

# PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

## INVESTMENT UPDATE AND NTA REPORT February 2019

### PORTFOLIO SNAPSHOT

#### NET TANGIBLE ASSET (NTA) BACKING PER SHARE <sup>1,3</sup>

AS AT 28 FEBRUARY 2019	AMOUNT
NTA before tax (cum dividend) <sup>2</sup>	\$1.102
NTA after tax (cum dividend) <sup>2</sup>	\$1.100

Daily NTA is available at [www.perpetualequity.com.au](http://www.perpetualequity.com.au)

<sup>1</sup> All figures are unaudited and approximate.

<sup>2</sup> The 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 28 February 2019, the NTA before tax ex dividend was \$1.071 <sup>1,3</sup> and the NTA after tax ex dividend was \$1.069. The ex dividend NTA figures are reduced by a provision for the 3.1 cent per share interim dividend that was declared on 18 February 2019. The ex date for the interim dividend is 3 April 2019 and the payment date is 26 April 2019.

<sup>3</sup> A tax rate of 27.5% (previously 30%) is now applied.

### KEY ASX INFORMATION

#### AS AT 28 FEBRUARY 2019

ASX Code:	PIC
Listing date:	18 December 2014
Market capitalisation:	\$364 million
Share price:	\$ 1.055
Shares on issue:	344,840,452

### INVESTMENT PERFORMANCE

AS AT 28 FEBRUARY 2019	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 <sup>4</sup> Net of fees, expenses and before tax paid	3.8%	5.0%	-3.0%	4.1%	7.7%	10.1%	7.9%
S&P/ASX 300 Acc Index	6.0%	9.9%	-0.4%	6.8%	8.6%	12.9%	8.9%
Excess Returns	-2.2	-4.8	-2.7	-2.7	-0.9	-2.8	-1.0

<sup>4</sup>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. 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
Commonwealth Bank of Australia	11.2%
Westpac Banking Corporation	8.3%
Suncorp Group Limited	6.6%
Woolworths Group Ltd	5.5%
Telstra Corporation Limited	4.5%

#### TOP 3 GLOBAL LISTED SECURITIES

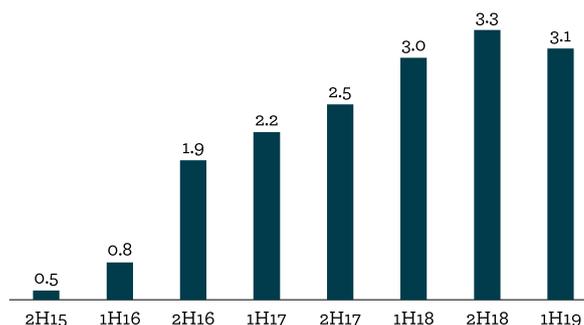
COMPANY	PORTFOLIO WEIGHT
Takeda Pharmaceutical Co. Ltd.	1.5%
-	-
-	-

### DIVIDEND PER SHARE, CPS

Interim dividend for FY19: 3.1 cents per share.

Annual dividend yield: 6.1%<sup>5</sup>

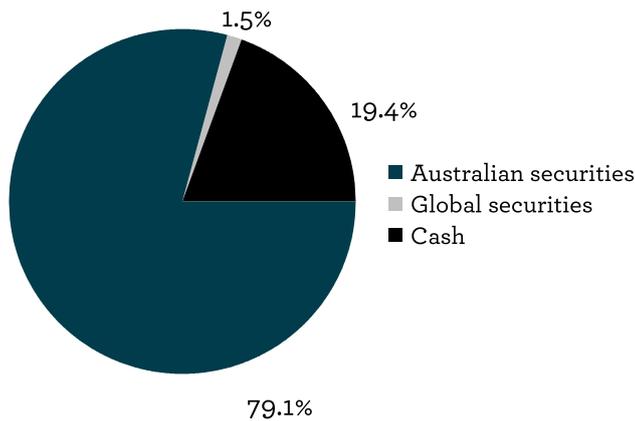
Grossed up annual dividend yield: 8.4%<sup>5</sup>



<sup>5</sup> Yield is calculated using the 28 February 2019 share price of \$1.055  
Grossed up yield takes franking credits into account.

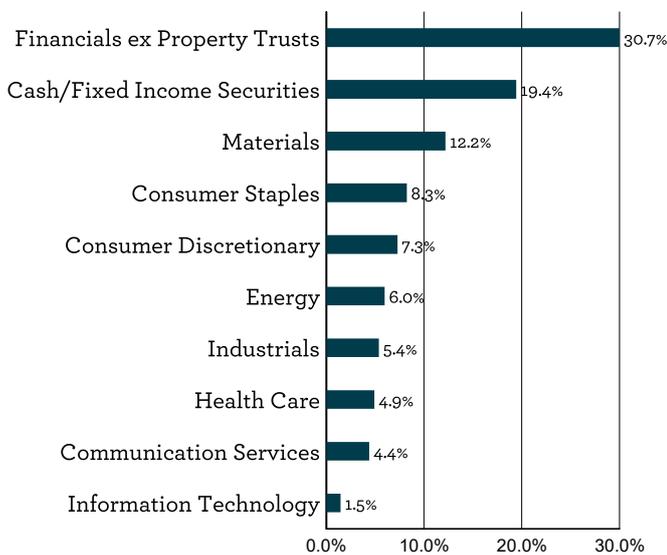
## ALLOCATION OF INVESTMENTS<sup>6</sup>

80.6% of capital invested in securities



<sup>6</sup> Allocations may not sum to 100% due to rounding.

## PORTFOLIO SECTORS



## PORTFOLIO COMMENTARY

The portfolio performance net of fees and expenses was 3.8% in January, underperforming the benchmark S&P/ASX300 Accumulation Index by -2.2%. Since listing, the Perpetual Equity Investment Company Limited's (PIC) portfolio has returned 7.9% per annum net of fees and expenses.

Portfolio holdings in Commonwealth Bank, Westpac and Viva Energy contributed positively to performance this month. Conversely the Company's positions in Evolution Mining and Bega Cheese detracted from returns.

The allocation to Global securities remains at 1.5%. The Manager is observing signs of weakness in the global economy but continues to look for overseas opportunities where investment can be made with high conviction.

## STOCK NEWS

As at 28 February, the portfolio allocation to Medibank Private Ltd (MPL) was 3.7%. The Manager believes that MPL represents good value with a strategy underpinned by growth, delivering differentiated products and services, and providing value healthcare to its customers.

MPL delivered strong half year results in February with underlying operating profit up 2%. Importantly market share and customer satisfaction trends continue to improve under the current management team and strategy. The Manager believes MPL is well positioned with claims inflation below system levels.

It is the Manager's view that the private healthcare system needs to focus on quality care in the most efficient setting and that MPL is leading this with their focus on in-home care and shifting overnight stays to day surgery.

## MARKET COMMENTARY

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, finished 6.0% higher over the month of February. Despite recent market setbacks, half-year corporate earnings releases surprised investors as a significant portion of Australian firms reported stronger-than-expected results. The banking sector saw a relief rally early in the month on the back of the release of the final report from the Hayne Royal Commission into misconduct in the financial services sector, detailing milder-than-expected recommendations for the industry.

The Reserve Bank of Australia maintained the official interest rate at 1.5%, however cited an equal likelihood that the next rate move will be a decrease, after downgrading their growth outlook on the economy citing that a US-China trade war and a downturn in the property market pose significant risks to the domestic economy. Unemployment remained at its 7-year low of 5.0%, while reported job figures increased by 39,100 positions. Business conditions and confidence were also reported as nudging higher. Market sentiment was assisted as trade talks between the US and China progressed during the month, with the US allowing more time for negotiations by delaying tariff increases on billions of dollars' worth of Chinese imports.

Resource stocks were assisted as WTI and Brent crude oil gained 5.9% and 9.1% respectively, on supply cuts and inventory drawdowns. The London Metals Exchange Index gained 3.6% led by a 6.4% rally in copper. The Australian dollar fell during the month as Chinese customs banned the import of Australian coal, falling 2.4% against the US dollar and by 2.6% against the Chinese RMB.

The best performing sectors for the month, as measured by the S&P/ASX 300 Accumulation Index, were Financials (+9.1%), Energy (+7.8%) and Information Technology (+7.5%). The worst performers were Consumer Staples (-1.4%), Health Care (+1.3%) and Real Estate (+2.2%). As a whole, Industrial stocks (+5.8%) underperformed Resource stocks (+6.9%) and large cap stocks (+6.1%) underperformed small cap stocks (+6.8%). Value stocks (+7.0%) outperformed Growth stocks (+4.8%) as measured by the MSCI Australia Value and MSCI Australia Growth indices, respectively.

## COMPANY NEWS

### INTERIM DIVIDEND DATES

A reminder of the interim dividend dates:

Announcement / Declaration:	Monday 18 February 2019
Ex Date:	Wednesday 3 April 2019
Record Date:	Thursday 4 April 2019
DRP Record / Election Date:	Friday 5 April 2019
Payment Date:	Friday 26 April 2019

### HALF YEAR RESULTS TELECONFERENCE

PIC would like to thank all shareholders and interested parties who attended our FY19 Half Year Results teleconference on Wednesday 13th March.

A copy of the presentation slides are available on [www.perpetualequity.com.au](http://www.perpetualequity.com.au)

## 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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