

**PERPETUAL  
CREDIT  
INCOME  
TRUST**

ARSN 626 053 496



16 February 2023  
ASX Limited  
ASX Market Announcements Office  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

**Perpetual Credit Income Trust  
Monthly Investment Update announcement**

Perpetual Credit Income Trust (the Trust) (ASX: PCI) advises that it has released the Monthly Investment Update (the Report) for the period ending 31 January 2023 (as attached).

If shareholders or other interested parties have any queries regarding the Report, they can contact:

Karen Trau  
Investor Relations, PCI  
P: 02 9229 3138  
E: [karen.trau@perpetual.com.au](mailto:karen.trau@perpetual.com.au)

Yours faithfully

Teresa Lee-Antonas  
Senior Client Manger  
Perpetual Trust Services Limited

For personal use only

# PERPETUAL CREDIT INCOME TRUST

ARSN 626 053 496

## INVESTMENT UPDATE January 2023

### 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 2023	AMOUNT
ASX unit price	\$0.990
NTA per unit <sup>1</sup>	\$1.083

<sup>1</sup> Daily Net Tangible Asset (NTA) is available at [www.perpetualincome.com.au](http://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 INFORMATION <sup>2</sup>

#### AS AT 31 JANUARY 2023

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$397 million
Units on issue:	400,967,882
Distributions:	Monthly
Management costs:	0.88% p.a. <sup>3</sup>
Manager:	Perpetual Investment Management Limited
Responsible Entity:	Perpetual Trust Services Limited

<sup>2</sup> Perpetual Credit Income Trust ARSN 626 053 496.

<sup>3</sup> Estimate inclusive of net effect of GST.

### INVESTMENT PERFORMANCE <sup>4</sup>

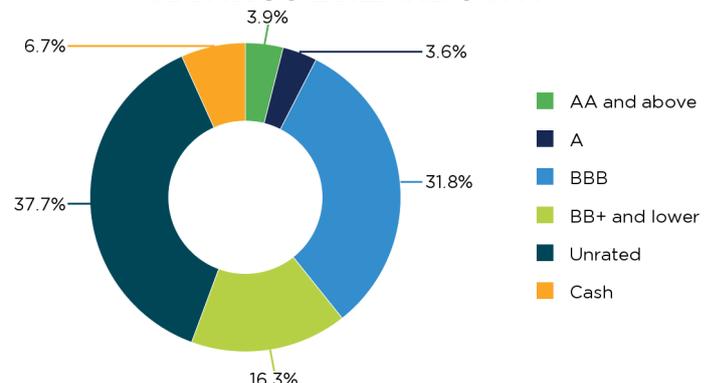
AS AT 31 JANUARY 2023	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PCI Investment portfolio	0.9%	2.4%	3.6%	3.2%	3.4%	-	3.5%
Returns net of operating expenses							
RBA Cash Rate	0.3%	0.7%	1.3%	1.5%	0.6%	-	0.7%
Excess returns	0.6%	1.6%	2.3%	1.7%	2.8%	-	2.8%
Distribution return	0.5%	1.5%	2.9%	5.2%	4.1%	-	3.9%

<sup>4</sup> 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. The comparison to the RBA Cash Rate is not intended to compare an investment in PCI to a cash holding. The RBA Cash Rate is displayed as a reference to the target return for PCI. The PCI investment portfolio is of higher risk than an investment in cash.

### PORTFOLIO SUMMARY

AS AT 31 JANUARY 2023	AMOUNT
Number of holdings	128
Number of issuers	89
Running yield	6.6%
Portfolio weighted average life	3 years
Interest rate duration	43 days

### RATINGS BREAKDOWN



Source: Standard & Poor's and Perpetual Asset Management Australia. Data is as at 31 January 2023. All figures are unaudited and approximate.

## DISTRIBUTIONS CPU<sup>5</sup>

The table below shows the distribution in cents per unit for each distribution period in the respective financial year.

AS AT 31 JANUARY 2023	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
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
FY2022	0.32	0.32	0.31	0.32	0.31	0.35	0.35	0.36	0.41	0.39	0.46	0.49	4.38
FY2023	0.42	0.47	0.47	0.51	0.52	0.56	0.56	-	-	-	-	-	3.50

<sup>5</sup> 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. 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.

## TOTAL UNITHOLDER RETURN<sup>6</sup>

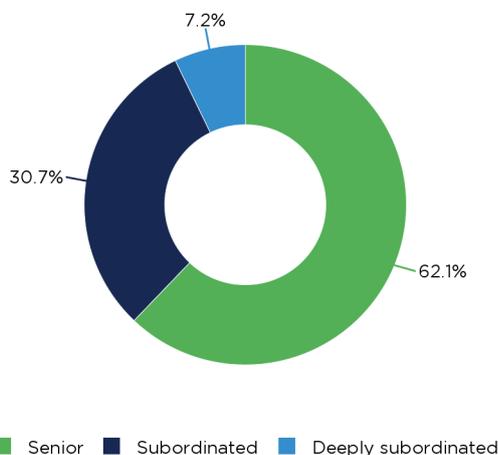
AS AT 31 JANUARY 2023	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
Total unitholder return	2.6%	5.4%	2.7%	-1.6%	-0.2%	-	1.3%
RBA Cash Rate	0.3%	0.7%	1.3%	1.5%	0.6%	-	0.6%
Excess returns	2.4%	4.7%	1.4%	-3.1%	-0.8%	-	0.7%
Distribution return	0.6%	1.7%	3.2%	5.5%	4.2%	-	4.1%

<sup>6</sup> 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. The comparison to the RBA Cash Rate is not intended to compare an investment in PCI to a cash holding. The RBA Cash Rate is displayed as a reference to the target return for PCI. The PCI investment portfolio is of higher risk than an investment in cash.

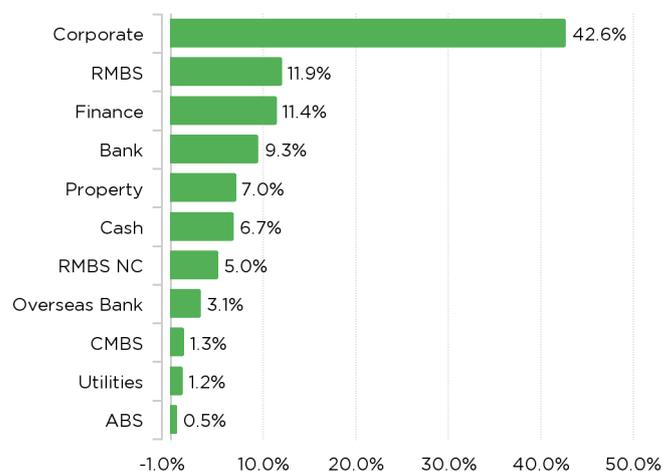
## NTA PER UNIT VS ASX UNIT PRICE PERFORMANCE



## SENIORITY BREAKDOWN



## SECTOR ALLOCATION



Source: Bloomberg and Perpetual Asset Management Australia. Data is as at 31 January 2023. All figures are unaudited and approximate.

Source: Bloomberg and Perpetual Asset Management Australia. Data is as at 31 January 2023. All figures are unaudited and approximate.

## PORTFOLIO UPDATE

The Trust continues to meet its investment objective by providing investors with monthly income by investing in a diversified pool of credit and fixed income assets. The Trust's investment portfolio returned 0.9% in January.

Credit spreads (returns provided for accepting credit risk) tightened in January, increasing the value of assets in the portfolio, and were the key contributing factor to the Trust's robust performance. Throughout 2022 credit spreads pushed wider as financial conditions tightened and the risk of companies defaulting on their debt increased. However, the first month of 2023 saw spreads tighten which reflected a more positive outlook for financial markets. Investors took comfort from confirmation that US inflation was moving in the right direction and that the US Federal Reserve and other central banks (including the RBA) would soon pause their monetary policy tightening cycles. At the same time, robust leading economic indicators including US and European Purchasing Managers' Index (PMIs) alongside the nascent Chinese reopening were also supportive for credit spreads. Over the month, contribution to credit spread performance was broad based, with non-financial corporates, domestic and offshore banks the key contributing sectors.

As noted in previous reports, credit spreads have moved materially wider from their post COVID-19 low and ended 2022 near their highest levels in a decade (notwithstanding the March 2020 selloff). As a result, the Manager believes that current conditions are likely to provide relative value opportunities as blue-chip companies offer robust yields on short-dated debt, high in their capital structure. The Trust has been defensively positioned for some time which has mitigated the recent volatility while maintaining a moderate cash position that is ready to deploy as attractive opportunities are presented. The Manager is comfortable with the level of credit risk in the Trust and none of the Trust's assets are subject to or at risk of, impairment.

While credit spread return was the largest contributor to performance for the month, it is worth reiterating that the Trust's robust running income has been the most substantial and predictable component of return, often offsetting the impact of credit volatility. During the month, the Trust's income was predominantly generated by coupon payments and interest income from the Trust's exposure to non-financial corporate bonds and Residential Mortgage-Backed Securities (RMBS) alongside banks and diversified financials. Throughout 2022, the Trust's running yield benefitted from sharply rising bond and swap rates and expanding credit premia, mitigating the impact of spread widening while maintaining a healthy and improving income for investors. At month end, the Trust running yield was 6.6%, which has substantially increased from the running yield at the same time last year (4.1%).

Sector and risk allocations within the portfolio were broadly maintained during January. In a busy month of primary issuance for domestic and offshore banks, the Manager elected to take part in deals from Bank of Queensland, Bendigo and Adelaide Bank, CBA and Rabobank.

The Manager's proprietary credit outlook score was neutral at month end. Robust market demand for domestic credit and positive indicators from US credit, equity and equity volatility are supportive for the credit outlook, however the Manager remains cognisant of the risks associated with tightening financial conditions and slowing economic growth. With this in mind, the Manager's focus remains on identifying issuers with robust cash flows, defensible market positions and healthy balance sheets. The Manager believes that the Trust is well positioned to benefit from continued spread tightening while maintaining the defensive profile to weather challenging conditions.

### **Loan funding acquisition of Patties and Vesco (Associate Portfolio Manager for Perpetual Loan Fund: Michael Murphy)**

When identifying relative value opportunities in the credit space, there are a number of ways to exploit potential mispricings or to access attractive yields for a given level risk. M&A activity often presents an opportunity to access high yield corporate debt supported by thorough financial and legal reporting. In the fourth quarter of 2022, the Trust helped finance Hong Kong private equity firm PAG's acquisition of Australasian Foods Holdco Pty Ltd (Patties) and Heat to Eat Holdings Pty Ltd (Vesco). The loan is floating rate and provides an attractive yield compared to loans from high yield issuers in similar sectors.

Both Patties and Vesco are Australian companies manufacturing and supplying frozen and chilled ready meals, and other savoury and sweet frozen packaged foods. Patties brings strong brand and market positioning to the merger. With its origins dating back over 50 years, Patties' stable of brands is well known, including Four'N Twenty, Patties and Nanna's. Vesco competes in the ready meals space via its Lean Cuisine, Annabel Karmel, Super Nature and On the Menu brands. The merger offers cost synergies as a result of merged production facilities and automation as well as scale benefits as a result of better bargaining power with suppliers. We consider the newly merged entity to exhibit a sound market position as well as a stable and steadily growing demand profile.

The terms of the investment also were supportive for the Trust's investment thesis with a number of lender friendly restrictions in place. These restrictions protect the lender (The Trust) by limiting actions of the issuer which may adversely impact the loan's value.

The ability to invest in private debt ensures that the Trust has the opportunity to execute on relative value opportunities that are otherwise unavailable to retail investors. High yield deals such as this are crucial contributors to maintaining the robust running yield of the Trust as part of a well-diversified portfolio of credit securities.

## INVESTMENT OBJECTIVE

To provide investors with monthly income by investing in a diversified pool of credit and fixed income assets.

## 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.

## INVESTMENT STRATEGY

The Perpetual Credit Income Trust (PCI) (the "Trust") will hold a diversified and actively managed portfolio of credit and fixed income assets.

The Trust will typically hold 50 to 100 assets.

30% - 100%	Investment grade assets
0% - 70%	Unrated or sub-investment grade assets
70% - 100%	Assets denominated in AUD
0% - 30%	Assets denominated in foreign currencies (which are typically hedged back to AUD)
0% - 70%	Perpetual Loan Fund
< 5%	Perpetual Securitised Credit Fund

The Trust will diversify exposure and will have maximum exposure limits to issuers.

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.

## 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 MANAGER

**Michael Korber**



**Managing Director, Credit & Fixed Income**

**Portfolio Manager:**  
**Perpetual Credit Income Trust**  
**Perpetual Pure Credit Alpha**  
**Perpetual Loan Fund**

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.

## PERPETUAL KEY CONTACTS

### INVESTOR RELATIONS

Karen Trau  
P: 02 9229 3138  
E: [karen.trau@perpetual.com.au](mailto:karen.trau@perpetual.com.au)

### NSW

Mark Williams  
Key Account Manager  
P: 0405 385 960  
E: [mark.williams@perpetual.com.au](mailto:mark.williams@perpetual.com.au)

### VIC/SA/NT/TAS

Daniel Moore  
Regional Manager  
P: 0400 032 819  
E: [daniel.moore@perpetual.com.au](mailto:daniel.moore@perpetual.com.au)

### QLD

Tony Harte  
Regional Manager  
P: 0407 708 109  
E: [tony.harte@perpetual.com.au](mailto:tony.harte@perpetual.com.au)

### WA

Tim McCallum  
Regional Manager  
P: 0411 209 403  
E: [tim.mccallum@perpetual.com.au](mailto:tim.mccallum@perpetual.com.au)

This monthly report has been prepared by Perpetual Investment Management Limited ABN 18 000 866 535, AFSL 234426 (PIML). It is issued and authorised for release by Perpetual Trust Services Limited ABN 48 000 142 049, AFSL 236648 (PTSL). PTSL is the responsible entity and issuer of the Perpetual Credit Income Trust ARSN 626 053 496 (Trust). PTSL has appointed PIML to act as the manager of the Trust. This monthly report is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not indicative of future performance. This information is believed to be accurate at the time of compilation and is provided in good faith. This report may contain information contributed by third parties. PIML and PTSL do not warrant the accuracy or completeness of any information contributed by a third party. Any views expressed in this monthly report are opinions of the author at the time of writing and do not constitute a recommendation to act.

Before making any investment decisions you should consider the Product Disclosure Statement (PDS) for the Trust issued by PTSL and the Trust's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at [www.perpetualincome.com.au](http://www.perpetualincome.com.au) or can be obtained by calling 1300 778 468 (within Australia) or +61(2) 9299 9621 (from overseas).

No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of the Trust or the return of an investor's capital. This information does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of the Trust's units.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. **THIRD PARTY CONTENT PROVIDERS GIVE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. THIRD PARTY CONTENT PROVIDERS SHALL NOT BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, EXEMPLARY, COMPENSATORY, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES, COSTS, EXPENSES, LEGAL FEES, OR LOSSES (INCLUDING LOST INCOME OR PROFITS AND OPPORTUNITY COSTS OR LOSSES CAUSED BY NEGLIGENCE) IN CONNECTION WITH ANY USE OF THEIR CONTENT, INCLUDING RATINGS.** Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

## CONTACT DETAILS

Phone: 1300 778 468 within Australia,  
or +61(2) 9299 9621 outside Australia  
Email: [perpetual@automicgroup.com.au](mailto:perpetual@automicgroup.com.au)  
[www.perpetualincome.com.au](http://www.perpetualincome.com.au)

