

INVESTMENT UPDATE AND NTA REPORT

August 2018

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE^{1,3}

AS AT 31 AUGUST 2018	AMOUNT
NTA before tax (cum div) ²	\$1.175
NTA after tax (cum div) ²	\$1.158

Daily NTA is available at www.perpetualequity.com.au

¹All figures are unaudited and approximate.

²The before and after tax numbers relate to provisions for deferred tax on set-up costs and on unrealised gains and losses in the Company's investment portfolio. As at 31 August 2018, the NTA before tax ex dividend was \$1.142^{1,3} and the NTA after tax ex dividend was \$1.125^{1,3}. The ex div NTA figures are reduced by a provision for the 3.3 cent per share final dividend that was declared on 20 August 2018. The ex date for the final dividend is 18 October 2018 and the payment date is 2 November 2018.

³A tax rate of 27.5% (previously 30%) is now applied.

INVESTMENT PERFORMANCE

AS AT 31 AUGUST 2018	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	2 YRS P.A.	3 YRS P.A.	SINCE INCEP P.A.
PIC Investment Portfolio ⁴ Net of fees, expenses and before tax paid	0.4%	4.7%	7.4%	12.7%	11.3%	10.6%	9.9%
S&P/ASX 300 Acc Index	1.4%	6.0%	7.2%	15.4%	12.5%	11.5%	10.2%
Excess Returns	-1.0%	-1.3%	+0.2%	-2.7%	-1.1%	-0.9%	-0.4%

⁴Returns have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees) and assuming reinvestment of dividends and excluding tax paid. Any provisions for deferred tax on set up costs and on unrealised gains and losses are excluded. Past performance is not indicative of future performance. Inception date is 18 December 2014. Portfolio and Index return may not sum to Excess Return due to rounding.

TOP SECURITIES

TOP 5 AUSTRALIAN LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Westpac Banking Corporation	7.0%
Suncorp Group Ltd	6.2%
Commonwealth Bank	5.4%
Woolworths Group Ltd	4.8%
Tabcorp Holdings Ltd	4.5%

TOP 3 GLOBAL LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Shire PLC	6.1%
General Electric Co	0.9%
N/A	-

KEY ASX INFORMATION

AS AT 31 AUGUST 2018

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$293 million

Share price: \$1.150

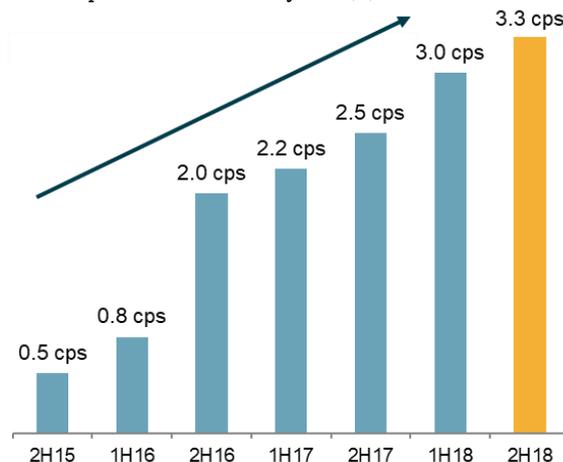
Shares on issue: 254,442,926

DIVIDEND PER SHARE, CPS

2H18 final dividend: 3.3 cents per share

Annual dividend yield: 5.5%⁵

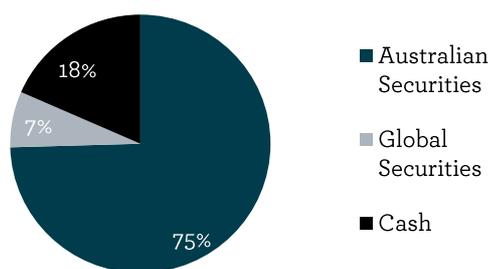
Grossed up annual dividend yield: 7.7%⁵



⁵Yield is calculated using the 31 August 2018 share price of \$1.150. Grossed up yield takes franking credits into account. The ex date for the final dividend is 18 October 2018 and the payment date is 2 November 2018.

ALLOCATION OF INVESTMENTS

82% of capital invested in securities.



PORTFOLIO COMMENTARY

The portfolio performance net of fees and expenses was 0.4% in August underperforming the benchmark S&P/ASX300 Accumulation Index by 1.0%. Since listing, the Perpetual Equity Investment Company Limited's (PIC) portfolio has returned 9.9% per annum net of fees and expenses.

Portfolio holdings in Star Entertainment Group, New Hope Corporation and Suncorp Group contributed positively to performance this month. Conversely the Company's positions in Woolworths Group Ltd and Westpac Banking Corporation subtracted from performance. The portfolio's cash holding detracted from returns relative to the benchmark over the month.

STOCK NEWS

VIVA Energy Group (ASX code: VEA) is the second largest operator in the Australian retail fuels market with approximately 26% share across 1165 sites. VEA has the sole right to use the Shell brand in Australia, and also has a large distribution network including 44 fuel import terminals and depots, and supplying 52 airports and airfields across Australia. VEA also sells a significant amount of fuel into the commercial market.

VEA listed on the Australian market in July 2018, with the Manager acquiring a position at IPO. As at 31 August 2018 the portfolio allocation to VEA was 3.4%.

Formerly part of the Royal Dutch Shell group, VEA was acquired in 2014 by new owners led by the Vitol Group. The Manager believes Vitol have adequately capitalised the business by reinvesting profits.

Refined product for VEA is either supplied by Vitol under a long term strategic relationship or obtained from its wholly owned refinery in Geelong. VEA also owns 38% of the Viva REIT which owns 434 sites.

VEA maintains an alliance agreement with Coles which expires in 2024. Whilst sales volumes from the Coles Alliance have fallen the Manager sees limited downside from present levels. Absolute profitability to VEA has increased due to a price reset in 2015 and VEA also remains leveraged to any improvement in volumes going forward. VEA is also rolling

out new retail sites outside the Alliance which the Manager expects will add to volume growth.

VEA runs a capital light model with potential upside if Coles is successful in the convenience market. The Manager believes the Coles Alliance is structured favourably for VEA with the potential to benefit from higher convenience royalties or by adjusting up the wholesale fuel sales price.

MARKET COMMENTARY

The Australian equity market finished higher over the month of August with the S&P/ASX 300 Accumulation Index gaining 1.4%. The performance was attributed to modest full-year corporate earnings reporting and a weakening Australian dollar. Globally-focussed stocks were the standout performers as the market took advantage of strengthening global economic conditions. On the ASX, 29% of reporting companies exceeded their consensus earnings expectations while 28% missed, leading to large cross-sector performance dispersion. The utilities sector reported the highest proportion of positive earnings surprises while healthcare provided the most misses.

Malcolm Turnbull's loss of party support led to heightened risk sentiment for the market although this was short lived with sentiment improving by month-end as Scott Morrison was appointed as Australia's 30th Prime Minister. Continued dry conditions and broader realisation of the severity of the drought on the east coast further constrained agricultural stocks. Retail stocks, on the other hand, were provided a boost following positive June sales data; rising 0.4% month-on-month, led by clothing/footwear (up 1.7%), though dragged down by department store sales (down 1.2%). Resource stocks stumbled despite a decline in the Australian dollar as commodity performance was mixed. Base metals struggled for the third consecutive month, with the London Metals Exchange Index falling 3.8%. Alumina was the only positive performer, gaining 2.0% on Chinese cost pressure and Australian supply constraints. Nickel provided the greatest drag, falling 8.8%. Iron ore also declined (down 2.2%) despite rising Chinese steel prices, while crude oil continued to rally on supply concerns surrounding US sanctions against Iran and falling US stock piles.

The cash rate was left on hold at its two-year long record low of 1.5% as the Reserve Bank of Australia reaffirmed its neutral stance on monetary policy following stagnant real wage growth. Several banks however independently raised their lending rates during the month citing increased costs pressures. Employment fell by 4,000 jobs in July (well below consensus of +15,000 jobs), the unemployment rate nevertheless nudged lower to 5.3%, from consensus of 5.4%.

The best performing sectors for the month, as measured by the S&P/ASX 300 Accumulation Index, were Telecommunication Services (+13.0%), Information Technology (+12.2%) and Health Care (+10.4%). The worst

performers were Materials (-4.9%), Energy (-1.2%) and Financials (+0.0%). As a whole, industrial stocks (+2.9%) outperformed resource stocks (-4.5%) and large cap stocks (+1.0%) underperformed small cap stocks (+2.5%). Value stocks (-0.9%) underperformed growth stocks (+2.7%) as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

COMPANY NEWS

ANNUAL GENERAL MEETING 2018

The Board values the opportunity to meet shareholders, and our fourth **Annual General Meeting will be held on Thursday 1 November 2018** at Perpetual's Sydney office at 2.00pm.

ANNUAL INVESTOR BRIEFING PRESENTATION VIDEO

Thank you to all shareholders who attended our annual investor briefings throughout September 2018. If you would like to view the slides in the presentation, please [click here](#).

For those who were unable to attend the presentation, video and slides from the Sydney briefing are now available, please [click here](#).

CAPITAL RAISING

On August 20th, the Company announced a capital raising via an Entitlement Offer, Shortfall Offer and/or General Offer through a Prospectus.

Importantly, the capital raising has been designed with existing shareholders in mind, with the Entitlement Offer making up the majority of the new capital if fully subscribed.

Eligible Shareholders have the opportunity to purchase 1 New Share for every 4 Existing Shares owned (Entitlement Offer) at a discounted price. You should now have received a hard copy of the Prospectus and your Entitlement offer application form.

The Entitlement Offer closes at 5.00pm (AEST) on Wednesday, 26 September 2018.

New investors have the opportunity to purchase New Shares through a General Offer, again at a discounted price.

The General Offer closes at 5.00pm (AEST) on Friday, 28 September 2018.

A copy of the Prospectus and further information can be obtained at www.perpetualequity.com.au/prospectus-2018

If you have any questions please call the Perpetual Equity Investment Company Limited Offer Information Line on 1800 421 712 (between 8.30am and 5.30pm AEST Monday to Friday) until the applicable closing date. Alternatively consult your stockbroker, financial adviser, accountant, lawyer or other professional advisers.

INVESTMENT PHILOSOPHY

INVESTMENT OBJECTIVE

The investment objective of the Company is to provide investors with a growing income stream and long-term capital growth in excess of its benchmark (the S&P/ASX 300 Accumulation Index) over minimum 5 year investment periods.

INVESTMENT STRATEGY

The Company's investment strategy is to create a concentrated and actively managed portfolio of Australian securities with typically a mid-cap focus and global listed securities.

The Company will provide investors with the opportunity to invest in an actively managed portfolio and to gain access to the investment management experience and expertise of the Manager.

ABOUT THE MANAGER

The Company's investment portfolio is managed by Perpetual Investment Management Limited, part of the Perpetual Group, whose consistent track record of investing excellence is underpinned by its proven investment process that focuses on value and quality.

PORTFOLIO MANAGER

Vince Pezzullo - Perpetual Investments
Vince has over 20 years' experience in the financial services industry, has outperformed consistently and has prior global experience as both an analyst and a portfolio manager. Vince leverages the expertise of the Perpetual Investments' Equity team, one of the largest investment teams in Australia.

PERPETUAL KEY CONTACTS

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References to securities in this publication are for illustrative purposes only and are not recommendations and the securities may or may not be currently held by the Company. Past performance is not indicative of future performance.

No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) nor the Company guarantees the performance of the Company or the return of an investor's capital.

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