

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

KEY ASX INFORMATION

As at 31 May 2017

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$262.234 million

Share price: \$1.035

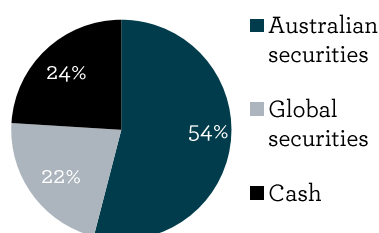
Shares on issue: 253,366,220

MAY 2017 MONTHLY INVESTMENT UPDATE AND NTA REPORT

PORTFOLIO PROFILE

ALLOCATION OF INVESTMENTS

76% of capital invested in securities.



PERFORMANCE

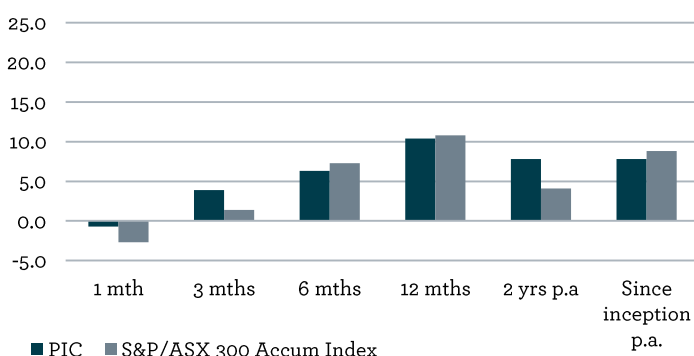
Net of fees, expenses and tax paid

AS AT 31 MAY 2017	1 MTH	3 MTHS	6 MTHS	1 YRS P.A.	2 YRS P.A.	SINCE INCEP P.A.
PIC	-0.7%	3.9%	6.3%	10.4%	7.8%	7.8%
S&P/ASX 300 Acc Index	-2.7%	1.4%	7.3%	10.8%	4.1%	8.8%
Excess	+2.0%	+2.5%	-1.0%	-0.4%	+3.7%	-1.0%

Inception date is 18 December 2014.

PERFORMANCE - PIC VS BENCHMARK

Performance %



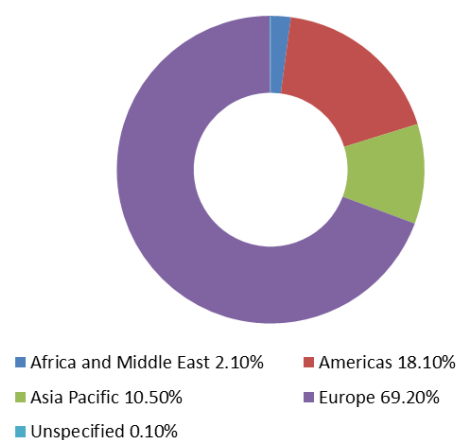
PORTFOLIO COMMENTARY

The Portfolio performance, as measured by the growth in net assets per share, was -0.7% in May. The portfolio outperformed the benchmark S&P/ASX300, which fell by -2.7%. Since listing, the Perpetual Equity Investment Company Limited's (PIC) portfolio has returned 7.8% per annum.

During the month, global stocks such as Deutsche Boerse, Icon PLC and Henderson Group PLC were the strongest contributors to performance. The Australian banking sector experienced a large decline in May but since PIC does not own CBA, ANZ or NAB and has only a small position in Westpac (2.2%), this assisted PIC's relative performance. Over recent months, the Manager has been increasing the exposure to global companies, particularly high quality, attractively priced companies in Europe.

An example of a recent European addition to the portfolio is AXA SA (FR:CS). AXA is a large international insurance company based in France but with operations around the world. It generates a little over half its earnings from life insurance, one-third from non-life insurance and the rest from asset management and banking.

AXA Geographic Revenue split



Source: Factset

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 and any income tax on realised gains) and assuming reinvestment of dividends. 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.

Even though AXA has been significantly impacted by low interest rates post the global financial crisis, in the Manager's opinion AXA is a well-run and conservative company and it has been progressively moving towards writing business that is less market sensitive, such as protection (for example life insurance) and health. The Manager believes that this focus will mean that the business can grow, without being dependent on interest rates changing significantly.

Whilst AXA will never likely grow earnings much more than 4 – 7%, the Manager thinks they can achieve this level predictably over time. Combined with a dividend yield of over 5%, the Manager believes that AXA will deliver a reasonable return in an expensive market. In addition, AXA is planning to list a minority stake in their US life business, the proceeds of which are likely to be reinvested into other, faster growing parts of the business. As at 31 May 2017, AXA was 4.2% of the portfolio.

MARKET REVIEW

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, posted a loss over the month in both absolute terms and relative to its global peers, as it ended the month 2.7% lower. The decline was driven by a large sell off in the banking sector, down 11.5%, due to a combination of a proposed bank levy handed down in the Federal budget earlier in the month, an unconvincing reporting season, and the credit rating downgrade by S&P to 23 of the non-major banks over heightened concerns of an impending housing bubble correction. The Discretionary Retail sector similarly caused a drag on market performance with several retailer bankruptcies and continued uncertainty over the disruption that Amazon may bring to the sector.

Global markets generally performed well as the MSCI World Total Return Index rose 2.6% in Australian dollar terms. The S&P 500 ended the month on a new high as an exceptionally strong earnings season in the US helped shrug off a mid-month slump following continued political upheaval in the Trump administration. This spurred a sell-off in the US dollar and contributed to a significant spike in market volatility. Confidence in Europe rose early in the month with the victory of Emmanuel Macron as new French President, which also saw a strong rally in the Euro. Resilient earnings in the UK supported the FTSE 100, while weaker economic data and concerns over the upcoming election took its toll on the pound. The Australian dollar ended slightly down against most major currencies despite a persistent fall in iron ore prices as stockpiles continued to mount in Chinese ports. The Chinese sovereign debt rating was downgraded a notch to A1 from Aa3 by Moody's, while the outlook for Australia's AAA credit rating still "remains negative".

The best performing sectors for the month were Industrials (+4.7%), Telecommunication Services (+3.4%) and Energy (+1.5%). The worst performers were Financials ex Property (-7.7%), Healthcare (-2.4%) and Real Estate (-0.8%). As a whole, industrial stocks (-3.5%) underperformed resource stocks (+1.1%) and large cap stocks (-3.3%) underperformed small cap stocks (-2.1%).

TOP SECURITIES TOP 5 AUSTRALIAN SECURITIES AS AT 31 MAY 2017

COMPANY	PORTFOLIO WEIGHT
Woolworths Ltd	9.7%
Star Entertainment Group	5.7%
CYBG PLC	5.6%
Medibank Private Ltd	5.3%
Henderson Group PLC.	4.4%

TOP 3 GLOBAL SECURITIES AS AT 31 MAY 2017

COMPANY	PORTFOLIO WEIGHT
Deutsche Boerse AG	4.7%
AXA SA	4.2%
ING Group NV	3.5%

NET TANGIBLE ASSET (NTA) BACKING PER ORDINARY SHARE¹

AS AT 31 MAY 2017	AMOUNT
NTA before tax ²	\$1.111
NTA after tax ²	\$1.098

Daily NTA is available on the website.

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.

KEEPING YOU INFORMED

STICKING WITH THE 'OUT-OF-FAVOUR' NAMES

Perpetual Equity Investment Company Limited, Portfolio Manager Vince Pezzullo recently presented to the CommSec High Value Clients via their webinar program. Vince provides an explanation of Perpetual's investment process and how this is guiding today's decisions, an up to date view on current market valuations and more. [Watch now.](#)



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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This monthly report has been prepared by Perpetual Investment Management Limited ABN 18 000 866 535, AFSL 234426 and Perpetual Trustee Company Limited ABN 42 000 001 007 AFSL 236643. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of the Company or the return of an investor's capital.

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