

INVESTMENT UPDATE December 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 DECEMBER 2019	AMOUNT
ASX unit price	\$1.140
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.

KEY TRUST INFORMATION²

AS AT 31 DECEMBER 2019

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$456 million
Units on issue:	400,220,427
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.

INVESTMENT PERFORMANCE⁴

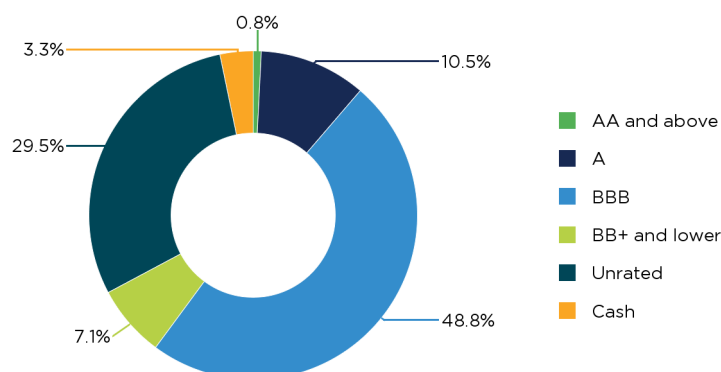
AS AT 31 DECEMBER 2019	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP
PCI Investment portfolio	0.4%	1.0%	2.0%	-	-	-	2.4%
Returns net of operating expenses							
RBA Cash Rate	0.1%	0.2%	0.5%	-	-	-	0.6%
Excess returns	0.4%	0.8%	1.6%	-	-	-	1.8%
Distribution return	0.3%	1.0%	2.1%	-	-	-	2.2%

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 DECEMBER 2019	AMOUNT
Number of holdings	86
Number of issuers	63
Running yield	3.5%
Portfolio weighted average life	4.6 years
Interest rate duration	52 days

RATINGS BREAKDOWN



Source: Standard & Poor's and Perpetual Investments. Data is as at 31 December 2019. All figures are unaudited and approximate.

DISTRIBUTIONS CPU⁵

PCI announced a 0.37 cent per unit (CPU) distribution for December paid on 8 January 2020. The annualised financial year to date distribution rate is 4.20%*. 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 DECEMBER 2019	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	-	-	-	-	-	-	2.30

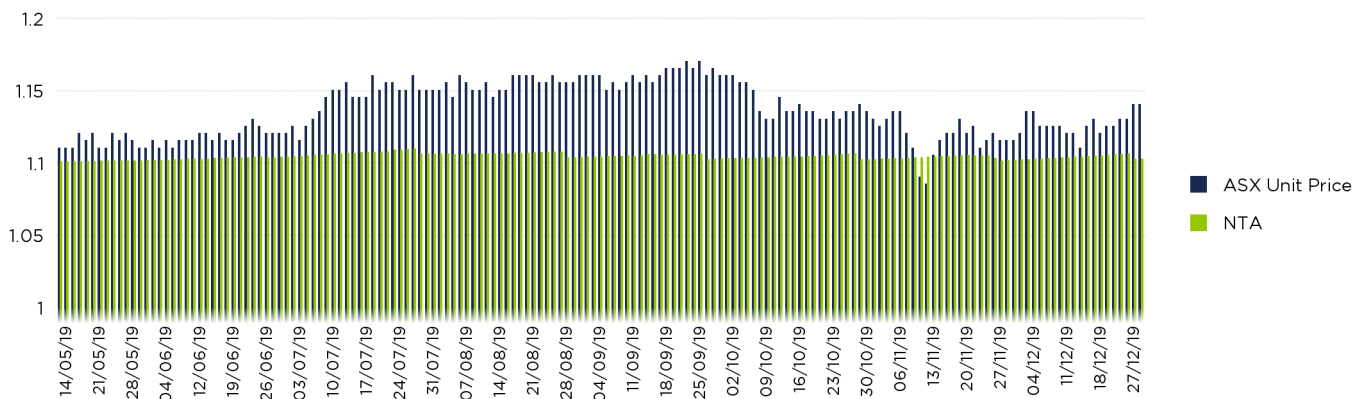
⁵ Distributions are stated as cents per unit and have been rounded to two decimal places. Detailed distribution announcements are available on the PCI website and are stated in Australian dollars rather than cents per unit.

TOTAL UNITHOLDER RETURN⁶

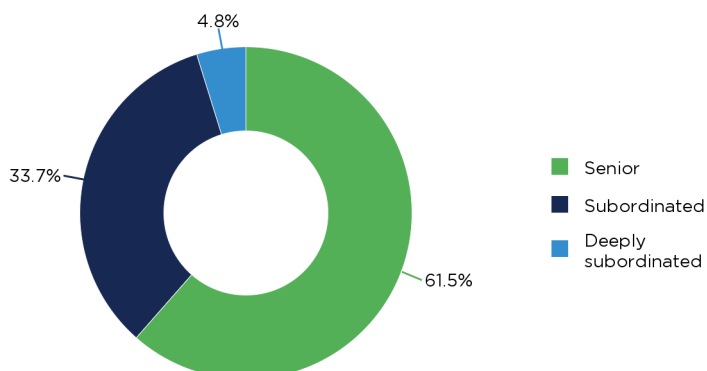
AS AT 31 DECEMBER 2019	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP
Total unitholder return	2.6%	-1.2%	3.8%	-	-	-	5.8%
RBA Cash Rate	0.1%	0.2%	0.5%	-	-	-	0.6%
Excess returns	2.5%	-1.4%	3.4%	-	-	-	5.2%
Distribution return	0.3%	1.0%	2.1%	-	-	-	2.2%

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

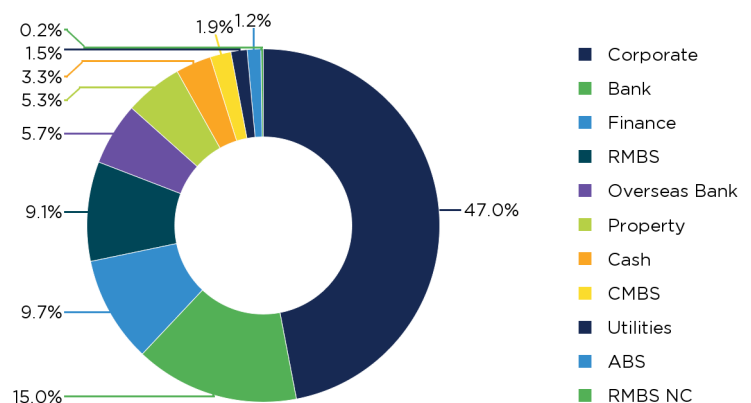


SENIORITY BREAKDOWN



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

SECTOR ALLOCATION



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

MARKET COMMENTARY

On aggregate, credit spreads tightened slightly in December. Downward pressure on spreads came from increased secondary demand as new issuance slowed towards the year end as expected. Major bank spreads led the way, seeing contraction through December. Westpac spreads tightened but lagged their major peers, reflecting concerns surrounding the ongoing AUSTRAC investigation. In addition, the prudential regulator (APRA) announced in December that Westpac capital requirements would increase by \$500M and an extensive risk governance review would take place.

The RBA held the official cash rate at 0.75% maintaining their easing bias. Consensus suggests two further cuts for 2020 beginning in February which would complete the last of the traditional monetary ammunition. The RBA has stated that 0.25% represents the policy rate lower bound and that a program of quantitative easing may follow if required.

Issuance of corporate credit is projected to return to long term levels following the holiday season, providing additional potential investment opportunities.

TRUST COMMENTARY

The portfolio continued to collect running income across all corporate and collateralised sectors. This positive contribution was broadly based, coming from corporates, domestic banks, residential mortgage backed securities and non-bank financials.

Credit spread dynamics were positive for performance. Credit spread tightening contributed to performance particularly in the non-financial corporate, domestic bank and property sectors.

Examples of trades during December include the Manager taking part in the \$72M deal from IMF Bentham and increasing allocation to NAB's 12-year non-call 7 November floating rate note. Profits were taken during the month, reducing domestic bank exposures while cash allocation was increased ahead of upcoming opportunities identified for January.

The Portfolio Manager will continue the process of investing in good quality corporate issues with an attractive running yield. An increase in issuance is expected for the new year, including the return of domestically issued senior unsecured bank debt which has been notably light in the last quarter of 2019.

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

INVESTOR RELATIONS

Karen Davis
P: 02 9229 9114
E: karen.davis@perpetual.com.au

NSW

Nathan Boroughs
State Manager, Perpetual Investments
P: 0466 775 961
E: nathan.boroughs@perpetual.com.au

VIC/SA/NT/TAS

Daniel Moore
State Manager, Perpetual Investments
P: 0400 032 819
E: daniel.moore@perpetual.com.au

QLD

Tony Harte
State Manager, Perpetual Investments
P: 0407 708 109
E: tony.harte@perpetual.com.au

WA

Tim McCallum
State Manager, Perpetual Investments
P: 0411 209 403
E: tim.mccallum@perpetual.com.au

www.perpetualincome.com.au

*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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CONTACT DETAILS

Phone: 1300 778 468 within Australia,
or +61(2) 9299 9621 outside Australia
Email: perpetual@atomicgroup.com.au
www.perpetualincome.com.au

