

**JUNE 2015**  
**MONTHLY INVESTMENT UPDATE AND NTA REPORT**

**MONTH IN REVIEW**

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, fell 5.3% during June. Global markets fell heavily during the month as the Greek debt bailout crisis intensified. Prime Minister Alexis Tsipras surprised markets with a last minute rejection to the terms of a further bailout extension, calling for a Greek referendum to vote on the deal's austerity measures. Eurozone parties subsequently rejected Greece's pleas for a temporary bailout extension until after the referendum, setting the stage for Athens to default on a €1.2bn payment due to the International Monetary Fund at the end of the month. Before succumbing to broader market turmoil, US stocks staged a mid-month rally after the Federal Reserve cut its growth expectations for the US economy, pushing back expectations of future rate hikes. After hitting a post Global Financial Crisis peak during the middle of the month, Chinese stocks plunged around 20%, with a further rate cut by China's central bank failing to stem the selling. Commodity prices also fell with iron ore down 4.0% and oil down 1.3%. In Australia the Reserve Bank of Australia left rates unchanged and the Australian dollar rose 0.41% to 0.7686 cents against the USD.

**PERPETUAL EQUITY INVESTMENT  
COMPANY LIMITED**

As at 30 June 2015

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$238.223 million

Share price: \$0.95

Shares on issue: 250,760,778

Options on issue: 250,027,777

Options ASX Code: PICO

Options expiry date: 10 June 2016

Options Share price: \$0.018

**PORTFOLIO COMMENTARY**

The Portfolio returned -1.4% over the month, outperforming the S&P/ASX 300 Accumulation Index by 3.9%. The Manager took advantage of market weakness to add to portfolio holdings and has now deployed 36.4% of the Perpetual Equity Investment Company's (PIC) capital.

One of PIC's recent investments has been in 'The a2 Milk Company Ltd (A2M)'. A2M produces, markets and sells a2 only milk. The key difference between a2 and regular cows' milk is that a2 is free of the protein a1. A2M claims that the a1 protein may be the cause of digestive discomfort experienced by people when drinking regular dairy milk and that they are the only brand of milk that is free from the a1 protein.

While the science remains unproven, the Manager focused on the consumers who had already voted with their feet. A2M milk sales in Australia have grown to 9.5% of the fresh milk market by value since 2007. In a highly commoditised market A2M has carved out a niche offering and developed a strong brand that is benefitting from the growing health and wellness trends globally. The product and the brand are further strengthened by a family of interlocking patents that have allowed the brand to grow and take a market leading position.

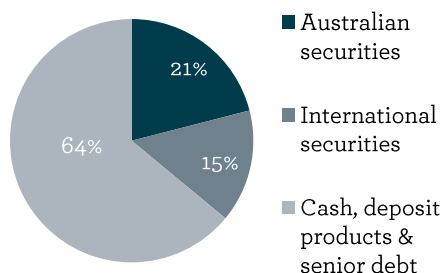
The Manager was attracted to the fact that the Australian business was highly profitable and felt that the earnings for the Australian business alone justified the share price at the time that PIC made the investment. A2M is in the process of launching in the UK and California as well as launching its a2 Platinum infant formula brand into China and Australia with encouraging early sales numbers. These factors combined with A2M entering other categories such as fresh cream, yoghurt and ice cream provided a strong growth platform that the Manager felt the market was not attributing any value to. With a net cash balance sheet and a strong management team, the Manager believes our entry price gives us a low risk exposure to success in all or some of these markets.

In late June A2M announced they had "received an indicative, conditional and non-binding expression of interest from two parties with respect to an acquisition of all of the shares in a2 Milk Company". The a2 Milk Company "confirms the identity of the parties who submitted the expression of interest. The parties are Freedom Foods Limited and Dean Foods Company". At this stage the Manager will wait for further financial details of the offer.

We are pleased to advise that PIC's Annual General Meeting will be held on Thursday 5 November 2015. Details of the location and time will be posted on our website closer to the date.

## PORTFOLIO PROFILE

### ALLOCATION OF INVESTMENTS



### 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.

## TOP SECURITIES

The Manager may take up to approximately twelve months from listing date to fully invest the Portfolio to within the investment guidelines. Once the Portfolio has been deployed, the Company will disclose the top 10 Australian securities and the top 5 International securities and their weightings in the monthly report.

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

AS AT 30 JUNE 2015	AMOUNT
NTA before tax <sup>2</sup>	\$0.992
NTA after tax	\$0.996

Daily NTA is available on the website.

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

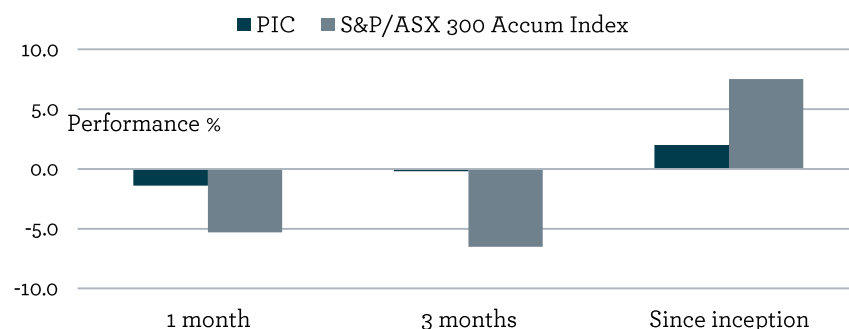
<sup>2</sup>The before and after tax numbers relate to provisions for deferred tax on set-up costs and on unrealised gains and losses in the Company's investment portfolio.

### PERFORMANCE - NET OF FEES, EXPENSES AND TAX PAID

PERFORMANCE AS AT 30 JUNE 2015	1 MONTH	3 MONTHS	SINCE INCEPTION
PIC	-1.4%	-0.2%	2.0%
S&P/ASX 300 Accumulation Index	-5.3%	-6.5%	7.4%
Performance Relative to benchmark	3.9%	6.3%	-5.4%

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, any income tax and any realised capital gains tax) and assuming reinvestment of dividends. Past performance is not indicative of future performance.

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