PERPETUAL CREDIT INCOME TRUST

ARSN 626 053 496

INVESTMENT UPDATE

September 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 SEPTEMBER 2020	AMOUNT
ASX unit price	$1.025
NTA per unit [1]	$1.074

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 INFORMATION [2]

AS AT 30 SEPTEMBER 2020

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	$410 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.

INVESTMENT PERFORMANCE [4]

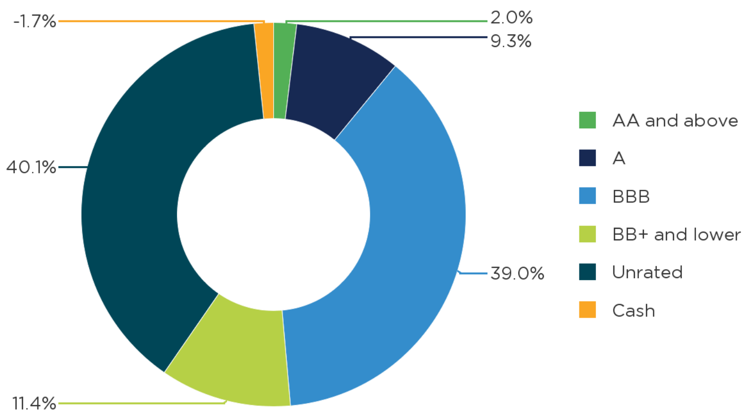
AS AT 30 SEPTEMBER 2020	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PCI Investment portfolio Returns net of operating expenses	0.2%	2.0%	3.9%	1.1%	-	-	1.8%
RBA Cash Rate	0.0%	0.0%	0.1%	0.4%	-	-	0.7%
Excess returns	0.2%	2.0%	3.8%	0.7%	-	-	1.1%
Distribution return	0.3%	0.9%	1.8%	3.7%	-	-	3.5%

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 SEPTEMBER 2020	AMOUNT
Number of holdings	104
Number of issuers	80
Running yield	4.3%
Portfolio weighted average life	4.5 years
Interest rate duration	40 days

RATINGS BREAKDOWN



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

DISTRIBUTIONS CPU[5]

The table below shows the distribution in cents per unit paid each month in the respective financial year. The annual distribution return is 3.7%. 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 30 SEPTEMBER 2020	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	-	-	-	-	-	-	-	-	-	0.93

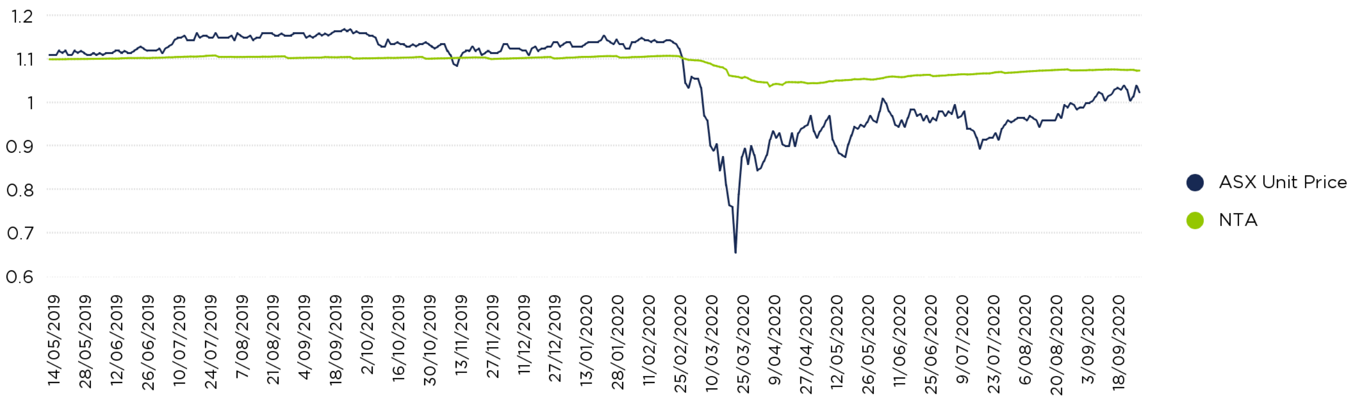
5 Distributions are stated as cents per unit and have been rounded to two decimal places. Detailed distribution announcements are available on the PCI website and are stated in Australian dollars rather than cents per unit. Distribution return has been calculated based on the PCI investment portfolio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

TOTAL UNITHOLDER RETURN[6]

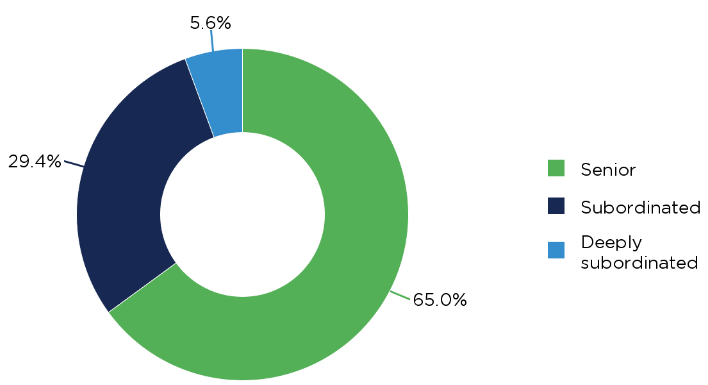
AS AT 30 SEPTEMBER 2020	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A	SINCE INCEP P.A.
Total unitholder return	3.3%	7.8%	16.1%	-8.5%	-	-	-2.1%
RBA Cash Rate	0.0%	0.0%	0.1%	0.4%	-	-	0.9%
Excess returns	3.3%	7.7%	16.0%	-9.0%	-	-	-3.0%
Distribution return	0.3%	1.0%	2.2%	3.5%	-	-	2.8%

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

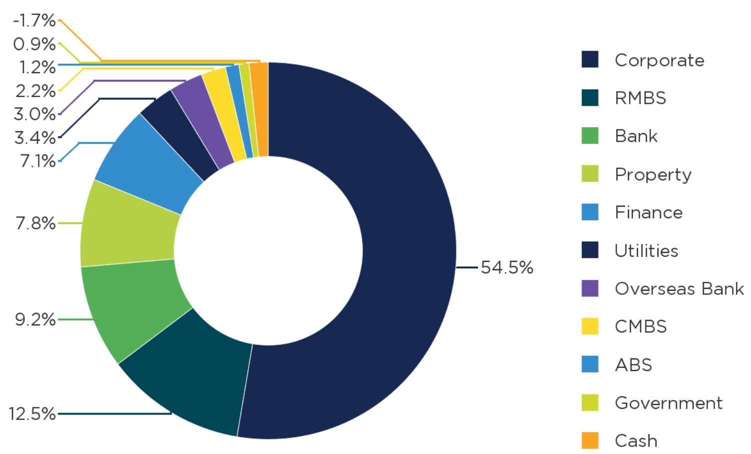


SENIORITY BREAKDOWN



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

SECTOR ALLOCATION



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

MARKET COMMENTARY

The sustained rally in global credit spreads and equities slowed through September. Equities gave back some of the gains made during the recent recovery, led by an early month sell-off in US technology stocks.

Global credit spreads widened in September, indicating more uncertain or declining economic conditions. This means compensation or return demanded for accepting credit risk has increased. Credit default swap spreads – which measure the demand for credit risk insurance – widened, also suggesting an increased level of risk aversion. Overall, non-financial corporates outperformed financials during September as financial spreads gave back some of their recent gains. Credit spread performance within the non-financial corporate space remains mixed. Non-cyclical sectors such as utilities, consumer staples and telecommunications have performed better through the recovery and remained resilient in September. Industries reliant on foot traffic, interstate and international mobility such as infrastructure, airlines, universities, and consumer discretionary remain impacted.

Government bond yields fell globally over the month. The Reserve Bank of Australia (RBA) maintained the target cash rate of 0.25% at the September meeting and reaffirmed their yield curve control policy targeting the 3-year yield. A subsequent speech from Deputy Governor Debelle entertained the possibility of extending quantitative easing or making further rate cuts of less than 25 basis points. Australian bond yields outperformed global peers as the market began to price in further monetary easing from the RBA.

While the global economic outlook has been significantly impacted by COVID-19, central bank support and improved trading conditions have supported valuations. The macro-economic outlook remains the most significant impediment to credit performance. However, the Manager believes that with volatility also comes potential investment opportunities. In particular, the lag with the corporate sector is providing these opportunities in the current market conditions. The Manager continues to conduct rigorous relative value assessments to identify assets that provide attractive returns.

TRUST COMMENTARY

The portfolio's income generating assets primarily comprise corporate bonds, asset backed securities and private loans. Importantly, the receipt of these payments from borrowers is an obligation (unlike dividends from listed companies which are declared at the discretion of the Board of companies). Therefore, predictability of coupon payments is typically high. The allocation to high yield assets which includes sub-investment grade and unrated assets also provides the opportunity to generate higher returns for the portfolio and complement the more than 50% allocation to investment grade assets.

In September, income was predominantly generated by coupon payments and interest income from portfolio exposure to non-financial corporates, residential mortgage backed securities (RMBS) and property sectors. The Trust maintains its running yield by investing in a diverse mix of assets across issuers, sectors and asset types. The Trust portfolio's running yield at month end was 4.3% which increased from 4.1% in August 2020. The running yield is the expected return (based on net tangible assets) of the portfolio assuming assets are held to maturity. As portfolio running yield was the key contributor to performance during September, it has more than offset any decline experienced in the Trust's portfolio.

Credit spread dynamics contributed to performance in September despite credit spreads widening on aggregate over the month. The Manager's selection of what it believes are quality issuers for the Trust's portfolio combined with its positioning across sectors has contributed to a positive credit spread return relative to trends in the broader credit market. Key sectors contributing to performance were non-financial corporates and RMBS . On the other hand, credit spreads widened in the property sector and decreased the value of the Trust's existing assets in this sector. Regardless, assets in the property sector were still able to deliver interest income and contribute to the portfolio's running yield as mentioned above.

The Manager slightly increased the portfolio's exposure to the utilities sector by participating in a new deal from SGSP Australian Assets, which is an unlisted Australian company that operates energy infrastructure assets and gas pipelines. The Manager notes that throughout the recent recovery, credit spreads in the non-cyclical sectors such as utilities have outperformed and retain resilience in times of economic uncertainty. As a result, the Manager considered the issuance of a senior unsecured fixed rate note provided an attractive relative value opportunity to generate returns for the portfolio.

Allocation to tier 2 subordinated debt was also increased in September. The Manager took part in Commonwealth Bank's 10-year tier 2 deal. Following an active August for the major banks, Commonwealth Bank was the only bank to come to market in September, undertaking a $1.4 billion tier 2 subordinated issue early in the month. While the major banks continue to issue subordinated debt, major bank senior issuance has been absent due to the impact of the RBA's recently expanded Term Funding Facility which offers easy access to capital. While subordinated debt ranks lower in repayment priority it offers higher relative yields in comparison to senior debt. The portfolio's capital structure risk level was actively managed with exposure to regional bank subordinated debt being trimmed over the month. Consistent with the Manager's active management approach, issuer exposures within the offshore financial sector were rotated. In late September, the Manager participated in a tier 2 deal through the issuance of the DBS 10.5-year floating rate note. The $300 million deal was met with robust demand and priced tighter than initial guidance. Elsewhere, sector allocations were maintained over the month. The Trust's Qantas exposure was shortened, taking profits on longer dated issues and reinvesting in shorter dated positions.

During the month, the fair value of certain private loan assets within the portfolio were revised upward. As a result, these private loan assets were amongst the largest contributors to performance for the Trust's portfolio. All loans assets within the Trust's portfolio have been valued at fair value having considered any impairment. The Manager has regular access to information to enable credit risk to be monitored on an ongoing basis. The Manager regularly evaluates this information which includes the borrower's financial reports produced on a regular basis (typically monthly or quarterly) as well as access to the management team of the relevant borrower. This allows the assessment of the loans to be current and timely. The full value of the portfolio's assets is reflected in the Trust's estimated Net Tangible Asset (NTA) Statement released to the ASX daily, providing investors with transparency as to the portfolio value. The NTA released daily reflects fair value.

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.

Anne Moal

Head of Corporate High Yield

Portfolio Manager:
Perpetual Loan Fund

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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