

ASX:PCI

PERPETUAL CREDIT INCOME TRUST INVESTOR PRESENTATION

28 July 2021

Perpetual 

IMPORTANT NOTE

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YOUR PRESENTERS



JAMES HOLT

Director, Investment Solutions

Perpetual Asset Management
Australia



MICHAEL KORBER

Managing Director, Credit &
Fixed Income

Portfolio Manager
Perpetual Credit Income Trust



ANNE MOAL

Head of Corporate High Yield

Portfolio Manager
Perpetual Loan Fund



KAREN DAVIS

Investor Relations
Perpetual Credit Income Trust

AGENDA

Perpetual Credit Income Trust (PCI)
portfolio update

Q & A

KEY PRINCIPLES OF INVESTING IN CREDIT/FIXED INCOME

- Aims to provide a source of regular, reliable income
- Floating rate credit* can offer regular income and protection against rising bond yields
- Diversification is key to managing risk and maximising opportunities
- Active management is important for security selection to help identify the most attractive assets
- Invest in structures that are transparent

WE BELIEVE PCI CAN OFFER A DISTINCT COMBINATION OF THESE ELEMENTS

PERPETUAL CREDIT INCOME TRUST (ASX: PCI)

A ROBUST, ACTIVE AND RISK AWARE INVESTMENT PROCESS



Investment objective & target return

- To provide investors with monthly income by investing in a diversified pool of credit and fixed income assets.
- To target a total return of RBA Cash Rate + 3.25% per annum (net of fees) through the economic cycle.¹



Investment guidelines

Typically 50 – 100 assets

30% - 100%	Investment grade assets ² Maximum issuer limit 15%
0% - 70%	Unrated or sub-investment grade assets ³ Maximum issuer limit 10%
70% - 100%	Assets denominated in AUD
0% - 30%	Assets denominated in foreign currencies ⁴
0% - 70%	Perpetual Loan Fund



Investment process

- 1 Top down market screening
- 2 Risk appetite and matrix of preferences
- 3 Approved list of issuers
- 4 Fundamental research bottom up

FLEXIBLE INVESTMENT STRATEGY TO ADAPT TO CHANGING MARKET CONDITIONS

¹ This is a target only and may not be achieved.

² An investment grade asset has a long term rating of BBB-/Baa3 to AAA/Aaa.

³ A sub-investment grade asset has a rating below BBB-/Baa3 and includes unrated assets

⁴ Foreign currencies are typically hedged back to the Australia dollar. As at 30 June 2021, all foreign currency exposures were hedged to Australian dollar floating rate.

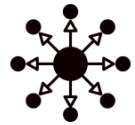
PORTFOLIO CONSTRUCTION

A ROBUST, ACTIVE AND RISK AWARE INVESTMENT PROCESS



SOURCES OF INCOME

PCI primarily generates its income and running yield from coupon payments received from corporate bonds and asset backed securities and interest income from investment in loans.



DIVERSIFICATION

We believe the portfolio is well diversified in respect of both the number and broad spectrum of credit and fixed income assets included in the portfolio.



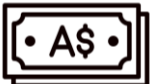
CREDIT DURATION IS SHORT

A short portfolio weighted average life means the portfolio is less sensitive to credit spread movements than longer dated securities.



FLOATING INTEREST RATE EXPOSURE

We seek to minimise interest rate risk by investing in floating rate notes. This means the portfolio will benefit from an increase in interest payments as market interest rates move up. Vice versa if market interest rates move down. Investments in fixed rate corporate bonds will typically be hedged to a floating rate.



AUSTRALIAN DOLLAR (AUD) CREDIT FUND

To manage the sensitivity to currency risk, investment in foreign denominated assets are typically hedged back to AUD.

Portfolio summary

As at 30 June 2021	Amount
Number of holdings	119
Number of issuers	90
Running yield	3.4%
Portfolio weighted average life	3.9 years
Interest rate duration	39 days

PERPETUAL CREDIT INCOME TRUST (PCI)

BROAD INVESTMENT UNIVERSE DESIGNED TO PROVIDE MULTIPLE SOURCES OF RETURN

How we seek to generate returns

“Identify sources of predictable and reliable income”

- Running yield is supported by coupon and interest payments which are contractual payments from the borrower

“Active trading”

- Income from realised capital gains through trading securities

What this looks like for PCI

- Aims to provide monthly income
- Target return of RBA Cash Rate + 3.25% p.a. over the economic cycle[^].
- Distribution return for 1 year to 30 June 2021 was 3.5%.^{*}

- Active asset selection aimed to maximise returns from PCI’s broad investment universe while seeking to lower capital volatility
- Generate capital gains from the credit spreads of assets tightening (i.e. increasing in value)

[^] This is a target only and may not be achieved

^{*} Source: Perpetual Investment Management Limited.

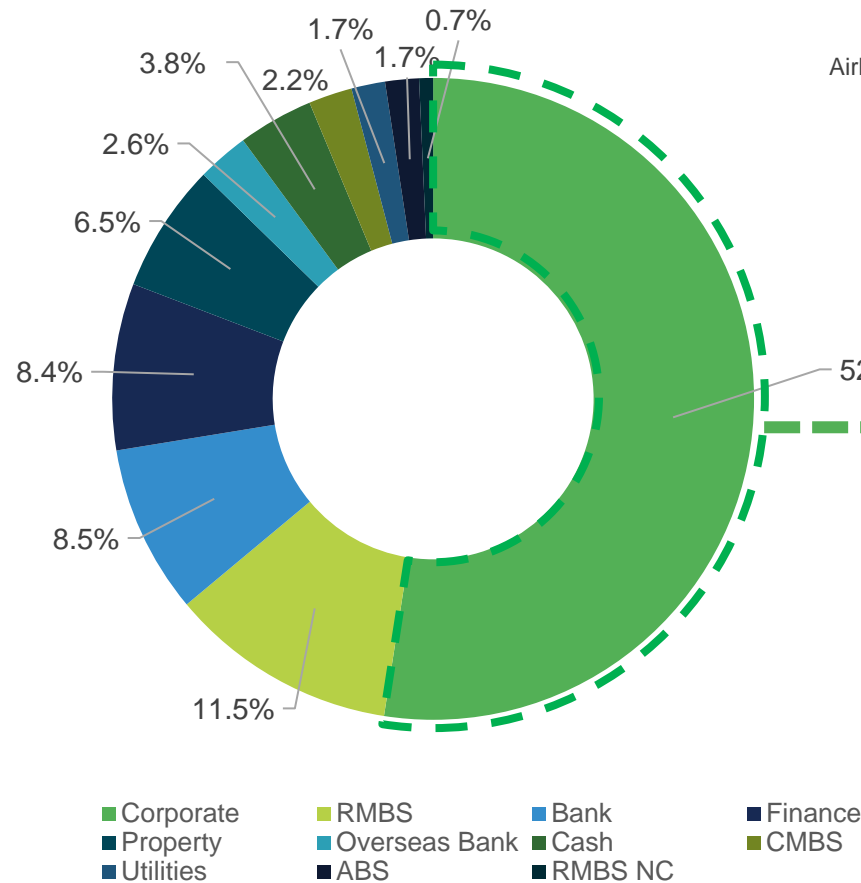
Distribution return has been calculated based on the PCI investment portfolio return less the growth of NTA. Past performance is not indicative of future performance.

PORTFOLIO COMPOSITION

OUR ACTIVE MANAGEMENT AIMS TO DELIVER A DIVERSIFIED PORTFOLIO

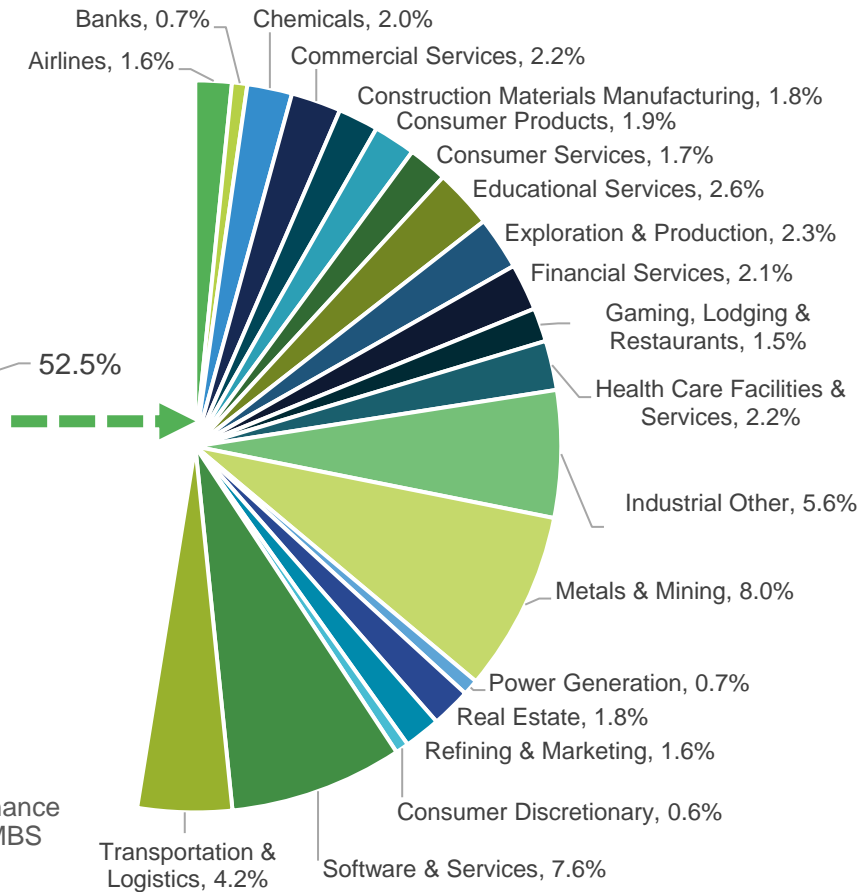
- Our fundamental research process is designed to identify attractive issuers and assets on a risk return basis.
- For example, as part of our research we look for corporate issuers who have:
 - A good balance sheet
 - Predictable cash flows
 - Hold a competitive market position
 - Have a quality, capable management and governance structure; and
 - Have low susceptibility to the potential impact of regulatory changes, political risk, litigation risk and other types of event risk

Sector allocation



Source: Perpetual Investment Management Limited. Data is as at 30 June 2021. All figures are unaudited and approximate. Figures may not sum due to rounding.

Breakdown by corporate sector

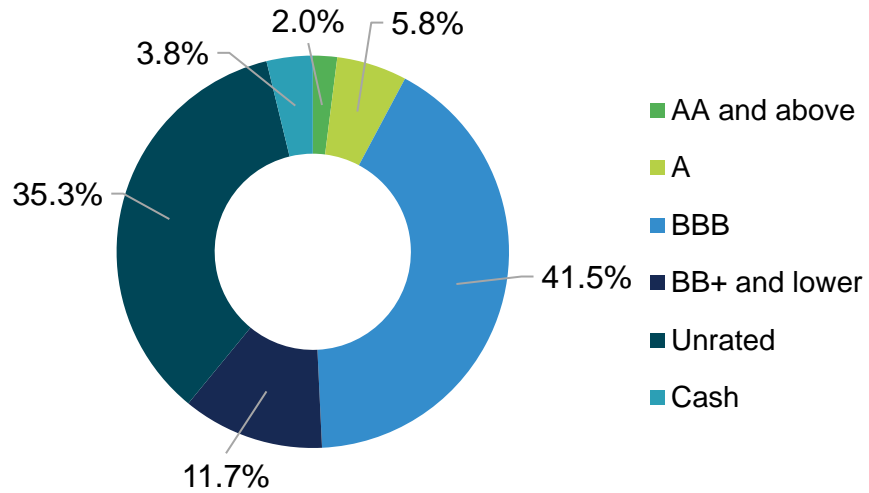


Source: Bloomberg. Data is as at 30 June 2021. All figures are unaudited and approximate. Figures may not sum due to rounding.

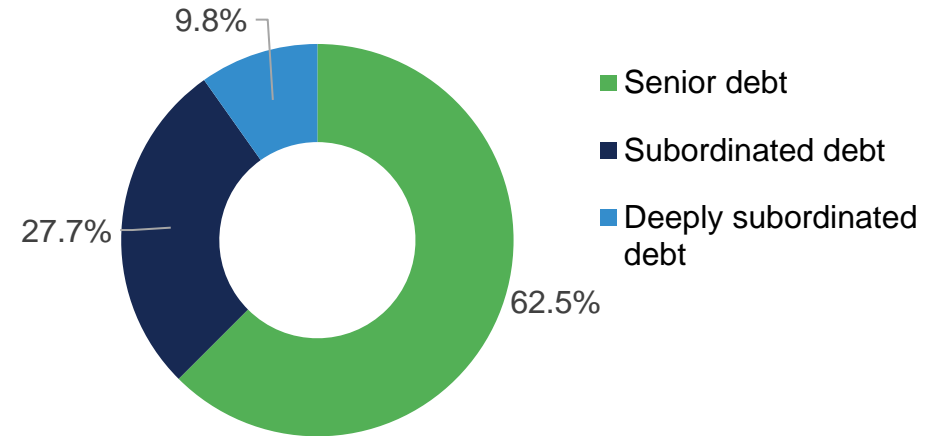
PORTFOLIO COMPOSITION

AS AT 30 JUNE 2021

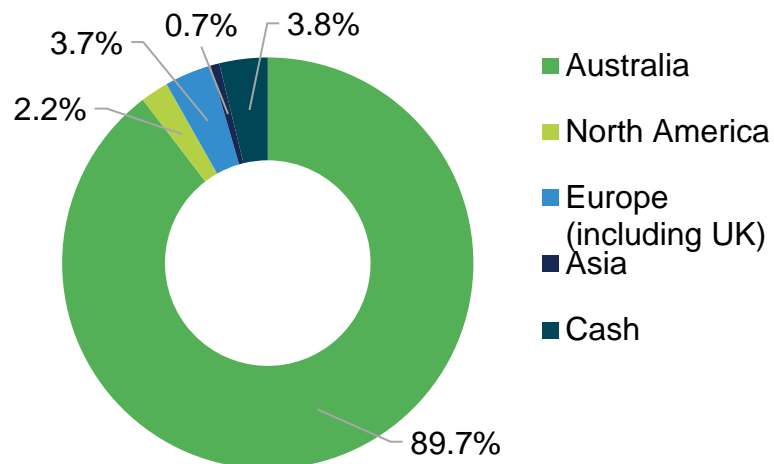
Breakdown by credit rating



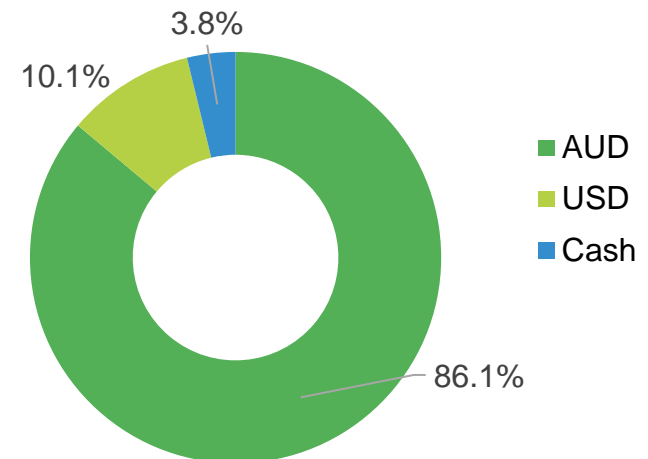
Breakdown by seniority



Domicile of issuer



Currency breakdown



PORTFOLIO COMPOSITION

ASSETS IN THE PORTFOLIO

INVESTMENT GRADE¹

BNP PARIBAS

AMPOL

BLUESCOPE

BORAL

Wesfarmers

QANTAS

MACQUARIE

SUB INVESTMENT GRADE²

ARNOTT'S

myob

Perenti

MINERAL RESOURCES

InfoTrack

LEAP

UNRATED ASSETS³

OMNI BRIDGEWAY

ST

Centuria

CIVMEC

APM
employment services

citadel group
MANAGING COMPLEXITY

Types of assets include corporate bonds, private loans, asset backed securities (ABS), hybrid securities and convertibles.

¹ An investment grade asset has a long term rating of BBB- to AAA for Standard & Poor's (S&P) and Fitch or Baa3 to Aaa for Moody's. The highest rating is AAA/Aaa which indicates that the issuer of the debt asset has extremely strong capacity to meet its financial commitments.

² A sub-investment grade asset has a rating below BBB- for S&P and Fitch or Baa3 for Moody's.

³ Unrated securities refer to assets issued by borrowers without an established credit rating from a rating agency such as S&P, Moody's Investor Services or Fitch.

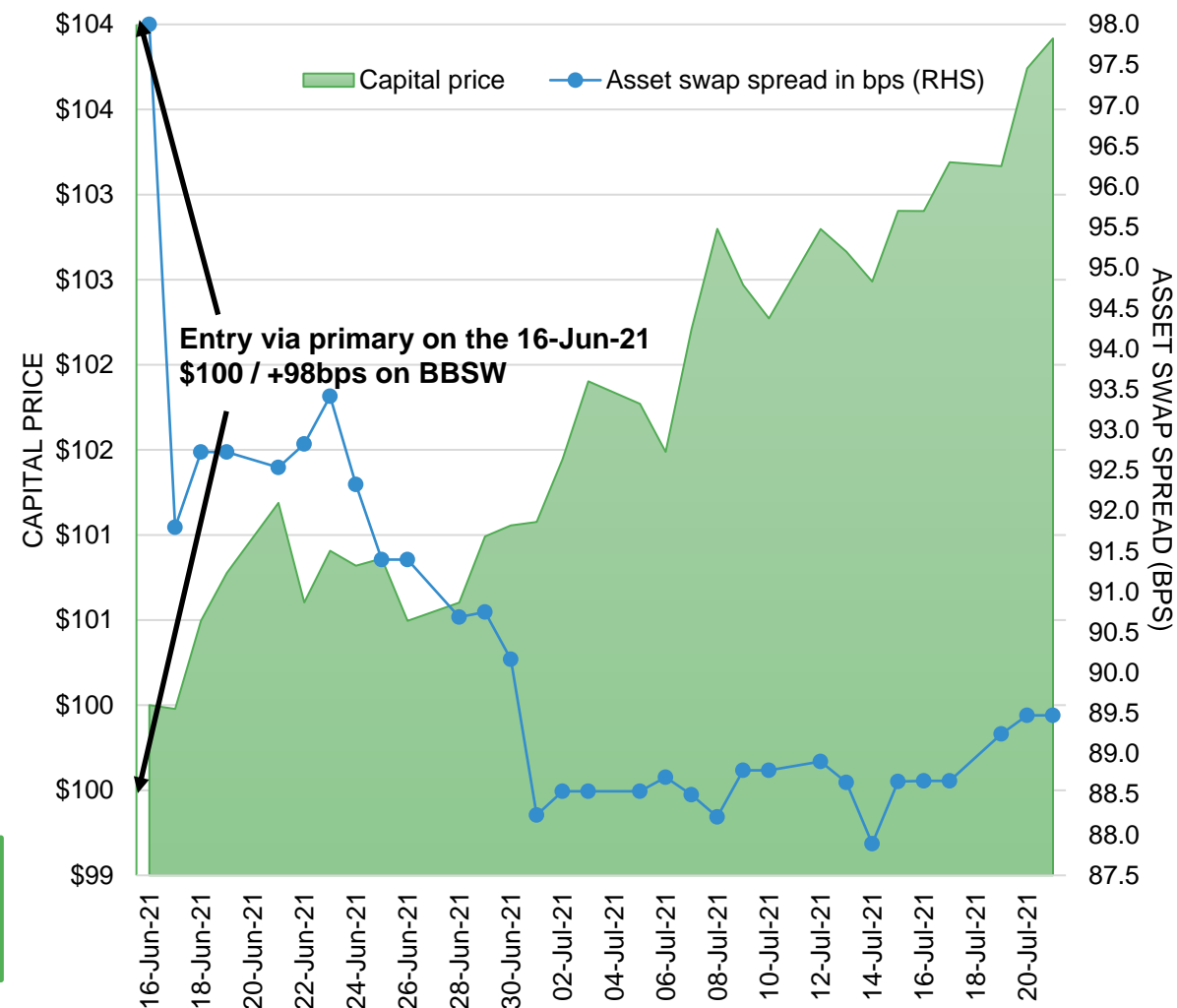
CASE STUDY – WESFARMERS

INVESTMENT GRADE DEBT EXAMPLE

- Wesfarmers \$1 billion deal – we participated in the 10 year tranche of \$350 million in June 2021
- Opportunity
 - Quality issuer – Wesfarmers are a diversified Australian business with retail exposure through owning Bunnings, Kmart, Target and Officeworks. All stores have increased their earnings through COVID-19 due to the increase in remote working
 - Rated A- and are an infrequent borrower
 - Scarcity value - supply in the non-financial corporate sector has been subdued
 - Sustainability-linked bond where the pricing step-up is based on Wesfarmers meeting its sustainability and ESG-related targets
 - We conducted extensive research on the relative value analysis and compared pricing dynamics of ESG bonds v non-ESG counterparts in offshore markets
- Robust demand for the issuance was received with the final orderbook reaching over \$1.1 billion, more than 3x the initial size of \$350 million

- Following the issuance, the credit spread tightened by 8bps which contributed to the value of the asset increasing from \$100 to \$103.91.

Wesfarmers 2.55% 23-Jun-2031 (AUD) Bond



Source: Bloomberg

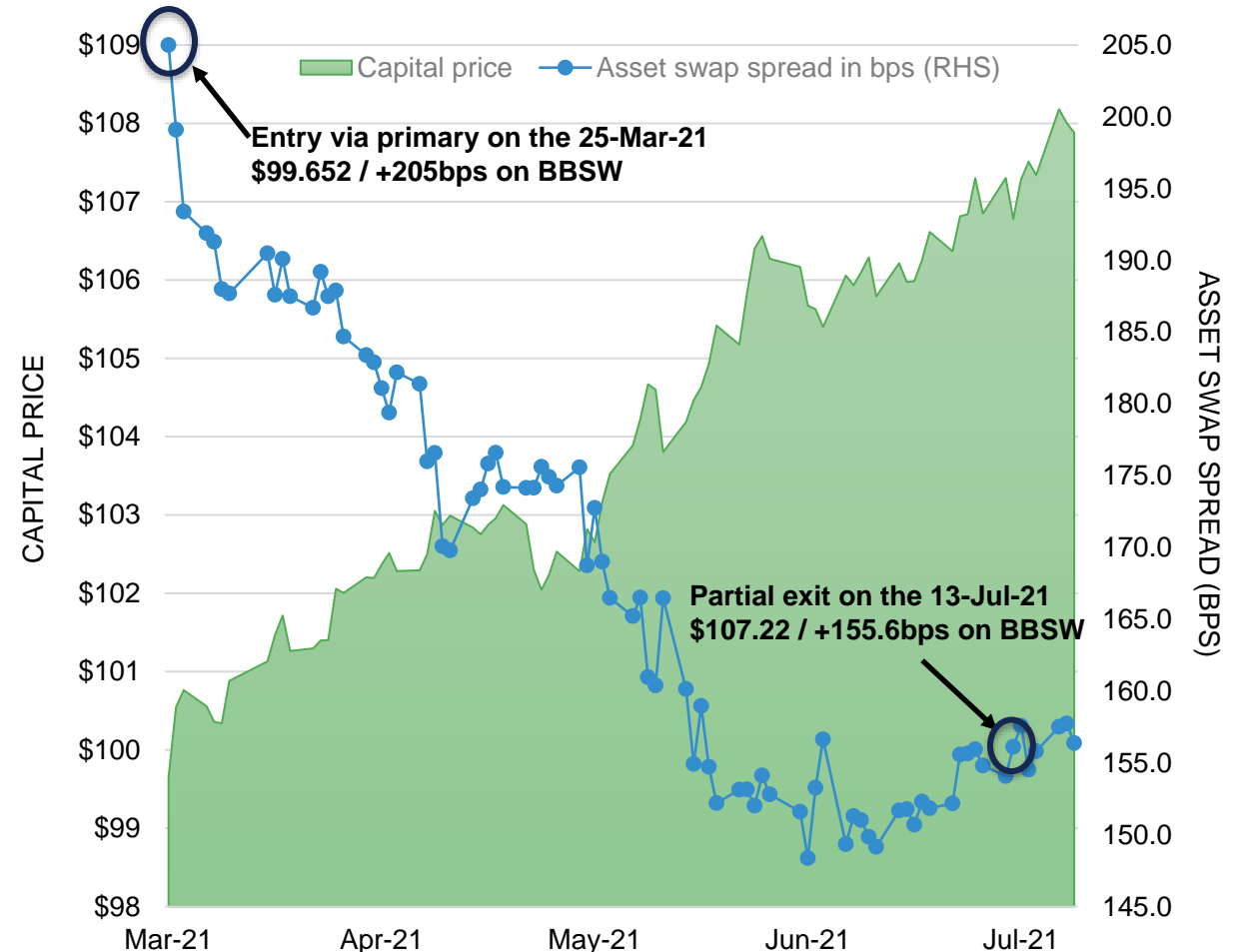
CASE STUDY – LENDLEASE

INVESTMENT GRADE DEBT EXAMPLE

- Lendlease Group's* \$300 million deal – PCI participated in the Australian dollar denominated 10 year green bond in March 2021
- Opportunity
 - Creditworthy borrower – Lendlease is rated Baa3/BBB- by Moody's/Fitch.
 - We believe the deal was priced appropriately given market conditions and inherent development risks
 - We observed robust demand for the issuance
- We trimmed our position on 13 July
 - This was based on the valuations as well as earnings pressure from weakening market conditions and operational disruptions associated with COVID-19.

• The credit spread tightened by 49.4bps which contributed to the increase of the value of the asset from \$99.652 to \$107.22

Lendlease 3.70% 31-Mar-2031 (AUD) Bond



Source: Bloomberg

CASE STUDY – APM EMPLOYMENT SERVICES

HIGH YIELD ASSET EXAMPLE



COMPANY

- Provides employment, health and human services supporting government programs to place people into meaningful and lasting employment
- Social purpose of helping people with disabilities, injury or illness in the workplace

ASSET FEATURES

- Sector – commercial services
- Type – loan
- Credit rating – unrated
- Seniority – senior secured
- Country – Australia

WHAT WE SEE

- Strong market share in Australia after establishing a good track record in delivering key social services
- Significant contracts and partnerships with governments provide good cash flow
- Expanded geographically which has reduced concentration risk
- Well regarded and experienced management with founder very involved
- Focus on governance and social impact as it is core to the business
- Good resilience through economic cycle

CASE STUDY – OMNI BRIDGEWAY

HIGH YIELD ASSET EXAMPLE



COMPANY

- ASX listed company
- Specialist fund manager that provides litigation funding and support services to insolvency and legal practitioners

ASSET FEATURES

- Sector – financial services
- Type – bond and floating rate notes (listed and unlisted)
- Credit rating – unrated
- Seniority – senior secured
- Country – Australia

WHAT WE SEE

- Strong balance sheet with very high cash balance and very low net debt
- Strong cash flow generation
- Hold a very competitive global market position in funding and managing disputes
- Strong management transforming the group's business, capital intensity and risk management over the last few years
- Omni Bridgeway has a very diversified portfolio of investments which reduces risk of adverse findings or regulatory risk impacting the business

OUR VIEWS ON CURRENT MARKET CONDITIONS

- Credit outlook for markets
 - Our credit score as at 30 June 2021 was +4 which indicates a positive outlook over the short to medium term.
 - Financial markets have risen on the back of strong economic growth expectations, supportive monetary and fiscal policy and continued COVID-19 vaccine rollout globally.
 - Credit margins for both investment grade and high yield have rallied and returned to pre-COVID levels.
- The RBA's Term Funding Facility closed at the end of June
 - We expect an increase in the number of authorised deposit-taking institutions (ADIs) issuing debt in the second half of the year in the form of negotiable certificate of deposits (NCDs), senior unsecured debt and/or asset backed securities.
- Investment grade assets had a good run last year and we don't expect them to perform at the same level as 2020. Therefore, we have increased allocations towards specific high yield assets where we have identified particular relative value opportunities.
 - Many companies restructured in 2020 in response to the COVID-19 pandemic. As a result we have seen improved cashflow, balance sheets strengthened and simplified capital structures from issuers. These are positive attributes for when we assess issuers that we may lend to.

OPPORTUNITIES WE SEE FOR THE PCI PORTFOLIO

- Securitisation market
 - In a persistent low yield environment, we find the securitisation market offers competitive relative value.
 - Securitised assets have supported the portfolio's running yield through receipt of income and contributed to credit spread return.
 - As at 30 June 2021, allocations to residential mortgage backed securities (RMBS), asset backed securities (ABS) and commercial mortgage backed securities (CMBS) comprised 16.1% of the portfolio.
- Increased merger and acquisition (M&A) activity in the private equity sector
 - Companies impacted by COVID-19 potentially face distress, consolidation or structural changes.
 - We have observed M&A activity in the private equity sector which is leading to new demand for borrowing.
 - As a result, we are seeing new issuance which PCI may participate in (i.e. acting as lender to companies) and generate attractive returns for the portfolio.
- Specialising in Australian corporate credit, we are domestic focused and globally aware
 - Our local presence means we can easily access deals and meet borrowers' management teams. We believe this provides us with an advantage in assessing opportunities and managing credit risk for the portfolio.
 - We invest with high conviction and undertake in-depth credit research to identify quality.

KEY PERFORMANCE DATA

AS AT 30 JUNE 2021

INVESTMENT PERFORMANCE

	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PCI Investment Portfolio ¹ Returns net of operating expenses	0.4%	1.5%	3.1%	8.3%	-	-	4.0%
RBA Cash Rate	0.0%	0.0%	0.0%	0.1%	-	-	0.5%
Excess Returns	0.4%	1.4%	3.1%	8.2%	-	-	3.5%
Distribution Return	0.3%	0.9%	1.7%	3.5%	-	-	3.5%

¹Investment 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.

DISTRIBUTION CPU²

PCI continues to meet its investment objective of providing monthly income to investors. The annual distribution return is 3.5%¹ which is in line with PCI's target return of RBA Cash Rate + 3.25% (net of fees) through the economic cycle³.

	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	0.35	0.33	0.30	0.31	0.30	4.26
FY2021	0.32	0.32	0.30	0.31	0.28	0.30	0.30	0.27	0.30	0.29	0.33	0.32	3.63

²Distributions 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.

KEY PERFORMANCE DATA

AS AT 30 JUNE 2021

TOTAL UNITHOLDER RETURN

	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
Total unitholder return	1.3%	0.9%	1.3%	12.8%	-	-	0.7%
RBA Cash Rate	0.0%	0.0%	0.0%	0.1%	-	-	0.0%
Excess Returns	1.3%	0.9%	1.3%	12.7%	-	-	0.7%
Distribution Return	0.3%	0.9%	1.8%	3.9%	-	-	3.1%

¹ 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.

ASX UNIT PRICE TO NTA PERFORMANCE



- ASX unit price has recovered from lows during the COVID-19 led volatility
- As at 30 June 2021, PCI was trading at discount to NTA of -6.0%.
- Daily NTA disclosed on ASX

SUMMARY OF PCI



SOURCE OF INCOME

Providing monthly income with an annual distribution return of 3.5%¹ which is in line with PCI's target return of RBA Cash Rate + 3.25% (net of fees) through the economic cycle².



DEFENSIVE CHARACTERISTICS

We believe that credit and fixed income assets should be the bedrock of an investor's defensive portfolio, as they provide a combination of capital stability, liquidity and regular income.



DIVERSIFICATION

Our investment philosophy is based on diversification being key to managing risk and maximising opportunities.



A BREADTH OF OPPORTUNITY

We specialise in Australian corporate credit and undertake in-depth research to identify quality issuers offering good relative value while being risk aware. We invest with high conviction.



SOLID PERFORMANCE

The PCI portfolio has returned 8.3%³ over the 1 year to 30 June 2021, outperforming the benchmark by 8.2%.

Source: Perpetual Investment Management Limited

¹ 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.

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CONTINUING TO KEEP INVESTORS INFORMED

VISIT OUR WEBSITE

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www.perpetual.com.au/income



Monthly Investment Reports



View daily NTA announcements



Latest insights from the Manager



Resources and educational information

Q & A

APPENDIX

PERPETUAL'S SPECIALIST CREDIT & FIXED INCOME TEAM

OUR SENIOR PORTFOLIO MANAGEMENT TEAM HAVE BEEN INVESTING TOGETHER FOR OVER A DECADE



MICHAEL KORBER
Managing Director
Credit & Fixed Income

Portfolio Manager:
Perpetual Credit Income Trust
Perpetual Pure Credit Alpha

39 years experience, 16 years at Perpetual



ANNE MOAL
Head of Corporate High Yield

Portfolio Manager:
Perpetual Loan Fund

24 years experience, 7 years at Perpetual

Portfolio Managers

VIVEK PRABHU
Head of Fixed Income

28 years experience, 16 years at Perpetual

GREG STOCK
Head of Credit Research

28 years experience, 16 years at Perpetual

THOMAS CHOI
Senior Portfolio Manager

18 years experience, 12 years at Perpetual

Analysts

JP BAE
Senior Dealer / Associate Portfolio Manager

17 years experience, 10 years at Perpetual

CAROL YUAN
Credit Analyst (Investment Grade & High Yield)

13 years experience, 3 years at Perpetual

MICHAEL MURPHY
Credit Analyst (Private Debt & High Yield)

8 years experience, 2 year at Perpetual

JEFFREY WU
Analyst

3 years experience, 2 years at Perpetual

ONE OF THE MOST EXPERIENCED, STABLE AND PROVEN TEAMS IN THE AUSTRALIAN MARKET

INVESTMENT IN HIGH YIELD AND LOANS

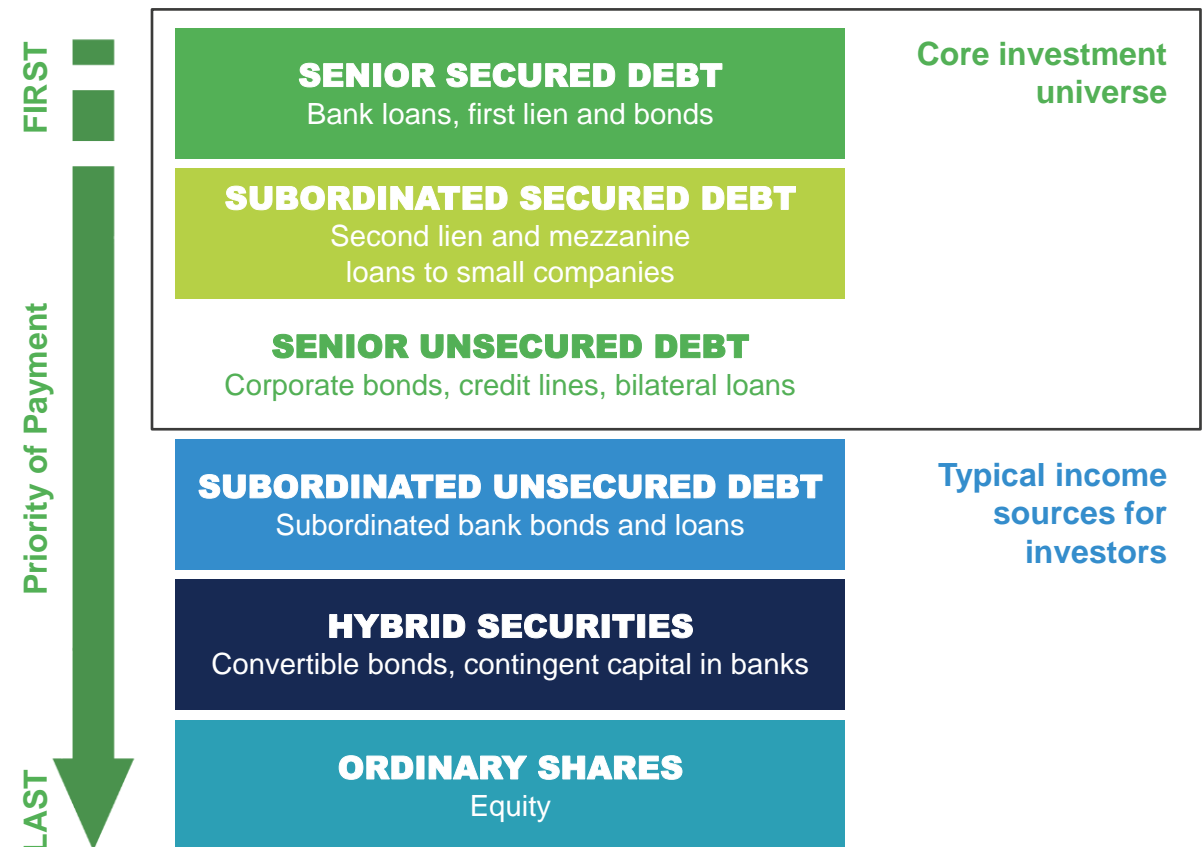
FOCUS ON THE CAPITAL STRUCTURE

Why is the capital structure important?

- We mainly focus our investments in sub-investment grade and unrated corporate bonds and loans on senior positions in the capital structure.
- These senior positions rank higher in priority (in the event a company is wound up) which means the invested capital should be repaid before capital is returned to investors in subordinated, hybrid securities or shares.
- By investing in senior positions of the capital structure, high yield investments aim to provide attractive and reliable income and low capital volatility.

Typical capital structure of a company

Below illustrates how payments in the capital structure are prioritised.



INVESTMENT IN HIGH YIELD AND LOANS

UNDERTAKING AN EXTENSIVE DUE DILIGENCE PROCESS WHICH AIMS TO SCREEN ISSUERS AND IDENTIFY THE MOST ATTRACTIVE ASSETS

Legal documentation review

Loan documentation is not standard. It is key to understand Lenders' rights and enforceability to make sure the risk is properly understood and priced

Board and management review

Ensuring quality, capable management and governance structure. Establishing an ongoing dialogue with management.

Valuation of business (including distressed valuation)

Looking for companies that we believe have resilient asset values to cover the amount of the debt we propose to hold.



Capital structure review

For example, senior secured or unsecured debt or subordinated secured or unsecured debt

In-depth financial analysis and modelling

Analysing the strength of the company's balance sheet, valuable assets and predictable cash flows

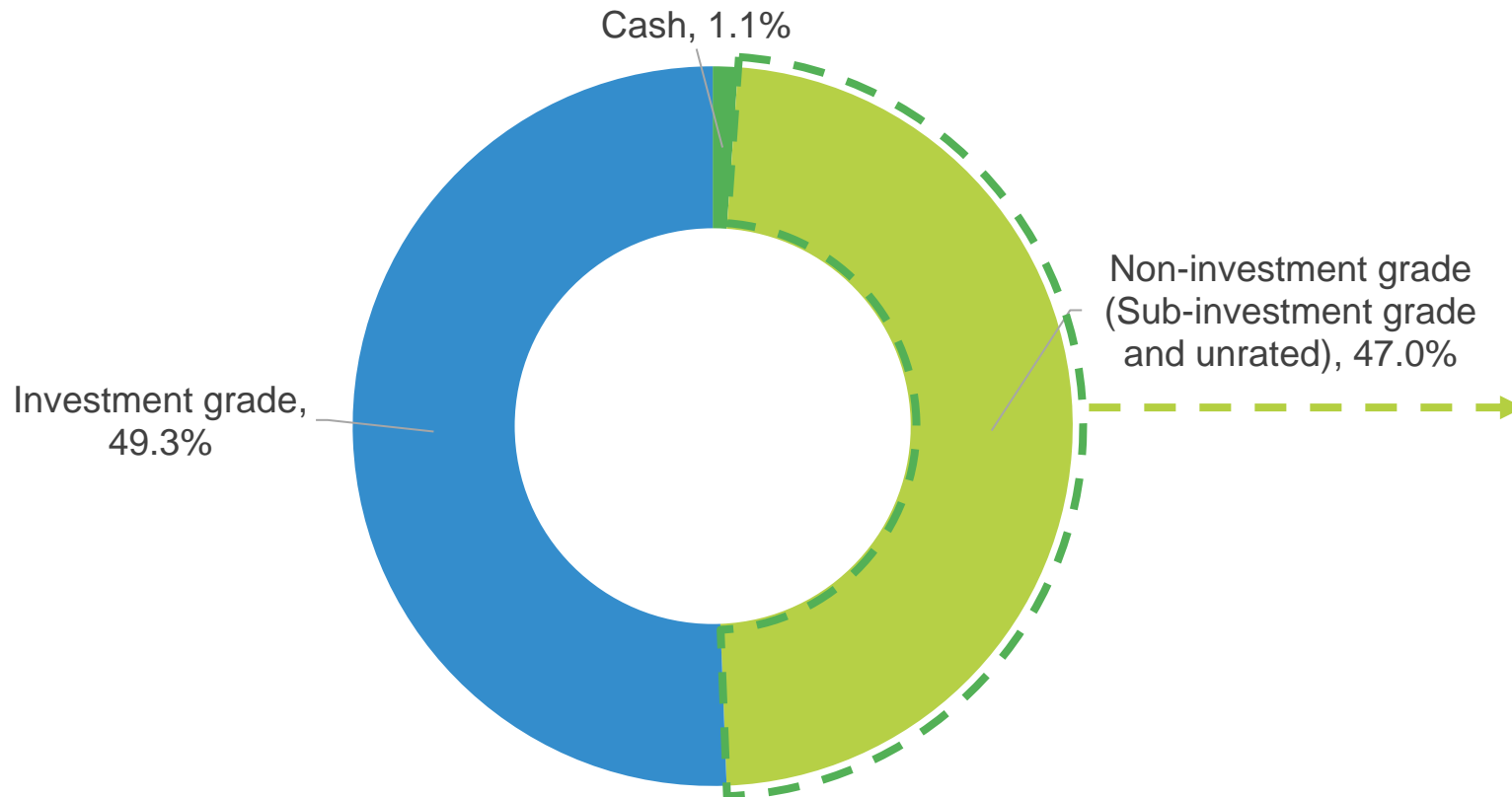
Understanding of market position and sector trends

Identifying companies who we consider hold a competitive market position and have low susceptibility to the potential impact of regulatory changes, political risk, litigation risk and other types of event risk

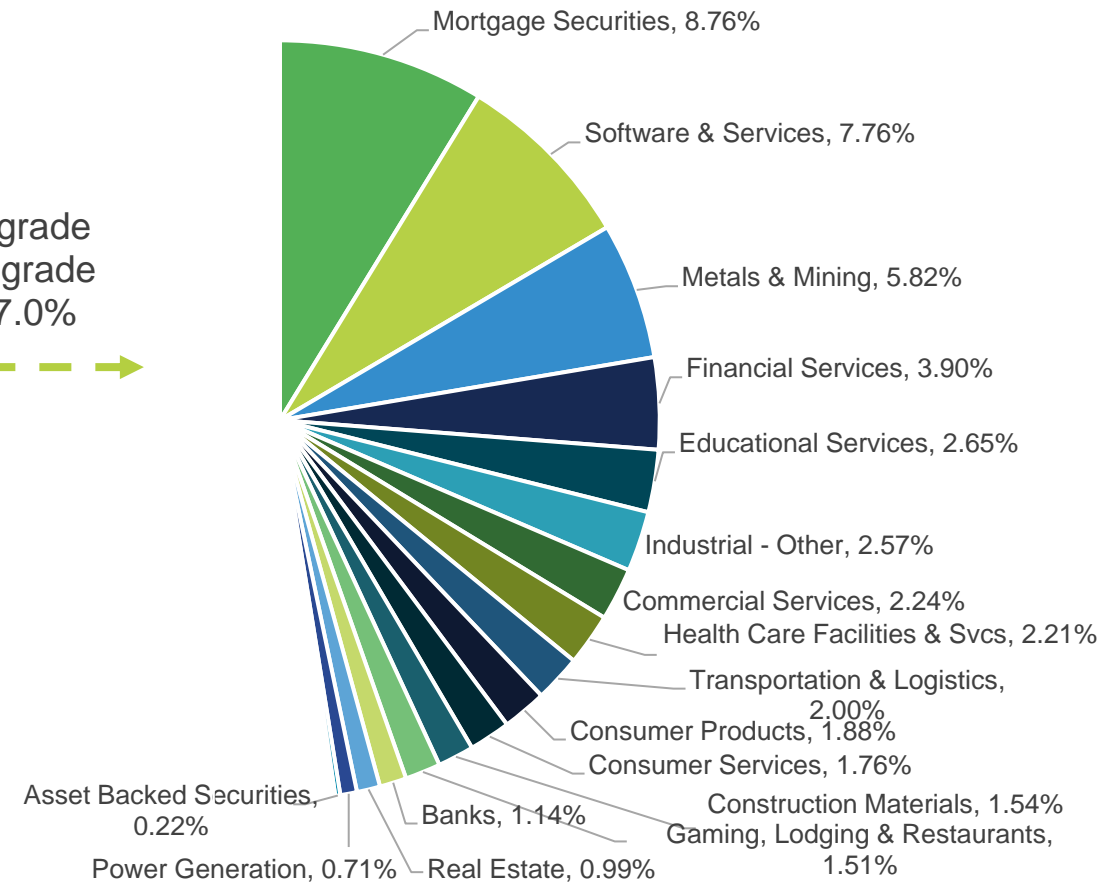
HIGH YIELD PORTFOLIO COMPOSITION

DIVERSIFICATION ACROSS CREDIT QUALITY AND SECTORS

Credit rating of assets



Breakdown of sub investment grade and unrated assets by sector



Source: Perpetual Investment Management Limited. Data is as at 30 June 2021. All figures are unaudited and approximate. Figures may not sum due to rounding.

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