

ASX:PCI

PERPETUAL CREDIT INCOME TRUST

Investor Q&A Call

October 2022

Perpetual 

IMPORTANT NOTE

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YOUR PRESENTERS



KAREN TRAU

Investor Relations
Perpetual Credit Income Trust



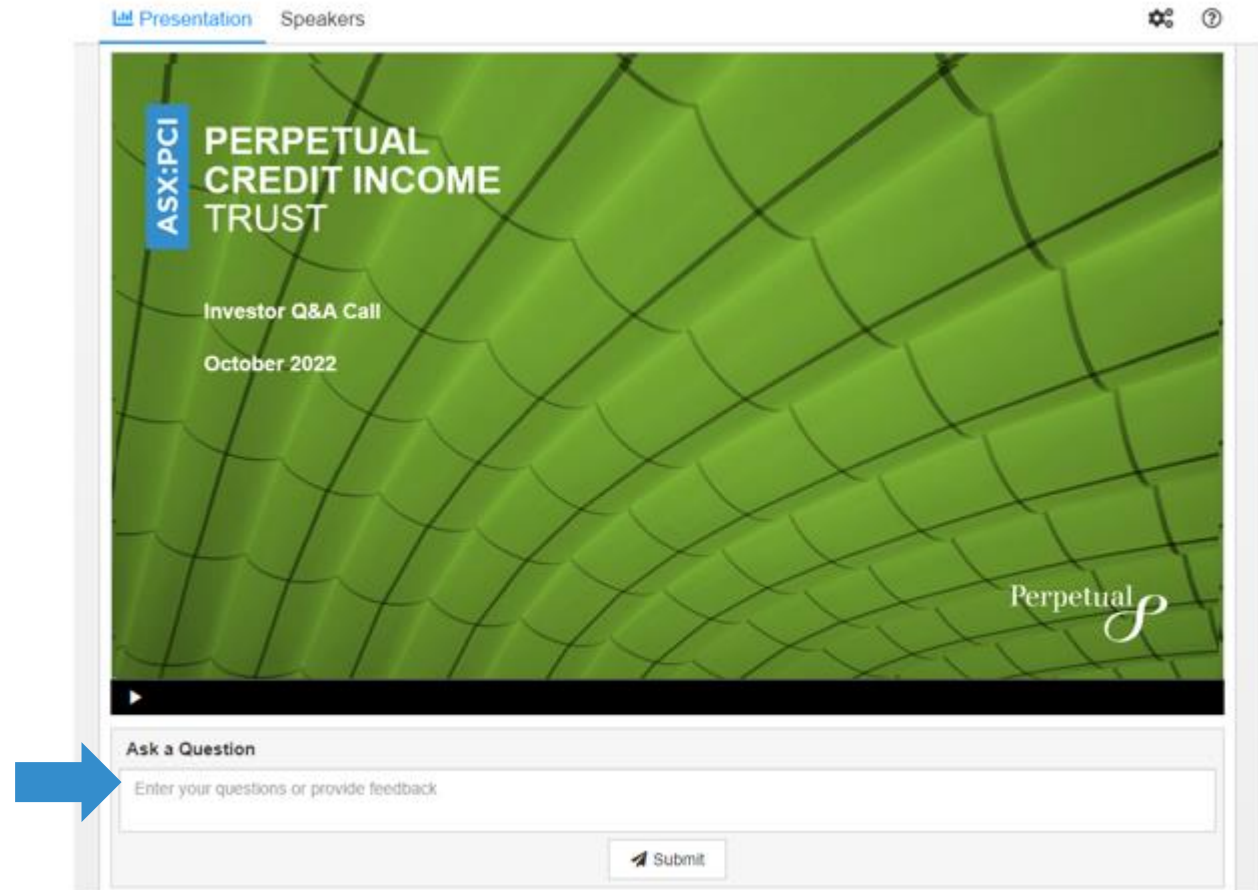
MICHAEL KORBER

Managing Director, Credit &
Fixed Income

Portfolio Manager
Perpetual Credit Income Trust

HOW TO ASK A QUESTION

If you wish to ask a question via webcast, please enter it into the 'Ask A Question' box and click submit



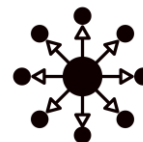
PERPETUAL CREDIT INCOME TRUST

WHY WE BELIEVE PCI IS BENEFICIAL IN THE CURRENT ENVIRONMENT



MONTHLY INCOME

PCI intends to pay distributions monthly. It targets a total return of RBA Cash Rate plus 3.25% (net of fees) through the economic cycle¹.



DIVERSIFICATION

Typically 50 – 100 assets in the portfolio across the broad spectrum of credit and fixed income assets.



SPECIALISTS IN AUSTRALIAN CORPORATE CREDIT

We focus on Australian issuers given our local presence, ability to meet borrowers and manage credit risk for the portfolio.



DEFENSIVE CHARACTERISTICS

Credit and fixed income assets are defensive as they aim to provide a combination of capital stability, liquidity and regular income.



FLOATING RATE EXPOSURE

We seek to minimise interest rate risk by investing in floating rate notes. Investments in fixed rate corporate bonds will typically be hedged to a floating rate.²



LIQUIDITY

PCI is listed on the ASX which provides investors with liquidity and transparency

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

² "Floating rate" means that interest rates of the assets re-set in line with rising or falling market interest rates.

RISING RATES AND OUR VIEWS ON MARKET OUTLOOK

HOW WE ARE NAVIGATING PCI'S PORTFOLIO



Floating rate exposure

- Prospect for rising income and distributions is more promising as cash rates rise and credit yield premiums grow
- PCI's portfolio running yield has increased to 5.8%^ and provides a substantial and predictable component of return
- Historical distribution yield based on share price is 5.1%*



Bond market volatility

- Economic challenges can impact credit quality and increase credit risk.
- Volatility also creates opportunities

Risk management and key factors for success:

- Shorter maturities
- Portfolio diversification
- Active management



Selection of assets is key to outperform in this new world

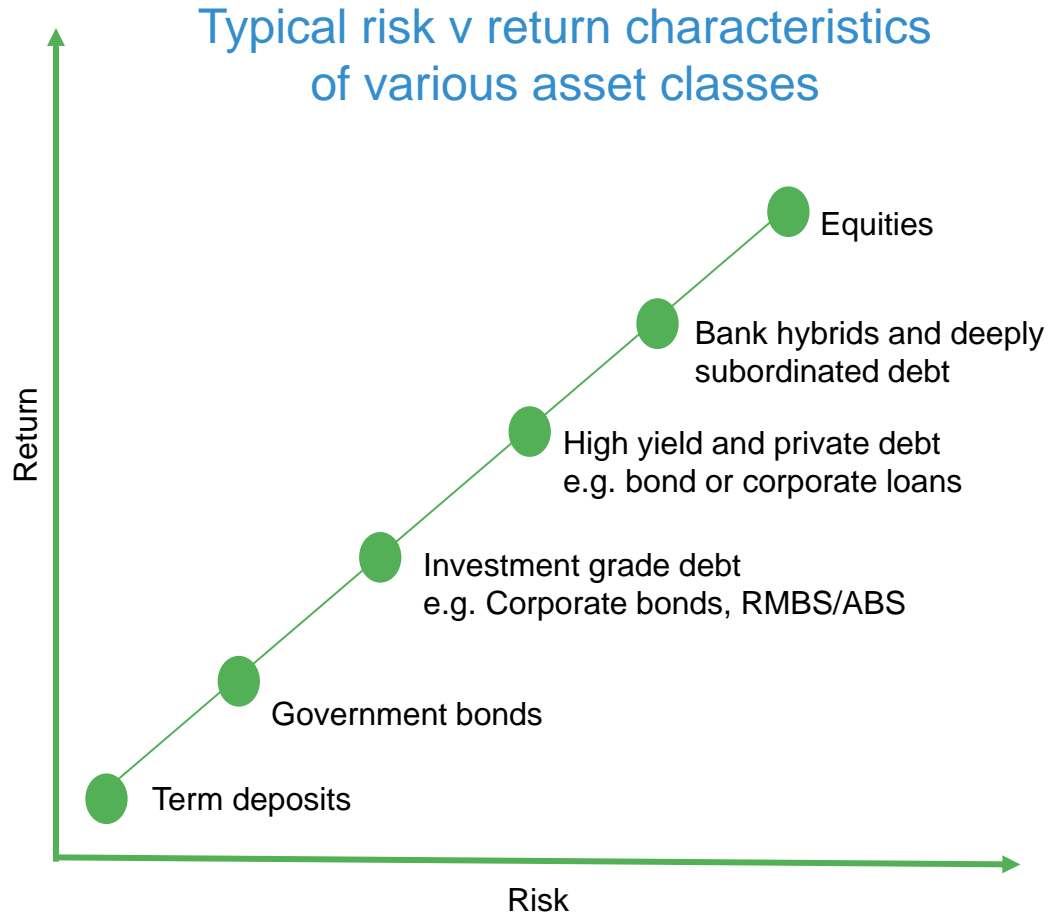
- Investing in quality issuers and with high conviction only
- Diversification is crucial
- Broad investment universe
- Investing where risk is best rewarded; being strong relative value managers

^ as at 30 September 2022. Running yield is the anticipated return on the asset if its held to maturity, assuming nothing else changes. It is calculated at a point in time and is done on each security and a weighted total derived (based on NAV).

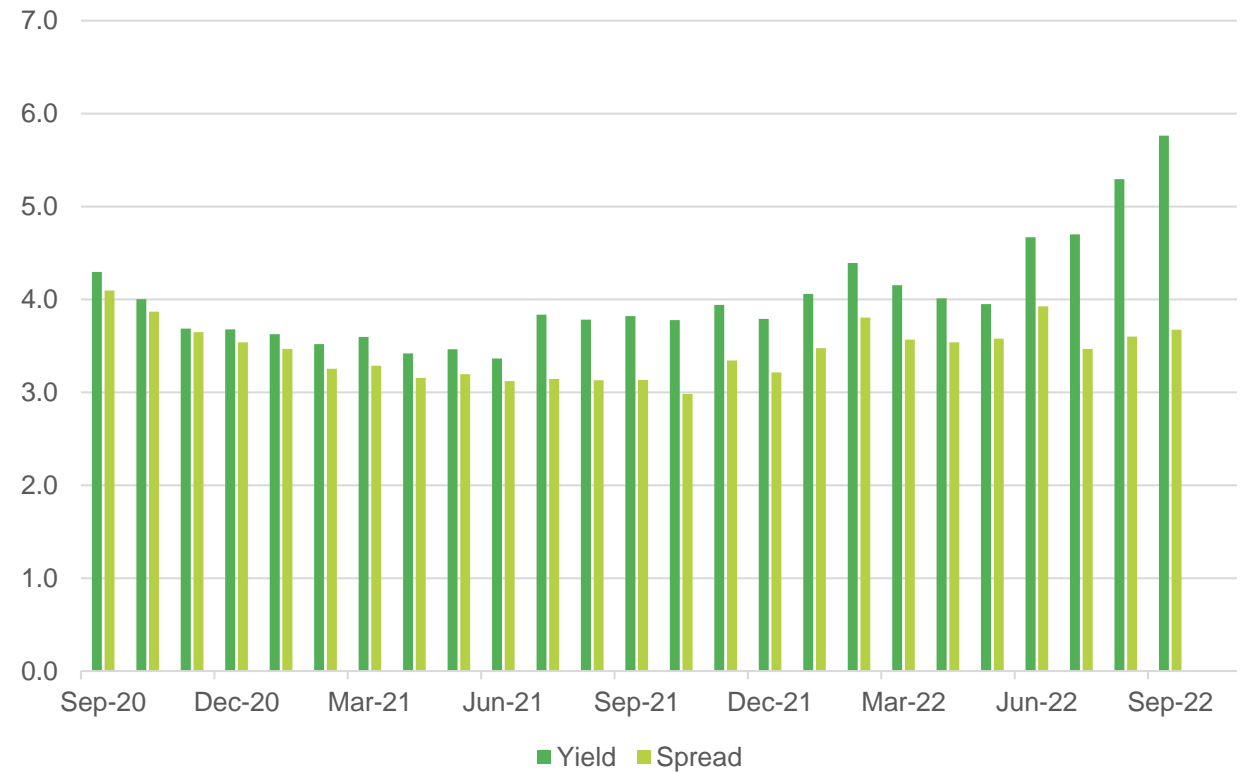
*Yield is calculated based on the total distributions in the last 12 months and the closing share price of \$0.93 as at 30 September 2022.

Past performance is not indicative of future performance.

DIVERSIFIED SOURCES OF INCOME AND RETURN



PCI portfolio yield and spread to BBSW



Running yield of PCI increases in line with the rise of underlying interest rates

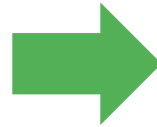
INVESTMENT UNIVERSE

INVESTING ACROSS THE FULL SPECTRUM OF CREDIT AND FIXED INCOME ASSETS

Investment guidelines

Typically 50 – 100 assets

30% - 100%	Investment grade assets ¹ Maximum issuer limit 15%
0% - 70%	Unrated or sub-investment grade assets ² Maximum issuer limit 10%
70% - 100%	Assets denominated in AUD
0% - 30%	Assets denominated in foreign currencies ³
0% - 70%	Perpetual Loan Fund



Allocation as at 30 September 2022

- 119 assets across 90 issuers
- 39.8% investment grade, 51.4% high yield (sub investment grade and unrated) and 8.8% cash
- 79.7% denominated in AUD, 11.5% foreign currencies and 8.8% in cash
- Perpetual Loan Fund comprises 41.4% of portfolio

¹ An investment grade asset has a long term rating of BBB-/Baa3 to AAA/Aaa.

² A sub-investment grade asset has a rating below BBB-/Baa3 and includes unrated assets

³ Foreign currencies are typically hedged back to the Australia dollar. As at 30 September 2022, all foreign currency exposures were hedged to Australian dollar floating rate.

CURRENT PORTFOLIO

INVESTING ACROSS THE FULL SPECTRUM OF CREDIT AND FIXED INCOME ASSETS

Key positions

Issuer	Credit rating	Sector	Asset
Bluescope	Investment grade	Metals and mining	Fixed rate bond
Ampol	Unrated	Oil and gas	Floating rate note
IAG	Investment grade	Insurance	Floating rate note
Macquarie	Investment grade	Financial	Floating rate notes and hybrid capital note
Santos	Investment grade	Energy	US denominated fixed rate bond
Mineral Resources	Sub investment grade	Metals and mining	Fixed rate bond
Incitec Pivot	Investment grade	Chemicals	Fixed rate bond
NAB	Investment grade	Bank	Floating rate note
QBE	Investment grade	Insurance	Floating rate note
Qantas	Investment grade	Airline	Floating rate note

- Each issuer typically comprises less than 2.5% of the portfolio
- Maturities of the assets are predominantly 1 year to 5 years.
- All fixed rate bonds are hedged back to floating rate using short government bond futures to minimise interest rate risk
- Cash in portfolio provides “dry powder” to take advantage of relative value opportunities amidst the volatility.
- An estimate NTA is released to the ASX daily and is marked-to-market representing the full value of the assets of the portfolio.

PERPETUAL LOAN FUND

- As at 30 September 2022, the Perpetual Loan Fund comprised 19 loans and 10 securitised assets across 18 issuers that have terms of between 1 and 6 years but the issuers typically repay prior to maturity.
- Issuers are sub-investment grade or unrated. Examples include:

Issuer	Credit rating	Sector
Iron Mountain Inc	Sub investment grade	Computers
SCF Group	Unrated	Building Materials
UP Education	Unrated	Commercial Services
Legal Software	Unrated	Commercial Services
Arnotts	Sub investment grade	Food
MYOB	Sub investment grade	Software
AUB Group	Unrated	Insurance

- Since inception of PCI, there has not been any loan impairments (i.e. sufficient uncertainty about the ability of the borrower to repay) or defaults.
- The loans are not held at par. We value loans at fair value having considered current economic conditions, recent movements in corporate credit spreads and the risk of credit impairment, where external valuations are not available.

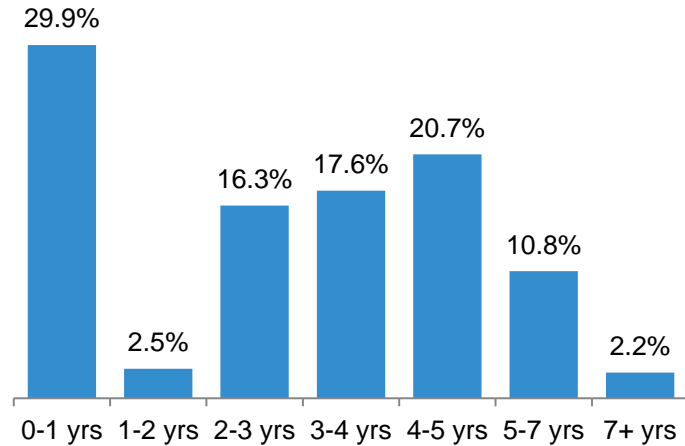
These examples are a selection of assets currently held within the Perpetual Loan Fund portfolio. Past performance is not indicative of future performance.

PORTFOLIO COMPOSITION

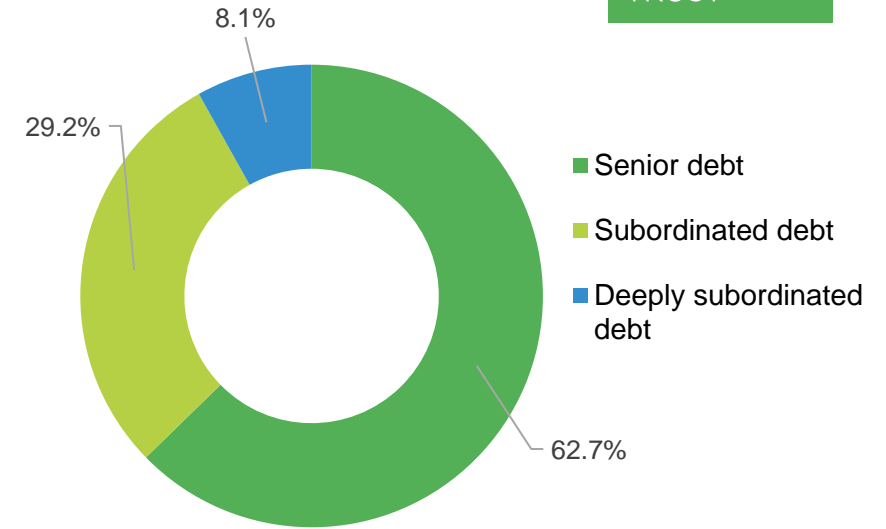
AS AT 30 SEPTEMBER 2022

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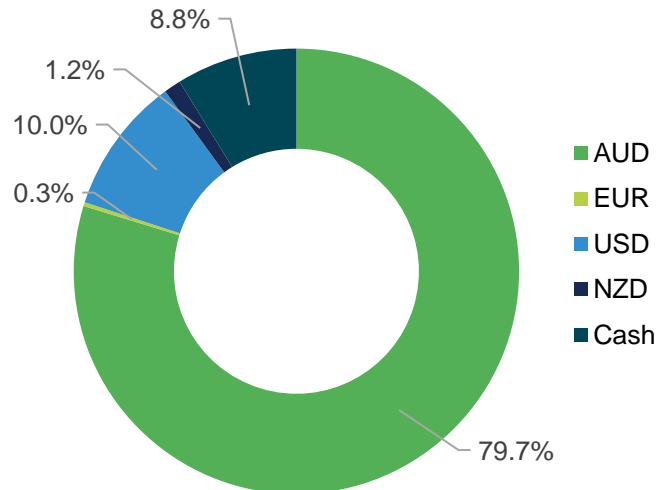
Breakdown by maturity



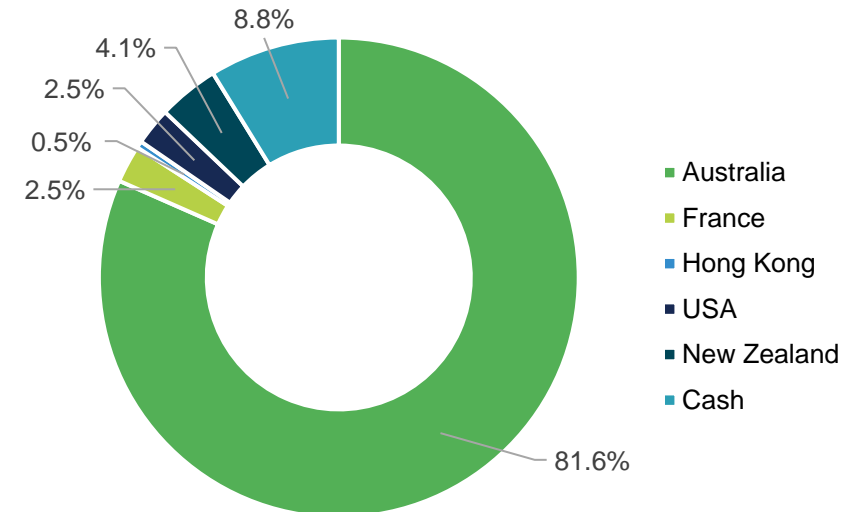
Breakdown by seniority (capital structure)



Breakdown by currency



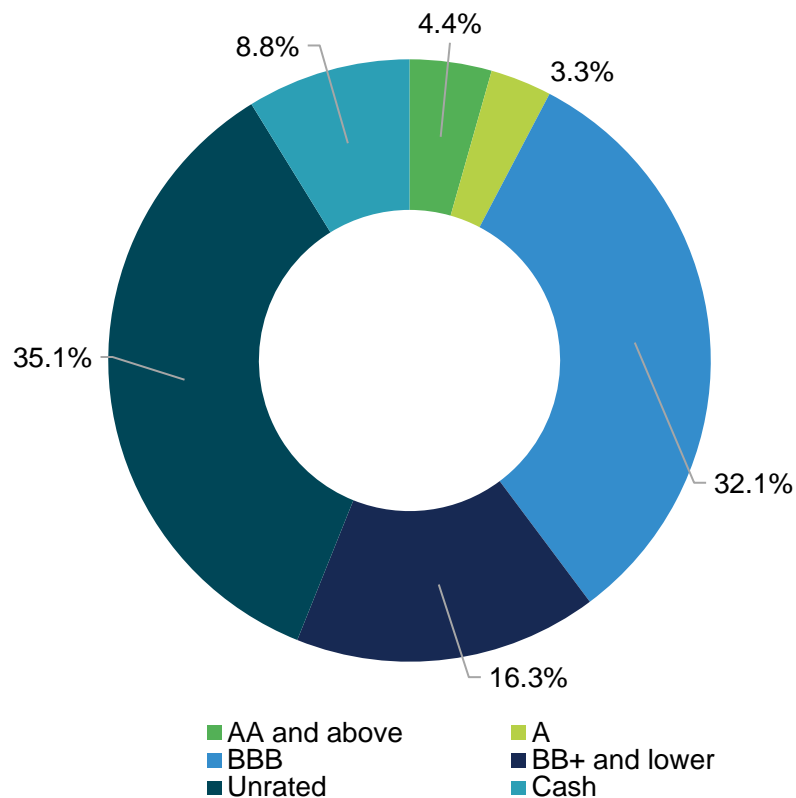
Breakdown by domicile of issuer



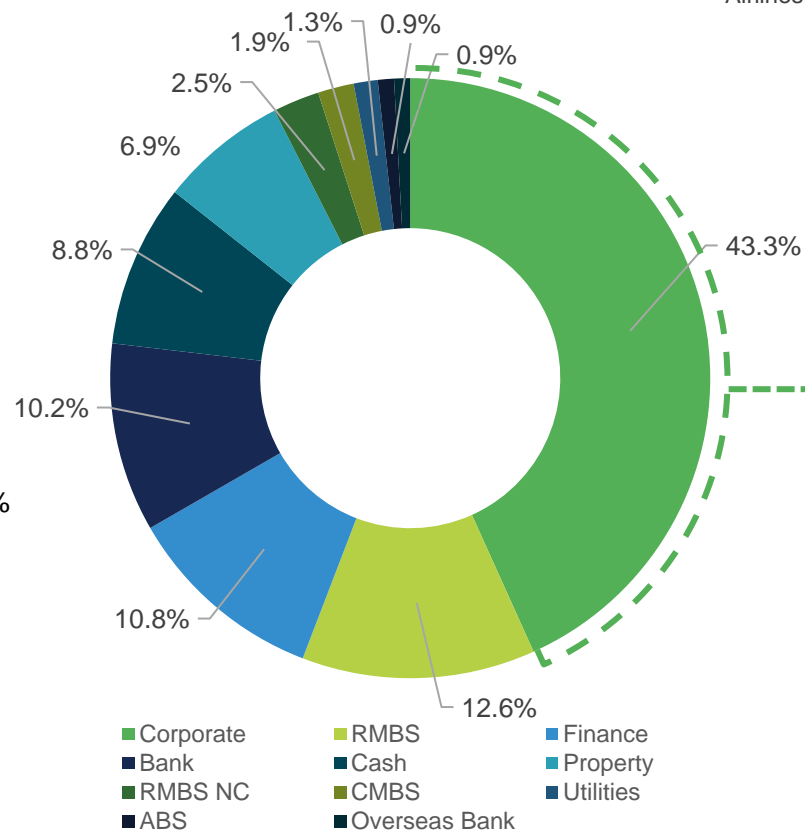
PORTFOLIO COMPOSITION

AS AT 30 SEPTEMBER 2022

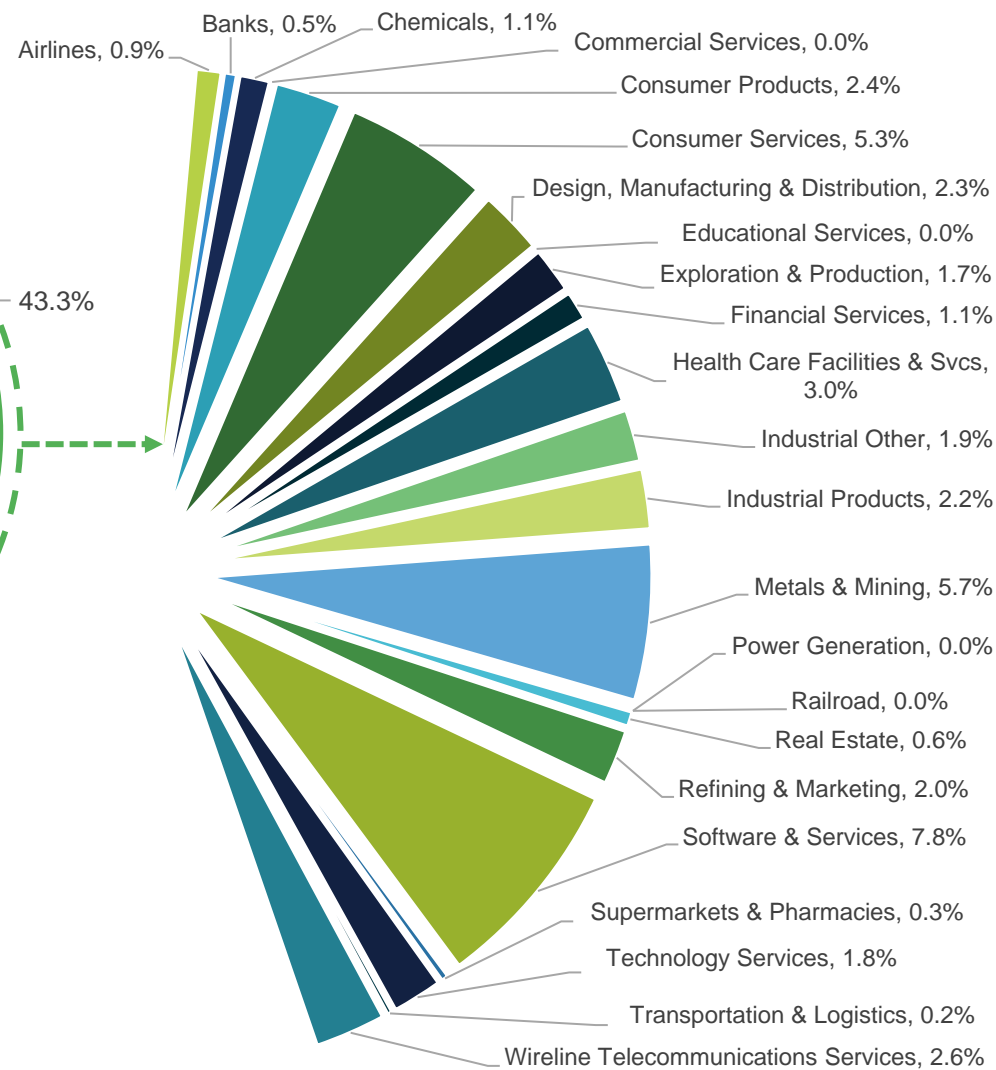
Breakdown by credit rating



Sector allocation



Breakdown by corporate sector



Source: Standard & Poor's, Bloomberg and Perpetual Investment Management Limited.
All figures are unaudited and approximate. Figures may not sum due to rounding.

SUMMARY

- PCI aims to provide regular monthly income
- We believe that:
 - Effects of rising interest rates are gradual and come at a time lag. The running yield of PCI portfolio will gradually increase in line with the underlying interest rates rises which is expected to flow to the monthly distributions paid to investors.
 - Market volatility creates opportunities and active management allows us to be defensive yet ready to deploy cash into assets
 - Diversification is crucial in the current environment. PCI's broad investment universe and our investment philosophy and process provides potential to select the best assets to deliver returns.

Q & A

Perpetual 

PERPETUAL'S SPECIALIST CREDIT AND FIXED INCOME TEAM

Perpetual's highly regarded senior portfolio management team have been investing together for over a decade.

