

INVESTMENT UPDATE AND NTA REPORT

DECEMBER 2022

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 DECEMBER 2022	AMOUNT
NTA after tax	\$1.254
NTA before tax	\$1.262

Daily NTA is available at 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 costs and on unrealised gains and losses of the Company's investment portfolio.

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

KEY ASX INFORMATION

AS AT 31 DECEMBER 2022

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$440 million
Share Price:	\$1.165
Shares on Issue:	377,461,658
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

* exclusive of GST

INVESTMENT PERFORMANCE

AS AT 31 DECEMBER 2022	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS p.a.	3 YRS p.a.	5 YRS p.a.	7 YRS p.a.	SINCE INCEP p.a.
PIC Investment Portfolio <small>Net of fees, expenses and before tax paid</small>	-2.2%	7.9%	9.9%	-2.7%	9.5%	11.7%	8.8%	9.7%	9.6%
S&P/ASX 300 Acc Index	-3.3%	9.1%	9.6%	-1.8%	7.5%	5.5%	7.1%	8.4%	8.2%
Excess Returns	1.1%	-1.2%	0.3%	-1.0%	2.1%	6.2%	1.7%	1.3%	1.4%

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 5 AUSTRALIAN LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Westpac Banking Corporation	10.7%
Newcrest Mining Limited	5.5%
Brambles Limited	5.5%
Santos Limited	5.2%
Insurance Australia Group Ltd	4.9%

TOP 3 GLOBAL LISTED SECURITIES

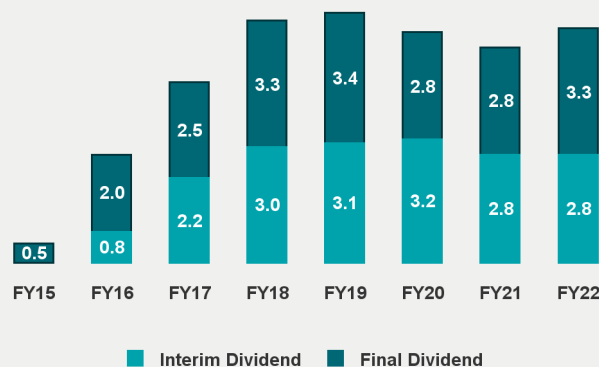
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	6.7%
La Francaise des Jeux SA	4.3%
De'Longhi S.p.A.	2.1%

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

DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 5.2%

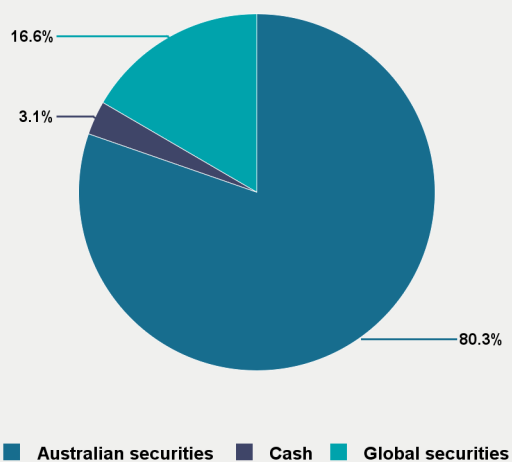
Grossed up annual dividend yield: 7.5%



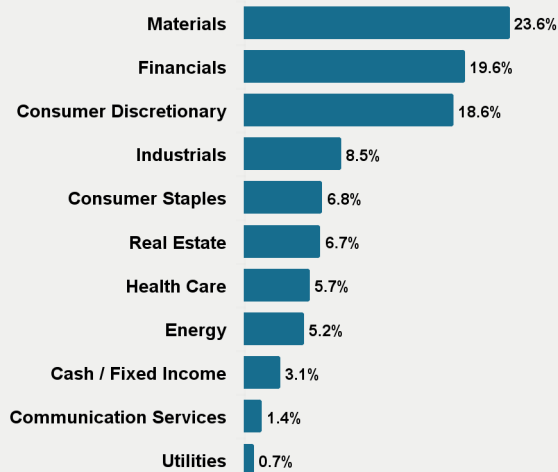
Yield is calculated based on the total dividends of 6.1 cents per share and the closing share price of \$1.165 as at 31 December 2022. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS[^]

96.9% of capital invested in securities



PORTFOLIO SECTORS[^]



[^]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 December, whilst inflation came in lower than expected in Australia and the US, lead indices have begun to soften. This has raised fears that concerns about the slowing economy and corporate earnings downgrades may soon overtake the relief felt of a slowdown in rate hikes.

Policymakers also jolted markets in December. An announcement around energy price caps in Australia immediately caused alarm around their potential impact on energy supplies, sending markets into a spin for a few days. The Bank of Japan also caused ructions with their announcement that they would allow the benchmark 10 year bond yield to move 0.50% either side of their 0% target yield (instead of the previous 0.25%). Though the numbers seem tiny this was an acknowledgement of the growing cost of monetary stimulus and reflected a desire to finally try and normalise the giant Japanese bond market. The prospect of the end of “cheap money” - even in Japan after many decades – led to further sharp declines in growth stocks. Finally, the reality of Chinese economic reopening helped lift key commodities through the month, although in the immediate term it has unleashed a wave of COVID-19 cases that has negatively impacted Chinese domestic consumer sentiment and activity.

As we enter 2023 the Manager is thinking about the three big questions investors are grappling with:

1. How far will central banks go in 2023 (and for how long will they hold rates up) as they complete their tightening cycles?
2. How deep will the economic downturn be in the first half of 2023?
3. How will markets deal with the modest overvaluation that remains in equities? Is there a new low to be tested or will markets look through to the recovery in the second half of 2023 and towards the loosening of policy?

Whilst the answer to all these questions is unknown, as always, the Manager needs to manage the portfolio to navigate through all these uncertainties. The Manager has no reason to doubt the stated determination of the central banks to hold rates high and firm through 2023 to try to prevent any prospect of rising inflation expectations from gaining traction as they did in the 1970s. However, the Manager thinks that there are a number of structural inflationary forces beyond their control that may lead to higher inflation for longer, including deglobalisation, decarbonisation and geopolitical friction. Whilst central banks may be tempted to cut policy rates as unemployment rises in 2023, the Manager believes persistent inflation puts central banks in a difficult position in the medium term and may mean more volatile and uncertain policy settings for some time to come.

Whether Australia, the US and Europe enter technical recessions this year is largely moot. The pressure on consumers will be real as high interest rates and high debt loads take their toll through 2023. At the same time, however, the Manager expects that China will enter a powerful cyclical upswing as long-hoped-for reopening gains traction (beyond the short-term COVID-19 wave they are experiencing). This could deliver great strength to Australia’s external demand, including higher commodity prices.

Finally, whilst equity markets, especially in the US, remain above levels many strategists want them to be (particularly in the event of a fulsome recession), we have to be ready for the idea that markets may bottom at higher levels than deep value investors normally demand. Although the US Federal Reserve’s (the Fed) history of delivering soft landings is poor, the Fed has managed to so on a handful of occasions, and latent strength in the world’s leading economy remains very powerful with jobless claims, unemployment rates, wages and job openings all continuing to hover at exceptionally high levels, even as they roll over from extremes. For this reason, the Manager continues to keep the portfolio carefully balanced between cyclical and quality value to ensure the portfolio is well positioned in current market conditions.

The PIC Portfolio outperformed the S&P/ASX300 Accumulation Index (benchmark) by +1.1%[^] in December as markets again came under downward pressure. The solid performance of overweight positions in a diverse range of stocks including dairy producer A2 Milk (+11.0%*), gold miner Newcrest (+4.2%*), healthcare provider Healius (+5.5%*) and multinational Ferguson PLC (+7.6%*) more than offset some downward pressure on miners 29Metals (-21.5%*) and Jervois Global (-28.2%*). Flutter Entertainment also fell -7.5%* after a strong run in recent months.

* Portfolio security returns

[^] 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.

COMPANY NEWS

HALF YEAR RESULTS 2023

The Company's half year results for financial year 2023, including any dividend announcement, will be announced on 21 February 2023.

KEY DATES 2023

The Company's indicative key dates for 2023 are now available on the [PIC website](#).

SHAREHOLDER COMMUNICATIONS

The [PIC website](#) hosts a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources. The [News & Insights section](#) of the website also includes the ability for you to subscribe to receive regular updates via email. You can also elect to receive electronic communications by logging into the Link investor portal [here](#).

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](#).

WHY CHOOSE THE PERPETUAL EQUITY INVESTMENT COMPANY?

- Designed to deliver investors an income stream of **fully franked dividends**.
- **Active management** to vary the portfolio's exposure to equity market risk, and to enhance the value of the portfolio when opportunities arise both domestically and globally.
- **Flexibility** to invest up to 35% in global securities and up to 25% in cash for diversification with the intention to add returns above the benchmark, or to manage downside risk.
- Access to Perpetual's tried and tested **quality and value** investment process that assesses companies on 4 key quality criteria: quality of business, conservative debt, sound management and recurring earnings.
- **Depth and breadth** of Perpetual's investment team enables it to conduct extensive company visits each year and make decisions to invest in high quality and attractively valued securities based on fundamental, in-depth, bottom-up research.
- **Ease of access** as you can buy and sell PIC on the ASX.
- **Daily NTA published on the ASX** to provide transparency of the portfolio.

KEY FEATURES

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.

ABOUT THE MANAGER The Company's investment portfolio is managed by Perpetual Investment Management Limited, part of the Perpetual Group, whose has a longstanding commitment to deliver superior outcomes over the long-term for clients. This 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 is Head of Equities and leverages the expertise of Perpetual Asset Management Australia's Equity team, one of the largest investment teams in Australia.

All investments are subject to risk which means the value of investments may rise or fall, which means that you may receive back less than your original investment or you may not receive income over a given time frame. Refer to announcements and other information for the Company lodged with the ASX, which is available at www.asx.com.au. A financial adviser can assist you in determining whether an investment in the Company is suited to your objectives, financial situation or needs.

CONTACT DETAILS

For queries regarding investor relations:

Karen Trau
P: 02 9229 3138
E: karen.trau@perpetual.com.au

For queries regarding investor shareholdings:

Link Market Services
Investor queries: Telephone: +61 1800 421 712
Mailing address: Link Market Services,
Locked Bag A14, Sydney South, NSW 1235
Email: pic@linkmarketservices.com.au

FIND OUT MORE

Visit our website www.perpetual.com.au/equity to access a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources.

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