

INVESTMENT UPDATE AND NTA REPORT

March 2022

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 MARCH 2022	AMOUNT
NTA after tax (cum dividend)	\$1.332
NTA before tax (cum dividend)	\$1.368

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 cost and unrealised gains and losses of the Company's investment portfolio. As at 31 March 2022, the NTA after tax (ex dividend) was \$1.304 and the NTA before tax (ex dividend) was \$1.340. The ex dividend NTA figures are reduced by a provision for the 2.8 cents per share dividend with ex date 5 April 2022 and payment date 29 April 2022.

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

KEY ASX INFORMATION

AS AT 31 MARCH 2022

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$509 million
Share Price:	\$1.36
Shares on Issue:	374,588,579
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

* exclusive of GST

INVESTMENT PERFORMANCE

AS AT 31 MARCH 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 Net of fees, expenses and before tax paid	0.6%	0.1%	0.1%	15.0%	35.9%	16.5%	12.1%	11.2%	11.1%
S&P/ASX 300 Acc Index	6.9%	2.1%	4.3%	15.2%	26.2%	10.9%	9.4%	7.9%	9.7%
Excess Returns	-6.3%	-1.9%	-4.2%	-0.2%	9.6%	5.6%	2.7%	3.3%	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 SECURITIES

TOP 5 AUSTRALIAN LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Santos Limited	7.9%
BHP Group Ltd	7.2%
ANZ Banking Group Ltd.	6.4%
Insurance Australia Group Limited	6.1%
Westpac Banking Corporation	4.9%

TOP 3 GLOBAL LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
La Francaise des Jeux SA	4.9%
Ferguson Plc	2.9%
De'Longhi S.p.A.	2.8%

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

DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.1%

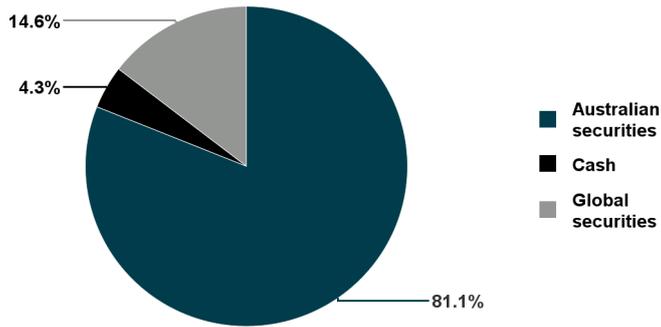
Grossed up annual dividend yield: 5.9%



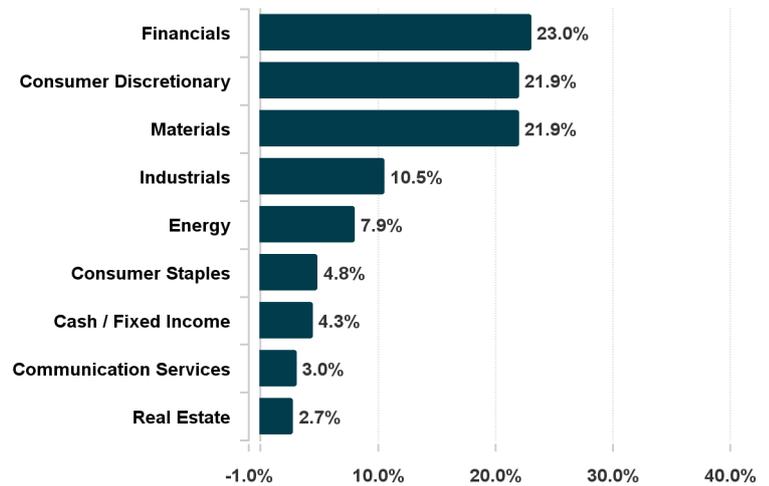
Yield is calculated based on the total dividends of 5.6 cents per share and the closing share price of \$1.360 as at 31 March 2022. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS ^

95.7% 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

The month of March was dominated by all things related to the Ukraine invasion including Russian sanctions, an early surge in energy prices and fears of a chain reaction with supply shocks spilling over into a European led recession. At the same time, US policymakers doubled down on their pivot to fighting inflation, leaving markets volatile. With consumer confidence fading in the face of rising CPI, the US Federal Reserve (Fed) raised interest rates for the first time since 2018. The Fed also stepped up hawkish rhetoric on future rate hikes, suggesting 0.5% increases were not out of the question. Whilst the Fed hopes to engineer a soft landing in the economy, history suggests this will be difficult, especially as it grapples with the global energy price shock. The decline in the 10 year bond yield below that of the 2 year bond yield, known as “yield curve inversion”, is often a harbinger of the end of the economic cycle. Here the RBA all but abandoned its hopes of holding off rate hikes until 2024 with several now priced in before Christmas.

The Australian equity market regained most of the losses from the shock of the Ukraine invasion as well as recent jitters over rising interest rates. It is notable that for the second month in a row the S&P/ASX300 Accumulation Index (benchmark) significantly outpaced the MSCI World Index in AUD with the local bourse rising +6.9% versus a -0.7% decline for the global index. Australia was propelled by strong performances in the Energy, Financials, and Materials sector which together comprise 57% of the market. Even Information Technology, though small, rose nearly 12%. By contrast, the dominant US technology sector struggled, as did the largest sectors such as Consumer, Healthcare, Industrials and Financials. The risks to the European banking system from the war in Ukraine weighed on investor sentiment.

The PIC portfolio rose during the month, but fell short of the surging benchmark, which was driven up primarily by the exceptional performance of the banks. As a benchmark agnostic investor, the Manager has not replicated the index exposure of the banks, which had already appreciated significantly. While Commonwealth Bank of Australia (ASX: CBA) is trading near all-time highs, the Manager’s view is that it appears downright expensive. Nevertheless, the banks rallied hard in March at the prospect of higher rates helping profit margins to improve in the near term. The Manager has positions in ANZ Banking Group Limited (ASX: ANZ) and Westpac Banking Corporation (ASX: WBC) which it believes represents reasonable value and are trading at a significant discount compared to CBA.

The Manager finds major insurers like IAG to represent much more compelling value as it trades near multi year lows. Whilst the stock will be buffeted by claims from ongoing poor weather in the short term, the Manager thinks this is an opportunity to build a position now. Insurance companies also tend to experience improved earnings as interest rates rise (though this is not priced into IAG) and earnings and share price performance is highly correlated to improving weather.

The significant decline in global stocks was the other key driver of underperformance for the PIC portfolio. The top detractors to absolute performance in March were Flutter Entertainment Plc (LON: FLTR), Ferguson Plc (LON: FERG) and De'Longhi S.p.A. (MIL: DLG). La Francaise des Jeux SA (PAR: FDJ) also detracted from absolute performance. The Manager had already taken significant profits in FLTR at higher prices and sold more than half its holding as it peaked in the recovery following the COVID-19 led sell-off. The Manager believes FLTR offers exceptional long term value for investors however and retained a reduced position in the portfolio. La Francaise de Jeux (PAR: FDJ), whilst also declining sharply, continues to represent compelling value as a high quality lottery monopoly with a net cash balance sheet. This is particularly valuable as the market continues to be in turmoil. Despite the short term price correction of FERG, the Manager considers the stock to be significantly undervalued compared with similar quality Australian businesses, like Reece Limited, and the Manager continues to own a position.

The benefits of active management come to light as we have the flexibility to actively seek opportunities and adapt the portfolio to changing market conditions. Given the current uncertainty in global markets, the Manager is focused on generating long-term returns for the portfolio and is focused on holding a high conviction portfolio of diverse ideas to protect on the downside whilst maximising participation on the upside.

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

Nicole Aubrey
Senior Manager, National Accounts
Perpetual Asset Management Australia
P: 0421 596 524
E: nicole.aubrey@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

This monthly report has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. PIML is the investment manager of the Perpetual Equity Investment Company Limited (Company) ACN 601 406 419. 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. This information does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of the Company's securities. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. References to securities in this publication are for illustrative purposes only and are not recommendations and the securities may or may not be currently held by the Company. Past performance is not indicative of future performance. This information is believed to be accurate at the time of compilation and is provided in good faith. 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.

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

