

MARCH 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 0.1% during March. Global equity markets delivered mixed results during the month with government and central bank commentary influencing market movements. Markets fell early in the month in anticipation of an imminent rate rise in the US but then staged a recovery after comments from the Federal Reserve that rate rises would be slower than the market expected. European markets performed well after the European Central Bank upgraded its European growth and inflation forecasts for 2015 and 2016 and announced the initiation of its Quantitative Easing program. Meanwhile markets across Asia rose on expectations of increased stimulatory measures as the People's Bank of China governor Zhou highlighted growth and deflation concerns. In Australia the RBA left rates on hold at 2.25% and governor Glenn Stevens indicated that further rate cuts may be needed. Oil and iron ore maintained their downward price trends as increased production and slowing growth in China continued to weigh on prices.

**PERPETUAL EQUITY INVESTMENT
COMPANY LIMITED**

As at 31 March 2015

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$243.19 million

Share price: 0.97

Shares on issue: 250,714,278

Options on issue: 250,074,277

Options ASX Code: PICO

Options expiry date: 10 June 2016

Options Share price: 0.04

PORTFOLIO COMMENTARY

We conducted Investor Update presentations during March and early April. For those shareholders who were unable to attend these Updates, the presentation slides have been uploaded to our website. A link to these materials can be found here: <http://www.perpetualequity.com.au/Investor-Centre/?page=ASX-Announcements>

The Portfolio rose 0.6% over the month, outperforming the S&P/ASX 300 Accumulation Index by 0.7%. The Manager continued to build out the Portfolio during March and has now deployed 23% of our capital. The investment approach to security selection is based upon intensive analysis of a stock's quality, value and potential risk and return. The Manager does not try to predict where the markets and prices are heading but instead focuses on buying high quality companies at prices below what is perceived to be fair value, given each company's fundamentals and the prevailing market condition. The Manager expects the share price of these companies will rise once the mispricing is recognised by the market.

This disciplined process has been used successfully by Perpetual Investments for many years. The first step in the process is to apply a quality filter to refine the universe of securities. The quality filter has four key components:

- **Sound management:** an assessment of the track record of a company's management is made looking to see that they are disciplined, deliver on promises and they are overseen by an effective board.
- **Conservative debt:** invest in companies that have a debt to equity ratio of less than 50%.
- **Quality of business:** a qualitative assessment that focuses on the markets in which a company operates, its products and their positioning, and any issues such as social and environmental impacts which may affect the future share price of the company.
- **Recurring earnings:** The Manager looks for companies that have at least a three year track record of generating earnings.

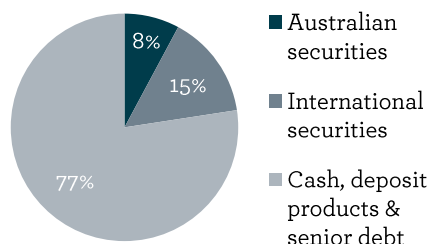
A recent addition to the Portfolio has been Genworth Mortgage Insurance Australia (ASX: GMA), a company that demonstrates the key components of our quality filter criteria. In fact, the conservative management team at Genworth, which is highly attuned to the interests of shareholders, is one of the most attractive features of this leading provider of lenders mortgage insurance.

Whilst Australians seem happy to pay multiples of the book value (assets less liabilities) for the big banks in their insatiable hunt for yield, Genworth trades for less than the stated value of its insurance book. Like similar businesses before it Genworth is attractive not only as an ongoing concern but also for the stream of potential income and franking credits attached to its existing backbook of inforce insurance, which could be moved into run-off for the benefit of shareholders at any time. The primary risk to the return of capital to shareholders would be a severe housing recession in the next 2-3 years, although the risks of this have diminished with the Reserve Bank of Australia embarking on a rate cutting cycle and recently highlighting the large amount of funds in offset and redraw facilities in their March 2015 Bank Stability Review.

Attractive investment opportunities are continuing to present themselves and the Manager will patiently deploy capital as these opportunities arise.

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 three to six months from listing date to fully invest the Portfolio to within the investment guidelines. When the Portfolio is fully invested, 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 SHARE¹

	AMOUNT
NTA before tax ²	\$0.994
NTA after tax	\$0.997

Daily NTA is available on the website.

¹All figures are unaudited and approximate.

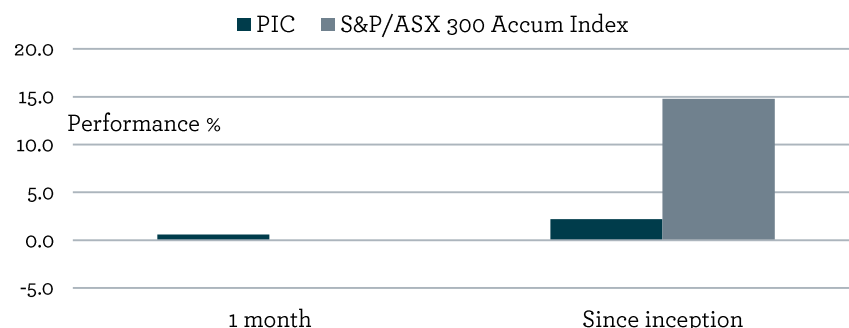
²The before and after tax numbers relate to the provision for deferred tax on the unrealised gains in the Company's investment portfolio.

PERFORMANCE - NET OF FEES, EXPENSES AND TAX PAID

PERFORMANCE AS AT 31 MARCH 2015	1 MONTH	SINCE INCEPTION
PIC	0.6%	2.2%
S&P/ASX 300 Accumulation Index	-0.1%	14.8%
Performance Relative to benchmark	+0.7%	-12.6%

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.

This monthly report has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. 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.

CONTACT DETAILS

Investor queries: Telephone: +61 1300 554 474

Mailing address: Link Market Services, Locked Bag A14, Sydney South, NSW 1235

Email: pic@linkmarketservices.com.au

www.perpetualequity.com.au

Perpetual 