

**PERPETUAL
EQUITY
INVESTMENT
COMPANY
LIMITED**

INVESTOR UPDATE

November 2017

Perpetual 

IMPORTANT NOTE

This information was prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426 and issued by Perpetual Trustee Company Limited (PTCL) ABN 42 000 001 007, AFSL 236643. PIML is the Manager for the Perpetual Equity Investment Company Limited (Company) ACN 601 406 419.

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YOUR PRESENTERS



NANCY FOX

Chairman,
Perpetual Equity Investment
Company limited



VINCE PEZZULLO

Portfolio Manager,
Perpetual Investments

SYDNEY

Thursday, 2 November 2017

1.45pm for 2.00pm, to conclude by 4.00pm

Perpetual Offices, Angel Place

Level 18, 123 Pitt Street, Sydney

MELBOURNE

Wednesday, 29 November 2017

10.15am for 10.30am, to conclude by 11.30am

Perpetual Offices, Rialto South Tower

Level 35, 525 Collins Street

YOUR PRESENTERS



NICK BUISMAN

Investment Specialist,
Perpetual Investments



VINCE PEZZULLO

Portfolio Manager,
Perpetual Investments

ADELAIDE

Wednesday, 15 November 2017

10.15am for 10.30am, to conclude by 11.30am

Perpetual Offices,

Level 11, 101 Grenfell Street, Adelaide

BRISBANE

Tuesday, 21 November 2017

10.15am for 10.30am, to conclude by 11.30am

Perpetual Offices, Central Plaza 1

Level 15, 345 Queen Street, Brisbane

YOUR PRESENTER



NICK BUISMAN

Investment Specialist,
Perpetual Investments

PERTH

Thursday, 16 November 2017

10.15am for 10.30am, to conclude by 11.30am

Perpetual Offices, Exchange Tower

Level 29, 2 The Esplanade, Perth

AGENDA

- | Company Update
- | Markets, Process And Performance
- | Questions
- | Shareholder Services

PERPETUAL
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INVESTMENT
COMPANY
LIMITED

COMPANY UPDATE

Perpetual 

INVESTING FOR REGULAR INCOME AND LONG-TERM CAPITAL GROWTH

PIC: MANAGER WITH PROVEN TRACK RECORD



Actively managed by
Perpetual investment
professionals



Concentrated
20 – 40 stock
portfolio



Access to high quality
Australian and global listed
securities (typically mid-cap)



Benchmark
and sector
unaware

INVESTMENT OBJECTIVES

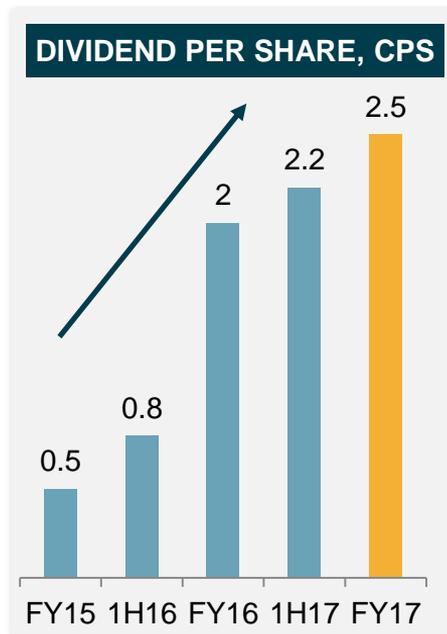
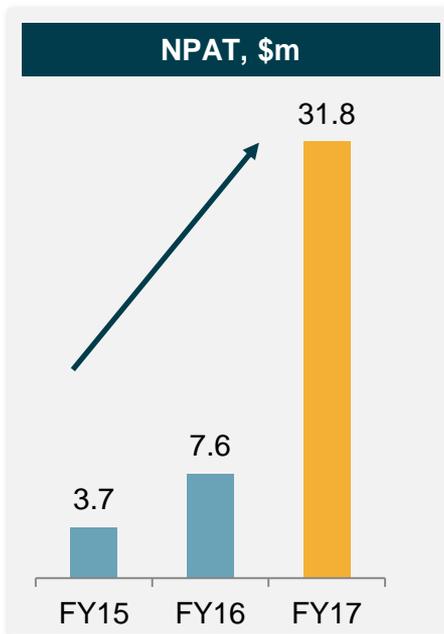
- Deliver a growing income stream
- Provide long term capital growth
- Exceed its benchmark

PORTFOLIO MANAGER – VINCE PEZZULLO

- 20+ years in financial services industry
- Extensive domestic and global equity experience

FULL YEAR 2017 OVERVIEW

STRONG RESULTS AND INCREASED DIVIDEND



\$31.8m

Operating profit
after tax

4.7 cents

Per share fully franked
dividend

\$1.097*

Net tangible assets
after tax per share

17.4%^

Investment performance
1 year to 30 June 2017

Source: Perpetual Equity Investment Company Limited (PIC) as at 30 June 2017.

*'After tax' refers to after tax paid and provisions for deferred tax on set-up costs and on unrealised gains and losses in the company's investment portfolio.

^ Returns 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. Past performance is not indicative of future performance. The benchmark is the S&P/ASX 300 Accumulation Index. Past performance is not indicative of future performance.

PROVEN TRACK RECORD



Established in 1886, Perpetual is one of Australia's **most respected** fund managers, with a passion for **protecting** and **growing** our clients' wealth



Perpetual is an **active, value** manager, with a bottom-up investment process



One of the largest investment teams in Australia that conducts **more than 1,000 company meetings** each year



\$31.4bn funds under management (at 30 June 2017)

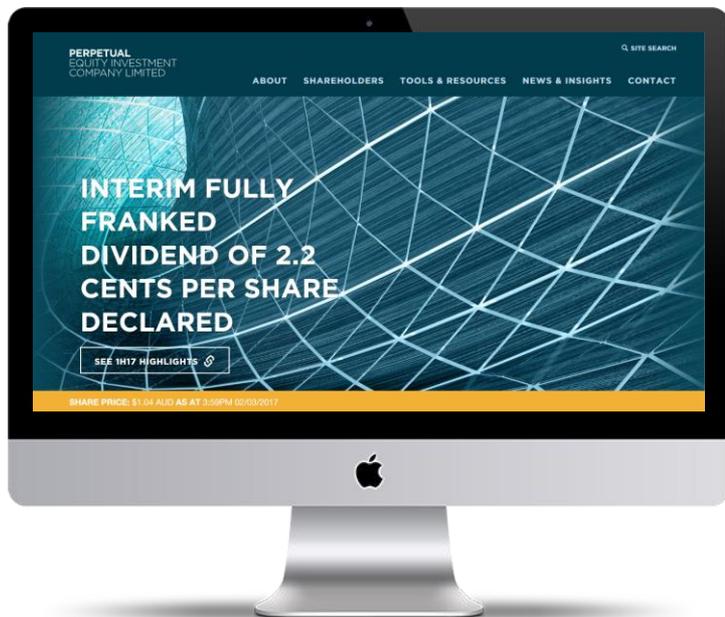


Perpetual Investments is part of Perpetual Limited (ASX:PPT)



Provider of **market-leading** equities, fixed income, cash and multi asset solutions

KEEPING YOU INFORMED WITH EXCELLENT SERVICE



www.perpetualequity.com.au



Monthly emails
including market updates



Daily NTA
announcement

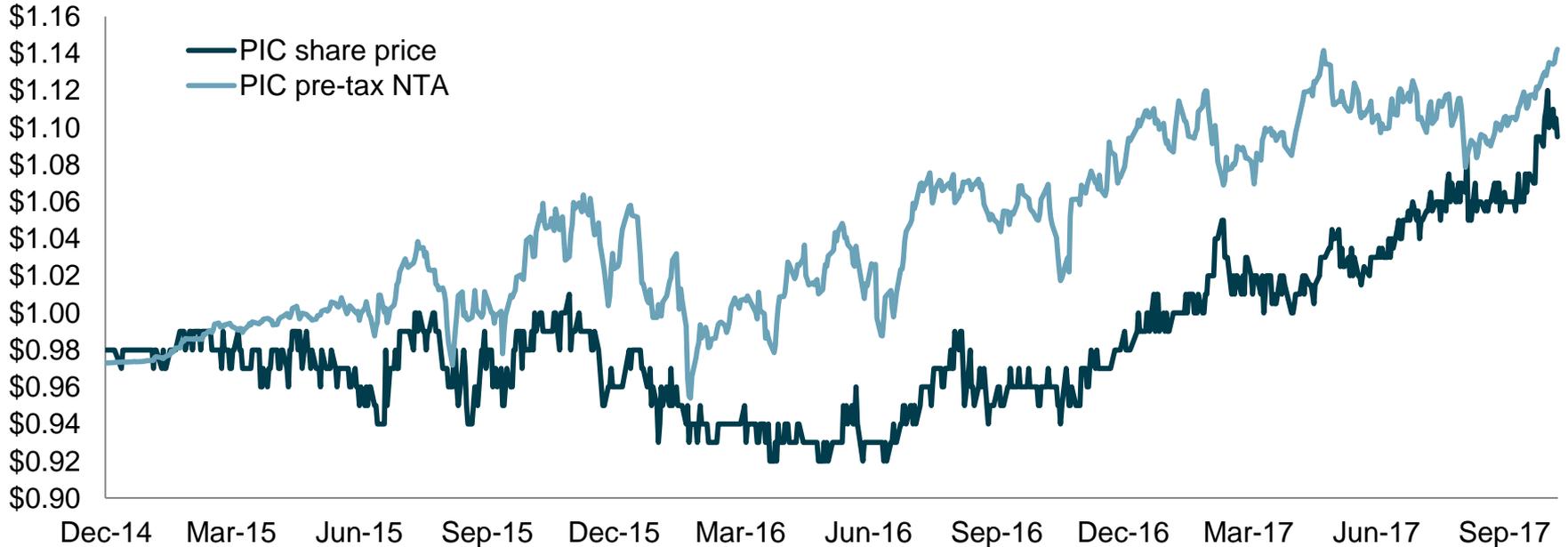


Half year and
full year
financial results



Half yearly national
investor presentations
and broker roundtables

DISCOUNT TO UNDERLYING VALUE HAS CLOSED



Source: FactSet, RBC – as at 26 Oct '17

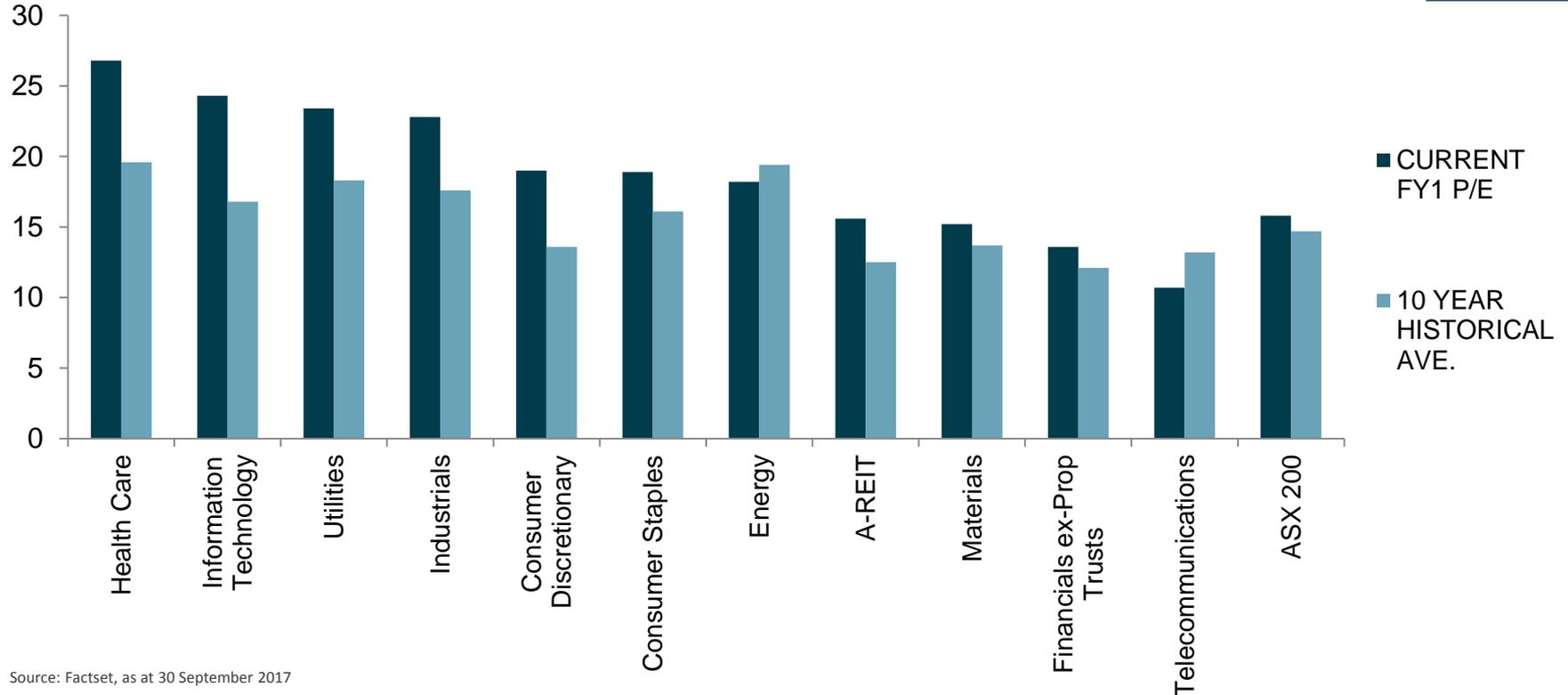
Pre tax NTA returns shown for the Company have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees and any income tax on realised gains) and assuming reinvestment of dividends. Any provisions for deferred tax on set up costs and on unrealised gains and losses are excluded. Past performance is not indicative of future performance. Inception date is 18 December 2014.

PERPETUAL
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MARKETS, PROCESS AND PERFORMANCE

Perpetual 

WHERE ARE WE AT TODAY? PRICE TO EARNINGS MULTIPLE CURRENT V 10 YR. AVERAGE ASX 200



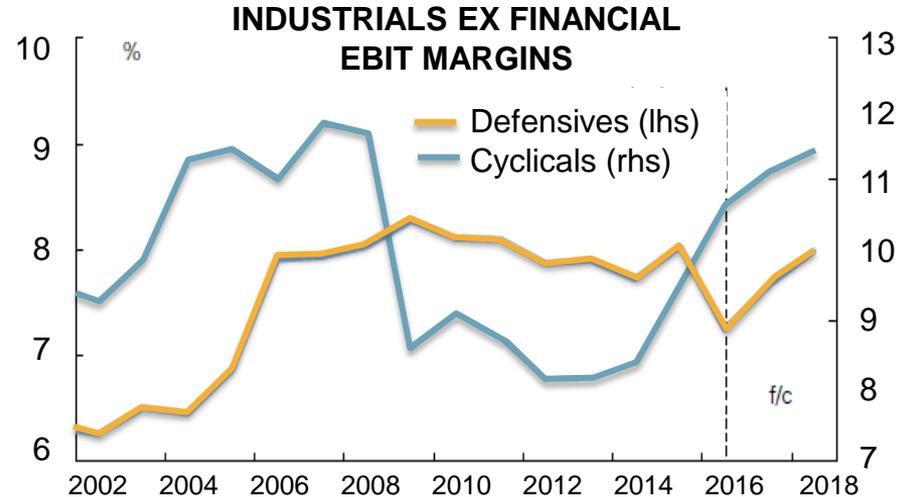
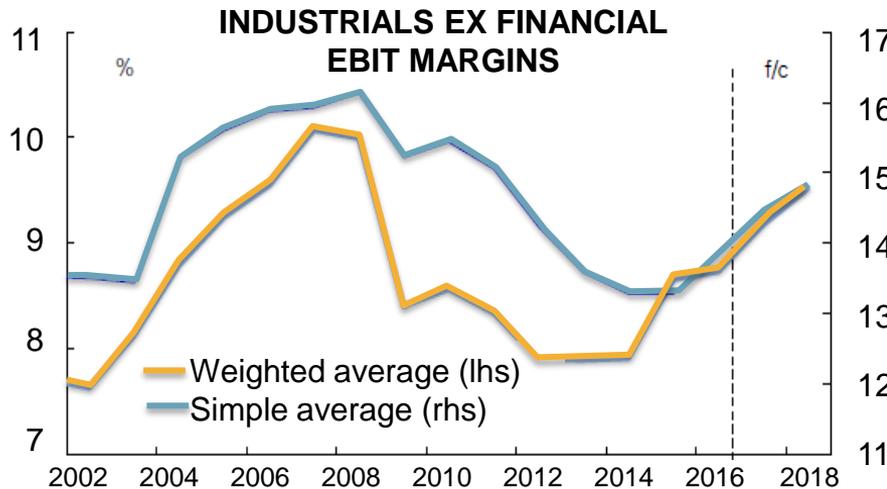
Source: Factset, as at 30 September 2017

FY17 REPORTING SEASON OVERVIEW

MARGINS

Margins have already risen a lot from the FY14 trough, so its not surprising that forecasts have been trimmed a little

Cyclical industrial margins are already close to previous peaks



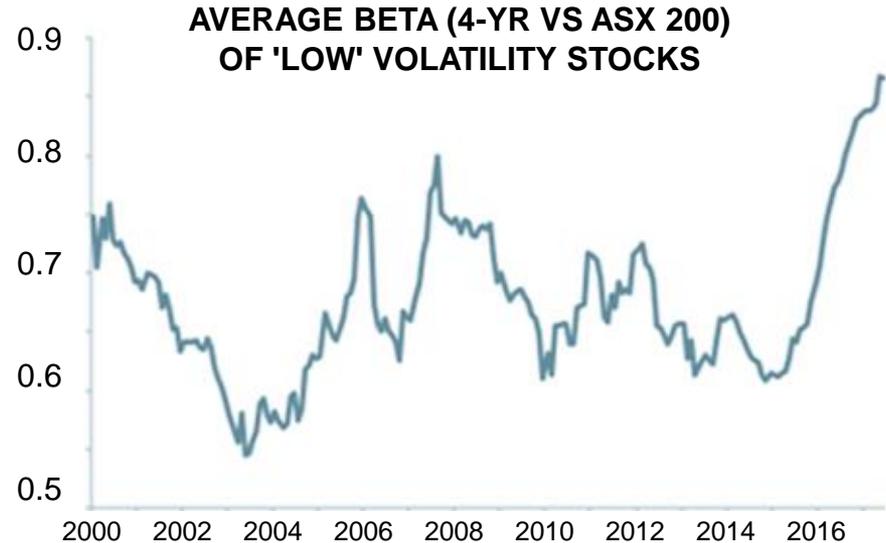
THE SYSTEMATIC RISK IN “LOW VOL” STOCKS SITS AT A 20-YEAR HIGH

Prices of what are considered
“low volatility” stocks have risen

Buying today you are taking on
close to market risk

Low volatility stocks include:

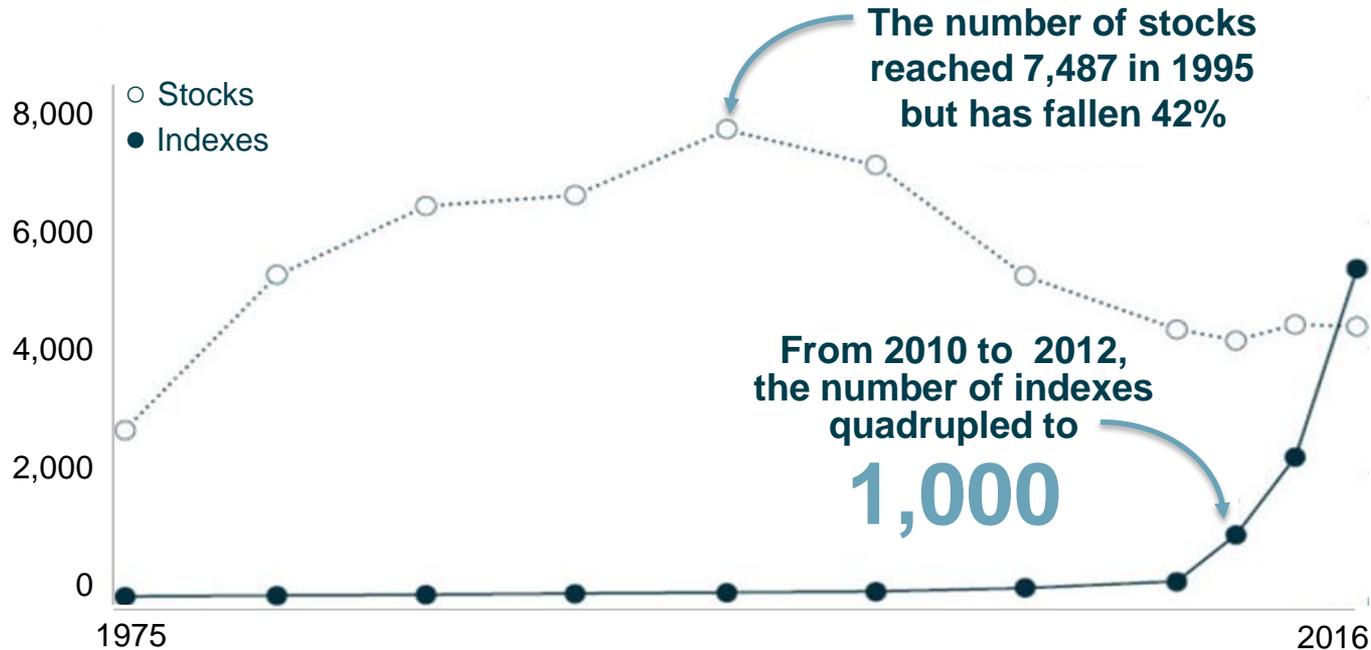
Telstra, Transurban, Scentre Group,
CBA, Stockland, GPT, NAB, ANZ,
Westpac, APA, Mirvac, Spark
Infrastructure, Suncorp,
Investa Office Fund, CSL.



Source: Goldman Sachs Global Investment Research, FactSet, IRESS, I/B/E/S

HAVE WE CONSIDERED THE RIGHT RISKS?

THE RISE OF PASSIVE CAN HAVE IMPLICATIONS



Source: Bloomberg LP (which owns Bloomberg BusinessWeek) and its affiliates provide indexes tracking various asset classes.
Data: Bloomberg Intelligence, Sanford C Bernstein, World Bank, Cash Flows as of March 31. Graphic created by Bloomberg BusinessWeek.

OUR INVESTMENT PHILOSOPHY

QUALITY & VALUE FOCUS

OUR FOCUS

1

Quality business

2

Conservative debt

3

Sound management

4

Recurring earnings

THIS MEANS:



We seek quality companies
at attractive valuations



We cautiously
deploy your capital

THE PROCESS IN ACTION: SHIRE PLC (LON:SHP)

SHIRE PLC - SHARE PRICE (GBP)



Source: FactSet, as at 27 Oct 2017

FORWARD P/E MULTIPLES (x)



Source: Perpetual Investment Management Limited

THE PROCESS IN ACTION: SHIRE PLC (LON:SHP)



IDEA IDENTIFICATION

OPPORTUNITY

- Share price weakness stemming from market concerns around competition from Roche ACE910 impacting sales in Shire's haemophilia franchise.

SCREENING

- Compared well quantitatively with market and peers
- Initially ticked a lot of boxes:
 - **Understandable business** – diversified rare disease company, exposure to 7 therapeutic areas.
 - **Strong market share** – leading Bioplasma company, strong share of global IVIG market (3Q IVIG sales +21% y/y).
 - **Growing sales** – strong revenue growth in recent years, combination of organic and acquired, looking to monetise R & D investment over the next several years.
 - **Generating free cash** – strong cash generation, deleveraging
 - **Sound management** – Chairwoman highly regarded, Board focused on debt reduction; CEO joined in 2012, has rationalised and optimised the business.

THE PROCESS IN ACTION: SHIRE PLC (LON:SHP)



IN-DEPTH, FUNDAMENTAL RESEARCH

MAJOR CONCERNS

- Haemophilia franchise sales to halve over the next 2-3 years
- Immunology business underappreciated
- Threat to Lialda business from generics
- M&A concerns around sale of neuroscience business

WORK

- Proprietary survey conducted with US, UK and German physicians – indicated high level of conservatism, desire to see a track record of safety data before switching clients.
- Call with infusion clinic specialist on infusion economics
- Contact with variety of industry experts – HAE specialists, IVIG Clinician, Global Health Tender Market expert, clinicians, ex-employees, FDA, founder of competitor product

THE PROCESS IN ACTION: SHIRE PLC (LON:SHP)



PROPRIETARY SURVEY

KEY RESULTS

- Inhibitor patient share loss of at most 25% within 5 years time
45% physicians would switch ~25% inhibitor clients to ACE910 within 5 years (only 6% would switch >25%)
- Non-inhibitor patient share loss of 5-10% within 2 years time, and most likely 10-15% within 5 years time
65% physicians would switch only 5% non-inhibitor clients to ACE910 within 5 years
- Clinical safety data and physician conservatism, patient push to switch
63% physicians wanted 5 years of clinical safety data before switching patient

THE PROCESS IN ACTION: SHIRE PLC (LON:SHP)



SELECTION

CONCLUSIONS

- Trading significantly below global peers
- Like the business (diversified revenue, strong market share, significant free cash flow generation)
- Market overestimating the erosion to sales in Haemophilia franchise due to competition from Roche ACE910
- Market misunderstands the quality of the Baxalta bioplasma assets (acquired June 2016) .
- EPS growth 7-10% p.a.
- Net Debt/EBITDA to be 2-3x by end of FY2017

**PIC started buying in June 2017,
on a P/E ~10x and FCF yield 12%**

PORTFOLIO POSITIONING

STOCKS WE LIKE

COMPANY	RATIONALE	MULTIPLE
	Growth in assets with key casinos and hotels built with partners, ability to grow dividend over the next 5 years.	PE 16x, 1.4x P/B, DY 3.5% EV/EBITDA 8.5x.
	Dominates 'last mile' in retail, positive operating momentum, actively managing Big W losses, good balance sheet.	PE 17x, 12x EBIT, DY 3.5% \$1.80 p.s of franking credits on balance sheet.
	High quality, good management, cyclical trade, structured to take advantage of short LNG, One of the lowest cost positions in the global LNG market.	NPV \$8.50, P/FCF 7x, Ability to double production.
	Low price-to-book (P/B) and leverage to rising EU/US interest rates, future dividend growth + future buybacks.	PE 10x, DY 4.7%, PB 1.0, EPS Growth 5%
	Rare disease drug company, One of the leading Global Bioplasma Companies, significant free cash flow (FCF) generation.	PE 10x, FCF Yield 11% EPS Growth 7-10%.

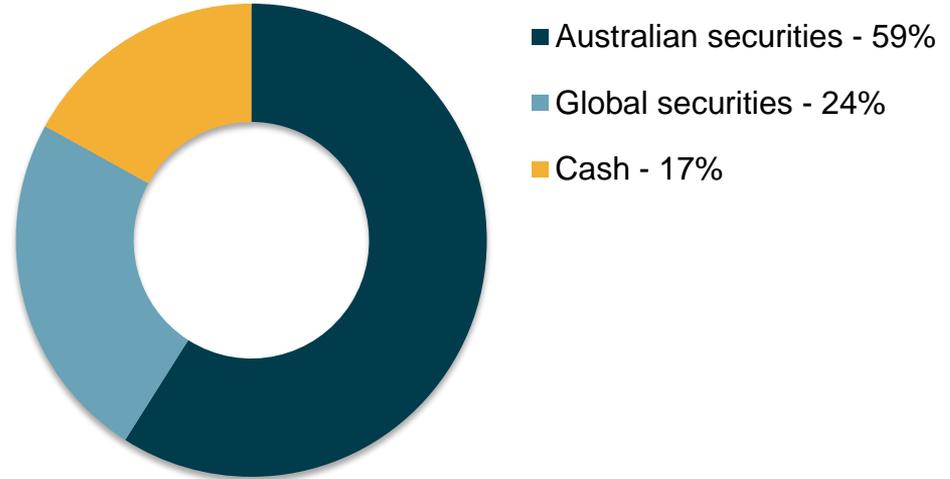
Source: Perpetual Investment Management Limited

ALLOCATION OF INVESTMENTS AS AT 30 SEPTEMBER 2017

83% of the Portfolio's capital
invested in securities

Cash is used to protect the portfolio
and take advantage of attractive
opportunities

Patient and prudent investment style
has rewarded shareholders



INVESTMENT PERFORMANCE

AS AT 30 SEPTEMBER 2017

AS AT 30 SEP 2017	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	2 YRS P.A.	SINCE INCEPTION P.A.
PIC Investment Portfolio¹ Net of fees, expenses and before tax paid	1.72%	2.96%	5.03%	13.12%	11.66%	9.21%
S&P/ASX 300 Accumulation Index	0.04%	0.80%	-0.78%	9.02%	11.22%	8.10%
Excess Returns	+1.68%	+2.16%	+5.81%	+4.10%	+0.44%	+1.11%

¹Returns 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.

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Source: Perpetual Equity Investment Company Limited

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Questions?

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Shareholder services

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SHAREHOLDER SERVICES

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1

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2

View monthly portfolio holdings and reports
(released on the 14th of each month)

3

Daily NTA Reports keep you informed by disclosing
the net asset backing per share each day

FOR ALL SHAREHOLDER REGISTRY QUERIES

Contact Link Market Services

Phone 1300 554 474

Email pic@linkmarketservices.com.au

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ABOUT SHAREHOLDERS TOOLS & RESOURCES NEWS & INSIGHTS CONTACT

INTERIM FULLY FRANKED DIVIDEND OF 2.2 CENTS PER SHARE DECLARED

VIEW 2017 HIGHLIGHTS

SHARE PRICE: \$1.05 ALSO AS AT 10:00AM AEST 15/01/2018

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PERPETUAL EQUITY INVESTMENT COMPANY LIMITED (ASX:PIC)

Perpetual Equity Investment Company Limited is a listed investment company managed by Perpetual Investment Management Limited, one of Australia's most experienced fund managers. Offering investors the opportunity to invest in a concentrated portfolio of high quality, typically mid-cap Australian and global listed securities.

HOW TO INVEST WITH US

Shares in the Perpetual Equity Investment Company (PIC) are listed and traded on the Australian Securities Exchange (ASX). To become a shareholder, simply log share through a stockbroker, financial adviser, web or platform.

Download a copy of the Perpetual Equity Investment Company Limited Prospectus [here](#).

Features and Benefits

- FLEXIBLE INVESTMENT STRATEGY**
With the ability to invest up to 35% of the portfolio in both global equities and fixed income, Perpetual provides and benefits. Also, the Company's investment strategy, like the quality of investments, ensure from global markets and better manage market risk.
- TRANSPARENCY, SIMPLICITY, VISIBILITY**
Investing in a listed investment can be bought and sold easily on the ASX and offer you enhanced liquidity and control. There's no application form and it's easy to check the latest share market results.
- ONE OF AUSTRALIA'S MOST EXPERIENCED FUND MANAGERS**
The Company is managed by Perpetual Investment, one of Australia's leading fund managers with a long track record and an experienced and well-resourced investment team.
- RIGOROUS COMPANY ANALYSIS AND RESEARCH**
The Company's investment team conducts extensive domestic and global company meetings and calls each year. Its rigorous security selection process is focused on quality and value.

INVESTOR TELECONFERENCE - 2017 RESULTS

Thursday 9 March at 10am (AEST)

[REGISTER NOW](#)

MONTHLY INVESTMENT UPDATE AND NTA REPORT

January Investment Update and NTA Report.

[READ MORE](#)

KEY CONTACTS

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