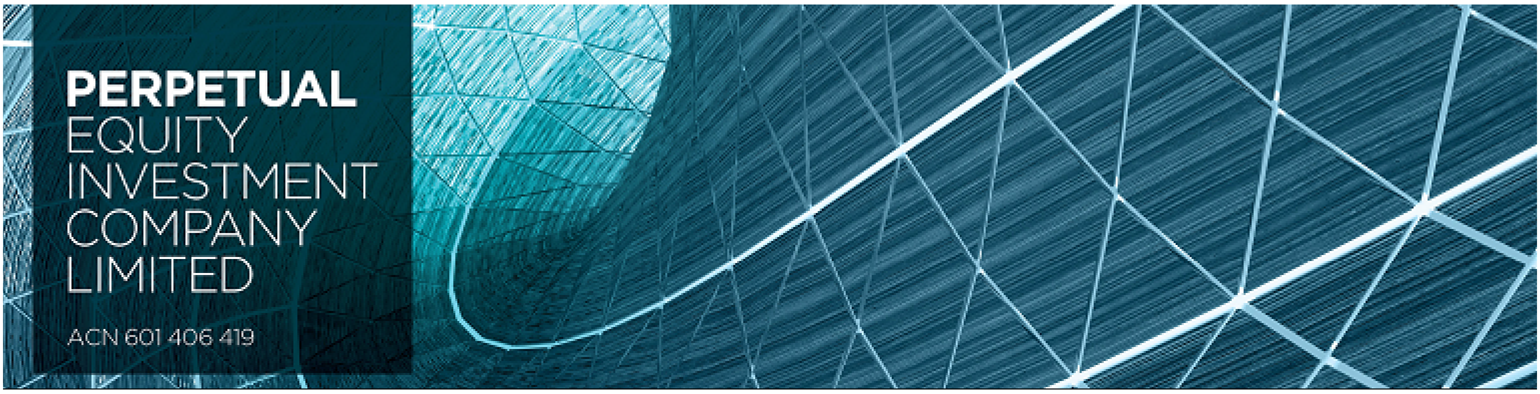


INVESTMENT UPDATE AND NTA REPORT

July 2019

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 JULY 2019	AMOUNT
NTA after tax	$1.127
NTA before tax	$1.146

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 unrealised gains and losses in the Company's investment portfolio. A tax rate of 30% (previously 27.5%) is now applied. NTA figures are calculated as at the end of day on the last business day of the month.

KEY ASX INFORMATION

AS AT 31 JULY 2019

ASX Code:	PIC
Listing Date:	18 December 2014
Market Capitalisation:	$372 million
Share Price:	$1.075
Shares on Issue:	345,693,045

INVESTMENT PERFORMANCE

AS AT 31 JULY 2019	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 Net of fees, expenses and before tax paid	1.6%	5.6%	11.4%	4.5%	9.0%	9.6%	8.8%
S&P/ASX 300 Acc Index	3.0%	8.6%	18.8%	13.2%	14.0%	11.6%	10.7%
Excess Returns	-1.4%	-3.0%	-7.4%	-8.8%	-5.0%	-2.1%	-2.0%

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
Commonwealth Bank of Australia	6.3%
Woolworths Group Ltd	5.4%
National Australia Bank Limited	5.0%
Suncorp Group Limited	4.8%
Telstra Corporation Limited	4.6%

TOP 3 GLOBAL LISTED SECURITIES

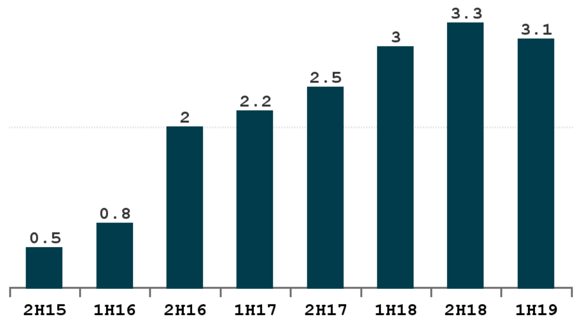
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	1.6%
Ausnutria Dairy Corp. Ltd.	1.3%
Siemens AG	0.9%

DIVIDEND PER SHARE, CPS

Interim dividend for FY19: 3.1 cents per share

Annual dividend yield: 6.0%

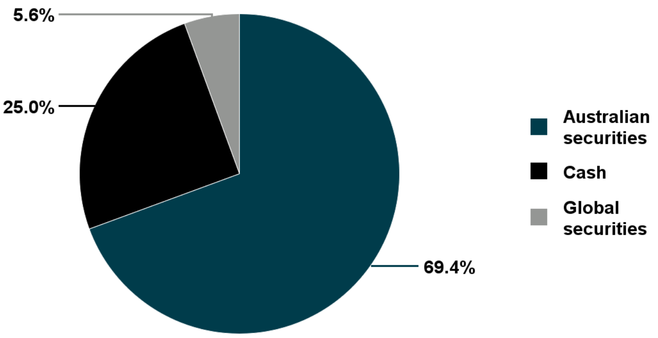
Grossed up annual dividend yield: 8.2%



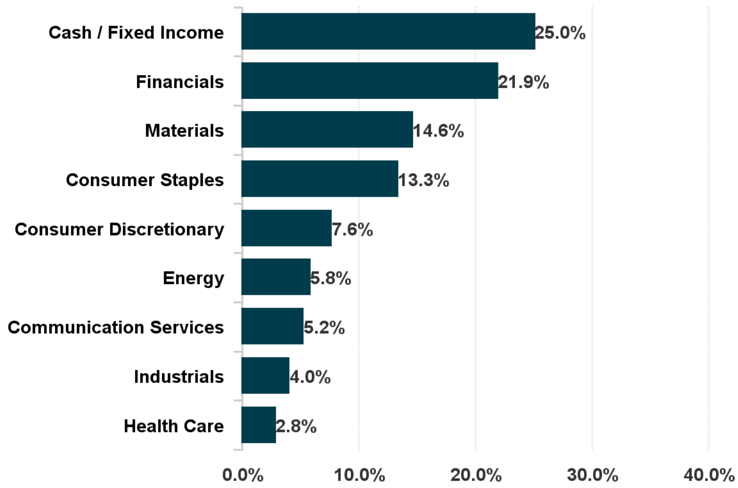
Yield is calculated using the 31 July 2019 share price of $1.075. Grossed up yield takes franking credits at a tax rate of 27.5% into account.

ALLOCATION OF INVESTMENTS

75.0% of capital invested in securities



PORTFOLIO SECTORS



All figures are unaudited and approximate.

PORTFOLIO COMMENTARY

Top contributors to absolute performance this month were PIC's holdings in Woolworths (ASX: WOW), Evolution Mining Ltd (ASX: EVN) and National Australia Bank (ASX: NAB). The largest detractor to absolute performance was Iluka Resources Ltd (ASX: ILU). Below, the Manager outlines its views on some other key stocks held in the portfolio.

Suncorp (ASX: SUN)

PIC continues to hold Suncorp Group (SUN) as one its largest holding, representing 4.8% of the portfolio as at 31 July 2019. Suncorp Group (SUN) has continued to underperform the broader market and its closest peer, Insurance Australia Group Ltd. since the announcement of CEO Michael Cameron's resignation in late May. Group CFO Steve Johnston is acting CEO as the board undertakes a search to replace Mr Cameron.

Along with the uncertainty of a new CEO, the lower bond yields might have also been a headwind to recent share performance. While the search for a new CEO is underway, the Manager believes that the current management team and the board will get on with the job and continue to make strategic decisions. SUN requires a re-alignment of marketing spend and a renewed focus on its core business which is personal lines insurance. As noted in the May report, while the Manager expects a new CEO to stamp his/her authority, we remain confident in the underlying strength of SUN's core business and balance sheet.

Brambles (ASX: BXB)

As at 31 July 2019, Brambles Ltd (BXB) represented 2.6% of the PIC portfolio. BXB has outperformed the broader market by 24.0% over the past 12 months and has been in-line over the past 3 months (with a total 3 month return of 7.5%).

In the Manager's opinion, the share price is yet to fully capture the earnings upside from the likely turnaround of its pallet rental business, CHEP USA. The combination of net new business wins, good price realisation as contracts are renewed, and easing input cost inflation, should see operating margins expand and earnings materially grow through FY20 and beyond. In addition, the Manager's analysis suggests that CHEP EMEA should be winning share in Central Europe, which is likely to help this business maintain returns above 20%. The Manager expects a good operating performance to be boosted by the company's capital management initiatives including a forecast final FY19 dividend of 14.5cps, a potential capital return of 29.0cps and an on-market share buyback of up to US$1.65bn.

Orora (ASX:ORA)

Mid-cap stock Orora listed in late 2013 as a result of a demerger from Amcor. The company is predominantly an Australian business with duopoly market positions in fibre packaging and distribution, and beverage packaging (aluminium cans and glass bottles). Orora's Australian end markets are diverse and relatively defensive. Customers are typically contracted on a three to five-year basis and pricing agreements often contain pass-through mechanisms to mitigate against input cost pressures.

The company also operates in distribution in the United States, where there have been some short-term headwinds, namely a key customer loss in FY18, SAP system integration issues and some signs of slowing economic growth. Today, the US remains the minority of earnings however offers solid long-term growth opportunities through sensible bolt-on acquisitions.

Since listing independently, management have allocated ~$650m of capital on high returning organic growth projects & bolt-on acquisitions. Organic growth projects undertaken include a refresh of the downstream fibre network, debottlenecking glass lines at Gawler and investment in waste to energy. These programs have driven improved margin outcomes and incremental returns on invested capital, all whilst maintaining a conservative balance sheet setting. The Manager believes they will continue to allocate capital wisely, and the sound balance sheet affords Orora resilience if economic conditions do deteriorate from here, or the appropriate acquisition opportunity arises. Capital allocation is a core competency of a management team and in this regard Nigel Garrard (due to step down in September) and Stuart Hutton have performed well.

As the company recently flagged, operating conditions across Australian and North America remain difficult. On the back of this, management announced plans to take costs out of the business. The Manager continues to see the company relatively well positioned into a more difficult macro environment given its defensive characteristics, sound balance sheet and solid management team.

Orora represented 2.3% of the PIC portfolio as at 31 July 2019.

High valuations – Is this a case of the tail wagging the dog?

The plunge in both short-term and long-term interest rates has sparked a debate about how other asset classes respond, including equities. Portfolio Manager, Vince Pezzullo outlines his thoughts below on the impact low interest rates can have on the equity market and factors to consider in these conditions.

Whilst a further melt up in equities is possible in the short-term as frustrated yield hungry investors readjust their portfolios, investors will need to weigh up how to manage the risks as valuations become increasingly divorced from long-term fundamentals and lower yields send conflicting messages.

We must acknowledge some basic truths:

1) Equity investors are being asked to make long-term and risky investment decisions whilst policymakers' decisions must respond to short to medium-term needs, which can change rapidly. Just months ago, the US Federal Reserve was on a determined path of tightening. Within weeks they retreated. Despite this, market participants seem remarkably eager to assign enormously higher valuations to the current market not knowing if policymakers might suddenly turn again and severely (maybe even permanently) impair the valuation of some of their equity holdings.

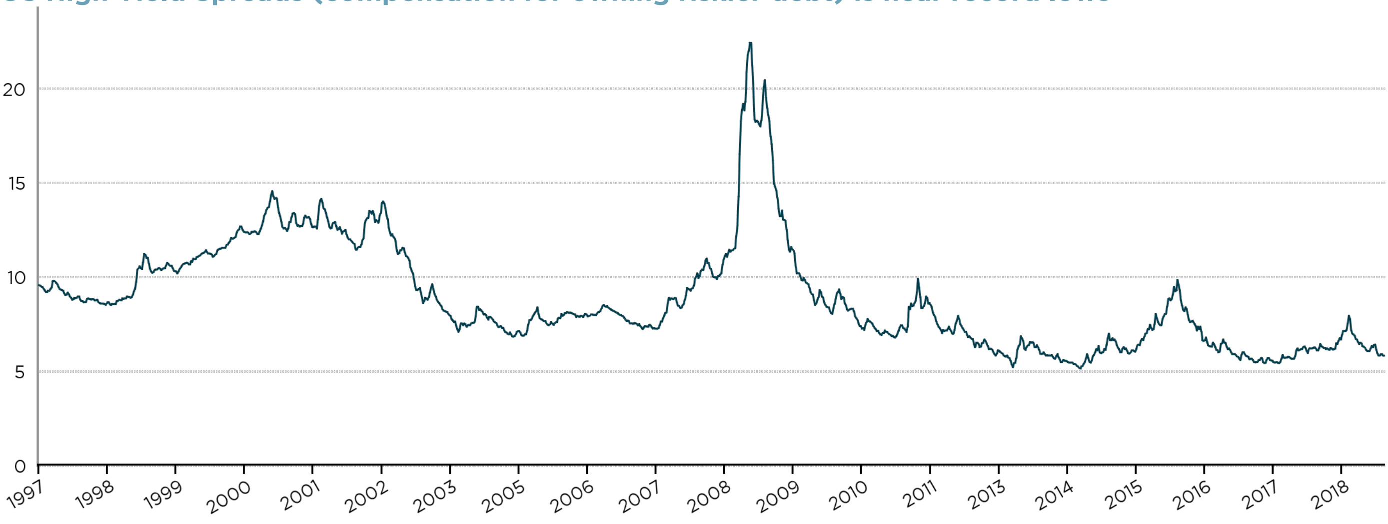
2) The observed experience. Every time the "this time is different" argument around debt, deflation, demographics and long-term yields rears its head it inevitably leads to discussion of Japan, the only country that has had to face exceptionally low rates for an extended period. But if low rates are good for risk assets then why has the equity experience there been abysmal? Undoubtedly the market got well ahead of itself in 1990 and Japan has only applied quantitative easing sporadically in the intervening years. But it's not as if permanently low bond yields in Japan have led to a "permanently high plateau" in equity price-to earnings ratios which we are being asked to believe are logical because rates are low. After all, the Japanese equity market still trades well below levels of 30 years ago as seen in the chart below.

Historical Performance of the Japanese Nikkei Index

Source: Federal Reserve of St Louis.

3) We must acknowledge the Federal Reserve's ability to set rates but also the market's ability to set rates through credit spreads. The chart below shows how dramatically the cost of business debt rises during recessions, regardless of action taken by the Federal Reserve. Of course central banks could intervene here as well and purchase high yield bonds (although even they have been hesitant to apply public money to the purchase of what used be called "junk bonds", which would surely be the last and most desperate effort in the great modern monetary experiment).

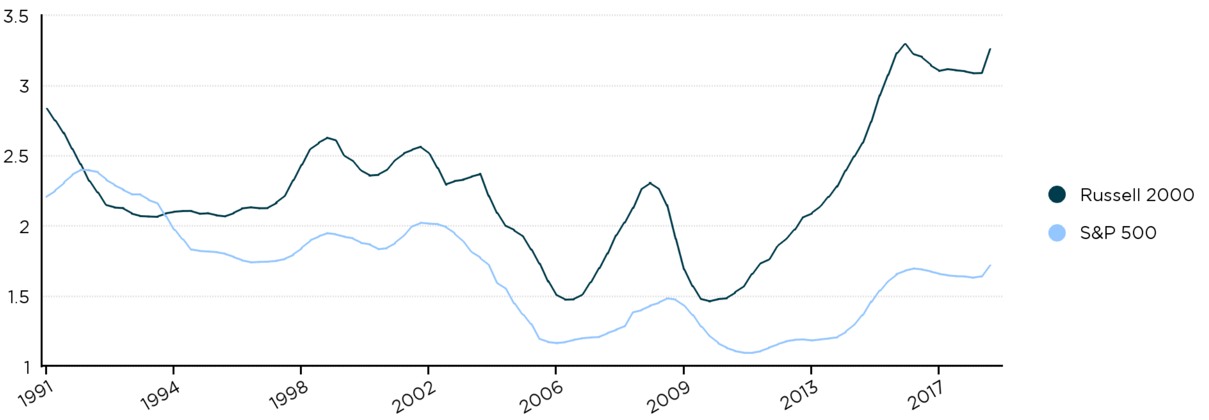
US High Yield Spreads (compensation for owning riskier debt) is near record lows



Source: Federal Reserve of St Louis.

This problem will become particularly acute as the US, in particular, must confront the huge corporate debt bubble that has built up in recent years, especially in the small cap sector, where a crisis is surely brewing. The chart below shows that US corporate debt is at near record highs.

Net Debt to EBITDA – Large Caps & Small Caps



Source: Standard & Poors, Russell, FactSet, Credit Suisse. Note: 4-quarter moving average; excludes financials and REITs.

Ironically, we've seen this entire scenario not that long ago. The brilliant economist Arthur Laffer argued, amongst other things, that low long-term interest rates justified a rise in equities which were 67% undervalued in his opinion. The problem with the argument was that it was made in January 2007. Whilst in theory the low interest rates of the time could easily be plugged into an equity market valuation model to justify a much higher market and price to earnings ratio, the reality was that rates were low because the bond market realised a significant recession was coming. The technicals of the bond market were being used to justify something wildly different to reality; the tail was wagging the dog. That recession turned out to be the GFC and shredded the equity market in the two years from 2007-2009.

This is not to say we are predicting another GFC but whenever a large and sudden plunge in interest rates are being used to justify exceptionally higher prices for risk assets like equities, you have to ask if this really makes sense or if, once again, the tail is wagging the dog.

COMPANY NEWS

ANNUAL RESULTS ANNOUNCED 19 AUGUST 2019

The Company will announce its annual results (including dividend information) for financial year 2019 on Monday 19 August 2019. The results will be lodged with the ASX and published on the Company's website.

DIVIDEND REINVESTMENT PLAN

A reminder that the Company has a dividend reinvestment plan (DRP) in place for shareholders. Information about the DRP is available on the Company's website.

If you are already participating in the DRP and wish to remain so, there is no further action to be taken. Should you wish to check your participation, please visit the registry's Investor Centre by clicking here.

SHAREHOLDER PRESENTATIONS 2019

REGISTRATIONS NOW OPEN

The Company is pleased to notify all shareholders and interested parties of the dates and locations of our annual shareholder presentations.

Annual General Meeting and Investor Update Presentation

Date	Location
Thursday 17 October 2019 Presentation: 2.00pm – 3.00pm AGM: 3.00pm – 4.00pm	SYDNEY Perpetual Offices, Angel Place Level 18, 123 Pitt Street, Sydney
Wednesday 23 October 2019 10.30am - 11.30am	ADELAIDE Perpetual Offices, Level 11, 101 Grenfell Street, Adelaide
Thursday 24 October 2019 10.30am - 11.30am	MELBOURNE Perpetual Offices, Rialto South Tower, 525 Collins Street, Melbourne
Wednesday 30 October 2019 9.00am - 10:00am	BRISBANE Perpetual Offices, Central Plaza 1 Level 15, 345 Queen Street, Brisbane
Friday 8 November 2019 09.00am - 10.00am	PERTH Perpetual Offices, Exchange Tower, Level 29, 2 the Esplanade, Perth

To register to attend an event closest to you visit our Company's website.

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 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, 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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