

## INVESTMENT UPDATE September 2019

### 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 2019	AMOUNT
ASX unit price	\$1.165
NTA per unit <sup>1</sup>	\$1.102

<sup>1</sup> Daily Net Tangible Asset (NTA) is available at [www.perpetualincome.com.au](http://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 PERFORMANCE<sup>4</sup>

AS AT 30 SEPTEMBER 2019	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PCI Investment portfolio	0.3%	1.0%	-	-	-	-	1.4%
RBA Cash Rate	0.1%	0.3%	-	-	-	-	0.5%
Excess returns	0.2%	0.7%	-	-	-	-	0.9%
Distribution return	0.3%	1.1%	-	-	-	-	1.2%

<sup>4</sup> 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 Net Tangible Assets. 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 30 SEPTEMBER 2019	AMOUNT
Number of holdings	87
Number of issuers	65
Running yield	3.3%
Portfolio weighted average life	4.6 years
Modified duration	0.1 years

### KEY TRUST INFORMATION<sup>2</sup>

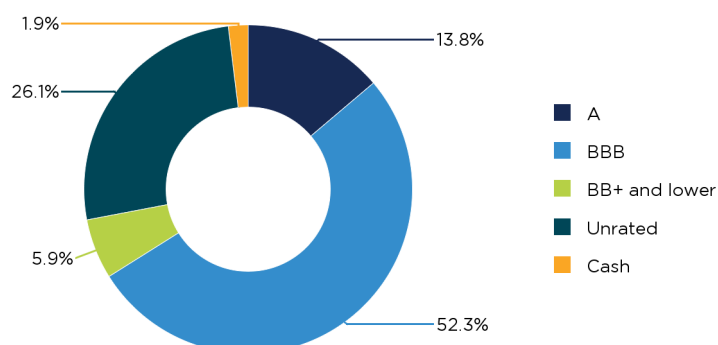
#### AS AT 30 SEPTEMBER 2019

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$466 million
Units on issue:	400,098,098
Distributions:	Monthly
Management costs:	0.88% p.a. <sup>3</sup>
Manager:	Perpetual Investment Management Limited
Responsible Entity:	Perpetual Trust Services Limited

<sup>2</sup> Perpetual Credit Income Trust ARSN 626 053 496.

<sup>3</sup> Estimate inclusive of net effect of GST.

### RATINGS BREAKDOWN



Source: Standard & Poor's and Perpetual Investments. Data is as at 30 September 2019. All figures are unaudited and approximate.

## DISTRIBUTIONS CPU

PCI announced a 0.4 cent per unit (CPU) distribution for September paid on 8 October 2019. The September distribution equates to an annualised distribution rate of 4.3%\*. 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 31 August 2019. Past performance is not indicative of future performance.

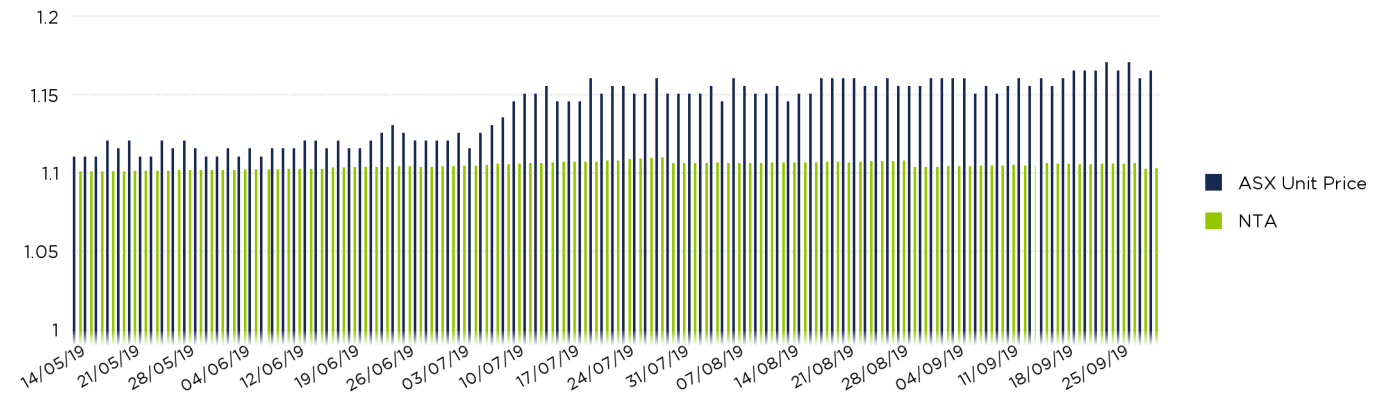
AS AT 30 SEPTEMBER 2019	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
FY2019	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1
FY2020	0.4	0.4	0.4	-	-	-	-	-	-	-	-	-	1.2

## TOTAL UNITHOLDER RETURN<sup>5</sup>

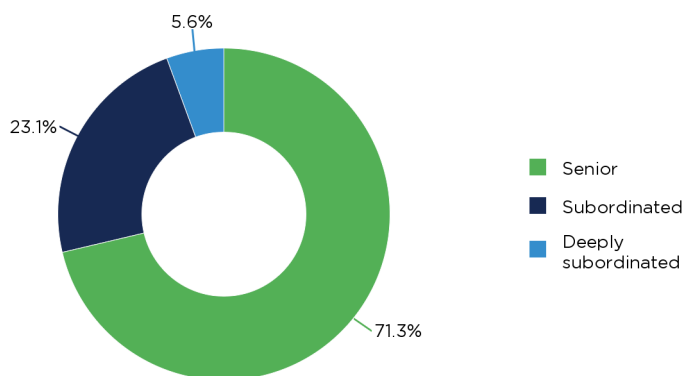
AS AT 30 SEPTEMBER 2019	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
Total unitholder return	1.2%	5.1%	-	-	-	-	7.1%
RBA Cash Rate	0.1%	0.3%	-	-	-	-	0.4%
Excess returns	1.1%	4.8%	-	-	-	-	6.6%
Distribution return	0.3%	1.1%	-	-	-	-	1.2%

<sup>5</sup> 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

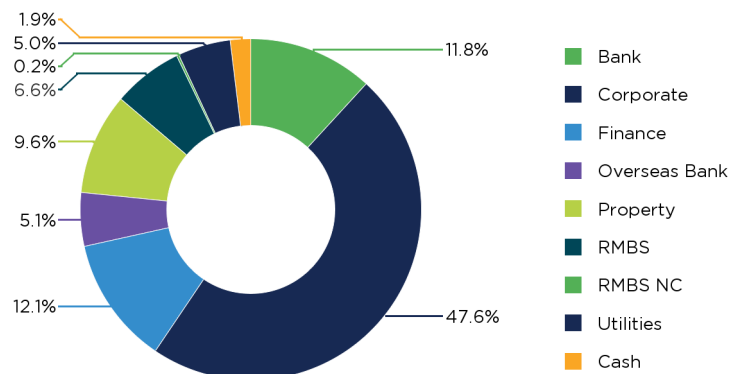


## SENIORITY BREAKDOWN



Source: Bloomberg and Perpetual Investments. Data is as at 30 September 2019. All figures are unaudited and approximate.

## SECTOR ALLOCATION



Source: Bloomberg and Perpetual Investments. Data is as at 30 September 2019. All figures are unaudited and approximate.

## MARKET COMMENTARY

Domestic credit spreads moved in a tight price range last month as the hunt for yield kept the local credit market in check. This search for yield has kept strong demand in the credit market as non-institutional investors are faced with lower term deposit rates.

The Reserve Bank of Australia (RBA) kept the official cash rate at 1% in September, the second successive month the rate was unchanged. This was after previously delivering two successive 0.25% cuts in June and July. The money market interpreted the RBA's comments in its September statement as indicating a possibility of further rate cuts, and built into the domestic yield curve another two rates cut by the middle of next year. The RBA did eventually cut the official cash rate by 0.25% to 0.75% in early October.

## TRUST COMMENTARY

The Perpetual Credit Income Trust aims to provide investors with monthly income by investing in a diversified pool of credit and fixed income assets. We are pleased to note PCI announced a 0.4 cent per unit (CPU) distribution for September paid on 8 October 2019. The September distribution equates to an annualised distribution rate of 4.3%\*. 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.

As at 30 September 2019 PCI's portfolio held 87 securities from 65 issuers across domestic and global credit and fixed income assets. These are diversified by asset type, credit quality, maturity, country and issuers through investment in corporate bonds, floating rate notes, securitised assets and private debt (mainly corporate loans).

The Trust delivered a positive return of 0.3% in September out performing the RBA cash rate by 0.2%. This is despite challenging market conditions. The portfolio continued to collect running income in excess of the benchmark across all corporate and collateralised sectors.

In terms of positioning, sector allocation was actively managed. Attractive relative value corporate credit opportunities continue to be sought out within both the core investment grade and higher yielding segments of the market. In line with the current cautious financial markets backdrop, the Portfolio Manager maintained a defensive bias.

The Portfolio Manager will continue the process of investing in good quality corporate issues with an attractive running yield.

## 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](http://www.perpetualincome.com.au)

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