

**PERPETUAL
EQUITY
INVESTMENT
COMPANY**

INVESTOR UPDATE

MARCH / APRIL 2015

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IMPORTANT NOTICE

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YOUR PRESENTERS TODAY – SYDNEY

VINCE PEZZULLO
PORTFOLIO MANAGER



STUART DUNN
STATE MANAGER



WELCOME

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PORTFOLIO MANAGER



DANIEL MOORE
STATE MANAGER



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SENIOR INVESTMENT SPECIALIST



TIM MCCALLUM
STATE MANAGER



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MICHAEL GOLLAGHER
BUSINESS DEVELOPMENT MANAGER



OUR AGENDA

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CURRENT MARKET CONDITIONS

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CURRENT GLOBAL MARKET CONDITIONS

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- **Lower growth market environment**
 - Record low interest rates remain
 - Balance sheet issues weighing on growth
 - Global recovery has not been synchronised – China is slowing and some economies' recoveries have been underwhelming
 - Deflation remains a key risk
 - Monetary policy predominantly exhausted
- **Valuations are currently full**
 - Globally, US Federal raising rates and further QE programs in Europe and Asia remain key
 - In this environment, the valuation of a company more important than its earnings



**Combination
of slower
economic
growth, low
interest rates
globally and
stretched
valuations
leading to
lower return
environment**

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THE PORTFOLIO

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PORTFOLIO PROFILE SUMMARY

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INVESTMENT OBJECTIVE

- The investment objective 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 investment strategy is to create a concentrated and actively managed portfolio of Australian securities with typically a mid-cap focus and global listed securities.
- Provide investors with the opportunity to invest in an actively managed portfolio and to gain access to the investment management experience and expertise of Perpetual Investments.

ABOUT THE MANAGER

- The 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.

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OUR INVESTMENT PHILOSOPHY

QUALITY & VALUE FOCUS

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We focus on:

1

Quality business

3

Sound management

2

Conservative debt

4

Recurring earnings

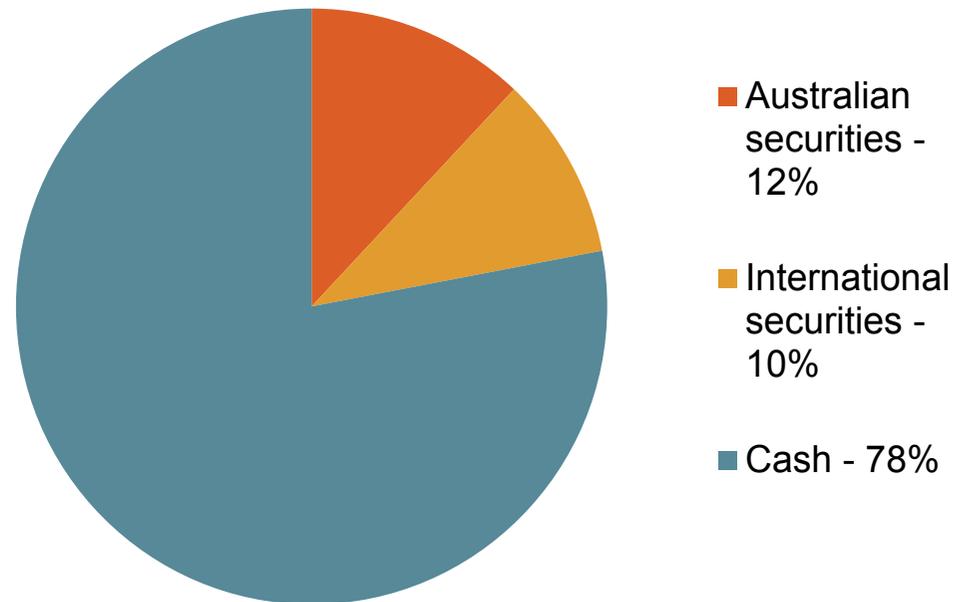
This means:

- > We seek **quality companies** at **attractive valuations** – Valuations can be more important than earnings, so we won't buy companies if they're overvalued
- > We remain committed to **cautiously deploying your capital**

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ALLOCATION OF INVESTMENTS

- 22% of available capital now deployed, remainder invested in cash
- We remain committed to patiently deploying capital as we identify quality companies trading at attractive prices
- Short term underperformance of the Portfolio is reflective of the current high cash weighting
- We expect this to reverse as the Portfolio builds out its equity holdings



Data as at 20 March 2015



PORTFOLIO HOLDINGS IN PROFILE

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THE PROCESS IN ACTION – BANK OF AMERICA

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CORE BUSINESS:

One of the largest banking and financial service providers in the US

SECTOR: Financials

INITIAL ENTRY PRICE: US\$15.35

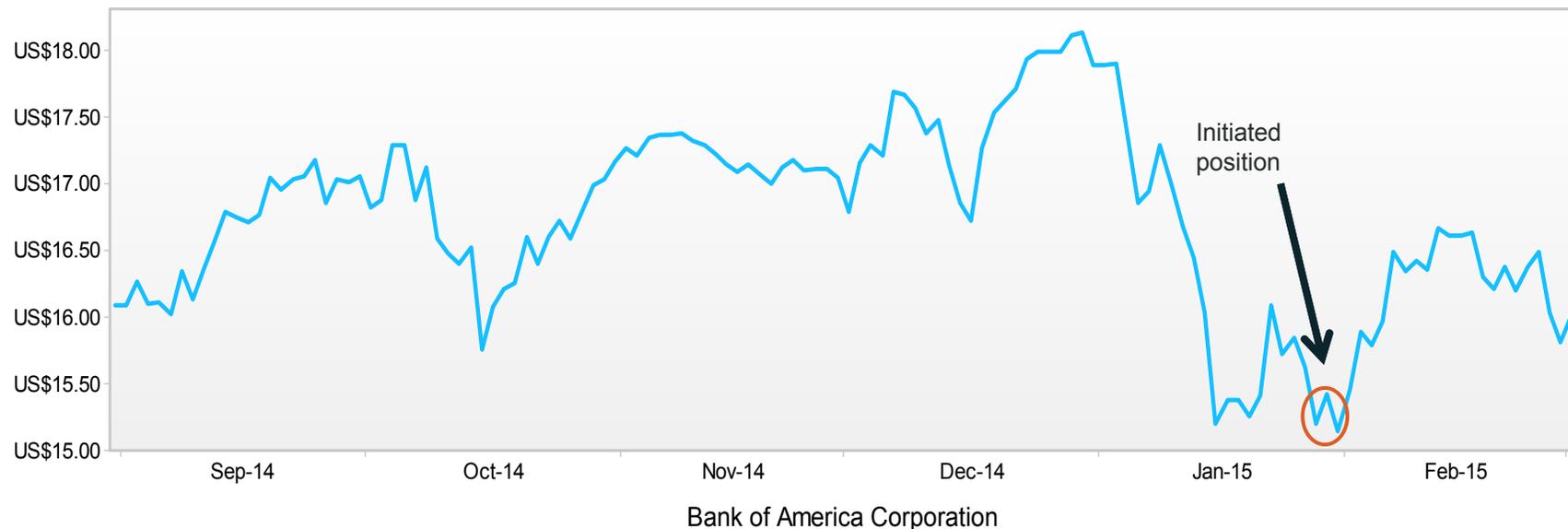
PRICE/EARNINGS: 11.2x

DIVIDEND YIELD: 1.5%

PRICE/BOOK VALUE: 0.7x

WHY WE LIKE IT?

- Leading market position within industry with significant market share of loans and deposits
- Strong balance sheet
- Leveraged to rising US interest rates and improving US economy
- Trading on cheap multiples



Source: Perpetual & FactSet

THE PROCESS IN ACTION – EBAY

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CORE BUSINESS:

Leading global e-commerce marketplace and online payments provider

SECTOR: Information technology

INITIAL ENTRY PRICE: US\$53.04

PRICE/EARNINGS: 18.9x

DIVIDEND YIELD: 0%

PRICE/BOOK VALUE: 3.1x

WHY WE LIKE IT?

- Leading market position in both core businesses
- Trading at attractive multiples
- Split out of PayPal in 2015 should see positive revaluation by the market



Source: Perpetual & FactSet

THE PROCESS IN ACTION – NINE ENTERTAINMENT

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CORE BUSINESS:

Leading Australian media company and national free-to-air TV broadcaster

SECTOR: Consumer discretionary

INITIAL ENTRY PRICE: \$1.67

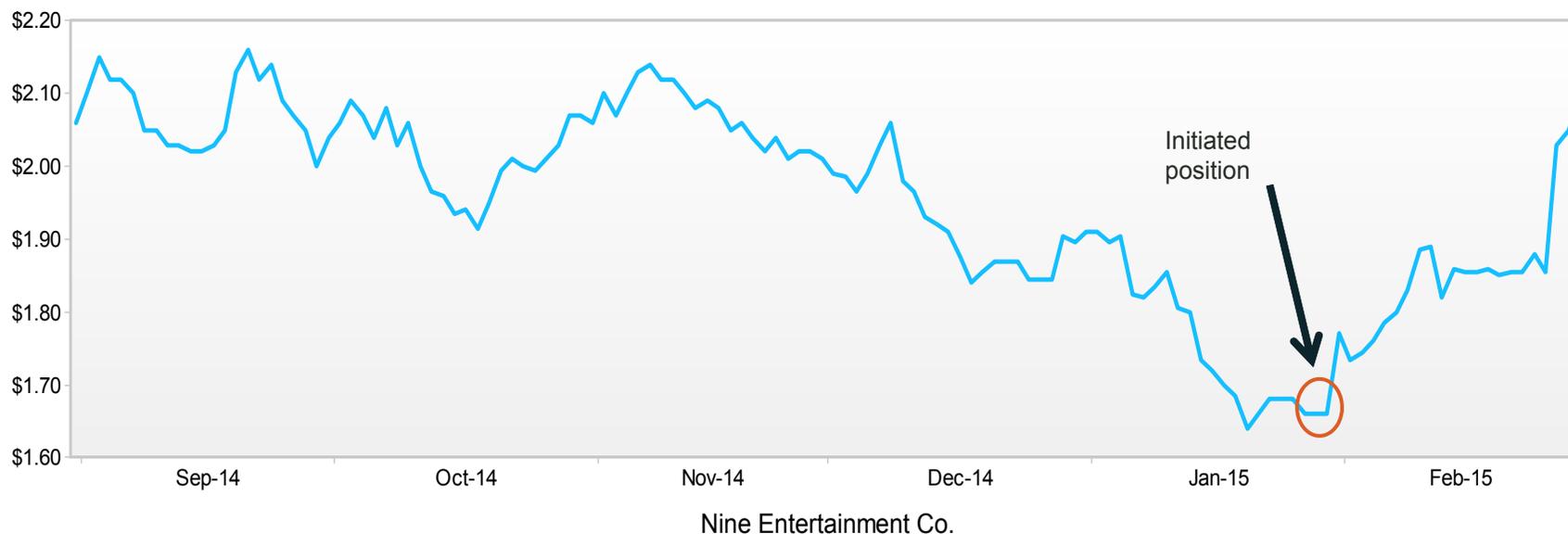
PRICE/EARNINGS: 11.2x

DIVIDEND YIELD: 4.9%

PRICE/BOOK VALUE: 1.0x

WHY WE LIKE IT?

- Leading market position within industry
- Strong balance sheet & excellent management
- Highly leveraged to improvement in ad market
- Sold off heavily by market on unfounded fears of structural decline



Source: Perpetual & FactSet

THE PROCESS IN ACTION – RECKON

CORE BUSINESS:

Leading Australian accounting software provider

SECTOR: Information technology

INITIAL ENTRY PRICE: \$1.88

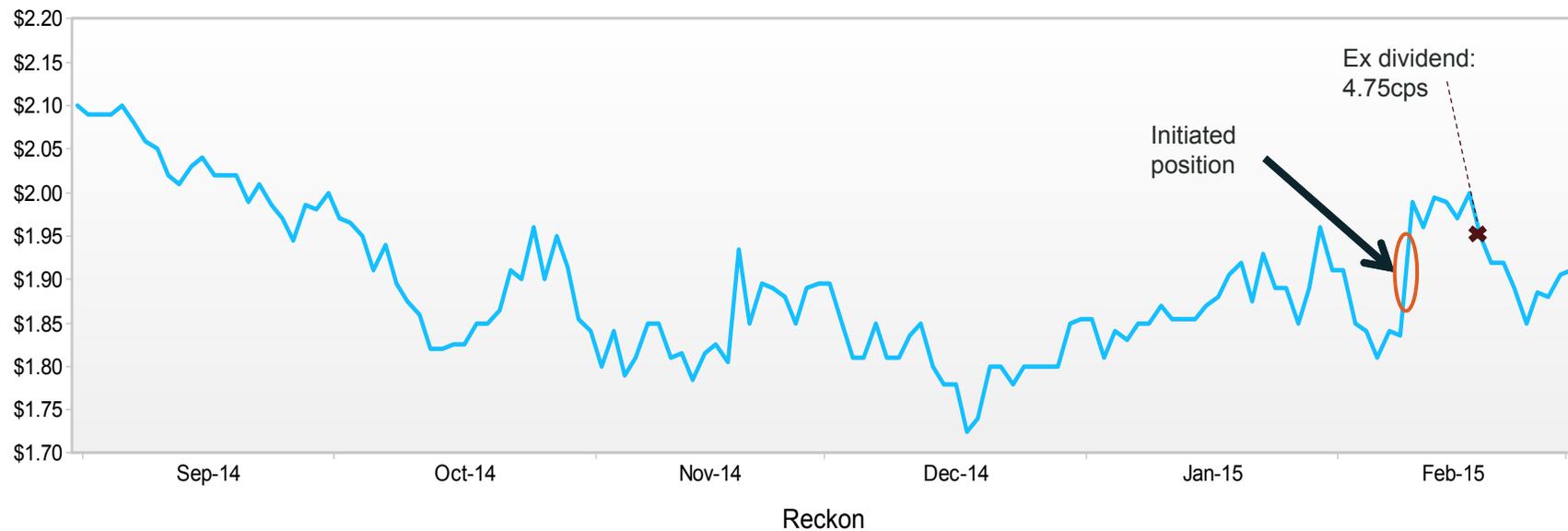
PRICE/EARNINGS: 11.6x

DIVIDEND YIELD: 5.3%

PRICE/BOOK VALUE: 5.9x

WHY WE LIKE IT?

- Strong market position within industry
- Sticky customer base with recurring revenues
- Shift in sales model not fully appreciated by the market



Source: Perpetual & FactSet

THE PROCESS IN ACTION – GENWORTH

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CORE BUSINESS:

Largest provider of lenders mortgage insurance in Australia

SECTOR: Financials ex property

INITIAL ENTRY PRICE: \$3.28

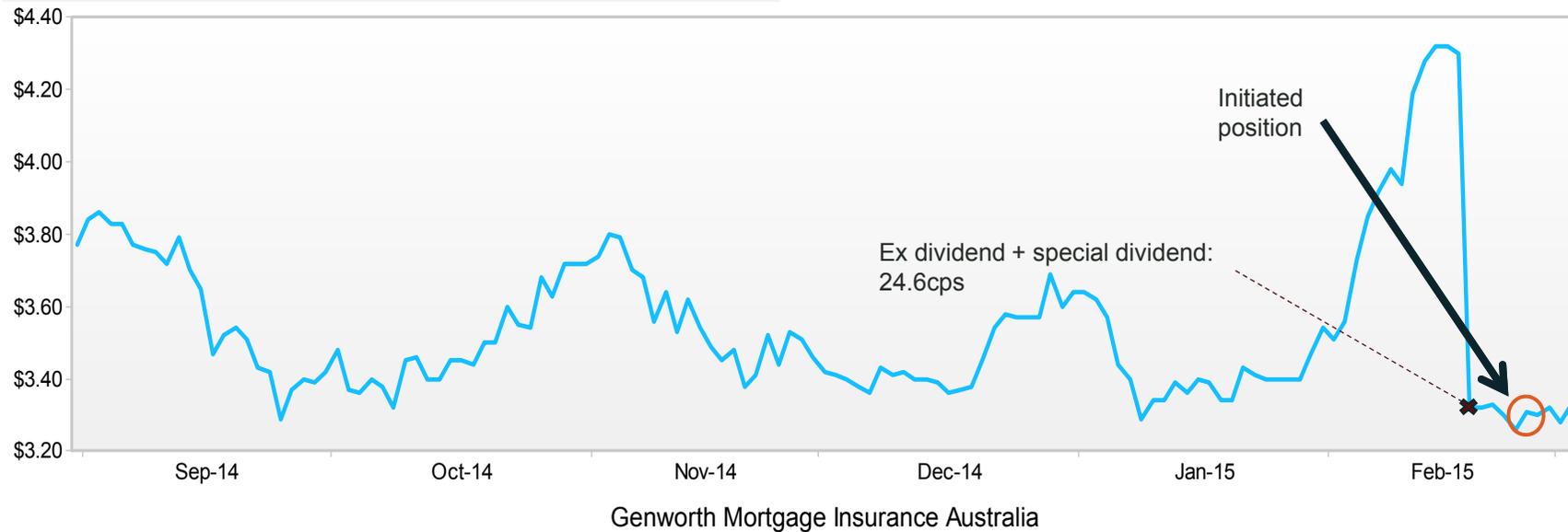
PRICE/EARNINGS: 7.7x

DIVIDEND YIELD: 10.3%

PRICE/BOOK VALUE: 0.8x

WHY WE LIKE IT?

- Leading market position within industry
- Trading on cheap multiples
- Increased ability to distribute excess capital



Source: Perpetual & FactSet

THE PROCESS IN ACTION – SKY TV

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CORE BUSINESS:

Largest pay TV broadcaster in New Zealand

SECTOR: Consumer discretionary

INITIAL ENTRY PRICE: \$5.37

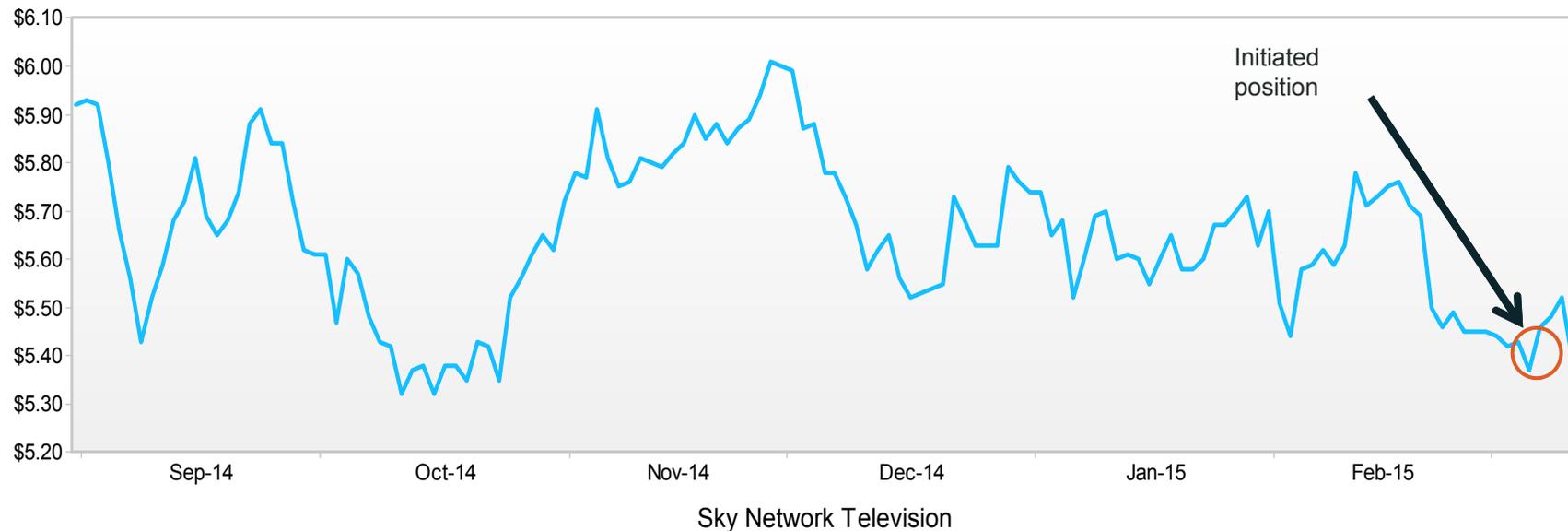
PRICE/EARNINGS: 13x

DIVIDEND YIELD: 5.4%

PRICE/BOOK VALUE: 1.7x

WHY WE LIKE IT?

- Monopoly position in New Zealand Pay TV market with 50% of households subscribing
- Strong defensive earnings and cash flow
- Excellent management team



Source: Perpetual & FactSet

SHAREHOLDER SERVICES

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For all shareholder queries

Contact Link Market Services

Phone 1300 554 474

Email pic@linkmarketservices.com.au

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