

# PERPETUAL CREDIT INCOME TRUST

ASX: PCI

## Investment update

### August 2024

#### 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 August 2024	Amount
ASX unit price	\$1.120
NTA per unit <sup>1</sup>	\$1.099

<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 information

##### As at 31 August 2024

ASX code:	PCI
Structure:	Listed Investment Trust
Listing date:	14 May 2019
Market capitalisation:	\$544 million
Units on issue:	485,943,255
Distributions:	Monthly
Management costs:	0.88% p.a. <sup>2</sup>
Manager	Perpetual Investment Management Limited
Responsible Entity:	Perpetual Trust Services Limited

<sup>2</sup> Estimate inclusive of net effect of GST.

#### Investment performance<sup>3</sup>

As at 31 August 2024	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since incep. p.a.
PCI Investment Portfolio (net)	0.6%	1.9%	4.3%	9.5%	6.2%	5.3%	5.2%
Target Return <sup>4</sup>	0.6%	1.9%	3.9%	7.9%	6.1%	5.1%	5.1%
Distribution Return	1.2%	2.5%	4.5%	8.5%	6.5%	5.4%	5.2%
RBA Cash Rate	0.4%	1.1%	2.2%	4.4%	2.7%	1.8%	1.7%

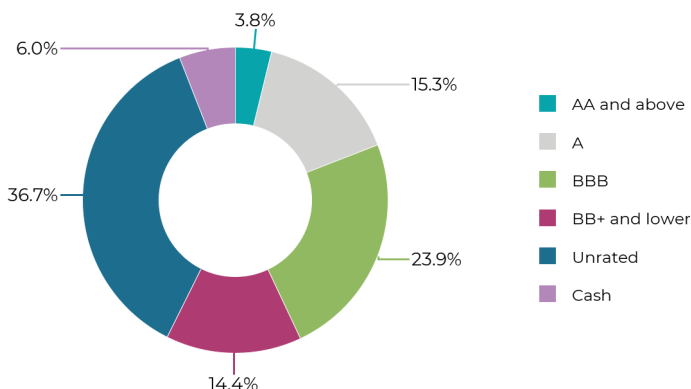
<sup>3</sup> Investment returns have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management costs) and assuming reinvestment of distributions on the ex-date. Distribution return has been calculated based on the PCI investment portfolio return less the growth of NTA. The Responsible Entity aims to pay distributions to investors monthly. For such distributions, the record date is generally the last ASX trading day of each month and the ex-date is one business day prior to the record date. The ex-date for the distribution period ending 31 July 2024 and 31 August 2024 was in August. Therefore, the 1 month distribution return for the PCI investment portfolio of 1.2% takes into account the distributions for the periods ending 31 July 2024 and 31 August 2024. Past performance is not indicative of future performance. Since inception return is from allotment on 8 May 2019. The comparison to the RBA Cash Rate is not intended to compare an investment in PCI to a cash holding. The PCI investment portfolio is of higher risk than an investment in cash.

<sup>4</sup> Target Return is RBA Cash Rate + 3.25% p.a. (net of fees) through the economic cycle. This is a target only and may not be achieved.

#### Portfolio summary

As at 31 August 2024	Amount
Number of holdings	141
Number of issuers	92
Running yield	7.6%
Portfolio weighted average life	2.8 years
Interest rate duration	31 days

#### Ratings breakdown



Source: Standard & Poor's and Perpetual Asset Management Australia. Data is as at 31 August 2024. All figures are unaudited and approximate.

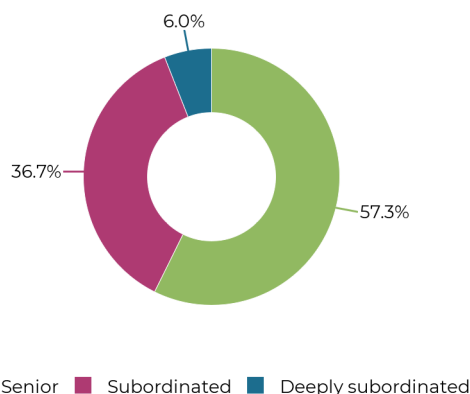
## Distributions CPU <sup>5</sup>

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

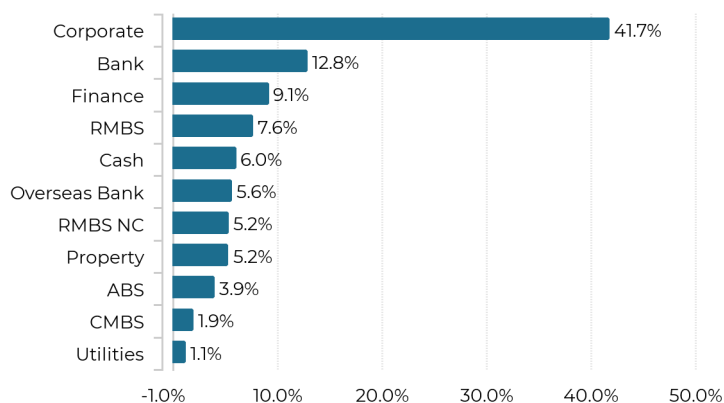
As at 31 August 2024	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
FY2024	0.67	0.68	0.67	0.68	0.68	0.68	0.68	0.64	0.69	0.67	0.73	1.41	8.87
FY2025	0.68	0.69	-	-	-	-	-	-	-	-	-	-	1.37

<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. Past performance is not indicative of future performance.

### Seniority breakdown <sup>^</sup>



### Sector allocation <sup>^</sup>



<sup>^</sup> Source: Bloomberg and Perpetual Asset Management Australia. Data is as at 31 August 2024. All figures are unaudited and approximate. Allocations may not sum to 100% due to rounding.

## Portfolio Update

The PCI investment portfolio returned 0.6% during August. The portfolio's running yield was 7.6% at month end, drawn from a diversified mix of assets led by non-financial corporates alongside banks, REITs, insurers and securitised sectors.

Volatility spiked in August with financial markets selling off sharply early before recovering over the remainder of the month. Softer than anticipated US jobs data and associated recession fears saw equities selloff and credit spreads widen globally. This was exacerbated by the Bank of Japan's decision to raise interest rates for the first time since the GFC. The turnaround in sentiment was swift however, supported by strong US retail sales and corporate earnings alongside doveish comments from Fed Chair Powell at the Jackson Hole conference. Bond yields moved lower as US recession fears spiked. Domestic 10-year yields fell below 4% after rallying 14bps over the month and the yield curve steepened.

Domestic credit spreads sold off in the first week of August before rallying to end the month within range of their starting level. Credit spread tightening contributed to the Trust's performance, primarily from overseas banks and REITs. Securitised sectors including RMBS and ABS also performed well.

During early September, a Term Loan with Star Entertainment held via the Perpetual Loan Fund was revalued after the Manager requested an out of cycle price review in recognition of ongoing liquidity concerns. Perpetual prioritises valuation transparency and regularly values private assets held in the Trust utilizing an external provider, IHS Markit (A subsidiary of S&P Global). Changes to the valuation of these assets are reflected in the daily NTA. We are working closely with the lender group and the company on a solution that provides additional lender protections.

The Trust's sector and risk allocations were adjusted during the month. The Trust added exposure to ABS by investing in a new securitisation deal backed by a portfolio of business loans to Australian medical, dental, veterinary and allied healthcare professionals. Offshore bank exposures were increased via participation in a new subordinated deal from Lloyds Banking Group. The new deal was well subscribed, pricing tighter than guidance and the Trust's existing Lloyds exposure benefited as the spread tightened.

The credit outlook continued to decline during August, ending the month with a firmly negative reading. The most substantial driver of the negative credit outlook is the supply and demand dynamics. There is a relatively low volume of upcoming maturities and elevated expected primary issuance volumes in the pipeline, both of which put upward pressure on spreads.

Risk management is paramount in these conditions and the Manager remains selective in adding new issues to the Trust's portfolio. The Trust's cash allocation was slightly elevated at month end following the completion of the Unit Purchase Plan. The portfolio remains defensively positioned and retains the capacity to take advantage of relative value opportunities as they arise.

## Investment objective

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

## Target return

To target a 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 invests in 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).

## About the manager

The Trust's investment portfolio is managed by Perpetual Investment Management Limited, part of the Perpetual Group, who believes the key to investing in credit and fixed income assets is constructing a well diversified portfolio of quality assets. Its experienced and highly regarded investment team actively manages investments based on fundamental research and analysis of quality, value and risk.

## Portfolio managers



**Michael Korber**  
Managing Director, Credit & Fixed Income

**Portfolio manager:**  
Perpetual Credit Income Trust  
Perpetual Pure Credit Alpha

Michael has over 41 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.



**Michael Murphy**  
Senior High Yield Analyst

**Portfolio manager:**  
Perpetual Loan Fund

Michael is an experienced credit markets specialist, having previously worked in high yield, private debt and leverage finance roles. As portfolio manager of the Perpetual Loan Fund, Michael has a focus on sourcing and assessing higher yielding income opportunities.

## For more information

### Investor relations



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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).

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