

INVESTMENT UPDATE

January 2020

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 JANUARY 2020	AMOUNT
ASX unit price	\$1.135
NTA per unit ¹	\$1.105

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 JANUARY 2020

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$454 million
Units on issue:	400,259,253
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

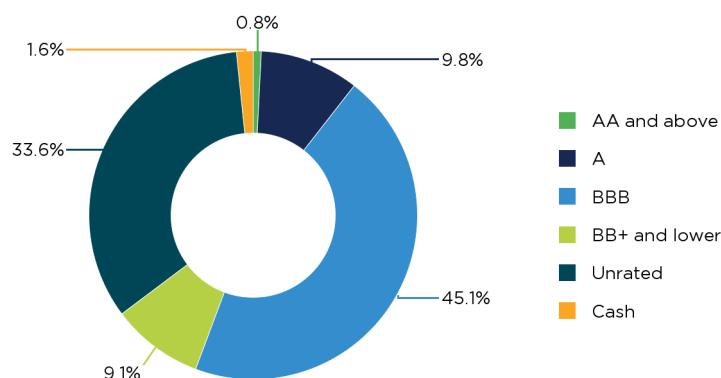
AS AT 31 JANUARY 2020	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP
PCI Investment portfolio	0.5%	1.3%	2.0%	-	-	-	3.0%
Returns net of operating expenses							
RBA Cash Rate	0.1%	0.2%	0.4%	-	-	-	0.7%
Excess returns	0.5%	1.1%	1.5%	-	-	-	2.2%
Distribution return	0.3%	1.0%	2.1%	-	-	-	2.2%

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 JANUARY 2020	AMOUNT
Number of holdings	85
Number of issuers	62
Running yield	3.6%
Portfolio weighted average life	4.5 years
Interest rate duration	1 days

RATINGS BREAKDOWN



Source: Standard & Poor's and Perpetual Investments. Data is as at 31 January 2020. All figures are unaudited and approximate.

DISTRIBUTIONS CPU⁵

PCI announced a 0.37 cent per unit (CPU) distribution for January paid on 7 February 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 JANUARY 2020	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	0.37	-	-	-	-	-	2.67

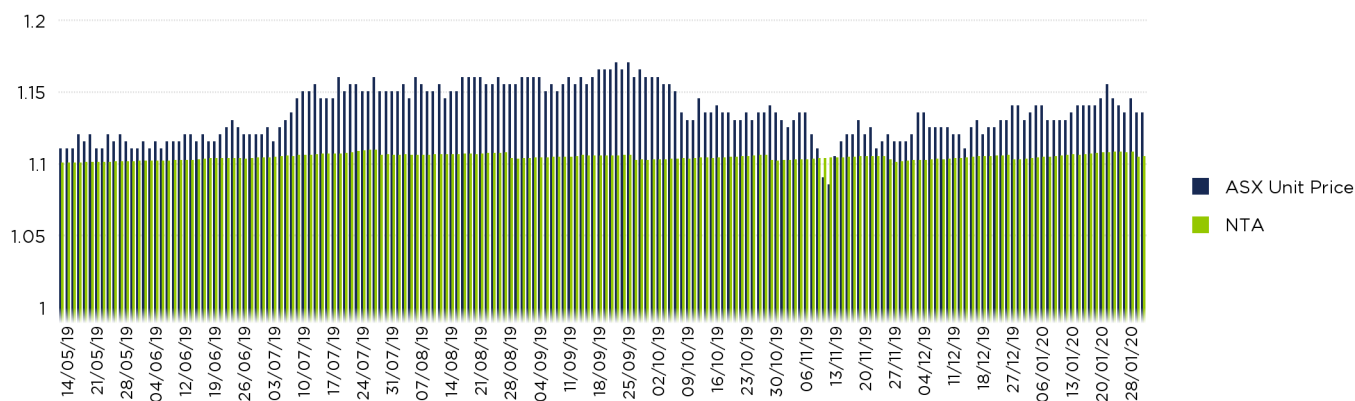
⁵ Distributions are stated as cents per unit and have been rounded to two decimal places. Detailed distribution announcements are available on the PCI website and are stated in Australian dollars rather than cents per unit.

TOTAL UNITHOLDER RETURN⁶

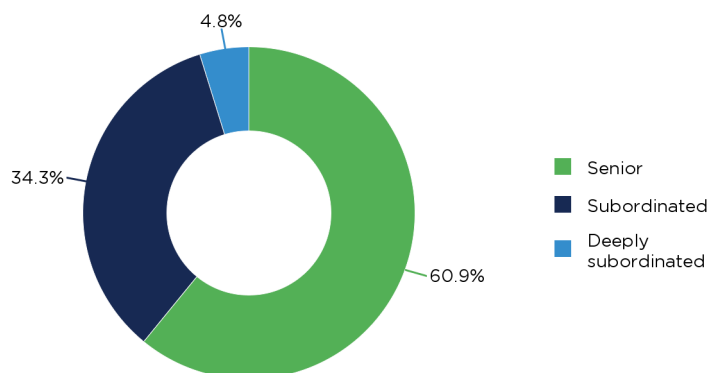
AS AT 31 JANUARY 2020	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP
Total unitholder return	-0.1%	1.0%	0.7%	-	-	-	5.7%
RBA Cash Rate	0.1%	0.2%	0.4%	-	-	-	0.7%
Excess returns	-0.2%	0.8%	0.3%	-	-	-	5.0%
Distribution return	0.3%	1.0%	2.0%	-	-	-	2.5%

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

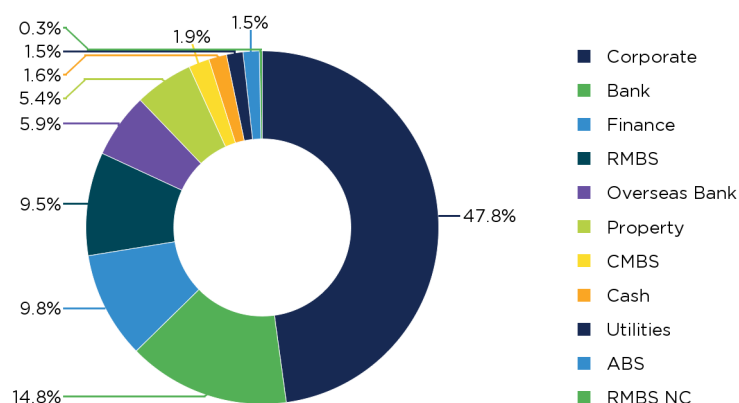


SENIORITY BREAKDOWN



Source: Bloomberg and Perpetual Investments. Data is as at 31 January 2020. All figures are unaudited and approximate.

SECTOR ALLOCATION



Source: Bloomberg and Perpetual Investments. Data is as at 31 January 2020. All figures are unaudited and approximate.

MARKET COMMENTARY

The first month of 2020 was dominated by the bushfires and the coronavirus, both of which the Manager is monitoring closely. While the bushfires did not appear to have a material impact on credit spreads, the economic impact remains uncertain. Damage and destruction of homes is not expected to have a material impact on residential mortgage backed securities (RMBS) income due to home insurance, bank and government support initiatives. RMBS products are also protected from events such as the bushfires through geographic diversification of loans. In addition, insurers have reinsurance cover in place to reduce the impact of major events. The longer-term effects on the property market, agriculture and tourism industries remain an area to watch.

The coronavirus outbreak presents another significant risk factor. The economic impact for the March quarter was projected to be significant with the Reserve Bank of Australia (RBA) downgrading GDP growth projections. While the longer-term outlook remains uncertain, historical precedents set during the SARS epidemic suggests a rapid recovery if the crisis is short-lived. In January, Australian dollar (AUD) credit remained relatively resilient to the influence of coronavirus concerns. Spreads tightened through early January and held their gains as the outbreak began to dominate headlines. Conversely, US dollar (USD) credit spreads widened significantly in the last two weeks of the month. Despite the resilience of AUD spreads, the iTraxx Australia index widened towards the end of the month to 52bps. Widening of spreads reflects increased demand for credit risk insurance due to uncertainty associated with the virus.

Primary market activity was mixed to start the year. Domestic bank issuance was robust while corporate activity was muted. Expectations remain for significant major bank activity through 2020, presenting potential relative value opportunities for the portfolio.

TRUST COMMENTARY

The portfolio continued to collect a healthy running yield through January. Income return was predominantly associated with portfolio exposure to non-financial corporates, RMBS, domestic banks and non-bank financials.

Domestic credit spreads tightened throughout January on aggregate and contributed positively to performance. This was more pronounced at longer tenors, commensurate with the continued hunt for yield. Consequently, portfolio spread return was led by exposure to long-dated corporates and offshore banks, including issues from Lonsdale Finance (Port of Melbourne), Qantas and Downer Group Finance.

The Manager continues to evaluate relative value opportunities in new issues and secondary markets. The Trust increased its exposure to tier 2 subordinated major bank debt via NAB's 12 year non call 7 issue from November 2019. In addition, the Manager took advantage of the active securitisation market at the beginning of the year, investing in the \$300M Liberty Financial Automotive ABS deal.

The Trust's cash allocation was consolidated during January as future opportunities are evaluated. The Portfolio Manager maintained its disciplined 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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