

PERPETUAL CREDIT INCOME TRUST

ARSN 626 053 496

INVESTMENT UPDATE

August 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 31 AUGUST 2019	AMOUNT
ASX unit price	\$1.155
NTA per unit ¹	\$1.103

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 AUGUST 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	0.1%	1.0%	-	-	-	-	1.1%
RBA Cash Rate	0.1%	0.3%	-	-	-	-	0.4%
Excess returns	0.0%	0.7%	-	-	-	-	0.7%
Distribution return	0.4%	0.8%	-	-	-	-	0.8%

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 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 31 AUGUST 2019	AMOUNT
Number of holdings	93
Number of issuers	67
Running yield	3.2%
Portfolio weighted average life	4.8 years
Modified duration	0.3 years

KEY TRUST INFORMATION²

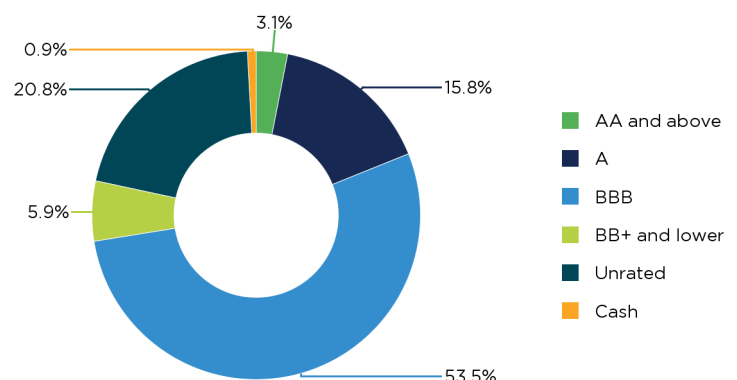
AS AT 31 AUGUST 2019

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$462 million
Units on issue:	400,053,616
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 August 2019. All figures are unaudited and approximate.

DISTRIBUTIONS CPU

PCI announced a 0.4 cent per unit (CPU) distribution for August paid on 9 September 2019. The August distribution equates to an annualised distribution rate of 4.4%*. 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 July 2019. Past performance is not indicative of future performance.

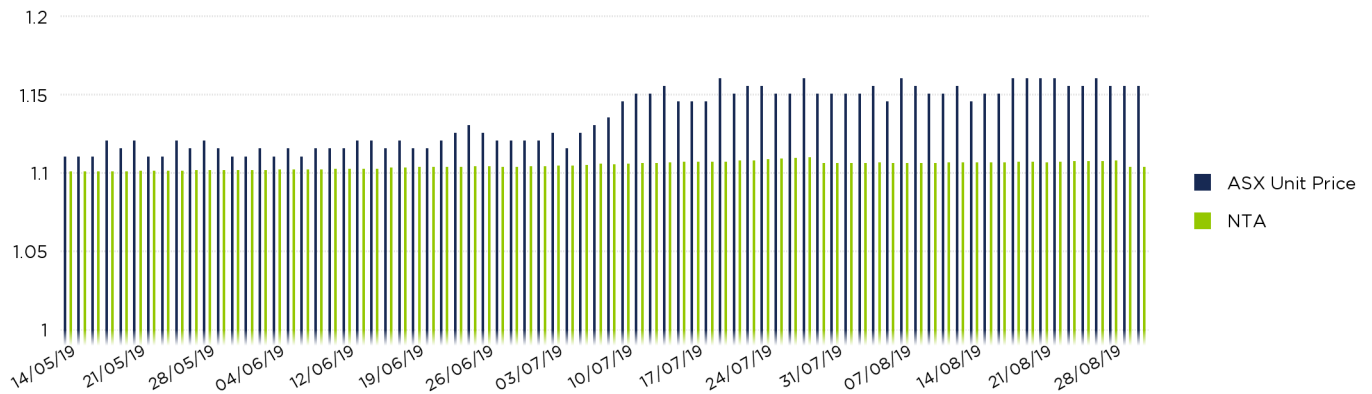
AS AT 31 AUGUST 2019	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
FY2019	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1
FY2020	0.4	0.4	-	-	-	-	-	-	-	-	-	-	0.8

TOTAL UNITHOLDER RETURN⁵

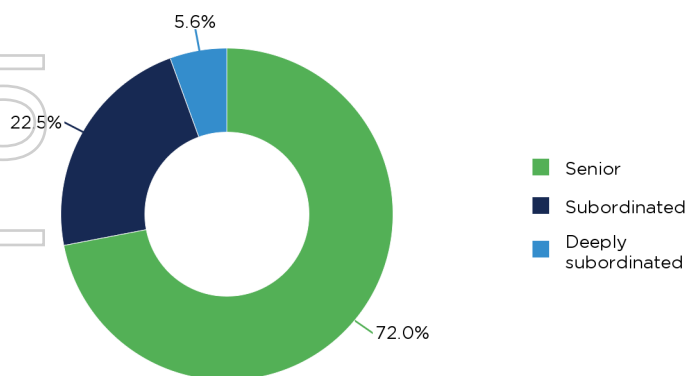
AS AT 31 AUGUST 2019	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
Total unitholder return	0.8%	4.9%	-	-	-	-	5.8%
RBA Cash Rate	0.1%	0.3%	-	-	-	-	0.3%
Excess returns	0.7%	4.6%	-	-	-	-	5.5%
Distribution return	0.3%	0.8%	-	-	-	-	0.8%

⁵ 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

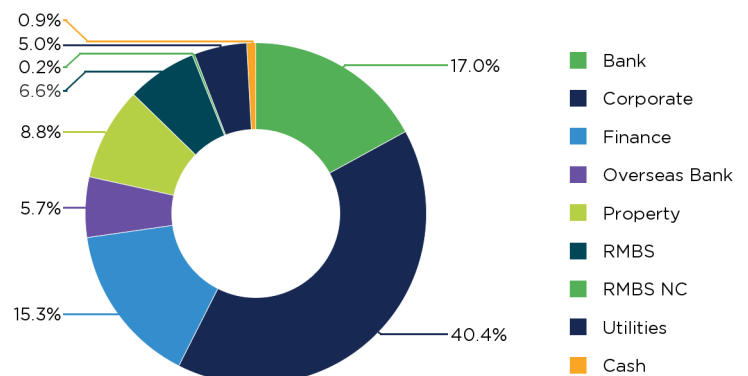


SENIORITY BREAKDOWN



Source: Bloomberg and Perpetual Investments. Data is as at 31 August 2019. All figures are unaudited and approximate.

SECTOR ALLOCATION



Source: Bloomberg and Perpetual Investments. Data is as at 31 August 2019. All figures are unaudited and approximate.

MARKET COMMENTARY

Domestic credit spreads widened during the month, following softer economic data and geopolitical rhetoric over several issues, including the US-China trade dispute, Brexit and political unrest in Hong Kong. This resulted in fixed income yields falling across the board in some cases to record lows. Domestic primary market issuance for credit was robust but met with tepid demand as some investors chose to stay on the sidelines and increase cash levels until the outlook becomes clearer. These new deals were predominantly driven by large domestic financial institutions.

August saw the first issuance by the major banks following the Australian Prudential Regulation Authority (APRA) Total Loss Absorbing capacity (TLAC) announcement. The regulator now requires Authorised Deposit Taking Institutions (ADI's) to increase their total capital buffer by 3% via issuance of tier two junior or sub-ordinated debt. For the major banks this means increased debt issuance of approximately AUD \$50 billion. Westpac was the first bank with two tier 2 deals to meet TLAC requirements and this was followed by ANZ with a senior bond deal. Other financial institutions followed including Volkswagen Financial Services Australia, Suncorp Metway, Liberty Financial, Bendigo and Adelaide Bank as well as Macquarie Bank. There was very little issuance by corporates due to earning reporting season. The securitised market had heavy issuance in August with four registered mortgage back securities (RMBS) and three asset back securities (ABS) deals.

TRUST COMMENTARY

The Perpetual Credit Income Trust (PCI) 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 cents per unit distribution for August paid on 9 September 2019. The August distribution equates to an annualised distribution rate of 4.4%*. 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 31 August 2019 PCI's portfolio held 93 securities from 67 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 in August a positive return of 0.1%, performing in-line with its benchmark. This is despite challenging market conditions.

The portfolio continued to collect running income in excess of the benchmark across all corporate, financials and mortgage backed securities segments of the debt market.

Sector allocation was actively managed over the month and attractive relative value opportunities were sought out within both the core investment grade and higher yielding segments of the fund. In line with the current financial markets backdrop, the Portfolio Manager maintained a defensive bias. This involved reducing the portfolio's exposure to bank debt securities in favour of corporate securities. Securities purchased included Asciano Financial Limited, with a 5.40% coupon maturing 12th May 2027; Australian Pacific Airports with a 3.75% coupon maturing 4 November 2026 and Qantas Airways Limited with a 4.75% coupon maturing 12 October 2026. The portfolio also participated in Westpac's A\$1 billion tier two deal at an attractively priced margin of 1.98% above the bank bill swap rate. The deal marked the first domestic tier two issuance following APRA's announcement on its approach to meeting TLAC requirements.

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

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