

# INVESTMENT UPDATE AND NTA REPORT

April 2022

## PORTFOLIO SNAPSHOT

### NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 30 APRIL 2022	AMOUNT
NTA after tax	\$1.308
NTA before tax	\$1.332

Daily NTA is available at [www.perpetualequity.com.au](http://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 30 APRIL 2022

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$479 million
Share Price:	\$1.275
Shares on Issue:	376,005,767
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

\* exclusive of GST

## INVESTMENT PERFORMANCE

AS AT 30 APRIL 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	-0.3%	1.8%	-0.2%	9.4%	27.0%	15.5%	11.5%	11.1%	10.9%
Net of fees, expenses and before tax paid									
S&P/ASX 300 Acc Index	-0.8%	8.2%	3.4%	10.2%	20.4%	9.7%	9.0%	8.1%	9.4%
Excess Returns	0.6%	-6.4%	-3.6%	-0.8%	6.6%	5.8%	2.5%	3.0%	1.5%

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 SECURITIES

### TOP 5 AUSTRALIAN LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Santos Limited	8.4%
BHP Group Ltd	6.7%
Insurance Australia Group Limited	6.4%
Iluka Resources Limited	5.3%
ANZ Banking Group Ltd.	5.0%

### TOP 3 GLOBAL LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
La Francaise des Jeux SA	5.0%
Flutter Entertainment Plc	2.9%
De'Longhi S.p.A.	2.7%

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

## DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.4%

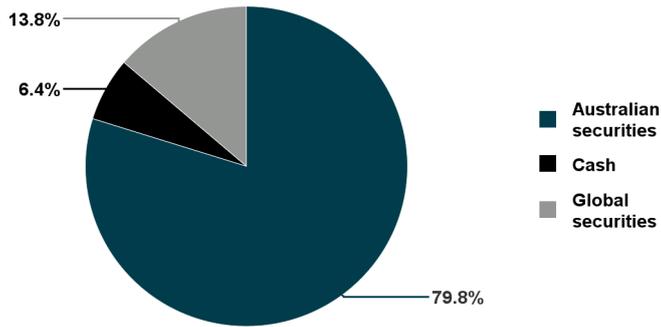
Grossed up annual dividend yield: 6.3%



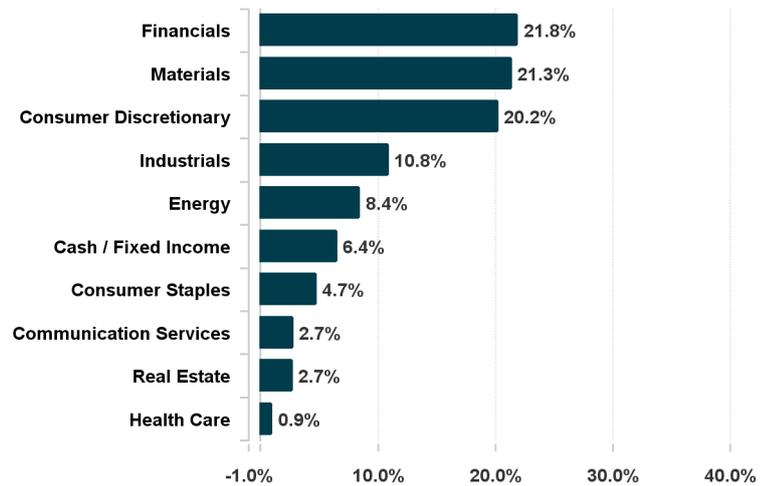
Yield is calculated based on the total dividends of 5.6 cents per share and the closing share price of \$1.275 as at 30 April 2022. Grossed up yield takes into account franking credits at a tax rate of 30%.

## ALLOCATION OF INVESTMENTS ^

93.6% 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

Markets lost ground again in April. The S&P/ASX300 Accumulation Index (benchmark) fell -0.8% but held up better than the MSCI World Index in AUD which fell -3.1%. Tech heavy US equities took the brunt of the sell off again with the S&P500 down nearly -9% in local currency terms and the NASDAQ was down over -13%. Central banks sharpened their rhetoric in April after equity markets appeared to dismiss the risks of interest rate hikes. Minutes from the US Federal Reserve (Fed) in early April and surrounding rhetoric reinforced the sentiment that the Fed was “behind the curve”. The minutes also revealed strong support for 50 basis point rate increases. Meanwhile, quantitative tightening came into focus following comments from Fed Governor Lael Brainard, which saw bond markets sell off sharply and helped trigger the renewed decline in equities. In Australia, the RBA also pulled forward expectations of a rate hike, after previously maintaining that there would be no interest rate increase before 2024.

For many months small cap tech stocks have been in trouble as investors elected to “shoot first and ask questions later” about the prospects of speculative tech in a rising rate world. Whilst significant in number, their relative market caps have not been enough to spark broader concern. Large cap tech - the famed FAANGs (Facebook which is now Meta Platforms, Amazon, Apple, Netflix and Alphabet) - were seen as profitable monopolies and shielded the NASDAQ from a heavier sell-off. However, these started to have troubles of its own in sustaining a reputation for growth during 2022. Meta Platforms was the first to fall, announcing a decline in users on 2 February. Then in April Netflix surprised the market by announcing a loss in subscribers. Late in April Amazon became the latest casualty as the company announced slowing revenue growth and its first loss in seven years. The market was savage. Alphabet has also sagged in sympathy recently, as has Microsoft, although Apple remains reasonably close to its highs. Tesla has also been remarkably resilient given its lofty valuations. But the risks of a negative surprise are rising.

Here at home, whilst stocks like Zip and Xero have corrected sharply, we think large cap growth such as CSL is in a similar boat to the “gravity resisters”. We believe it is a great business, but a “slow grower”, stubbornly trading at a price to earnings ratio (P/E) of 35x which, in our view, simply doesn’t make sense as a ramping bond market shakes up the Equity Risk Premium.

For all these reasons, the Manager believes PIC's investment philosophy of focusing on quality and value stocks can provide downside protection in these market conditions. The PIC portfolio returned -0.3% in April, outperforming the benchmark by +0.6%. The top contributor to absolute performance was Jervois Global which is a producer of cobalt and nickel. Select Harvests, a producer of almonds, also contributed to the portfolio. We believe both offer good leverage to rising inflation. In April, the Manager also added to Qantas, which returned 7.5% as travellers flocked back to airports. The Manager exited Crown Resorts following the announcement of the scheme of arrangement with Blackstone. It also exited Oz Minerals after its share price quadrupled from March 2020 when the Manager more than doubled its position.

At this point in the market cycle, the Manager believes in diversifying its exposures across the market and remains consistent with its investment approach of identifying quality businesses with conservative debt, sound management and recurring earnings.

## COMPANY NEWS

### BONUS ISSUE OF OPTIONS

Shareholders are reminded that in June 2021, the Company [announced](#) a one-for-one issue of bonus options which provides holders with the opportunity to acquire a PIC ordinary share for \$1.35 (exercise price) per option before the expiry date of 2 September 2022. The options are trading on the ASX under the ASX code PICOA.

The options provide shareholders with the opportunity to purchase additional shares and participate in the potential growth of the Company without incurring brokerage or transaction costs. Option holders that elect to exercise some or all of their PIC options before the ex-date will also be entitled to the dividend for that respective period.

The Options [Prospectus](#) should be read carefully and in its entirety before you decide whether to deal in or exercise the Options. Further information on the Options, including the Prospectus and Options Exercise Form is available [here](#).

### SHAREHOLDER COMMUNICATIONS

The [PIC website](#) hosts a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources. The [News and 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](#).

## INVESTMENT PHILOSOPHY

### 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 (see Section 3.7 of the Replacement Prospectus dated 14 October 2014)

### 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 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 leverages the expertise of Perpetual Asset Management Australia's Equity team, one of the largest investment teams in Australia.

## PERPETUAL KEY CONTACTS

### INVESTOR RELATIONS

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

### NSW

Mark Williams  
Key Account Manager  
Perpetual Asset Management Australia  
P: 0405 385 960  
E: mark.williams@perpetual.com.au

### VIC/SA/NT/TAS

Daniel Moore  
Regional Manager  
Perpetual Asset Management Australia  
P: 0400 032 819  
E: daniel.moore@perpetual.com.au

### QLD

Emalee Vidulin  
Key Account Manager  
Perpetual Asset Management Australia  
P: 0403 987 715  
E: emalee.vidulin@perpetual.com.au

### WA

Tim McCallum  
Regional Manager  
Perpetual Asset Management Australia  
P: 0411 209 403  
E: tim.mccallum@perpetual.com.au

[www.perpetualequity.com.au](http://www.perpetualequity.com.au)

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### CONTACT DETAILS

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

