

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

KEY ASX INFORMATION

As at 30 September 2016

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$242.639 million

Share price: \$0.96

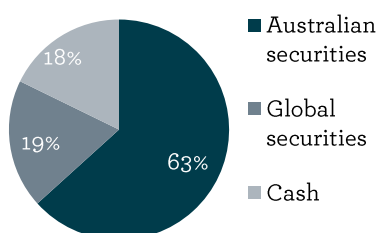
Shares on issue: 252,748,485

SEPTEMBER 2016 MONTHLY INVESTMENT UPDATE AND NTA REPORT

PORTFOLIO PROFILE

ALLOCATION OF INVESTMENTS

82% of capital invested in securities.



PERFORMANCE

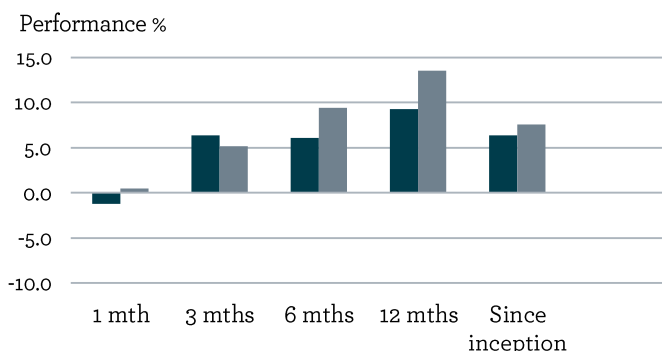
Net of fees, expenses and tax paid

AS AT 30 SEPT 2016	1 MTH	3 MTHS	6 MTHS	12 MTHS P.A.	SINCE INCEP P.A.
PIC	-1.2%	6.4%	6.1%	9.3%	6.4%
S&P/ASX 300 Acc Index	0.5%	5.2%	9.4%	13.5%	7.6%
Performance Relative to benchmark	-1.7%	1.2%	-3.3%	-4.2%	-1.2%

Inception date is 18 December 2014.

PERFORMANCE - PIC VS BENCHMARK

- PIC
- S&P/ASX 300 Accum Index



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

PORTFOLIO COMMENTARY

The Portfolio performance, as measured by the growth in net assets per share, was -1.2% in September. The portfolio underperformed the benchmark S&P/ASX300, which rose by 0.5%. Since listing, the Perpetual Equity Investment Company Limited (PIC) has returned 6.4% per annum.

During September, the main detractors in the portfolio were BlueScope Steel and Henderson Group PLC. BlueScope shares weakened on concerns that the recent metallurgical coal price increase would lead to earnings pressure. PIC has been a long-term holder of BlueScope and the Manager believes the prospects for the company are sound. Henderson has been under pressure following the surprise Brexit result. In early October, the company announced a merger with Janus Capital Group Inc, which has been well received by the market, and the share price has strengthened accordingly. The Manager reduced the cash weighting in the portfolio during September, initiating some new investments and adding to some existing names at attractive valuation levels.

One of the holdings in the portfolio that performed well in September is the ASX listed company SAI Global Limited (ASX Code: SAI). SAI provides compliance, standards and quality assurance services to a range of industries globally. The Manager began building a position in SAI in early 2016 based on the investment thesis that the company was in a defensive business of risk management and property services with low levels of customer churn. Moreover, SAI's management were investing time and resources to integrate a sales effort across its previously disparate businesses. The Manager's EBITDA valuation of 11.5x showed a price target of \$4.65 and SAI was trading at attractive levels, relative to global peers and other quality small cap stocks.

In the last week of September SAI announced it had entered into a sale agreement to private equity firm Baring Asia. SAI's directors have unanimously recommended to shareholders to vote in favour of the \$4.72 per share cash bid, which represents a 34% premium to the six-month volume weighted average share price. As at 30 September 2016, SAI Global Ltd was 3.3% of the PIC portfolio.

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MARKET REVIEW

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, rose by 0.5% during September. Global markets delivered mixed results during the month, impacted by central bank activity and currency volatility. Bond and equity markets sold off in the first half of the month on the back of weak US data, decreased expectations of a US rate hike this year, and the European Central Bank's inaction on cutting interest rates or adding to its bond purchasing program. The Bank of Japan also kept rates on hold, but altered its monetary policy with the aim of maintaining the 10-year Japanese government bond yield at zero. The RBA kept rates on hold, following the cut in August, while the Australian dollar gained ground against most major currencies. Most commodities gained ground, with oil rising sharply after OPEC members agreed to limit production to 32.5-33.0 million barrels a day, the first such agreement in eight years.

The best performing sectors for the month were materials (+5.7%), consumer staples (+1.6%) and information technology (+1.5%). The worst performers were property trusts (-4.2%), telecommunication services (-4.0%) and utilities (-3.2%). As a whole, industrial stocks (-0.4%) underperformed resource stocks (+5.8%) and large cap stocks (+0.6%) underperformed small cap stocks (+1.5%).

TOP SECURITIES

TOP 5 AUSTRALIAN SECURITIES AS AT 30 SEPTEMBER 2016

COMPANY	PORTFOLIO WEIGHT
Woolworths Ltd	12.0%
Suncorp Group Ltd	7.3%
Sky Network Television Ltd	6.7%
GrainCorp Ltd	5.2%
BlueScope Steel Ltd	5.1%

TOP 3 GLOBAL SECURITIES AS AT 30 SEPTEMBER 2016

COMPANY	PORTFOLIO WEIGHT
Royal Philips	7.3%
Icon Plc	6.2%
Bank of America Corp	3.6%

NET TANGIBLE ASSET (NTA) BACKING PER ORDINARY SHARE¹

AS AT 30 SEPTEMBER 2016	AMOUNT
NTA before tax ²	\$1.053
NTA after tax	\$1.045

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.

INSIGHTS VIDEO: WHAT IS IN STORE FOR AUSTRALIAN EQUITIES?

Paul Skamvougeras, Perpetual Investment's Head of Equities, looks at some of the underlying themes that played out during Reporting Season and more broadly across Australian equities. Paul also touches on whether the market is cheap or expensive, and importantly where investors should look to find value. [Click here to view](#), or visit www.perpetual.com.au

INVESTOR UPDATE AND ANNUAL GENERAL MEETING 2016

We value the opportunity to meet with shareholders and PIC is pleased to invite you to attend our national investor update.

The events offer an excellent opportunity to hear directly from Vince Pezzullo on current market conditions, performance and profile some of the individual Australian and global securities currently held in the portfolio.

The dates and locations are in the table below. To register to attend one of the sessions, please use the following link [REGISTER NOW](#) or visit www.perpetualequity.com.au. We look forward to seeing you.

Importantly, the **Sydney Investor Update** will coincide with our second **Annual General Meeting on 3 November 2016** at Perpetual's Sydney office (Level 18, 123 Pitt Street, Sydney NSW 2000) at 2:00pm.

DATE	LOCATION
20 th October 10.15am for 10.30am, to conclude by 11.30am	BRISBANE Hilton Hotel Brisbane 190 Elizabeth Street, Brisbane
27 th October 10.15am for 10.30am, to conclude by 11.30am	PERTH Perpetual Offices Exchange Tower Level 29/2 The Esplanade, Perth
3 rd November 2.00pm to conclude by 4.00pm (Annual General Meeting & Update)	SYDNEY Perpetual Offices Angel Place Level 18, 123 Pitt Street, Sydney
8 th November 10.15am for 10.30am, to conclude by 11.30am	ADELAIDE Adelaide Oval, Level 2, SACA Committee Room, Western Stand War Memorial Dr, North Adelaide
10 th November 10.15am for 10.30am, to conclude by 11.30am	MELBOURNE Perpetual Offices 36/525 Collins Street Melbourne

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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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