

INVESTMENT UPDATE March 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 31 MARCH 2020	AMOUNT
ASX unit price	\$0.900
NTA per unit ¹	\$1.053

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 31 MARCH 2020	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP
PCI Investment portfolio	-4.1%	-3.6%	-2.6%	-	-	-	-1.3%
Returns net of operating expenses							
RBA Cash Rate	0.0%	0.2%	0.4%	-	-	-	0.8%
Excess returns	-4.2%	-3.8%	-3.0%	-	-	-	-2.1%
Distribution return	0.3%	0.9%	1.9%	-	-	-	3.0%

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. A full month of performance is not available for May 2019 as the Trust launched mid-month.

PORTFOLIO SUMMARY

AS AT 31 MARCH 2020	AMOUNT
Number of holdings	87
Number of issuers	65
Running yield	4.4%
Portfolio weighted average life	4.5 years
Interest rate duration	-31 days

KEY TRUST INFORMATION²

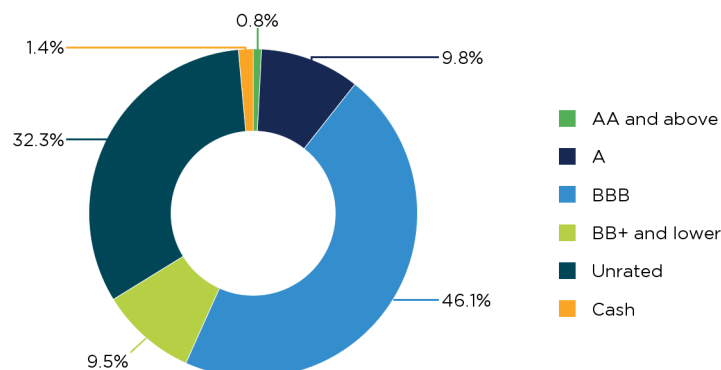
AS AT 31 MARCH 2020

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$360 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 31 March 2020. All figures are unaudited and approximate.

DISTRIBUTIONS CPU⁵

PCI announced a 0.33 cent per unit (CPU) distribution for March paid on 7 April 2020. The annualised financial year to date distribution rate is 3.87%*. This is in line with the Trust's target return objective of the RBA cash rate + 3.25% (net of fees) through the economic cycle.

*Based on NTA per unit as at 30 June 2019. Past performance is not indicative of future performance.

AS AT 31 MARCH 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	-	-	-	3.35

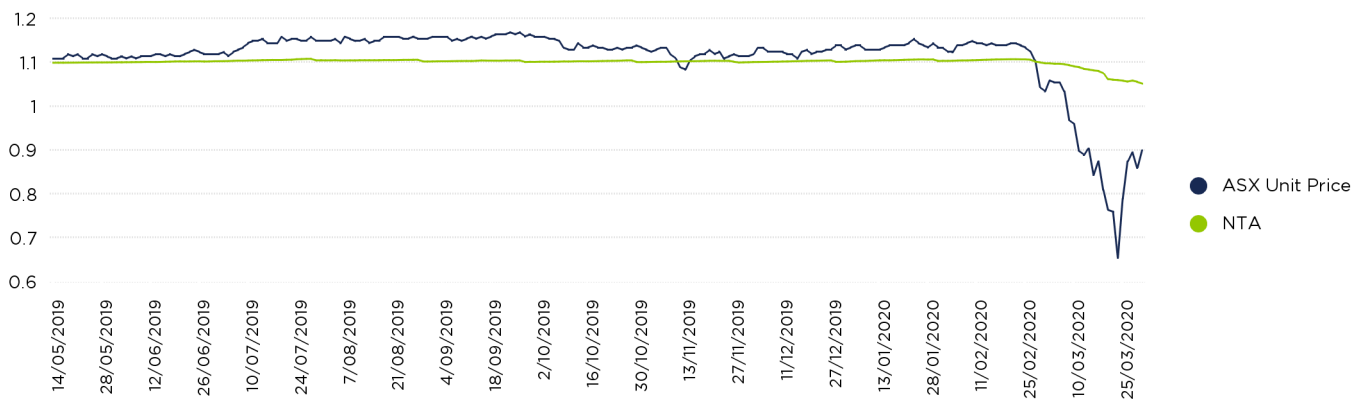
⁵ Distributions are stated as cents per unit and have been rounded to two decimal places. Detailed distribution announcements are available on the PCI website and are stated in Australian dollars rather than cents per unit.

TOTAL UNITHOLDER RETURN⁶

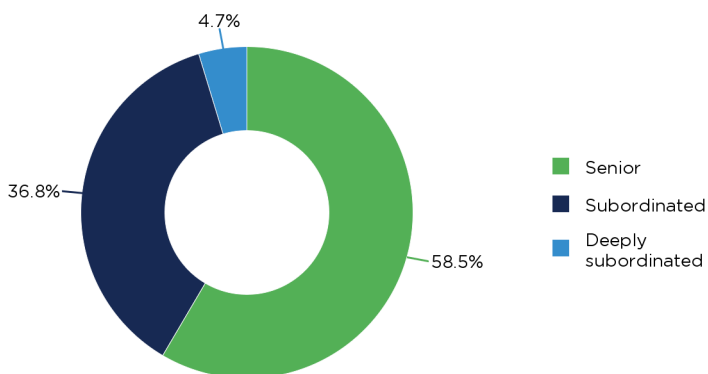
AS AT 31 MARCH 2020	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP
Total unitholder return	-13.5%	-20.2%	-21.2%	-	-	-	-15.6%
RBA Cash Rate	0.0%	0.2%	0.4%	-	-	-	0.8%
Excess returns	-13.6%	-20.4%	-21.5%	-	-	-	-16.4%
Distribution return	0.3%	0.8%	1.6%	-	-	-	2.6%

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.

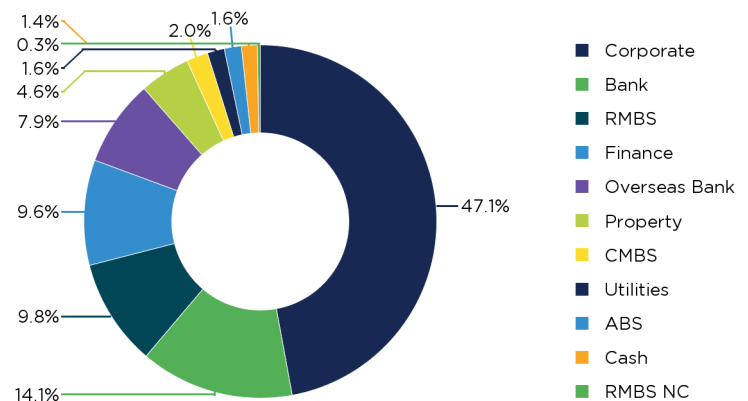
NTA PER UNIT VS ASX UNIT PRICE PERFORMANCE



SENIORITY BREAKDOWN



SECTOR ALLOCATION



Source: Bloomberg and Perpetual Investments. Data is as at 31 March 2020. All figures are unaudited and approximate.

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MARKET COMMENTARY

March saw unprecedented volatility with risk assets selling off dramatically and the global economy heading towards recession. The catalyst for the economic and financial crisis was the novel coronavirus (COVID-19) which started in China late last year and then spread to the rest of the world. The impact on the global economy was devastating as governments around the world responded to the virus by shutting down their economies and enacting social distancing measures and orders to stay at home. Financial markets continued to be impacted by these developments with equity and credit markets falling dramatically through March before a small rally late in the month.

The COVID-19 pandemic led to the most significant expansion in credit spreads since the Global Financial Crisis. The ICE BAML Australia Corporate index spread widened over 60 bps through March. Australian dollar physical spreads were more resilient than global peers as US spreads widened almost 200 bps. Synthetic credit risk indicators showed a more significant widening of spreads with iTraxx Australia selling off more than 100bps over the month. March also saw a significant reduction in secondary market liquidity.

Domestic primary market issuance was notable by its absence throughout March. After drying up in late February, there were no major primary market corporate deals through the month. Primary market activity started to re-emerge at the end of the month in offshore markets, with expectations that liquidity will begin to return as volatility settles.

The monetary policy response to COVID-19 represented a culmination of the global easing bias observed over the past year. Central banks took action, cutting rates as the health crisis worsened. The Reserve Bank of Australia (RBA) provided two successive rate cuts in March reaching a target cash rate of 0.25%. Many major global interest rates are now at the effective zero lower bound or below. Rate cuts were supplemented with the announcement of a quantitative easing program. The RBA model involves the purchase of government and semi government bonds along the yield curve in order to target a 3-year yield of 0.25%.

The COVID-19 pandemic and the ensuing financial crisis have significantly impacted the credit outlook. Limited liquidity in primary and secondary markets and a likely global recession offset the relative value opportunity presented by widening spreads. This means the PCI portfolio will continue to maintain a defensive bias.

TRUST COMMENTARY

PERFORMANCE AND PORTFOLIO COMPOSITION

The Manager has not made material changes to the portfolio since the end of February or the most recent Investor Update on 17 March 2020.

<https://www.asx.com.au/asxpdf/20200317/pdf/44g46h6ymfph4b.pdf>

The investment performance of the PCI portfolio was resilient though not immune to the market turmoil. Credit spread expansion was the most significant determinant of performance in March. Spreads widened dramatically as a result of the spread of COVID-19 and the associated supply and demand disruption. Domestic banks, financial and non-financial corporates were the most significant detractors from credit spread performance.

The Trust minimised the impact of credit spread volatility by diversifying securities across asset type and maintaining high aggregate credit quality. The PCI portfolio holds 56.7% in investment grade securities which typically have more resilient credit spreads. Similarly, 60.7% of the PCI portfolio is held in senior debt meaning that in the event of a company's liquidation, the Trust will be among the first creditors to be repaid. Approximately 17.5% of the Trust is held in secured loans. These securities are at the top of the capital structure, protecting against the impact of credit risk and short-term volatility.

The Trust negotiated the challenging liquidity conditions via its strong running yield, exposure to securitised sectors and the Trust's closed end structure which means it is not a forced seller. The portfolio continued to collect a strong running yield through March. This contribution came primarily from non-financial corporates and domestic banks. Residential Mortgage Backed Securities (RMBS) and Asset Backed Securities (ABS) also contributed to running income. Exposure to securitised sectors provides essential liquidity via investment in amortising assets that generate cash while minimising transaction costs. Securitised products such as RMBS are also protected from recession risks that may affect the property sector due to the diversification of the underlying loans. Securitised sectors account for over 13% of the portfolio holdings. The listed trust structure also protects the portfolio from the effects of low liquidity and high volatility. The closed end structure ensures the Manager is not forced to liquidate positions to meet redemptions, which in turn minimises transaction costs.

ASSET VALUATION

The majority of the assets in the portfolio, including bonds and floating rate notes, are tradeable securities which are priced daily. Secured loans which make up around 17.5% of the portfolio are valued monthly or more frequently if impaired. The loan assets are valued via an independent source or, where this is not available, valuations are approved through Perpetual's Loan Valuation Committee (LVC). The objective of the LVC is to ensure all loan valuations are performed in accordance with Trust documents including the Compliance Plan, Constitution as well as relevant laws and, where applicable, relevant industry standards and guidance, including, Generally Accepted Accounting Principles. The loan assets are valued at fair value having considered any impairment. Impairments arise when there is sufficient uncertainty about the ability of the borrower to pay, in full or part, the notional amount of the loan. 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. All loans assets within the PCI portfolio have been valued at fair value having considered any impairment. The NTA released daily reflects fair value.

The Manager has extensive experience across many market cycles and is maintaining a defensive bias in order to protect capital and retain the ability to invest in higher yielding assets as orderly market operations resume. The portfolio's defensive positioning, diversified asset mix and closed end structure have ensured that the portfolio, though not immune to this unique market shock, has been and remains resilient and has the ability to invest in new opportunities as they arise. The Trust continues to pay monthly distributions in line with its investment objective and maintains its strategy, investing in good quality corporate issues, with an attractive running yield. This includes investing in companies who the Manager believes have a good balance sheet, predictable cash flow and quality, capable management.

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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