

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

KEY ASX INFORMATION

As at 30 June 2016

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$233.4 million

Share price: \$0.925

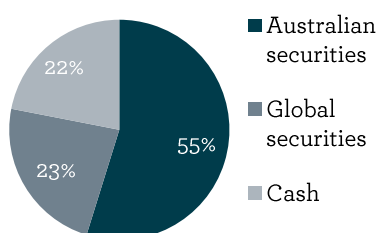
Shares on issue: 252,341,662

JUNE 2016 MONTHLY INVESTMENT UPDATE AND NTA REPORT

PORTFOLIO PROFILE

ALLOCATION OF INVESTMENTS

78% of capital invested in securities.



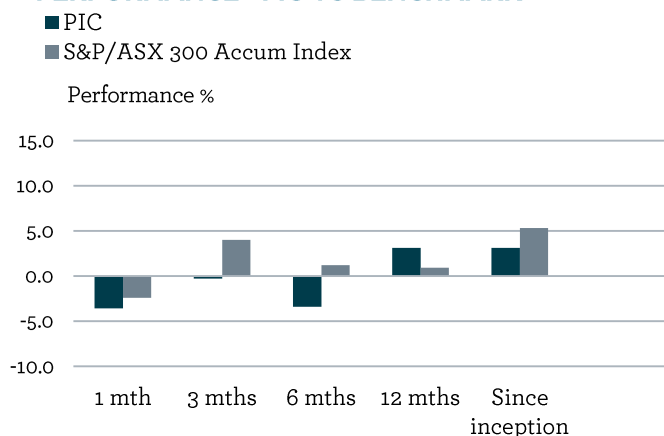
PERFORMANCE

Net of fees, expenses and tax paid

| AS AT 30 JUNE 2016 | 1 MTH | 3 MTHS | 6 MTHS | 12 MTHS P.A. | SINCE INCEP P.A. |
|-----------------------------------|-------|--------|--------|--------------|------------------|
| PIC | -3.6% | -0.3% | -3.4% | 3.1% | 3.3% |
| S&P/ASX 300 Acc Index | -2.4% | 4.0% | 1.2% | 0.9% | 5.3% |
| Performance Relative to benchmark | -1.2% | -4.3% | -4.6% | 2.2% | -2.0% |

Inception date is 18 December 2014.

PERFORMANCE - PIC VS BENCHMARK



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

PORTFOLIO COMMENTARY

The Portfolio performance, as measured by the growth of the net assets per share, was -3.6% in June. The portfolio underperformed the benchmark S&P/ASX300, which fell by 2.4%. Since listing, the Perpetual Equity Investment Company Limited (PIC) has returned 3.3% per annum.

June was a challenging month for PIC with markets shaken by the surprise Brexit "Leave" decision. Following the Brexit result, three of the portfolio's holdings (Bank of America, Royal Philips and Henderson Group PLC) came under pressure on concerns of a slowdown in economic growth and uncertainty around the EU exit process. However, the Manager believes that the underlying fundamentals for these businesses remain solid and has maintained the investments. The Manager is holding 22% of the portfolio in Cash, which is close to the maximum limit of 25%. The cash holding provided some protection for the portfolio during the heightened market volatility.

Despite the market turmoil, the Manager is still identifying attractive opportunities and has recently taken a position in ICON Plc. ICON is a Contract Research Organisation (CRO) that provides outsourced services to pharmaceutical, biotech and medical devices companies to run clinical trials. The purpose of the clinical trials is to take a drug or device from discovery to approval phase. ICON's value-add is in their ability to save medical businesses money through trial design. This involves optimising the patient selection process, identifying as early as possible when a trial is failing and meeting strict compliance standards.

The Manager believes that ICON is a quality operator with a history of earnings growth, stable cash flows, and contracts with large pharmaceutical companies such as Pfizer. Management have a long tenure within the company and a track record of acting in shareholders' interest - ICON has been more aggressive with share buybacks in recent quarters in conjunction with share price weakness. The company has a manageable level of gearing.

The CRO industry is fairly concentrated with the top five operators having approximately 50% market share and total industry spend continuing to grow as more medical companies move to outsourcing trial procedures.

The Manager believes that ICON should be able to generate ongoing revenue growth driven by Research and Development

Perpetual

spend, increased outsourcing and market share gains from smaller CROs who struggle to provide the same level of service quality. ICON is currently trading at 13x forward earnings, which looks attractive relative to peers and its historical average. This is a reasonable valuation for a business generating high single-digit earnings growth. Importantly, in the Manager's opinion, there are no companies listed on the Australian Stock Exchange with a similar business model and global market penetration.

MARKET REVIEW

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, fell 2.4% during June. Global markets experienced increased volatility, with fears around the outcome of the 'Brexit' vote initially leading to a selloff across markets, which later reversed as polls indicated that 'Remain' voters would win the plebiscite. The under anticipated 'Brexit' outcome then saw equities sell off sharply for two days, before bouncing back at the end of the month as central banks signalled they would provide additional stimulus in an attempt to calm markets. Currency markets were also heavily impacted, with the pound dropping sharply against most major currencies, and closed the month down 8.4% and 8.2% against the AUD and USD respectively. In contrast, the Australian dollar gained 2.8% against the USD to close the month at US\$0.7446. Global and domestic economic data was mixed, while central bank interest rates were held steady across the board. Australian stocks were not spared from the volatility, despite the majority of companies having limited exposure to the UK.

The best performing sectors for the month were utilities (+5.6%), property trusts (+3.5%) and materials (+0.6%). The worst performers were information technology (-7.6%), financials ex-property (-5.9%) and consumer staples (-4.0%). As a whole, industrial stocks (+4.5%) outperformed resource stocks (-5.0%) and large cap stocks (+2.6%) underperformed small cap stocks (+4.1%).

INSIGHTS: WHAT BREXIT MEANS FOR AUSTRALIAN INVESTORS

Brexit – the vote to leave the European Union (EU) – turned out to be a significant snub of mainstream English and European political power. Implications for Australian investors have been minimal – if anything, Brexit has created a short-term sell off that opportunistic and savvy investors could take advantage of. Read the Manager's latest Insights piece for one perspective on the implications of Brexit on Australian investors. [Click here](#) to read, or visit www.perpetual.com.au

TOP SECURITIES

TOP 5 AUSTRALIAN SECURITIES AS AT 30 JUNE 2016

| COMPANY | PORTFOLIO WEIGHT |
|------------------------|------------------|
| Woolworths Ltd | 10.4% |
| Sky Network Television | 6.0% |
| BlueScope Steel Ltd | 5.8% |
| Suncorp Group Ltd | 5.8% |
| GrainCorp Ltd | 5.7% |

TOP 3 GLOBAL SECURITIES AS AT 30 JUNE 2016

| COMPANY | PORTFOLIO WEIGHT |
|----------------------|------------------|
| Royal Philips | 7.0% |
| Bank of America Corp | 5.7% |
| Icon Plc | 5.5% |

NET TANGIBLE ASSET (NTA) BACKING PER ORDINARY SHARE¹

| AS AT 30 JUNE 2016 | AMOUNT |
|-----------------------------|---------|
| NTA before tax ² | \$1.008 |
| NTA after tax | \$1.014 |

Daily NTA is available on the website.

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.

DIVIDEND REINVESTMENT PLAN

The Company has a Dividend Reinvestment Plan (DRP) in operation. The DRP provides you the choice to receive some or all of your future dividends as ordinary shares in the Company instead of cash, which is an efficient way of increasing your investment in the Company. For more information on the DRP or to [access an application form](#), please visit our website, [click here](#) or contact LINK Market Services Telephone: +61 1800 421.712.



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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This monthly report has been prepared by Perpetual Investment Management Limited ABN 18 000 866 535, AFSL 234426 and Perpetual Trustee Company Limited ABN 42 000 001 007 AFSL 236643. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of the Company or the return of an investor's capital.

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