

INVESTMENT UPDATE AND NTA REPORT

December 2017

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE¹

AS AT 31 DECEMBER 2017	AMOUNT
NTA before tax ²	\$1.179
NTA after tax ²	\$1.153

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.

KEY ASX INFORMATION

AS AT 31 DECEMBER 2017

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$298.269 million

Share price: \$1.175

Shares on issue: 253,845,980

INVESTMENT PERFORMANCE

AS AT 31 DECEMBER 2017	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	2 YRS P.A.	SINCE INCEP P.A.
PIC Investment Portfolio ³ Net of fees, expenses and before tax paid	1.9%	7.2%	10.4%	15.2%	11.9%	10.9%
S&P/ASX 300 Acc Index	1.9%	7.7%	8.6%	11.9%	11.8%	10.1%
Excess Returns	0.0%	-0.5%	+1.8%	+3.3%	+0.1%	+0.8%

³Returns 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.

TOP SECURITIES

TOP 5 AUSTRALIAN LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Westpac Banking Corp	8.9%
Woolworths Ltd	8.1%
Star Entertainment Group Ltd	6.3%
Oil Search	5.9%
Medibank Private Ltd	5.0%

TOP 3 GLOBAL LISTED SECURITIES

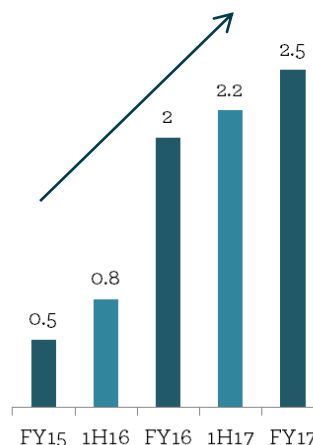
COMPANY	PORTFOLIO WEIGHT
Shire PLC	9.5%
AXA SA	4.5%
ING Groep NV	2.8%

DIVIDEND PER SHARE, CPS

FY17 final dividend: 2.5 cents per share

Annual dividend yield: 4.0%⁴

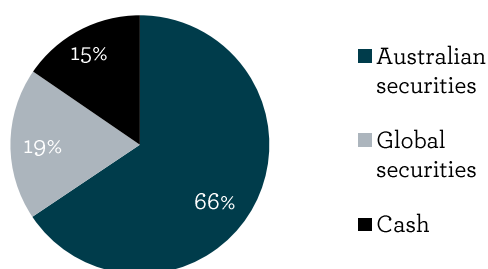
Grossed up annual dividend yield: 5.7%⁴



⁴ Yield is calculated using the 31 December 2017 share price of \$1.175. Grossed up yield takes franking credits into account.

ALLOCATION OF INVESTMENTS

85% of capital invested in securities.



KEEPING YOU INFORMED

REMINDER OF KEY DATES FOR 2018

Thank you to shareholders who attended our AGM and Investor Updates in 2017. We value the opportunity to meet with shareholders and this will be continuing in 2018. A reminder of the indicative key dates for 2018 are below:

Event	Date
Release of PIC 31 December 2017 Half Year Results to the ASX	Monday 19 February 2018
Release of PIC 30 June 2018 Year-end Results to the ASX	Monday 20 August 2018
Annual General Meeting	Thursday 1 November 2018

All event dates can be found at www.perpetualequity.com.au and are subject to confirmation. Any changes to the above will be notified to the ASX.

PORTFOLIO COMMENTARY

The portfolio performance net of fees and expenses was 1.9% in December matching the benchmark S&P/ASX300 Accumulation Index. Since listing, the Perpetual Equity Investment Company Limited's (PIC) portfolio has returned 10.9% per annum net of fees and expenses.

The best performing sectors during the month were Energy, Materials and Telecommunication Services. The Utilities sector lost ground over the month.

The portfolio's cash exposure detracted from relative performance, whilst stock selection within the Healthcare and Energy sectors assisted returns.

Portfolio holdings in Oil Search, Alumina and Westpac contributed positively to performance this month. Conversely, the portfolio's positions in AXA SA and Bega Cheese detracted from returns.

STOCK NEWS

As at 31 December 2017 the Company held 6.3% in Star Entertainment Group. The stock has performed well over the year returning 21.8% in the strategy, compared with 14.7% for the S&P/ASX300. A key driver of this outperformance was a positive trading update the company provided at its Annual General Meeting in late October. Domestic revenue for the group was up 5.2% financial year to date, with the momentum at the Gold Coast property the highlight. The Gold Coast property is nearing completion of a \$345 million investment program that includes refurbishment of the 600 hotel rooms, additional food and beverage facilities, expansion of the main gaming floor by over 30% and a new 60 suite VIP hotel. Whilst the benefits of the early stages of investment have been evident in the strong trading performance in the 2017 calendar year, the opening of the new VIP hotel tower in early 2018 looks set to deliver a step-change in earnings. The tower will include high quality hotel suites, premium gaming rooms and VIP salons that provide a platform for Star to attract high-end domestic and international players to the property.

Despite the recent share price appreciation, the Manager remains optimistic around the medium-term earnings outlook for the group.

MARKET COMMENTARY

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, rose +1.9% during the month, ending the year with an 11.9% gain. Commodities had another strong month, particularly base metals, as the London Metals Exchange Index returned 7.6% with nickel and aluminium both generating double-digit returns. Oil similarly had a solid month following a drawdown in US crude inventories allowing energy stocks to close higher. Continued demand from China saw iron ore prices climb which further assisted a rally in the mining sector. The run in commodity prices saw the Australian Dollar trade higher against most major currencies, appreciating 2.0% in trade-weighted terms and by 3.0% against the US dollar.

In economic news, the official cash rate was kept on hold at 1.5%, with the Reserve Bank of Australia citing lower-than-desired inflation and growth as well as an undesirable level of unemployment. September-quarter GDP grew by 0.6% while employment well-exceeded expectations with 62,000 positions added during November. The unemployment rate, however, remained steady at 5.4%. The housing market showed signs of cooling as the ABS national house price index fell by 0.2% for the September-quarter with the greatest decline coming from higher-density dwellings. October retail sales climbed 0.5% led by cafes, restaurants and takeaway, as well as clothing and footwear showing a much needed boost. The awaited arrival of Amazon into the Australia market was considered largely underwhelming for consumers and competitors, alleviating initial fears of sales and margin squeezes by retailers.

Global markets were firm, with the MSCI World Index appreciating 3.2% in Australian Dollar terms and most developed markets ended the month in positive territory. The UK was the standout market with the FTSE100 returning 5.0%. US markets edged higher as President Trump signed the

Republican tax bill into law which will see the US corporate tax rate cut from 35% to 21%, while the US Federal Reserve raised the Fed target rate by 0.25% to 1.25%-1.50%.

The best performing sectors across the S&P/ASX 300 Accumulation Index for December were Energy (+6.5%), Materials (+6.1%) and Telecommunication Services (+5.5%).

The worst performers were Utilities (-4.5%), Industrials (-1.0%) and Health Care (-0.5%). As a whole, industrial stocks (+0.7%) underperformed resource stocks (+7.1%) and large cap stocks (+1.5%) underperformed small cap stocks (+3.2%). Growth stocks (2.4%) outperformed value stocks (+0.9%) as measured by the MSCI Australia Value and Growth indices.

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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No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) nor the Company guarantees the performance of the Company or the return of an investor's capital.

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