

# INVESTMENT UPDATE AND NTA REPORT

August 2021

## PORTFOLIO SNAPSHOT

### NET TANGIBLE ASSET (NTA) BACKING PER SHARE

| AS AT 31 AUGUST 2021          | AMOUNT  |
|-------------------------------|---------|
| NTA after tax (cum dividend)  | \$1.344 |
| NTA before tax (cum dividend) | \$1.422 |

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

All figures are unaudited and approximate.

The before and after tax numbers relate to provisions for deferred tax on capital raising cost and unrealised gains and losses of the Company's investment portfolio. As at 31 August 2021, the NTA after tax (ex dividend) was \$1.316 and the NTA before tax (ex dividend) was \$1.394. The ex dividend NTA figures are reduced by a provision for the 2.8 cents per share final dividend that was declared on 20 August 2021. The ex date for the final dividend is 28 September 2021 and the payment date is 20 October 2021.

NTA figures are calculated as at the end of day on the last business day of the month.

## INVESTMENT PERFORMANCE

| AS AT 31 AUGUST 2021                      | 1 MTH | 3 MTHS | 6 MTHS | 1 YR  | 2 YRS P.A. | 3 YRS P.A. | 5 YRS P.A. | SINCE INCEP P.A. |
|---|-------|--------|--------|-------|------------|------------|------------|------------------|
| PIC Investment Portfolio                  | 4.6%  | 6.4%   | 18.6%  | 40.0% | 22.0%      | 14.6%      | 13.3%      | 12.0%            |
| Net of fees, expenses and before tax paid |       |        |        |       |            |            |            |                  |
| S&P/ASX 300 Acc Index                     | 2.6%  | 6.1%   | 15.1%  | 28.6% | 10.6%      | 10.1%      | 11.1%      | 10.2%            |
| Excess Returns                            | 2.0%  | 0.3%   | 3.5%   | 11.4% | 11.4%      | 4.5%       | 2.2%       | 1.8%             |

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 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 |
|--------------------------------|------------------|
| Crown Resorts Limited          | 5.6%             |
| PWR Holdings Ltd.              | 4.5%             |
| Commonwealth Bank of Australia | 4.4%             |
| Westpac Banking Corporation    | 3.9%             |
| Oil Search Limited             | 3.9%             |

### TOP 3 GLOBAL LISTED SECURITIES

| COMPANY                      | PORTFOLIO WEIGHT |
|------------------------------|------------------|
| Flutter Entertainment Plc    | 5.9%             |
| La Francaise des Jeux SA     | 4.1%             |
| Scientific Games Corporation | 3.3%             |

Portfolio weight based on direct investments in securities and does not include any derivative exposure

## KEY ASX INFORMATION

### AS AT 31 AUGUST 2021

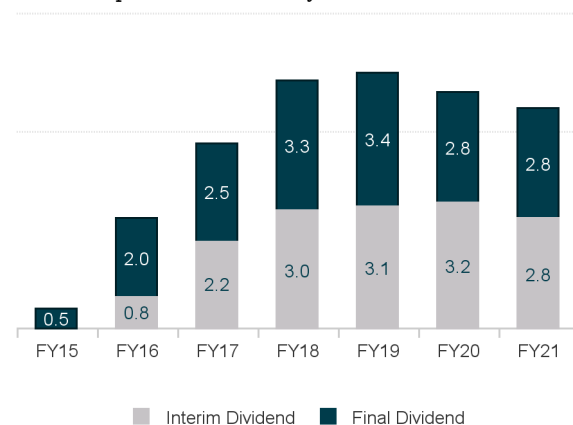
|                        |   |
|------------------------|---|
| ASX Code:              | PIC                                     |
| Structure:             | Listed Investment Company               |
| Listing Date:          | 18 December 2014                        |
| Market Capitalisation: | \$484 million                           |
| Share Price:           | \$1.295                                 |
| Shares on Issue:       | 373,487,146                             |
| Dividends:             | Half-yearly                             |
| Management Fee         | 1.00% p.a.*                             |
| Manager                | Perpetual Investment Management Limited |

\* exclusive of GST

## DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.3%

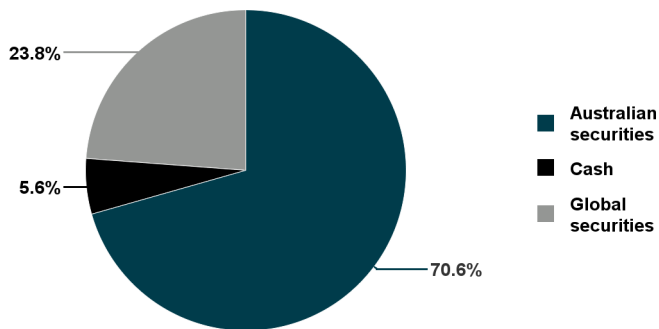
Grossed up annual dividend yield: 6.2%



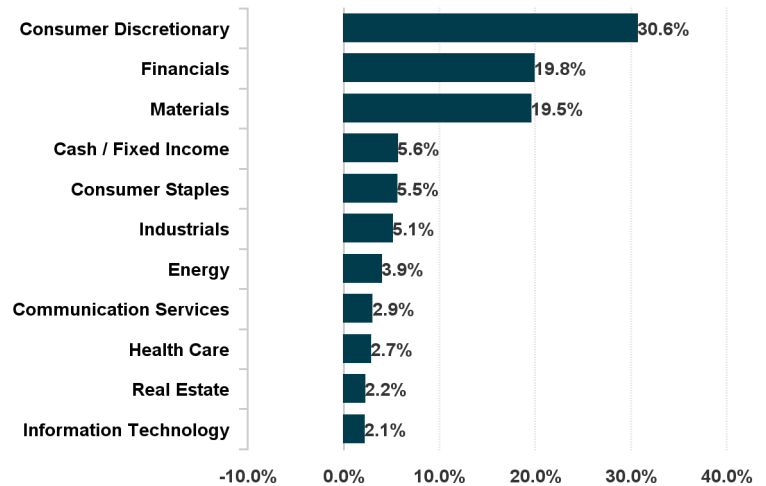
Yield is calculated based on the total dividends of 5.6 cents per share and the closing share price of \$1.295 as at 31 August 2021. Grossed up yield takes into account franking credits at a tax rate of 30%.

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

94.4% of capital invested in securities



## PORTFOLIO SECTORS<sup>^</sup>



<sup>^</sup>Weightings calculated based on direct investments in securities and any indirect exposure via S&P / ASX 200 related derivatives. All figures are unaudited and approximate. Allocations may not sum to 100% due to rounding.

## PORTFOLIO COMMENTARY

In August, as the corporate reporting season got underway, the Australian market continued its upward trend, despite strong headwinds resulting from extended and restrictive lockdowns. Corporate activity in the form of mergers and acquisitions also made headway, with Oil Search (ASX: OSH) agreeing to merger terms from Santos Limited (ASX: STO), while BHP Group Limited (ASX: BHP) and Woodside Petroleum Ltd (ASX: WPL) struck a deal to merge their petroleum assets.

Australian consumer confidence fell sharply during August, as ongoing national lockdowns drove further market uncertainty. This was not as significant as anticipated, pointing to a potential rebound later in the year as vaccination rates improve and economic re-opening regains the expected momentum. Unemployment figures announced in August (for July) were also lower than anticipated, decreasing to 4.6%<sup>1</sup>, and representing a 12-year low. Underemployment figures for July however increased to 8.3% from the prior month of 7.9%<sup>2</sup>, indicating the presence of continued labour market fragility. The Reserve Bank of Australia (RBA) maintained their optimism on economic growth, although they lowered year-end growth expectations and upgraded FY22 projections.

On the global front, China featured throughout the month, driving their agenda of “common prosperity” with regulatory clampdowns in the technology sector, and pronounced actions to restrain the booming property market, impacting demand expectations for raw material in the sector. This sent iron ore prices into a tailspin.

Overall, the PIC portfolio benefited through the reporting season, with many of the portfolio’s key holdings performing well, generating overall outperformance for the portfolio over the month when compared to the benchmark<sup>3</sup>. In the Financial sector alone, a number of PIC holdings exceeded market expectations, with Commonwealth Bank of Australia (ASX: CBA) reporting a 19.7% increase in statutory net profit after tax compared to FY20, and Suncorp Group Limited (ASX: SUN) posting cash earnings of A\$1.06B vs expectations of A\$983.5M<sup>4</sup>. Both companies also reported solid dividends. For the 2021 reporting season, the number of companies providing future earnings guidance was down considerably from prior years. This was reflective of both lockdown and supply chain issues clouding the outlook, and concerns of inflation and rising prices presenting on-going potential challenges.

For the 12 months to 31 August 2021, the PIC portfolio outperformed the S&P / ASX 300 Accumulation Index (the benchmark) by 11.4% and outperformed the benchmark for the month of August by 2.0%<sup>\*\*</sup>. The top contributors to absolute performance in August were Flutter Entertainment Plc (LON: FLTR), PWR Holdings Ltd (ASX: PWH), and Western Areas Limited (ASX: WSA). PWH, which provides cooling products and solutions to the motor sports industry, was also a top contributor to performance over the 12 months, together with French lotteries company La Francaise des Jeux SA (PAR: FDJ).

For the month of August 2021, the top detractors to absolute performance were BHP Group Ltd (ASX: BHP) and Deterra Royalties Ltd (ASX: DRR). While BHP reported strong financial year 2021 results, and a record dividend, their share price declined in August amid proposed merger and acquisition activity including a proposed petroleum asset merger with WPL and proposed intention to acquire Noront Resources Limited (TSXV:NOT), a Canadian-based mining company. Although a detractor to absolute returns, BHP contributed to the portfolio’s excess returns, with the portfolio holding of BHP being below the benchmark allocation to this stock.

<sup>\*\*</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 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.

<sup>1</sup> Source: <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>

<sup>2</sup> Source: <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>

<sup>3</sup> S&P / ASX 300 Accumulation Index (the benchmark)

<sup>4</sup> Source: FactSet

## COMPANY NEWS

### ANNUAL RESULTS

The Company announced its full year results and final dividend for financial year 2021 on Friday, 20 August 2021. PIC reported a record profit and strong investment portfolio performance. The full results are available on the [Company website](#).

### IMPORTANT DATES FOR THE FINAL DIVIDEND

|                             |                             |
|-----------------------------|-----------------------------|
| Announcement / Declaration: | Friday 20 August 2021       |
| Ex Date:                    | Tuesday 28 September 2021   |
| Record Date:                | Wednesday 29 September 2021 |
| DRP Election Date:          | Thursday 30 September 2021  |
| Payment Date:               | Wednesday 20 October 2021   |

### DIVIDEND REINVESTMENT PLAN

The Company's dividend reinvestment plan (DRP) is available to shareholders for the final dividend. To participate in the DRP or to change your level of participation, a DRP Participation Form must be received by no later than 5.00pm (Sydney time) on Thursday 30 September 2021 (DRP Election Date).

### ANNUAL GENERAL MEETING (AGM) AND INVESTMENT MANAGER UPDATE

The AGM and Investment Manager Update will be broadcast live via an online event on Thursday 21 October 2021. Shareholders will be able to fully participate and have the ability to ask questions and vote live during the meeting. The Notice of Meeting will be available on the Company's [website](#) shortly, together with registration details for the Investment Manager Update.

### BONUS ISSUE OF OPTIONS

On 29 June 2021, all eligible shareholders received their allotment of the one-for-one issue of bonus Options which the Company had [announced](#) on 2 June 2021. The Options are trading on the ASX, under the ASX code PICOA.

PIC Options provide holders with the opportunity to acquire a PIC ordinary share for \$1.35 (exercise price) per Option before the expiry date of 2 September 2022. The Options [Prospectus](#) should be read carefully and in its entirety before you decide whether to deal in or exercise the Options. Further information on the Options, including the Prospectus and Options Exercise Form is available [here](#).

### SHAREHOLDER COMMUNICATIONS

The [PIC website](#) hosts a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources. The [News and Insights section](#) of the website also includes the ability for you to subscribe to receive regular updates via email.

### REMINDER: TAX CERTIFICATION COMPLETION

Under the Australian Government's participation in Automatic Exchange of Information (AEOI) regimes, PIC is required to collect FATCA/CRS certification information and an investor's tax residency from shareholders. The information in certain circumstances may be reported to the Australian Taxation Office (ATO) which in turn reports to various global tax authorities.

Please check that you have completed your FATCA/CRS certification by logging into the Link investor portal [here](#).

From there, under the Payments & Tax tab you will find 'FATCA/CRS', where you can fill in the Self Certification. Completing this information online is straightforward as the questions will guide you, and in some instances, it is only a couple of steps.

If you do not certify, PIC may be required to provide information about your account to the ATO. For more information on the self-certification process via Link please [click here](#). For further information on FATCA and CRS, please visit [here](#).

## INVESTMENT PHILOSOPHY

### INVESTMENT OBJECTIVE

The investment objective of the Company is to provide investors with an 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 typically hold 20 to 40 securities.

|            |                              |
|------------|------------------------------|
| 50% - 100% | Australian listed securities |
| 0% - 35%   | Global listed securities     |
| 0% - 25%   | Cash                         |

The Manager typically expects that the portfolio will be unhedged. Currency exposures may be hedged defensively where the Manager sees significant risk of currency weakness, but no attempt is made to add value to the portfolio by actively managing currency.

Derivatives are permitted (see Section 3.7 of the Replacement Prospectus dated 14 October 2014)

### 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 Asset Management Australia  
Vince has over 25 years' experience in the financial services industry, and has prior global experience as both an analyst and a portfolio manager. Vince leverages the expertise of Perpetual Asset Management Australia's Equity team, one of the largest investment teams in Australia.

## PERPETUAL KEY CONTACTS

### INVESTOR RELATIONS

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