Important disclosures are provided in the appendix of this report.

Fund Research

Perpetual Credit Income Trust (ASX: PCI)

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Overview

The Perpetual Credit Income Trust ('PCI', 'the Fund', or 'the Trust') is an ASX-listed investment trust (LIT) offering investors access to a diversified, actively managed portfolio of predominantly Australian dollar-denominated credit assets. The portfolio spans investment grade and high-yield bonds, syndicated loans, and securitised instruments. Perpetual Investment Management Limited ('the Manager'), houses an established credit and fixed income team running approximately $8.2 billion across their various strategies (as at 30 June 2025). PCI provides retail investors with access to a professionally managed portfolio focused on niche credit markets that are not typically available to individual investors. The investment team consists of experienced credit specialists with a strong track record across market cycles, supported by the broader Perpetual Group, which had $226.8 billion in assets under management (AUM) as at 30 June 2025.

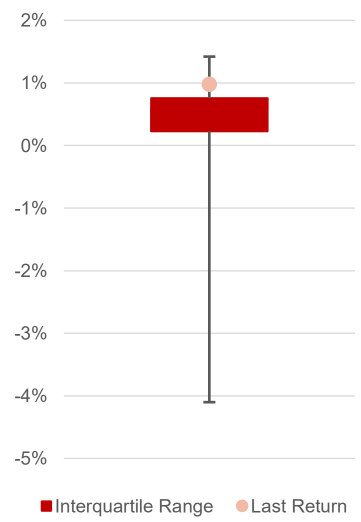
Net of fees, the Trust targets a total return of the RBA Cash Rate +3.25% over a rolling 3-year period. This is delivered via consistent monthly cash distributions with a focus on capital stability. Foreign currency exposure is capped at 30% of gross asset value (GAV), and is typically hedged back to AUD. Leverage is permitted via derivative instruments, which may be used to capitalise on market opportunities or to hedge currency, interest rate, or credit risks. The limit to such exposure is set at 15% of NAV and cannot be obtained for enhancing returns.

Figure 1. Monthly Net Investment Returns* (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2025	0.64	0.58	0.58	0.77	0.80	1.14							**4.51**
2024	0.85	0.80	0.76	0.70	0.61	0.57	0.71	0.58	0.65	0.74	0.54	0.72	**8.23**
2023	0.86	0.72	0.80	0.69	0.85	0.79	0.87	0.89	0.84	0.95	0.81	0.90	**9.97**
2022	0.58	0.57	0.52	0.50	0.56	0.55	0.55	0.65	0.69	0.71	0.67	0.80	**7.35**
2021	0.60	0.48	0.67	0.56	0.57	0.56	0.53	0.53	0.61	0.55	0.65	4.42	**10.72**
2020	0.61	0.60	0.59	0.60	0.60	0.62	0.73	0.67	0.55	0.63	0.56	0.78	**7.54**
2019				0.15	0.36	0.58	0.74	0.68	0.56	0.65	0.47	0.66	**4.86**

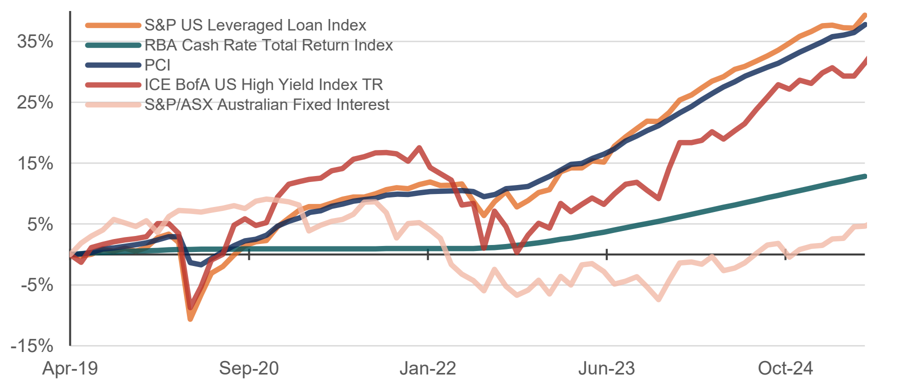
Source: BondAdviser, Perpetual. As at 31 May 2025.
** Return is monthly net total return based on NTA plus dividends.*

Figure 2. Monthly Net Returns Box Plot



Source: BondAdviser, Perpetual. As at 31 May 2025. Monthly investment return net of fees and operating expenses since inception based on growth of NTA.

Figure 3. Relative Cumulative Performance (Investment Return)



Source: BondAdviser, Perpetual, Bloomberg. As at 31 May 2025.
Perpetual performance calculated as cumulative net monthly investment returns based on NTA and assumes all distributions are reinvested (not based on traded unit price).

Product Assessment

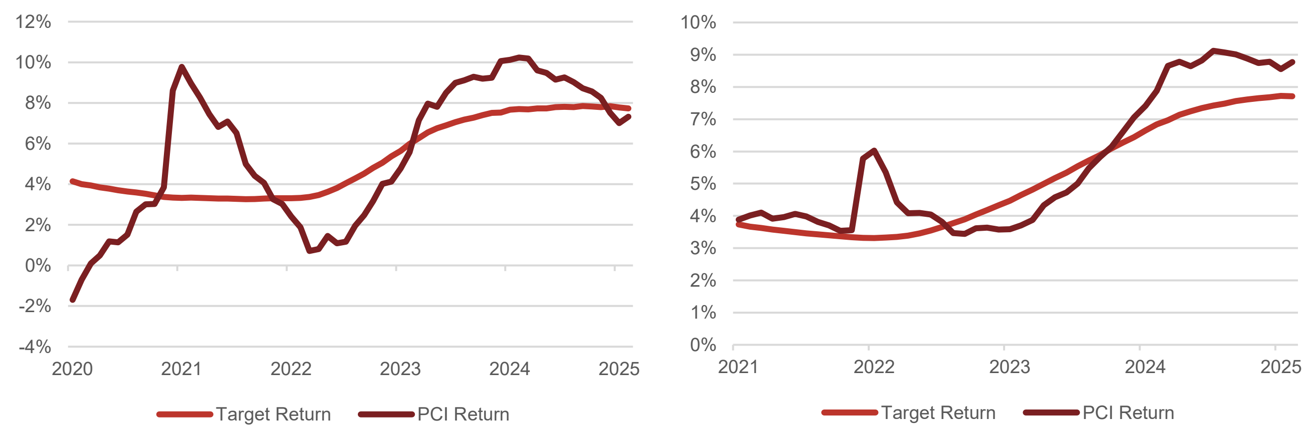
Recommended | Stable

While PCI has experienced some recent weakness in performance, this has been managed prudently, and we expect the Fund to continue to outperform through the cycle.

The **Perpetual Credit Income Trust (ASX: PCI)** offers investors a diversified portfolio of credit assets across the credit spectrum. Through a successful capital raise in July 2024, the portfolio currently sits at approximately $541 million (31 May 2025) across 152 individual holdings and 90 issuers. This compares to 123 and 83, respectively, during our previous update as of April 2024 data, highlighting improved diversification and beyond of PCI's initial target of holding 50-100 underlying assets through the cycle. As such, no single asset accounts for more than 3% of the portfolio (excluding cash) resulting in limited risk concentration, in our view. While we estimate the weighted average credit rating to be High/BB+, we retain our Upper Medium/BBB Risk Score designation due to this strong diversification. A material weakening in the credit quality of its borrowing counterparties or allocation to riskier borrowers would likely trigger a deterioration in our Risk Score.

While we remain comfortable in the overall risk profile of the Fund, PCI has underperformed its target return (3.25% above the RBA cash rate) over the past 12 months with the 1-year return of 7.3% falling below its target of 7.8% (as of 31 May 2025). This weakness has been predominantly driven by a specific non-performing credit exposure in the portfolio (contributing a drag of approximately ~50bps). In our discussions with the portfolio management team, this asset has been marked down appropriately and verified by both independent and market-based sources. The credit risk of this exposure is still evolving but we are confident that it will be managed prudently by the long-tenured expertise of the portfolio management team and therefore remain comfortable the Fund will be able to meet its target through the cycle. In this context, we highlight PCI has continued to outperform its target on a 2-year, 3-year, 5-year and since inception based (as of 31 May 2025) despite the recent weakness. We also highlight the current 7.3% running yield of the portfolio exceeds to forward target return of 7.1%.

Figure 4. 1y Rolling Return Performance to Target | 2y Annualised Rolling Return Performance to Target



Source: BondAdviser, Perpetual, Bloomberg. Data as at 31-May-25. Assumes compounded returns for PCI and target return.

We have been pleased by the Manager's ability to successfully navigate a transitionary phases following the departure of key personel. This was demonstrated by the departure of a key person in 2022. PCI will now enter a new transitionary period following the announcement of Michael Korber's retirement plans on 3 June 2025, having been a portfolio manager of the strategy since inception. In his place, Greg Stock has been appointed as Deputy Portfolio Manager of PCI effective 1 July 2025 while Mr. Korber

Mr. Korber's retirement introduces key person risk, but we remain comfortable with the transition due to internal appointment of Mr. Stock who has significant expertise.

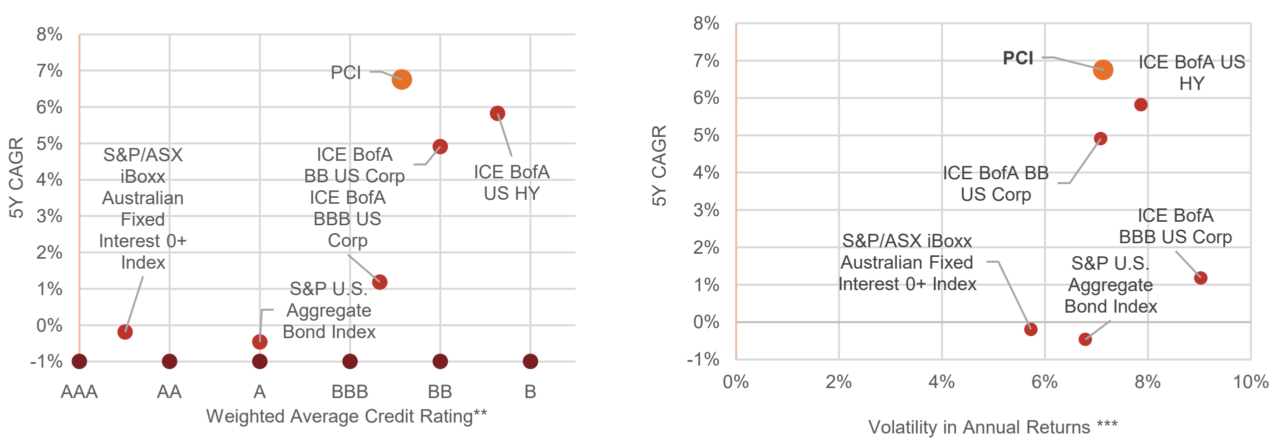
retains his responsibilities as portfolio manager for up to 12 months to ensure a smooth transition. Mr. Stock also holds the role of Head of Credit Research while remaining a Senior Portfolio Manager for other Perpetual funds and has been managing credit assets with Mr. Korber across various market cycles (including the Global Financial Crisis) for over 20 years at Perpetual. Key person risk will persist during the transition, but we are comfortable that the strategy will remain consistent in its approach due to the internal replacement of Mr. Korber.

In our last update, we argued the potential independence of the Fund's Responsible Entity (RE) would be a material positive from a governance perspective for PCI. This reflected Perpetual Limited's planned sale of the Perpetual Corporate Trust business. Perpetual subsequently announced in February 2025 that the board terminated the deal and as such, Perpetual Trust Services (as the RE) will continue to act at arm's length as required by the Corporations Act 2001 (Cth) and company policy.

PCI benefits from a consistent and reliable risk profile. That said, the lack of an independent RE is a detractor to positive pressure to our Product Assessment.

PCI's >5-year track record makes the Fund eligible for consideration to be upgraded to Highly Recommended under the *BondAdviser Alternative Investment Fund Methodology*. We consider the consistent alignment of the Fund's risk profile with its return objective to be a significant positive for investors. It demonstrates that the Manager is focused on outperforming the target over the full market cycle, which supports investors with longer-term horizons. However, we consider an independent RE to be a "best-in-class" policy and had a core driver of our Improving Outlook of our Product Assessment. With this now not taking place, we revise our Outlook back to Stable while retaining our Product Assessment at **Recommended**. While we continue to view the Fund's independent loan valuation policy as a key positive for PCI, we believe key person risk and governance to not be at the extremely high benchmark of best-in-class at this juncture.

Figure 5. Estimated Risk-Adjusted Comparison*



** Calculated as at 31 May 2025. Excludes equity holdings, BondAdviser estimate per unrated assets. *** Calculated based on annualised monthly returns data for past five years to 31 May 2025.*

Construction and Investment Process

There have been **no material changes** to PCI's portfolio construction and investment process.

Portfolio Risk Management

Perpetual has been able to scale the portfolio following a successful $93 million capital raising in early July 2024. As at 31 May 2025, PCI's AUM equated to approximately $541 million. Additional scale has driven further diversification while the portfolio has maintained a low interest rate duration. Importantly, the underlying portfolio allocations continue to be managed in line with their return objective of RBA cash rate +3.25% (the current running yield sits at 7.3% versus an implied target return of 7.1%).

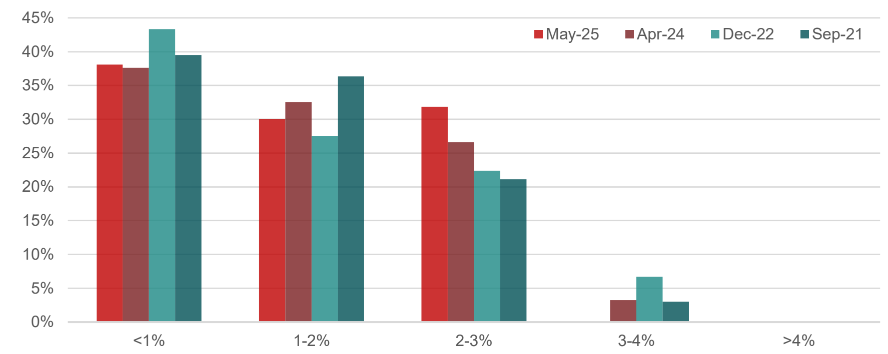
Figure 6. Portfolio Characteristics Over Time

	May-19	May-20	May-21	May-22	May-23	May-24	May-25
Market Capitalisation	$444mn	$384mn	$414mn	$405mn	$387mn	$433mn	**$564mn**
Number of holdings	30	101	120	118	127	121	**152**
Number of issuers	26	73	88	93	89	82	**90**
Running yield	2.3%	4.3%	3.5%	4.0%	7.5%	8.1%	**7.3%**
Portfolio weighted average tenor	1.7 years	4.6 years	4.1 years	2.5 years	3.0 years	2.7 years	**2.9 years**
Interest rate duration	37 days	28 days	15 days	23 days	25 days	35 days	**16 days**

Source: BondAdviser, Perpetual. As at 31 May 2025.

Improved diversification has been evident from the rise in individual exposures – now at 152 from 121 in May 2024. This was accompanied by an increase in the number of issuers, now totalling 90 versus 82 in May 2024. This is positive given the asymmetric nature of fixed income investing, where upside is limited to contractual interest and principal repayments, while downside comprises substantial capital loss in the event of default. As such, a wider array of exposures and issuers further mitigates this risk by reducing exposure to any single credit event. At a more granular level, there has been a notable shift from heavier individual position sizes, a positive given the asymmetric return profile of fixed income investing. As at 31 May 2025, no single asset accounted for more than 3% of the portfolio (excluding cash), with the average individual weighting reduced to 0.69% from 0.84% in April 2024. While the share of assets between 2-3% of the portfolio has steadily increased since 2021, we view this as healthy in the context of the target of holding 50-100 underlying assets through the cycle.

Figure 7. Individual Asset Weightings*



*Source: BondAdviser, Perpetual. As at 31 May 2025. * Excluding cash and derivatives.*

From a risk perspective, the portfolio's barbell strategy has continued. Of the Fund's 152 individual holdings, 110 have a weighting of less than 1% of the portfolio (ex. cash) with an average yield less than the weighted average yield of the portfolio. That said, yields have trended structurally lower driven by a decline in the RBA Cash Rate (down 50bps since May 2024) as well as a measured reduction in credit risk in the portfolio. Positively, however, the overall yield remains above target, underscored by the solid and consistent management of the portfolio.

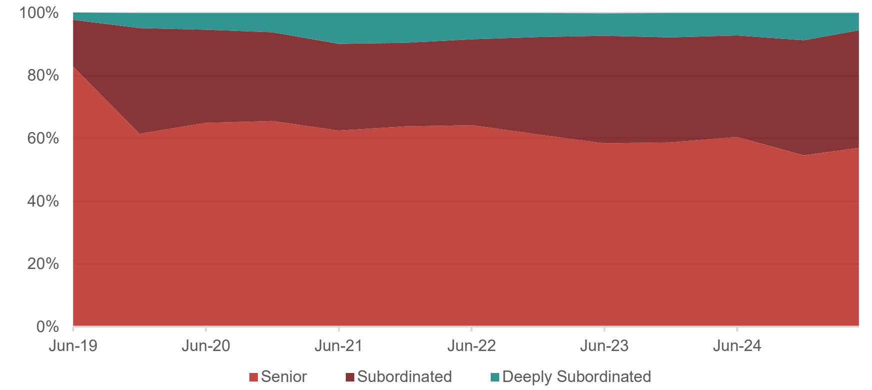
Figure 8. Weighted Average Yield to Maturity*

*Source: BondAdviser, Perpetual. As at 31 May 2025. * Excluding cash and derivatives.*

We also highlight there has been a modest decline in deeply subordinated positions along with a reduction in assets trading at a discount to par. The proportion of deployed funds (ex. cash and derivatives) trading at a 3% or greater discount fell ~3.6ppts since April 2024 to 3.83%.

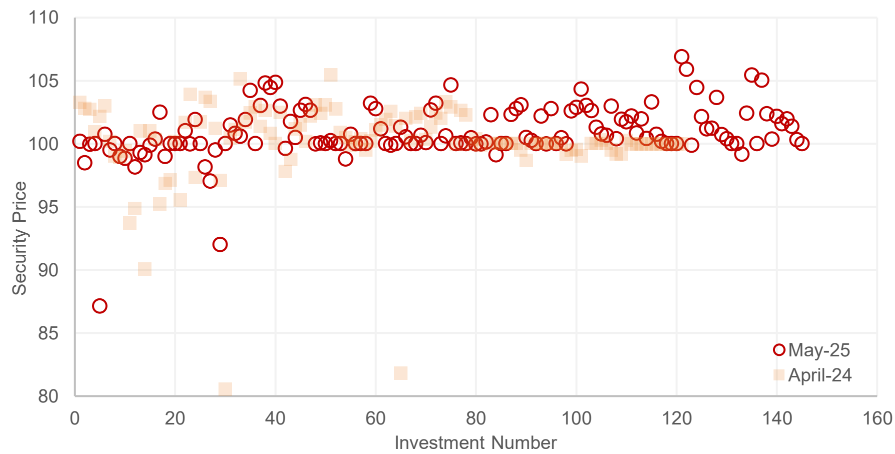
The Trust modestly increased its cash holdings over the period, maintaining a defensive posture to ensure ample liquidity amid ongoing market uncertainty. This position appears prudent, particularly given recent global macroeconomic and geopolitical uncertainty. Since April 2024, the cash allocation has risen by 2.2ppts to 5.9%, albeit we acknowledge this could reflect the distributions and maturities. While this implies a greater cash drag, we view this as manageable in the context of the yield of the underlying portfolio and PCI's target.

Figure 9. Capital Stack Exposure*



*Source: BondAdviser, Perpetual. As at 31 May 2025. * Excluding cash and derivatives.*

Figure 10. Capital Value of Underlying Assets*

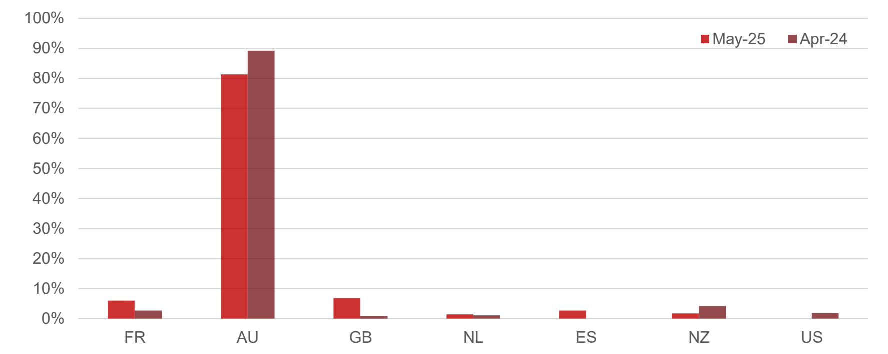


*Source: BondAdviser, Perpetual. As at 31 May 2025. * Excluding cash and derivatives.*

The past 12 months has been characterised by global market uncertainty and volatility caused, in large part, by the second Trump presidency and subsequent tariff policies. Despite these challenges, the Net Asset Value (NAV) remained resilient, highlighting the quality of the underlying portfolio and management's prudent investment approach.

The portfolio's regional diversification strengthened over the period, driven by higher allocations to Great Britain, France, and Spain, and a corresponding reduction in exposure to Australia, New Zealand, and the US. Despite this, Australia remains the dominant geographic exposure with an 81.3% weighting (versus 89.3% as at 30 April 2024). We view this positively, as it dilutes the impact of potential systemic shocks in Australia. Further, we note the majority of assets are still denominated in AUD (~95%) limiting the Trust's exposure to fluctuations in foreign currencies and associated hedging risks. This is supported by PCI's minimum 70% exposure AUD assets.

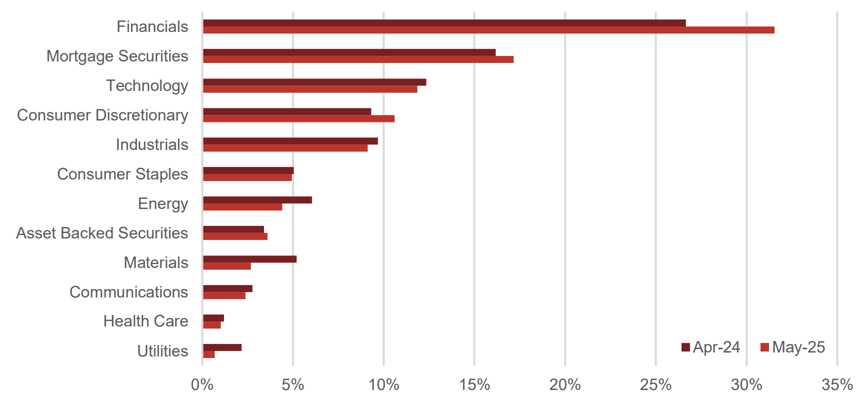
Figure 11. Country of Risk*



*Source: BondAdviser, Perpetual. As at 31 May 2025. * Excluding cash and derivatives.*

Regional asset allocation changes were driven by a rotation out of subordinated holdings in major domestic banks and Macquarie for exposure in offshore bank debt. This is now the second largest weighting in the portfolio at 12.4% (versus 2.9% as at 30 June 2024). International banks typically offer a more diversified lending exposure as compared to domestic banks that rely heavily on residential mortgages but can equally be subject to greater volatility as a result. We argue the rotation from domestic into offshore subordinated bank debt has also been a function of greater opportunity set, with foreign banks AUD Tier 2 issuance reaching a record $3.2bn in 1H25.

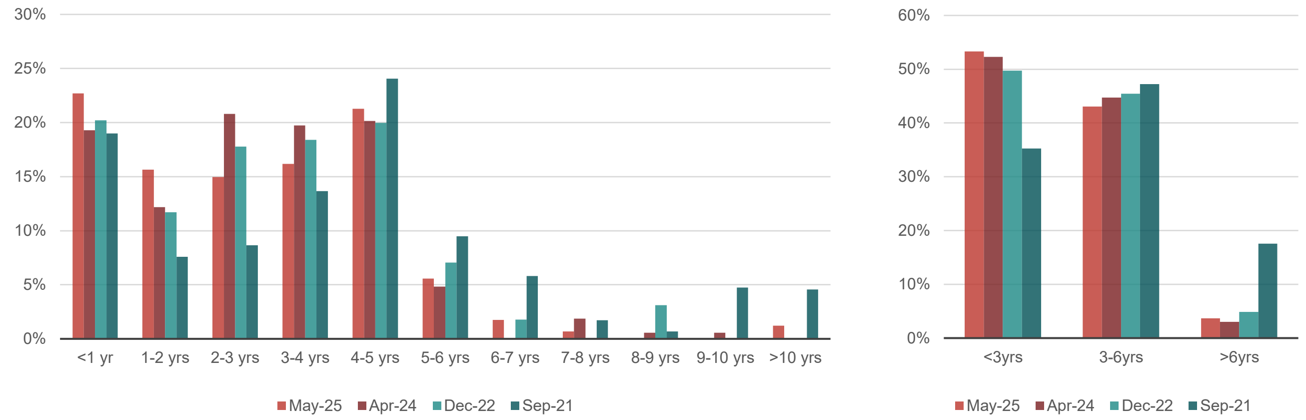
Figure 12. Industry Mix*



Source: BondAdviser, Perpetual. As at 31 May 2025.

Notably, the weighted average tenor of the portfolio (excluding cash) has remained stable at ~2.8 years despite an increase in exposure to the <2 year group. In the past, the investment team has balanced the risk-return profile of the portfolio by increasing exposure to non-investment grade securities at a shorter tenor and investment grade securities at the longer tenor. The shift toward the <2 year & 4-6 year tenor appears to represent the continuation of this trend. Given the portfolio's majority allocation to floating rate securities, we view this posturing as a deliberate reduction in credit risk rather than a duration induced decision.

Figure 13. Portfolio Tenor to Expected Maturity Mix*



*Source: BondAdviser, Perpetual. As at 31 May 2025. * Excluding cash and derivatives.*

Fund Governance

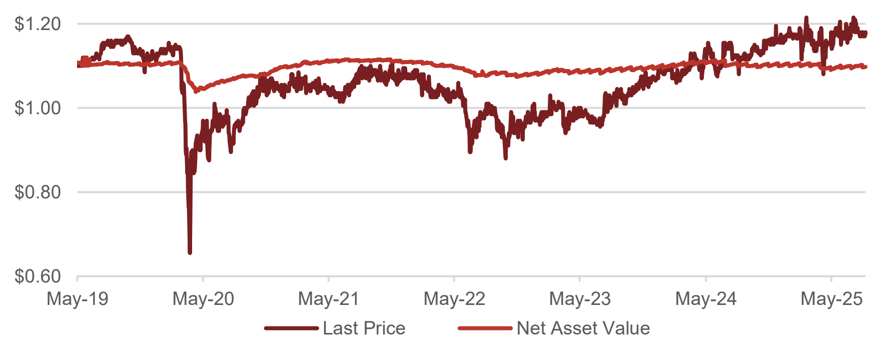
On 3 June 2025, Managing Director Michael Korber announced his retirement from his leadership role at Perpetual. Mr. Korber has more than 43 years of industry experience (including 20 years at perpetual) and has been the Portfolio Manager (PM) for PCI since inception. Mr. Korber will retain his responsibilities as portfolio manager for up to 12 months to ensure a smooth transition. In his place, Perpetual has promoted Vivek Prabhu to Head of Credit & Fixed Income and appointed Greg Stock as Deputy PM of PCI – both effective as of 1 July 2025. Mr. Stock also holds the role of Head of Credit Research while remaining a Senior PM Manger for other Perpetual funds. Alongside Mr. Korber, Mr. Prabhu and Mr. Stock have been investing together across various market cycles (including the Global Financial Crisis) for over 20 years.

The Trust has successfully managed previous transitions of key portfolio managers. In June 2022, Anne Moal – then Portfolio Manager of the Perpetual Loan Fund and Head of Corporate High Yield – departed Perpetual. Michael Murphy, who at the time was working as a high yield credit analyst, assumed responsibility for the high yield strategy in an associate PM capacity. Mr. Murphy is the Senior High Yield Analyst in the team and has since transitioned to be the PM for the Perpetual Loan Fund, with no material disruptions in performance or governance.

In our last update (July 2024), we noted that the Manager expected that the Responsible Entity (RE) – a subsidiary of Perpetual Limited – would become independent via the agreed sale of Perpetual's corporate trust and wealth units to Kohlberg Kravis Roberts (KKR). Perpetual subsequently announced in February 2025 that the board terminated the deal following a ruling by the Australian Taxation Office (ATO) which estimated a larger-than-expected tax liability. As such, Perpetual Trust Services (as the RE) will continue to act at arm's length as required by the Corporations Act 2001 (Cth) and company policy. That said, we do not view this as "best-in-class" policy.

PCI is listed on the ASX and as such, is subject to equity like volatility, particularly during periods of market distress. Accordingly, there is a risk the Trust will again trade at a discount to NAV (such as from the onset of the COVID-19 market downturn in February 2020 until March 2024). If history is any indication, we do not expect units in PCI to be bought back in such an instance. In our view, this is not a "best-in-class" policy, and we would view a buy back mechanism as a supporting factor for the Trust. Amending this policy would likely reduce the risk of a severe drawdown, given that a discount floor would likely be perceived by the market. We would view this as a material positive for our Product Assessment if implemented successfully.

Figure 14. Net Asset Value Against Unit Price



Source: BondAdviser, Perpetual. As at 8 August 2025.

Quantitative Analysis

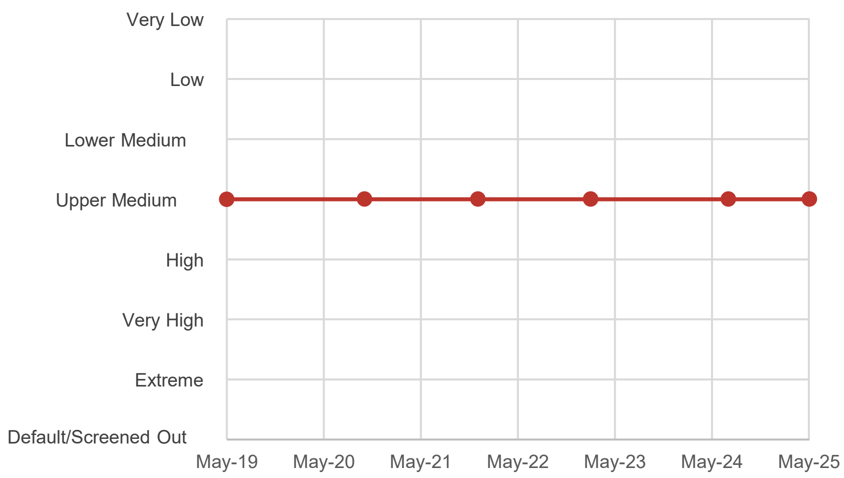
In this section, we model the portfolio under two 10,000 simulation scenarios: (1) a benign scenario under normal economic conditions, and (2) a distressed scenario, where downward credit migrations are more frequent and recoveries are lower. We note this analysis has some subjective inputs given 42% of assets within the Fund are unrated. As such, we have assigned credit ratings based on similar private assets for each asset class within the portfolio.

Under benign conditions, the portfolio performs well with a median return of 7.4%, and 75% of simulations generating a return exceeding the RBA +3.25% target return net of fees, based on the current portfolio allocation. Downside protection is evident with the Fund generating a 99% and 95% VaR of 3.91% and 5.16% respectively across the scenario, and zero losses incurred across all 10,000 simulations.

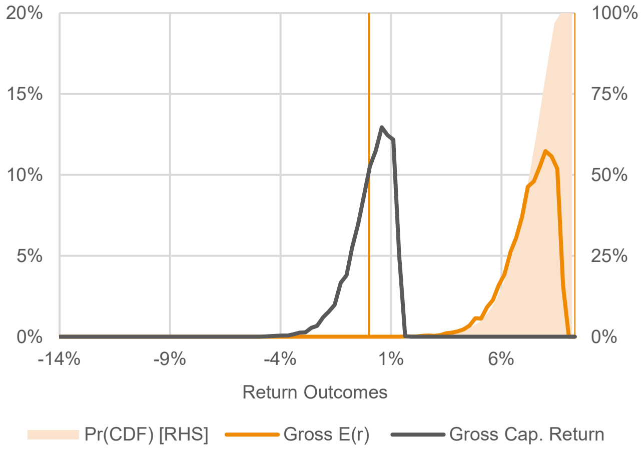
The overall credit quality (which we estimate to be around BB+), seniority of assets, and level of diversification in over 100 individual holdings, provides strong downside protection under our distressed modelling. Under the distressed scenario which uses empirical inputs observed during the GFC, the portfolio still performs well, but some stress is felt across a number of simulations with 7% of simulations generating a loss over the period. That said, despite harsh modelling conditions, the 99% and 95% VaR was recorded at -2.05% and -0.33% respectively, demonstrating resilience under distressed conditions. The median return over this scenario was 3.6%. This compares to -1.1% in our last update (Apr-24 portfolio data). The difference reflects more punitive past modelling assumptions, of which we believe is now balanced against the maturity of the portfolio.

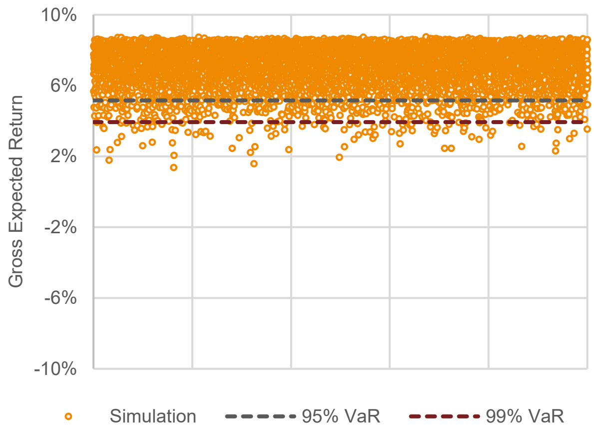
Given limited change in the portfolio quality since our last review, our **Risk Score for PCI remains unchanged at "Upper Medium"**. This is supported by the diversification of the portfolio despite a heavy weighting to BB+ credit.

Figure 15. Risk Score



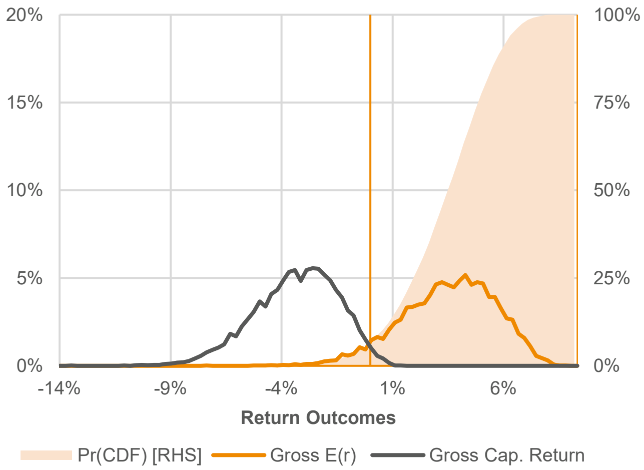
Scenario 1. Baseline Asset Assessment

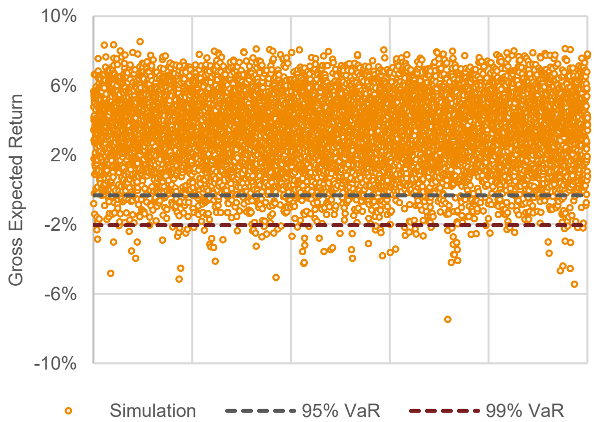




Source: BondAdviser Estimates as of 31 May 2025 portfolio. Excludes impact of management and origination fees. Gross capital returns excludes the value of coupons/income and is only modelling impairment or loss given default, based on historical credit data from Moody's. Impact of traded price is not simulated. For a more detailed explanation of the methodology, please contact BondAdviser.

Scenario 2. Stressed Asset Assessment





Source: BondAdviser Estimates as of 31 May 2025 portfolio. Excludes impact of management and origination fees. Gross capital returns excludes the value of coupons/income and is only modelling impairment or loss given default, based on historical credit data from Moody's. Impact of traded price is not simulated.

Reporting History

PCI Report – 10 July 2024

PCI Report – 30 March 2023

PCI Report – 11 January 2022

PCI Report – 20 October 2020

PCI Report – 8 March 2019

Alternative Investment Fund Research Methodology

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Report created on 22 August 2025.