# Perpetual Credit Income Trust (ASX: PCI)

**Investor Presentation**

**April 2023**

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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.

**MICHAEL KORBER**
Managing Director
Credit and Fixed Income

- Portfolio Manager - Pure Credit Alpha, PCI
- 41 years experience, 18 years at Perpetual

**Portfolio managers**

**VIVEK PRABHU**
Head of Fixed Income

Portfolio Manager - Diversified Income Fund, Ethical SRI Credit Fund, Credit Income Fund

30 years experience, 18 years at Perpetual

**GREG STOCK**
Head of Credit Research and Senior Portfolio Manager

Portfolio Manager - Active Fixed Interest, Dynamic Fixed Income, Exact Market Return

30 years experience, 18 years at Perpetual

**MICHAEL MURPHY**
Senior High Yield Analyst

Portfolio Manager – Perpetual Loan Fund

10 years experience, 4 years at Perpetual

**THOMAS CHOI**
Senior Portfolio Manager

Portfolio Manager - High Grade Floating Rate, Cash Management

20 years experience, 14 years at Perpetual

**Analysts**

**Simon Poidevin**
Senior Credit Analyst

12 years experience, <1 year at Perpetual

**Benjamin Chan**
Credit & Private Debt Analyst

9 years experience, <1 year at Perpetual

# 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]<br>Maximum issuer limit 15% |
| 0% - 70% | Unrated or sub-investment grade assets[3]<br>Maximum issuer limit 10% |
| 70% - 100% | Assets denominated in AUD |
| 0% - 30% | Assets denominated in foreign currencies [4] |
| 0% - 70% | Perpetual Loan Fund |
| <5% | Perpetual Securitised Credit 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.**

Risks may include, but are not limited to: ASX liquidity, investment, credit or default, credit margin and leverage risks.*

[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.
* For more information on the risks associated with an investment in PCI, please refer to section 7 of the Product Disclosure Statement (PDS).

# Our views on the current market environment

- In March, credit and fixed income markets were mixed given the concerns over the strength of the global banking system. Credit spreads widened as investors sold off these “risky” assets and monetary policy tightening expectations moderated.

- As at 31 March 2023, PCI had 10.5% allocated across domestic and offshore banks, all of which are large banking franchises the Manager considers to be quality issuers with good balance sheets.

- While the PCI portfolio was not immune to the impact of credit spreads widening^, the portfolio’s income return was the top contributor to performance and mitigated this impact. Therefore, the Manager has a continued focus on maintaining a healthy running income going forward.

- PCI’s portfolio running yield has increased from 6.8% in February 2023 to 7.2% in March 2023 which is expected to flow to monthly distributions paid to investors.

- The portfolio remains defensively positioned and the Manager has participated in new deals where it sees attractively priced and relative value opportunities.

^ Credit spread widening means compensation or return provided for accepting credit risk has increased. Credit spread widening typically occurs in times of uncertainty or when economic conditions are expected to deteriorate. Credit spreads may also widen to indicate the creditworthiness of a borrower has deteriorated. Therefore, when you invest in assets at wider credit spreads, the return provided is higher as compensation for accepting the higher risk. Conversely, existing assets in a portfolio will decrease in value as a result of credit spreads widening.

* 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).

# Portfolio summary

- Portfolio is well-diversified by asset type, credit quality, maturity, country and issuer
- Focus on quality issuers - strong balance sheets, recurring earnings and cash flows that meet their debt requirements. Each issuer typically comprises less than 2% of the portfolio
- We specialise in Australian corporate credit with the majority of the portfolio being Australian issuers. Our local presence provides an advantage when engaging with borrowers
- Short duration portfolio indicating a low sensitivity to a change in interest rates. Average maturity of assets in the portfolio is 1 to 6 years

## Portfolio summary

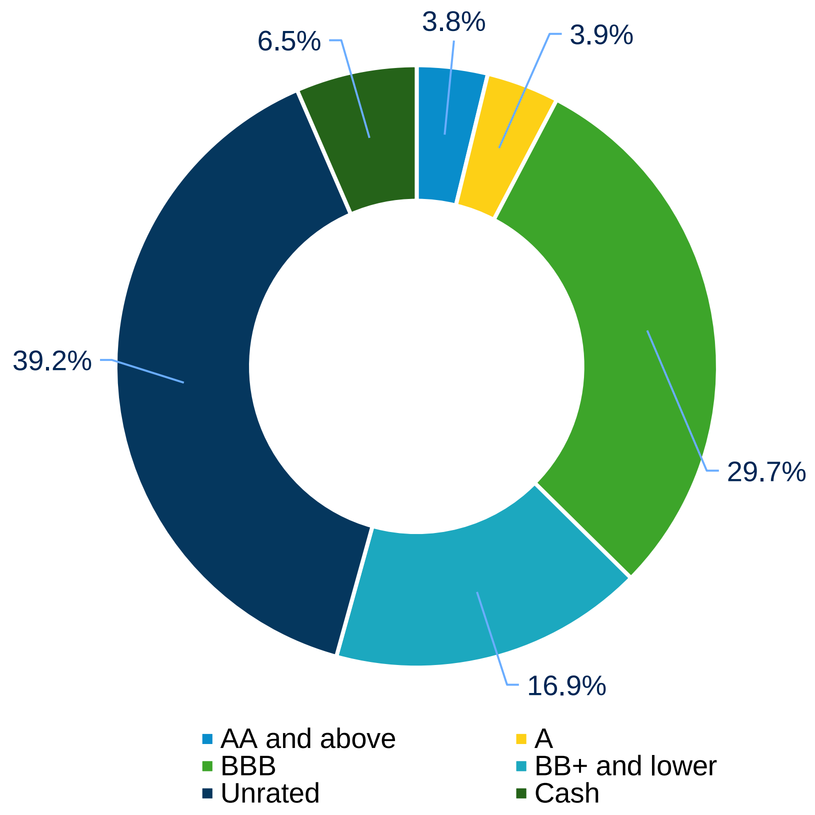
| As at 31 March 2023 | |
|---|---|
| Number of holdings | 127 |
| Number of issuers | 91 |
| Running yield | 7.2% |
| Portfolio weighted average life | 3.1 years |
| Interest rate duration | 30 days |

- Portfolio is predominantly floating rate which means we expect the portfolio to benefit from rising interest rates through increase coupon and interest payments. In particular, our exposure to high yield assets including corporate loans provides attractive coupons. Perpetual Loan Fund currently comprises 46.2% of the PCI portfolio.
- An estimate NTA is released to the ASX daily and is marked-to-market representing the full value of the assets of the portfolio, including the fair value of loans.

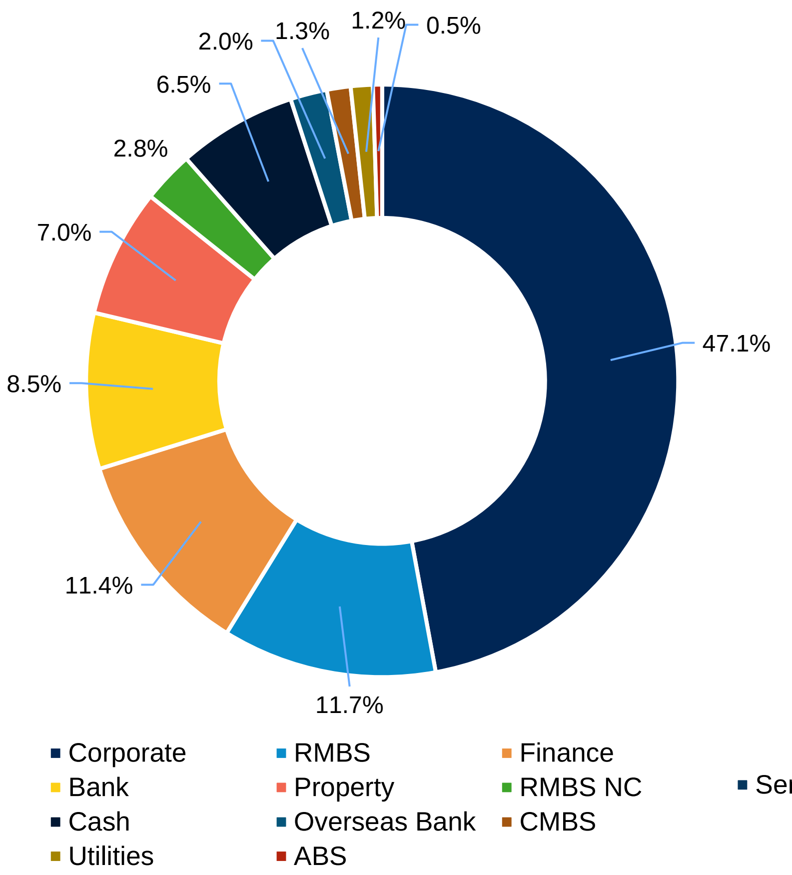
# Portfolio composition

## As at 31 March 2023

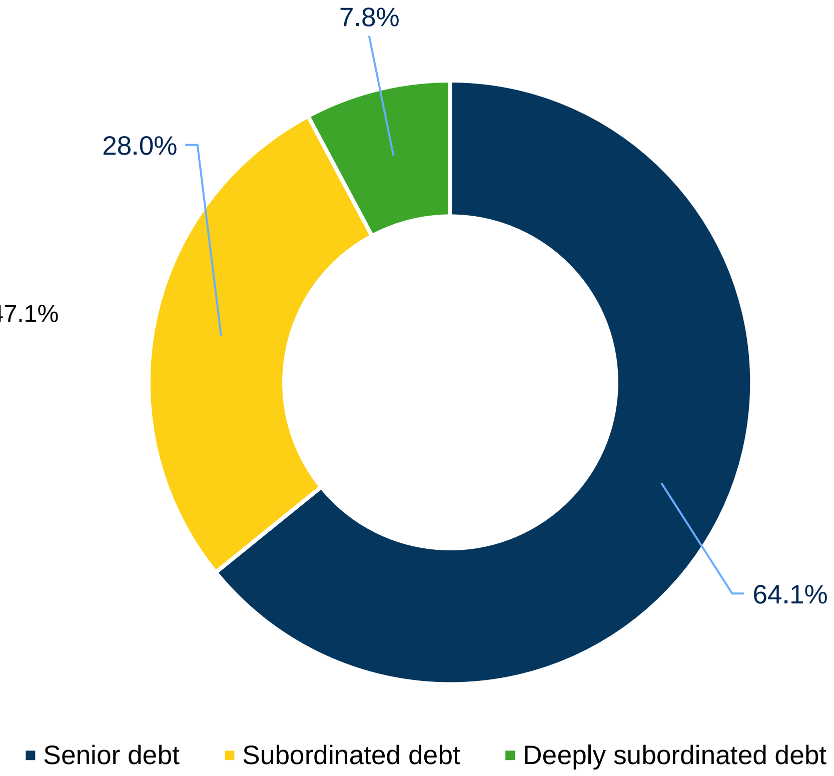
### Breakdown by credit rating




### Sector allocation




### Breakdown by seniority (capital structure)




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

# Summary

## MONTHLY INCOME

- Target return of RBA Cash Rate plus 3.25% (net of fees) through the economic cycle[1].
- Portfolio running yield of 7.2%[2] supports a healthy source of income and return for the portfolio
- PCI announced a 0.60 cpu distribution for March , representing an annualised yield of 7.5%[3]

## HIGH QUALITY ISSUERS & ASSETS

Robust running income and defensively positioned by identifying assets and issuers who have:

- a good balance sheet
- predictable cash flows
- competitive market position
- quality management; and
- low susceptibility to the potential impacts of regulatory, political, legal or other events.

## RISK AWARE INVESTING

- Well diversified portfolio by number and across sectors and industries with the aim to provide resilience against risks in markets.
- Short duration portfolio
- Strong focus on capital preservation

[1] This is a target and may not be achieved

[2] 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 as at 31 March 2023).

[3] Forecasted yield is based on the actual distribution for March 2023 as a percentage of the share price of $0.99 as at 31 March 2023, annualised and assumes the share price and the distribution in cents per unit remains constant and distributions are reinvested. Past performance is not indicative of future performance.

# Thank you