

INVESTMENT UPDATE AND NTA REPORT

January 2019

PORTFOLIO SNAPSHOT

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

AS AT 31 JANUARY 2019	AMOUNT
NTA before tax ²	\$1.063
NTA after tax ²	\$1.068

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.

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

KEY ASX INFORMATION AS AT 31 JANUARY 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 31 JANUARY 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 ⁴ Net of fees, expenses and before tax paid	1.8%	-2.2%	-6.2%	-2.0%	5.3%	7.4%	7.0%
S&P/ASX 300 Acc Index	3.9%	1.4%	-4.7%	1.1%	6.6%	10.0%	7.5%
Excess Returns	-2.1%	-3.5%	-1.5%	-3.1%	-1.3%	-2.7%	-0.5%

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
Commonwealth Bank	8.7%
Westpac Banking Corporation	7.5%
Suncorp Group Ltd	5.8%
Evolution Mining Ltd	5.1%
Telstra Corporation Ltd	4.6%

TOP 3 GLOBAL LISTED SECURITIES

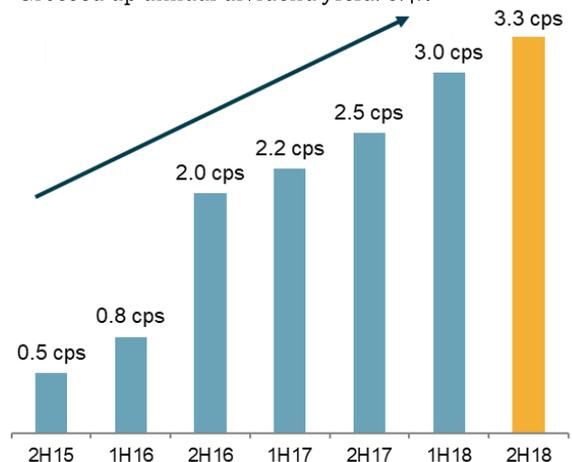
COMPANY	PORTFOLIO WEIGHT
Takeda Pharmaceutical Company Ltd	1.5%
-	-
-	-

DIVIDEND PER SHARE, CPS

2H18 final dividend: 3.3 cents per share

Annual dividend yield: 6.0%⁵

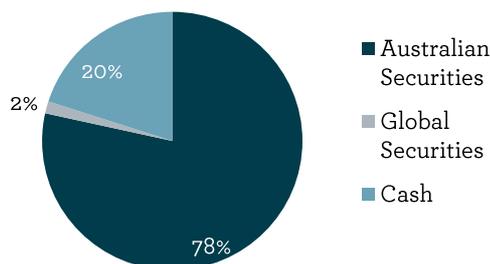
Grossed up annual dividend yield: 8.4%⁵



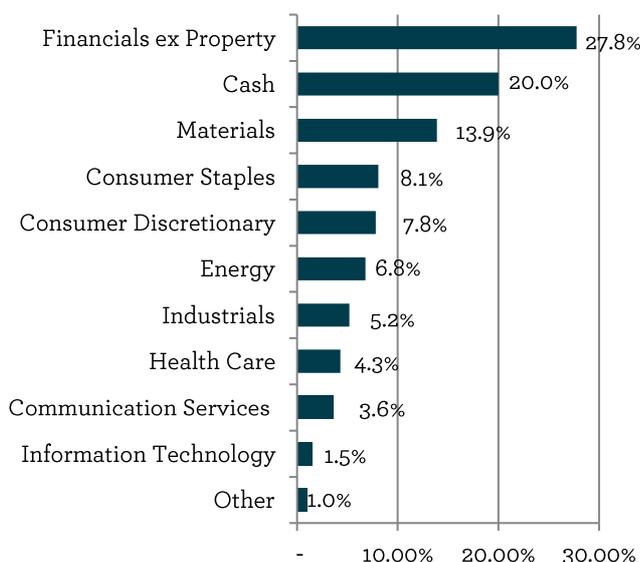
⁵Yield is calculated using the 31 January 2019 share price of \$1.055. Grossed up yield takes franking credits into account.

ALLOCATION OF INVESTMENTS

80% of capital invested in securities.



PORTFOLIO SECTORS



PORTFOLIO COMMENTARY

The portfolio performance net of fees and expenses was 1.8% in January, underperforming the benchmark S&P/ASX300 Accumulation Index by -2.1%. Since listing, the Perpetual Equity Investment Company Limited's (PIC) portfolio has returned 7.0% per annum net of fees and expenses.

Portfolio holdings in Evolution Mining, Telstra and Tabcorp contributed positively to performance this month. Conversely the Company's positions in Commonwealth Bank, Westpac and Star Entertainment detracted from returns.

The portfolio has a large exposure to Financial Services stocks, taking advantage of share price weakness in a period of lower confidence during the Financial Services Royal Commission. Australian Banking stocks experienced volatile performance over December and January, with relative performance being dictated by broader market direction and macro factors, and sector considerations ahead of the Royal Commission's Final Report. The Manager's reading of the Interim Report was that Commissioner Hayne was very unlikely to introduce heavy regulation with regards to explicit

lending restrictions for banks, but rather his focus would be on remuneration structures of advisers and executives, and strengthening of regulators. The Final Report released in February showed that these expectations were correct, with Hayne's recommendations largely focussing on the structure of the regulatory environment, and the way in which intermediaries are remunerated. He noted that improvements had already been made to lending standards by banks and there was evidence of increased due diligence by banks around understanding customer financial circumstances. As a result of this, bank stock performance has started to improve as investors have become more comfortable about owning the sector again.

PIC is an actively managed portfolio and the allocation to Global securities will change over time. Since listing the Global allocation has been as high as 25% of the portfolio and as low as zero. The Manager will allocate to Global Securities based on high conviction. At the moment there is only a small exposure to Global Securities (2%) as the Manager is finding more compelling opportunities in the Australian market.

During the December quarter, the Manager took profit on Shire PLC which had been our largest Global exposure for some time. Shire was subject to a takeover by Takeda Pharmaceutical Company Ltd and PIC exited the position as the Manager believed full value had been realised.

The Manager has initiated a new position in Takeda Pharmaceutical. The opportunity arose as Takeda's shares sold off in 2018 due to concerns around continued productivity gains following the departure of the previous CFO and the Shire acquisition. Three subsequent quarterly results have shown productivity gains. Takeda is a diversified global top twenty pharmaceutical company trading on eight times forward earnings. There is no equivalent exposure available in Australia.

MARKET COMMENTARY

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, finished 3.9% higher over the month of January. Despite a slump in business conditions during the month, the resumption of high-level trade talks between the US and China, and an unsuccessful Brexit deal proposal in the UK, the Australian market shook off the negative sentiment to end the month stronger. The deterioration in business conditions (showing the greatest decline since the GFC) was broad-based, with retail being the most challenged, achieving record negative conditions as same-store sales from discretionary retailers struggled through the Christmas period. Mining and construction, however, were the only industries to record an improvement in conditions.

Resource stocks were assisted over the month as most base metals ended higher with the London Metals Exchange Index gaining 5.2%. Crude oil rallied strongly after three months of decline on the back of a fall in US stock piles and Venezuela

sanctions. Iron ore prices (+16.3%) surged to its highest in almost a year following a dam disaster at a Vale-owned Brazilian mine, the second disaster in a little over three years. A brief 'flash crash' in the foreign exchange markets saw the Australian dollar dip to a ten-year low against the US dollar (reaching US\$0.67) before recovering shortly after and finishing out the month higher at US\$0.73.

The best performing sectors for the month, as measured from the S&P/ASX 300 Accumulation Index, were Energy (+11.5%), Information Technology (+8.8%) and Communication Services (+7.7%). The worst performers were Financials (-0.3%), Consumer Staples (+2.7%) and Industrials (+3.4%). As a whole, industrial stocks (+2.6%) underperformed resource stocks (+9.1%) and large cap stocks (+3.5%) underperformed small cap stocks (+5.6%). Value stocks (+1.6%) underperformed growth stocks (+5.5%) as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

COMPANY NEWS

HALF YEAR RESULTS ANNOUNCEMENT

A reminder that PIC's 31 December 2018 half year results will be announced on Monday 18 February 2019.

HALF YEAR RESULTS TELECONFERENCE

PIC would like to extend an invitation to all shareholders and interested parties to register for our FY19 Half Year Results teleconference on Wednesday 13th March at 12noon (AEDT).

[REGISTER NOW](#) or visit www.perpetualequity.com.au for more details.

David Lane, Group Executive, Perpetual Investments and Executive Director PIC will join Vince Pezzullo, Portfolio Manager to present an update on the Company and the portfolio.

Questions are welcomed and can be submitted upon registration. A copy of the presentation slides will be made available on the 13th March prior to the teleconference.

Finally if you are unable to join us at this time the presentation slides and audio will be posted on 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

INVESTOR RELATIONS

Annie Rozenauers
P: 02 9229 3528
E: annie.rozenauers@perpetual.com.au

NSW/ACT

Nathan Boroughs
State Manager, Perpetual Investments
P: 0466 775 961
E: nathan.boroughs@perpetual.com.au

VIC/SA/NT/TAS

Daniel Moore
State Manager, Perpetual Investments
P: 0400 032 819
E: daniel.moore@perpetual.com.au

QLD

Tony Harte
State Manager, Perpetual Investments
P: 0407 708 109
E: tony.harte@perpetual.com.au

WA

Tim McCallum
State Manager, Perpetual Investments
P: 0411 209 403
E: tim.mccallum@perpetual.com.au

www.perpetualequity.com.au

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CONTACT DETAILS

Investor queries: Telephone: +61 1800 421 712
Mailing address: Link Market Services,
Locked Bag A14, Sydney South, NSW 1235
Email: pic@linkmarketservices.com.au

