



PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

2018 ANNUAL
GENERAL MEETING

ADDRESSES TO SHAREHOLDERS

Perpetual 

FY18 PIC ANNUAL GENERAL MEETING

Chairman's Address

Nancy Fox

It has been a challenging 12 months for investors with market fluctuations, overinflated valuations and plenty of uncertainty about what the future holds. Despite that, the Perpetual Equity Investment Company Limited (The Company or PIC) has continued to deliver on its investment objective through the 2018 financial year (FY18).

PIC offers shareholders the opportunity to invest in an actively managed portfolio with access to the investment management experience and expertise of Perpetual Investment Management Limited's (the Manager) equities team. PIC aims to help investors earn regular income and long-term capital growth over a minimum five-year period via a portfolio of high quality Australian and global listed securities.

FY18 results

In FY18 the Company delivered strong results and an operating profit after tax of \$24.8 million. I referenced market challenges a moment ago and for value investors, the market continued to favour growth at any price over quality and value investing. With fewer opportunities to own high quality companies at reasonable prices, the Manager continued to deploy capital conservatively to avoid market excitement and elevated prices.

Despite these headwinds, the Company declared a fully franked dividend of 3.3 cents per share, bringing your total dividends declared for FY18 to 6.3 cents per share.

We recognise our shareholders value a strong and sustainable fully franked dividend stream and we are again pleased to meet our objective of delivering on this. The Board remains focused on continuing to maintain a healthy franking account and profit reserve. We are also closely monitoring the changing political landscape for any developments or changes to dividend imputation rules which may impact you.

History and track record

PIC is managed by one of Australia's most experienced and respected fund managers, Perpetual Investment Management Limited, which has a 50-year track record of performance and investing excellence.

The investment approach and philosophy underpinning the Company focuses on value investing and takes a disciplined and bottom-up approach to finding quality stocks trading at attractive valuations. The Company's investment strategy is to hold an actively managed portfolio of 20-40 quality securities. More specifically:

- 100% of our funds can be invested in Australian listed securities, typically with a mid-cap bias.
- However, up to 25% of the portfolio can be invested in global listed securities to allow us to take advantage of opportunities outside Australia.
- We can also hold up to 25% of the portfolio in cash. This allows us to reduce potential market risk and be defensive, when necessary.

This is an opportune time to comment on a shareholder question we received about ethical investing in the portfolio – whilst not a specialised ethical strategy, the manager integrates the consideration of ESG issues into investment analysis and decision making by identifying and considering the material ESG risks that may apply to each company. The Board does not currently intend to make changes to the company’s investment strategy.

Since listing on the ASX in 2014, the Manager has delivered strong investment performance for shareholders of 9.8% per annum. The Company’s FY18 result again reflects the skill and expertise of the Portfolio Manager. The Board remains confident this investment approach and strategy will continue to serve shareholders well by growing our capital while protecting our assets.

Share price and NTA

The Company has continued to work hard to benefit our shareholders. One of the ways we have done this in the last two years is to close the gap between PIC’s share price and its Net Tangible Assets (NTA) before tax. As at 30 October 2018, the PIC share price was trading at a small premium to the NTA before tax ex the dividend which will be paid tomorrow. This can be attributed to our continued delivery of strong shareholder returns, achieved by Vince and his team, the Company’s track record of regularly paying fully franked dividends, and keeping our shareholders informed via our communication initiatives.

Showing you what we do, why we do it, and how we do it

We know how important it is to our shareholders that we are transparent. The PIC website has become an important resource for our shareholders to access regular insights from the Manager on market themes and trends, as well as commentary on individual stock selections. You can also register for the monthly newsletter, view the NTA backing per share daily, and watch insight videos from several of Perpetual’s broader investment team. The Company will continue to enhance tools and information available to shareholders throughout FY19 and welcome further suggestions for the information you’d like to see.

An update on the capital raising

More recently, the Board felt the Company was in a strong position for growth. In a first for the Company since inception, we undertook a capital raising designed for the benefit of our shareholders and we’re pleased to have received your support to raise the full Offer amount of \$101.24 million.

The increased size of the Company will not only benefit shareholders by improving the liquidity of PIC but will also support the Company in expanding its investment portfolio and ability to take advantage of market opportunities as they arise. I am pleased to report the recent market weakness provided opportunities to invest our capital. By way of example, after receiving the funds from the capital raising our cash level went up to 36%, and as at close of business on Tuesday it was down to 29%. The manager has 1-3 months to ensure the portfolio returns to our 25% cash level.

The Manager has been on the front foot in putting your money to work and I wanted to reassure you we will continue to prudently and responsibly manage the Company to meet our objective of delivering you capital growth and a regular fully franked income.

Board Matters

This afternoon we will be seeking shareholder approval on a number of matters, including the election of David Lane as a Director, the re-election of Virginia Malley as Independent Non-Executive

Director and the adoption of the Remuneration report. Further details of these resolutions can be found in your Notice of Meeting.

Looking ahead

Finally, I'd wanted to reassure shareholders we will continue to prudently and responsibly manage the Company to meet our objective of delivering you capital growth and a regular fully franked income.

I'd like to now introduce you to the Portfolio Manager, Vince Pezzullo who will provide you with an update on markets.

Thank you

**PERPETUAL
EQUITY
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COMPANY
LIMITED**

2018 ANNUAL GENERAL MEETING

1 November 2018

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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**PERPETUAL
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NANCY FOX - CHAIRMAN

YOUR PRESENTERS



NANCY FOX

Chairman,
Perpetual Equity Investment
Company Limited



VINCE PEZZULLO

Deputy Head of Equities,
Portfolio Manager
Perpetual Investments

AGENDA

| Chairman's Welcome and Address

| Portfolio Manager Update

| Questions

| Formal voting proceedings

– Resolution 1

– Resolution 2

– Resolution 3

| Closure

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED (ASX:PIC)

INVESTING FOR REGULAR INCOME AND LONG-TERM CAPITAL GROWTH



Immediate exposure to an actively managed portfolio of stocks



Flexibility to invest 25% in global listed securities and 25% in cash



A regular fully franked dividend stream and long term capital growth



Committed to transparency and keeping investors informed

INVESTMENT OBJECTIVES

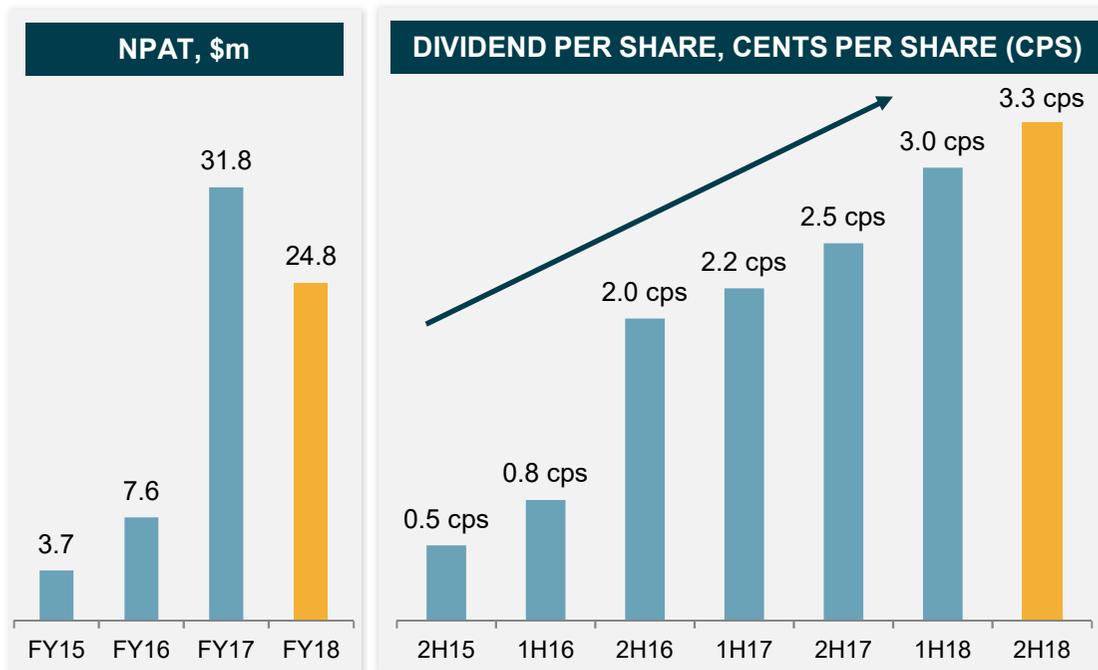
- ✓ Deliver a growing income stream
- ✓ Provide long term capital growth
- ✓ Exceed its benchmark

PORTFOLIO MANAGER – VINCE PEZZULLO

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

FULL YEAR 2018 OVERVIEW

STRONG RESULTS AND INCREASED DIVIDEND



\$24.8m Operating profit after tax

6.3 cents Per share fully franked dividend

18.8%^ Total shareholder return (dividends and share price appreciation) 1 year to 30 June 2018

7.55%* Gross dividend yield taking franking credits into account

Source: Perpetual Equity Investment Company Limited (PIC) as at 30 June 2018.

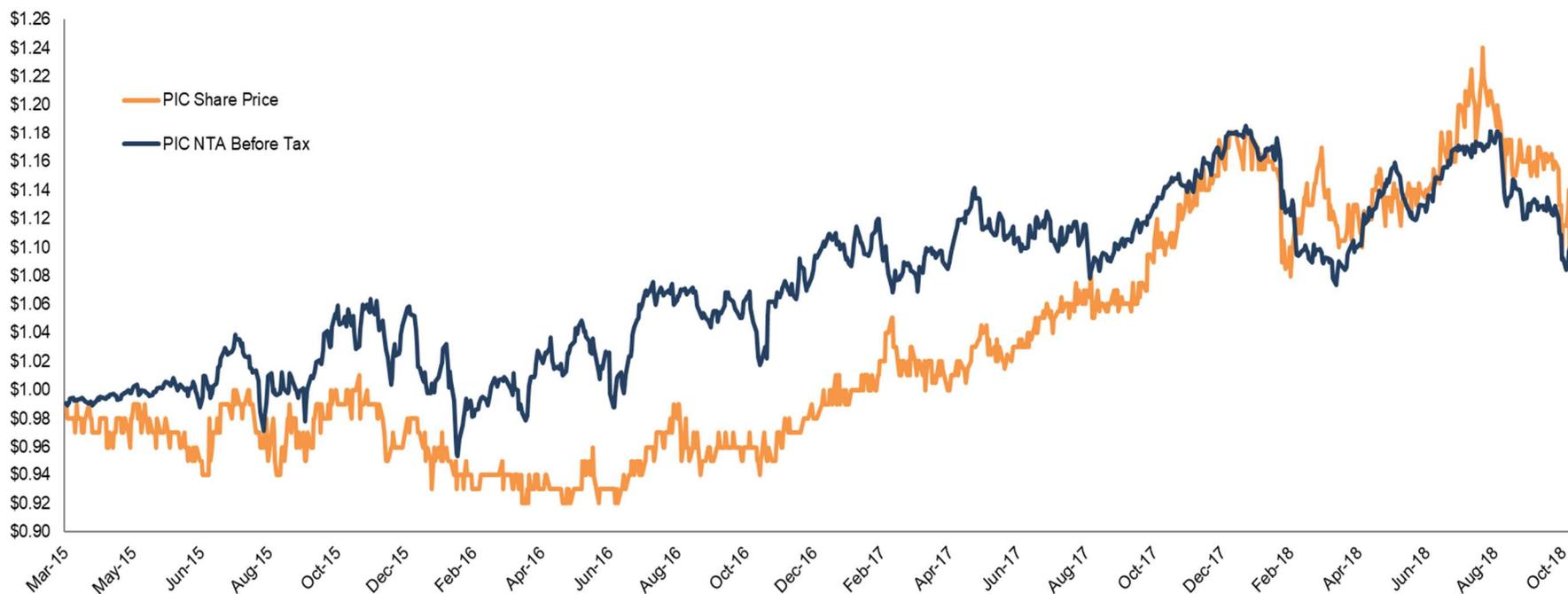
*Based on a grossed up dividend of 8.8 cents per share, and the closing share price of \$1.17 on 30 June 2018.

^ Total shareholder return assumes reinvestment of dividends.

Past performance is not indicative of future performance.

HISTORY AND TRACK RECORD

SHARE PRICE VERSUS NTA BEFORE TAX



Source: FactSet and Perpetual Equity Investment Company Limited as at 25 October 2018.
Past performance is not indicative of future performance. Inception date is 18 December 2014.

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Monthly emails
including market updates



Daily NTA
announcement



Half year and
full year
financial results



Half yearly national
investor presentations
and broker roundtables

CAPITAL RAISING

FULL OFFER AMOUNT OF \$101.24 MILLION RAISED

ENTITLEMENT OFFER

An offer to eligible Shareholders to participate in a non-renounceable pro rata Entitlement Offer of 1 New Share for every 4 Existing Shares owned.

Strong support was received from existing shareholders with the Entitlement Offer & Top Up Facility raising approximately **\$44.8 million**.

GENERAL OFFER & SHORTFALL OFFER

An offer to the general public to purchase New Shares and an offer of the shortfall to eligible Shareholders who wish to apply for additional New Shares and the general public.

The General Offer was full subscribed raising **\$30 million** and the Shortfall raised **\$26.4 million**.

The logo for Perpetual Equity Investment Company Limited is located in the top left corner. It consists of the company name in white, uppercase letters on a dark teal rectangular background. The background of the entire slide features a complex, abstract pattern of light blue and white lines forming a grid of irregular polygons.

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EQUITY
INVESTMENT
COMPANY
LIMITED**

PORTFOLIO MANAGER UPDATE - VINCE PEZZULLO MARKET UPDATE

MARKET UPDATE

A PERFECT STORM IN OCTOBER SAW A COLLISION OF:

- Very strong economic data releases on unemployment and PMIs (non manufacturing) but weak housing indicators
- Sky high P/E multiples and disappointing earnings from momentum growth names
- Fed policy: dropped “accommodative” stance and continues to tighten the screws
- Trade tensions between US and China are now impacting the real economy.