INVESTMENT UPDATE AND NTA REPORT

April 2018

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE 1

AS AT 30 APRIL 2018	AMOUNT
NTA before tax ²	\$1.128
NTA after tax ²	\$1.117

Daily NTA is available at www.perpetualequity.com.au

KEY ASX INFORMATION

AS AT 30 APRIL 2018

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$290 million

Share price: \$1.140

Shares on issue: 254,442,926

INVESTMENT PERFORMANCE

AS AT 30 APRIL 2018	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	2 YRS P.A.	3 YRS P.A.	SINCE INCEP P.A.
PIC Investment Portfolio ³ Net of fees, expenses and <u>before tax paid</u>	3.6%	0.5%	2.5%	8.9%	12.2%	9.7%	9.5%
S&P/ASX 300 Acc Index	3.8%	0.2%	3.4%	5.7%	11.4%	5.8%	9.0%
Excess Returns	-0.1%	+0.2%	-0.9%	+3.2%	+0.8%	+3.9%	+0.5%

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. Portfolio and Index return may not sum to Excess Return due to rounding.

TOP SECURITIES

TOP 5 AUSTRALIAN LISTED SECURITIES

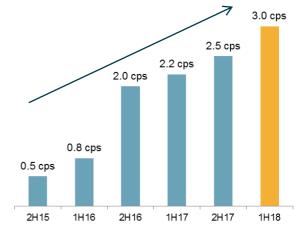
TOF 3 A03 TRALIAN LISTED SECORTIES				
COMPANY	PORTFOLIO WEIGHT			
Westpac Banking Corp	8.6%			
Woolworths Ltd	7.2%			
Suncorp Group Ltd	4.9%			
Star Entertainment Group Ltd	4.9%			
National Australia Bank Ltd	4.3%			

TOP 3 GLOBAL LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Shire PLC	12.7%
AXA SA	1.0%
Unicredit Spa	0.8%

DIVIDEND PER SHARE, CPS

1H18 interim dividend: 3.0 cents per share Annual dividend yield: 4.8%⁴ Grossed up annual dividend yield: 6.9%⁴



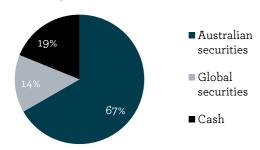
⁴ Yield is calculated using the 30 April 2018 share price of \$1.140. Grossed up yield takes franking credits into account.

¹ All 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.

ALLOCATION OF INVESTMENTS

81% of capital invested in securities.



PORTFOLIO COMMENTARY

The portfolio performance net of fees and expenses was +3.6% in April underperforming the benchmark S&P/ASX300 Accumulation Index by 0.1%. Since listing, the Perpetual Equity Investment Company Limited's (PIC) portfolio has returned 9.5% per annum net of fees and expenses.

Portfolio holdings in Shire PLC, Alumina Ltd and Oil Search Ltd contributed positively to performance this month. Conversely, the portfolio's position in AMP detracted from returns.

STOCK NEWS

A new position in the fund is Select Harvests (SHV), one of Australia's leading growers, processors and marketers of almonds. As at 30 April the portfolio's allocation to Select Harvests was 0.8%.

The almond industry has favourable long-term dynamics with global demand growing at 6-8% per annum driven by the increasing shift to plant based foods, focus on healthy eating and the increasing consumption of almonds in Asia. This is complemented by uncertainty around the sustainability of water supply to the Californian almond industry raising question marks around long-term supply growth. California produces 80% of the world's almonds and the supply of almonds out of this region is the primary driver of global almond prices. The Manager believes these dynamics are supportive of higher almond prices moving forward. Select is well placed to benefit from this as the orchards they have planted over the past few years come into physical and economic maturity.

Select Harvests has a strong balance sheet with minimal debt. Property and permanent water assets are worth close to \$4 per share, with a current share price of \$6.25. During April the share price has appreciated significantly in response to an increase in global almond prices due to a significant frost event in California which is threatening the current crop. The Manager continues to hold the position with a view to the long term trends and earnings growth potential of this business.

MARKET COMMENTARY

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, reversed its prior-month loss to finish 3.8% higher over April as all sectors finished in positive territory. The market was supported by the resource stocks, which rallied on stronger commodity prices, led by aluminium, which gained 13.1% following US sanctions imposed on the Russian steel maker, Rusal. Energy stocks were the standout performers for the month as Brent and WTI crude oil prices gained 8.5% and 5.7% respectively, boosted by supply-side concerns involving trade tensions and disruption in Venezuela and in the Middle East. Financials were the greatest drag on the market, weighed down early in the month on the back of revelations from the Banking Royal Commission. The sector rebounded late in the month, led by the big banks, to finish slightly ahead as the second round of hearings from the Commission concluded.

Economic data released during April was mixed. Retail trade increased 0.6% in February compared to expectations of a 0.3% lift. Business conditions and confidence fell, while employment was weaker than expected (with jobs rising by 4,900 in March from consensus expectations of 20,000). The Reserve Bank of Australia continued to hold the official interest rate at 1.5%, and the Australian dollar closed the month weaker, falling 1.9% against the US dollar and by 0.3% on trade-weighted terms. Global markets rallied, with the MSCI World total return index finishing 2.8% higher in Australia dollar terms. The UK FTSE 100 (+6.8%) was the greatest performer, with the Euro Stoxx 50 (+4.7%) and the Japanese Nikkei (+3.4%) also demonstrating solid performance.

The best performing sectors for the month, as measured from the S&P/ASX 300 Accumulation Index, were Energy (+10.7%), Materials (+7.4%) and Health Care (+7.2%). The worst performers were Financials (+0.1%), Telecommunication Services (+1.9%) and Utilities (+2.2%). As a whole, industrial stocks (+2.4%) underperformed resource stocks (+9.5%) and large cap stocks (+4.1%) outperformed small cap stocks (+2.8%). Value stocks (+1.3%) underperformed growth stocks (+6.6%) as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

COMPANY NEWS

AUSTRALIAN SHAREHOLDERS ASSOCIATION

A reminder that Vince Pezzullo, Perpetual Investments Deputy Head of Equities and PIC Portfolio Manager, will be presenting at the Australian Shareholders Association **Your Money, Your Future Conference**, on Tuesday, 22 May at 12pm. Take a look at the full <u>program</u>.

You can register online at the <u>ASA website</u> or call the ASA office on 1300 368 448.

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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