits by selling down strong performing positions in Woolworths and Qantas debt. Issuer exposures were also rotated into the offshore banking sector.

The Trust ended the month with a slightly increased cash position which provides some portfolio protection against volatility while affording the capacity to invest in relative value opportunities. As the credit outlook improves, the Trust is well positioned to exploit relative value opportunities in sectors and issuers that are expected to recover further. Towards the end of the month, the Trust added a position in a newly issued 10-year Brisbane Airport note at an attractive valuation. Brisbane Airport came to market with an \$850 million deal that includes a 1% step up in the case of a ratings downgrade. This means the bond has an initial interest or coupon rate but also has a feature where the coupon rate can increase by 1% in the event the bond experiences a downgrade in its credit rating. Optus Finance also issued \$850 million of debt which was met with demand and priced tighter than initial guidance. The Trust took part in the Optus Finance deal, increasing the exposure to the telecommunications sector. Throughout the year, the sector has performed well due to increasing demand from consumers as a result of the impact of COVID-19 and the associated lockdown and social distancing policies.

The Manager maintains its approach, investing in what it believes are good quality corporate issues, with an attractive running yield. This includes investing in companies which the Manager believes have a good balance sheet, predictable cash flow and quality, capable management. The Manager's disciplined risk aware investment process and approach to active asset management means the Manager will not invest in an asset unless they have high conviction. The Manager continues to identify what are believed to be the best relative value opportunities.

INVESTMENT STRATEGY

The Trust will hold a diversified and actively managed portfolio of domestic and global credit and fixed income assets. 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. The Trust will typically be invested in 50 to 100 assets. Derivatives may be used as part of the Trust's Investment Strategy.*

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.

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

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.

Anne Moal

Anne is an experienced credit markets specialist, having worked for 22 years in credit and fixed income markets in research, origination and trading roles. Anne joined the Credit and Fixed Income Team at Perpetual Investments in 2014. Anne is the portfolio manager of the Perpetual Loan Fund with a focus on higher yielding income opportunities.

PERPETUAL KEY CONTACTS

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*For further details on the Trust's Investment Strategy please see the Trust's PDS dated 8 March 2019 at www.perpetualincome.com.au

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