

Perpetual Credit Income Trust  
(ASX: PCI)

Listed Managed Investments

April 2021

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## Rating



## LMI Structure

Listed Investment Trust

## Investment Area

Australia

## Investment Assets

Fixed Income

## Investment Sectors

Diversified

## Benchmark Index

RBA Cash Rate

## Key Investment Information

Unit Price (\$) as at 31 March 2021	1.045
Market cap (\$M)	418.5
Shares on issue (M)	400.4
Options on issue (M)	0.0
Shares traded (\$M p.a)	95.5
12-month L/H (\$)	0.86/1.10
Listing date	May 2019
Foreign Currency Exposure	Fully hedged
Fees:	
Management Fee (p.a)	0.88%
Performance incentives	na

## Discount/Premium to NAV

As at 31 March 2021	-5.0%
Average since inception	-3.3%

Distribution Yield*	%
FY19	na
FY20	4.0
FY21 (to 31 March 2021)	2.4

\*Based on distributions paid for the fiscal year and the NAV at the end of the period.

## TRUST OVERVIEW

The Perpetual Credit Income Trust (ASX: PCI) listed on the ASX in May 2019. The Trust is managed by Perpetual Investment Management Limited and its highly experienced nine person specialist credit and fixed income team led by Michael Korber. The Trust is based on an unconstrained credit strategy that seeks to generate stable monthly income. The flexible investment strategy allows active portfolio positioning in order to focus on the most attractive credit and fixed income opportunity set focused on Australian securities and offshore securities issued by global participants in the Australian market. The Perpetual Credit and Fixed Income team are pioneers in Australian Credit with Michael Korber launching one of the first Australian corporate bond funds in Australia in 1997. The team is highly experienced across the credit and fixed income asset class spectrum, has a long tenure of investing together and is well resourced. The portfolio is diversified by asset type, issuers, credit quality, maturities, country of issuance and capital structure and will be based on a 'core/plus' strategy, with at least 30% investment grade and a maximum 70% in high yield and loans. The portfolio is constructed based on a long-standing, rigorous and repeatable fundamental investment approach, that ultimately seeks to understand the financial strength of debt issuers.

## INVESTMENT OBJECTIVE

To provide monthly income by investing in a diversified pool of credit and fixed income assets. The Trust has a target return of RBA cash rate + 3.25% p.a (net of fees) through the economic cycle. This is a target and may not be achieved.

## STYLE AND PROCESS

The Manager employs a robust, active and risk aware investment process to invest across the broad credit and fixed income universe. It aims to find the most attractive credit investment opportunities on a risk adjusted basis at any point in time.

## PORTFOLIO CHARACTERISTICS

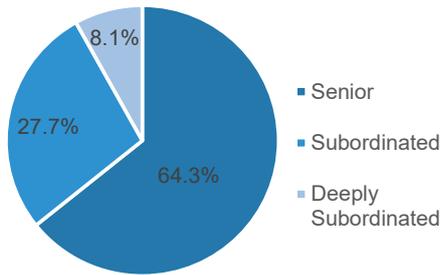
The Trust aims to deliver a portfolio diversified across asset types, sectors, ratings, maturities, markets and the capital structure. The Trust invests in credit and fixed income assets directly and indirectly, through the Perpetual Loan Fund, using active asset allocation. The Portfolio includes a mix of investment grade, sub-investment grade and unrated assets. The Manager intends that investments in sub-investment grade and unrated assets will be focussed on the high-end of the capital structure.

## INDEPENDENT INVESTMENT RESEARCH COMMENTS

Since becoming fully invested post listing, the Trust has delivered on its target distribution of RBA cash rate + 3.25% p.a, when looking at the monthly distributions on an annualised basis. The Trust has also met its monthly income expectations. During the COVID dislocation event in 2020, the portfolio's NAV was resilient with a maximum monthly NAV drawdown of 4.1% for the 2020 calendar year, which occurred in March, highlighting the benefits of a diversified portfolio and active management. Up until February 2020, the Trust was trading at a premium to NAV, however since this point, the Trust has traded at a discount to NAV with the discount expanding to 38.3% at the height of the COVID-19 sell-off in March 2020. The unit price has recovered most of the losses experienced from the sell-off, resulting in a strong unit price performance. The portfolio is diversified, with 120 securities at 31 March 2021 across 88 issuers. The portfolio is equally split between investment grade and non-investment grade securities as at 31 March 2021, which has been the case since listing. The majority of the Trust's investments are corporate bonds and direct loans with 54.2% of the portfolio invested in this sector at March-end. While distribution amounts have been declining due to the declining interest rate environment, during the COVID dislocation event the Trust continued to meet its target return and provided a regular income stream while a number of stocks suspended or deferred dividend payments.

# PORTFOLIO ANALYTICS

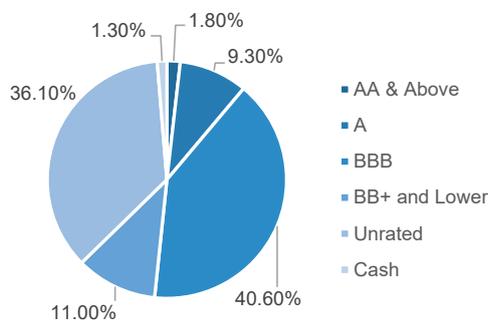
## Seniority Breakdown (as at 31 March 2021)



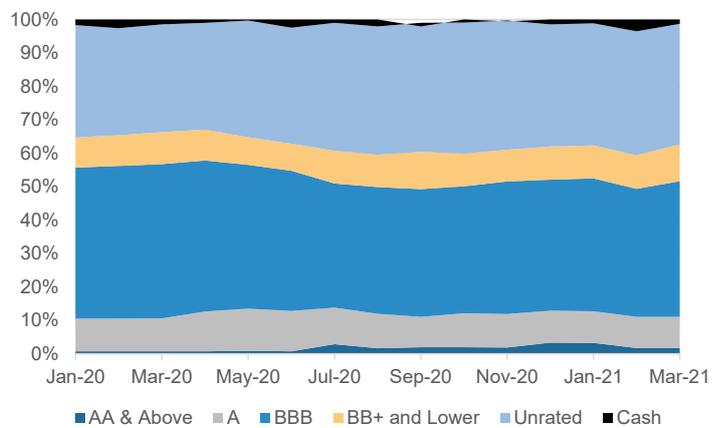
## Portfolio Summary

	As at 31 March 2021	As at 31 March 2020
Number of Holdings	120	87
Number of Issuers	88	65
Weighted Average Life	4.2 years	4.5 years
Interest Rate Duration	48 days	31 days

## Rating Allocation (as at 31 March 2021)



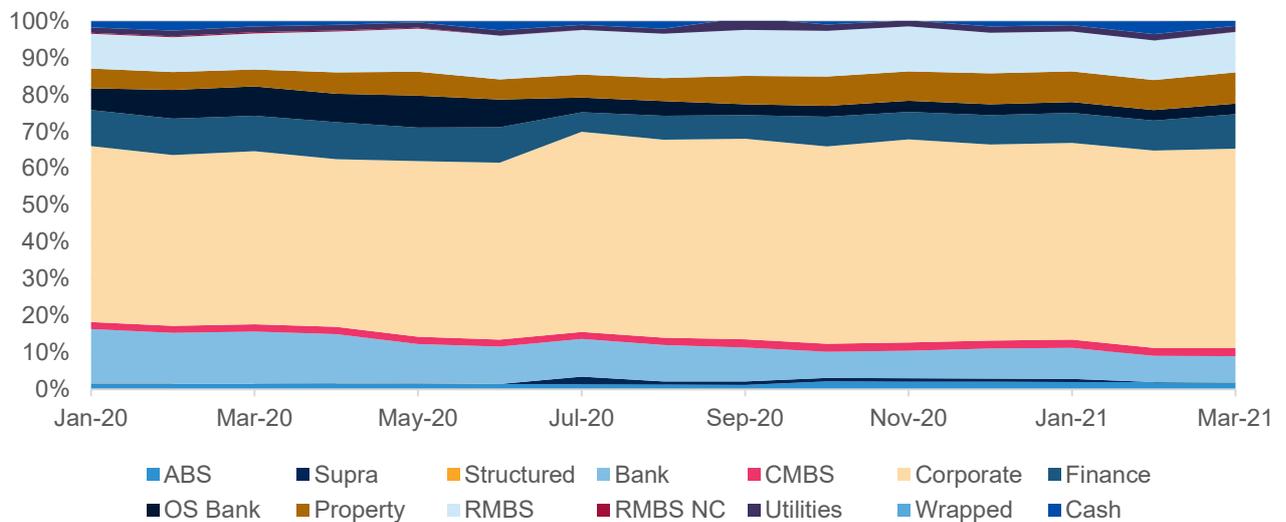
## Historical Rating Allocation



## Sector Allocation (as at 31 March 2021)

ABS	Supra	Structured	Bank	CMBS	Corporate	Finance	Overseas Banks	Property	RMBS	RMBS NC	Utilities	Wrapped	Cash
1.8%	0.0%	0.0%	7.2%	2.2%	54.2%	9.3%	2.9%	8.5%	11.0%	0.0%	1.7%	0.0%	1.3%

## Historical Sector Allocation

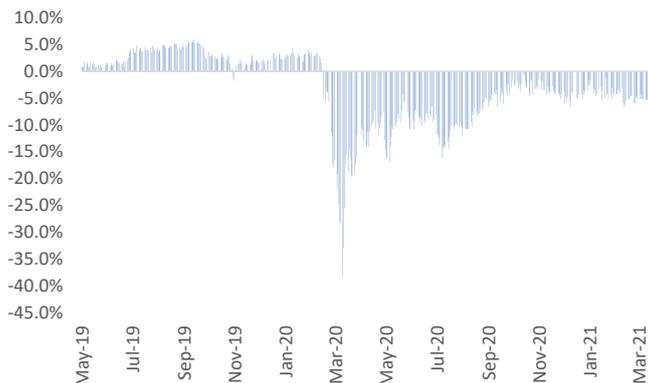


# PERFORMANCE ANALYTICS

## Daily Performance History



## Daily Premium/Discount to NAV History



Performance Metrics (to 31 March 2021)						
	Return Metrics		Risk Metrics			
	NAV	Unit Price	Standard Deviation p.a (NAV)	Max. monthly drawdown (NAV)	Standard Deviation p.a. (Unit Price)	Max. monthly drawdown (Unit Price)
<b>FYTD</b>	6.7%	11.7%	0.7%	-0.2%	20.5%	-1.2%
<b>1 year</b>	8.6%	20.3%	1.5%	-0.5%	23.7%	-1.2%
<b>Since Inception (p.a)</b>	3.7%	0.3%	1.6%	-4.1%	27.7%	-13.6%

Note: Returns represent total returns (NAV/Unit Price plus distributions)

## Distribution History (cents per unit)

	FY19	FY20	FY21
July		0.40	0.32
August		0.40	0.32
September		0.39	0.30
October		0.37	0.31
November		0.36	0.28
December		0.37	0.30
January		0.37	0.30
February		0.35	0.27
March		0.33	0.30
April		0.30	
May		0.31	
June	0.09	0.30	
<b>Total</b>	<b>0.09</b>	<b>4.26</b>	<b>2.69</b>

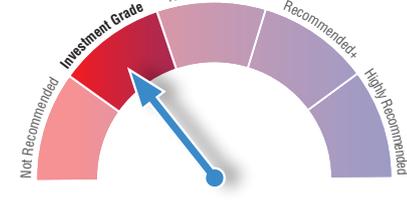
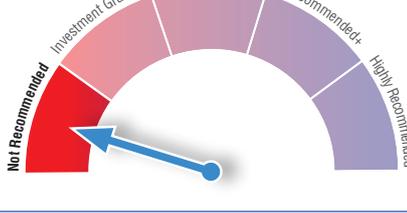
## Annualised Distributions (as a % of NAV)



## APPENDIX A – RATINGS PROCESS

### Independent Investment Research Pty Ltd “IIR” rating system

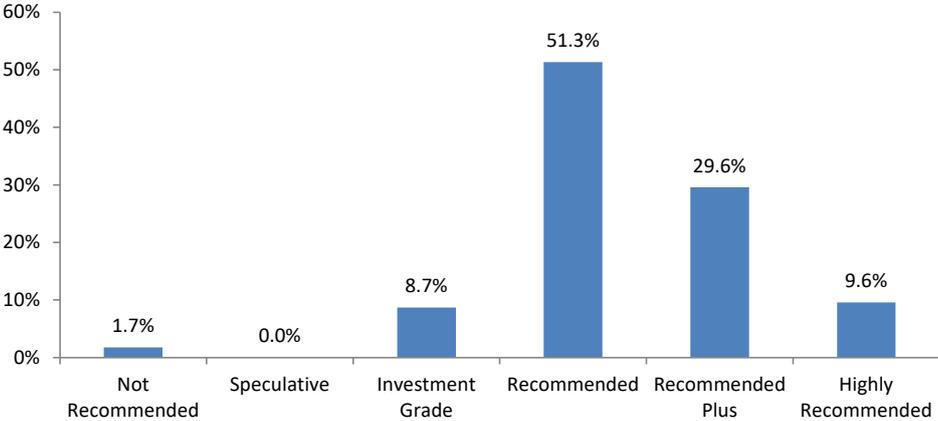
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
<p><b>Highly Recommended</b></p> 	<p><b>83 and above</b></p> <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</p>
<p><b>Recommended +</b></p> 	<p><b>79–83</b></p> <p>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</p>
<p><b>Recommended</b></p> 	<p><b>70–79</b></p> <p>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</p>
<p><b>Investment Grade</b></p> 	<p><b>60–70</b></p> <p>This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.</p>
<p><b>Not Recommended</b></p> 	<p><b>&lt;60</b></p> <p>This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.</p>

## APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

**Spread of Managed Investment Ratings**



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