

# INVESTMENT UPDATE AND NTA REPORT

June 2019

## PORTFOLIO SNAPSHOT

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

AS AT 30 JUNE 2019	AMOUNT
NTA after tax	\$1.117
NTA before tax	\$1.134

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 set-up costs and on unrealised gains and losses in the Company's investment portfolio.

A tax rate of 27.5% (previously 30%) 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 30 JUNE 2019

ASX Code:	PIC
Listing Date:	18 December 2014
Market Capitalisation:	\$360 million
Share Price:	\$1.04
Shares on Issue:	345,693,045

## INVESTMENT PERFORMANCE

AS AT 30 JUNE 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	2.7%	6.3%	11.6%	4.3%	8.1%	11.1%	8.6%
Net of fees, expenses and before tax paid							
S&P/ASX 300 Acc Index	3.6%	8.0%	19.8%	11.4%	12.3%	12.8%	10.2%
Excess Returns	-0.9%	-1.7%	-8.3%	-7.1%	-4.2%	-1.7%	-1.7%

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 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

COMPANY	PORTFOLIO WEIGHT
Commonwealth Bank of Australia	7.2%
Westpac Banking Corporation	5.3%
Telstra Corporation Limited	5.2%
Woolworths Group Ltd	5.2%
Suncorp Group Limited	4.9%

### TOP 3 GLOBAL LISTED SECURITIES

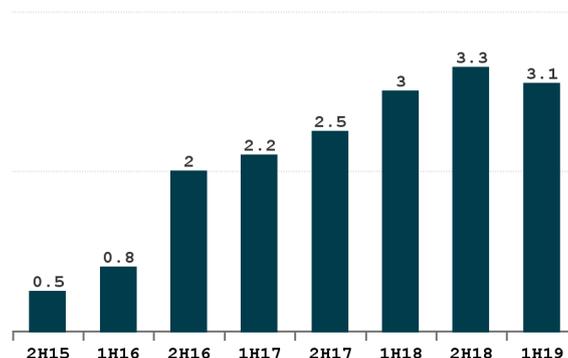
COMPANY	PORTFOLIO WEIGHT
Siemens AG	1.5%
Flutter Entertainment Plc	1.2%
Ausnutria Dairy Corp. Ltd	0.9%

## DIVIDEND PER SHARE, CPS

Interim dividend for FY19: 3.1 cents per share

Annual dividend yield: 6.2%

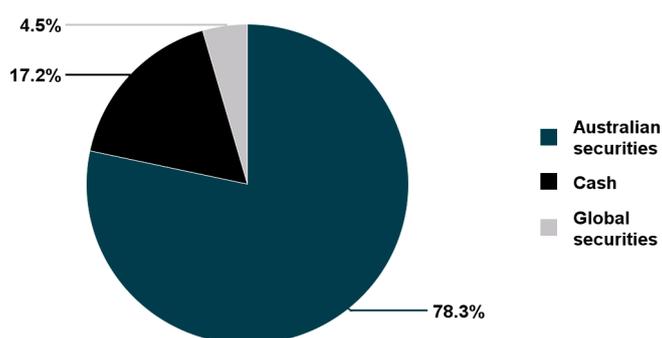
Grossed up annual dividend yield: 8.5%



Yield is calculated using the 30 June 2019 share price of \$1.04. Grossed up yield takes franking credits into account.

## ALLOCATION OF INVESTMENTS

82.8% of capital invested in securities



All figures are unaudited and approximate.

## PORTFOLIO COMMENTARY

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, returned 3.6% over the month of June delivering a strong finish for the financial year. Equity markets were fuelled by a 25-basis point cut in the official interest rate by the Reserve Bank to a record low of 1.25%, and expectations are for further cuts to come. Anticipation that US-China trade tensions would be resolved sooner than expected also assisted market sentiment as President Trump and China's President Xi Jinping agreed to recommence trade negotiations after the US suspended tariffs on an additional US\$300b worth of Chinese imports. Geopolitical tensions increased following an attack on two oil tankers off the Gulf of Oman and the subsequent shooting down of a US drone by Iranian forces resulted in strong gains in energy and mining stocks.

With this backdrop the top contributors to absolute performance this month were PIC's holdings in the Commonwealth Bank (ASX: CBA) and Evolution Mining (ASX:EVN). Detractors from performance were Star Entertainment (ASX:SGR) and Fletcher Building (ASX:FBU). During the month Star Entertainment provided a soft trading update with full year earnings guidance falling short of market expectations. The company attributed the weakness in earnings guidance to softer than expected domestic trading and ongoing challenges within their VIP business. Although the current operating environment remains challenging for Star Entertainment, the Manager continues to believe the stock offers meaningful valuation appeal and remains attracted to the company's strong balance sheet and growing stable of high-quality assets in prime locations.

## STOCK NEWS

Australian mid cap stock Bega Cheese (ASX:BGA) has detracted from returns in recent times however the Manager believes the quality of the company's assets, their experienced management team and a positive outlook for future profit growth are justification for continued conviction in the stock.

BGA is a household name and engages in receiving, processing, manufacturing, cutting and packaging of traditional cheese products, as well as the manufacture of other high value dairy products. Bega trades as a mid-cap stock on the ASX and remains a key position in PIC's portfolio.

Recently we have seen the outlook for BGA weaken, driven by concerns around weakening global commodity markets and heightened competition domestically for milk supply. The drought is also having a significant impact on BGA and other dairy producers driving up the cost of milk resulting in milk processors like BGA competing for volume. In New South Wales volume has been poor and some milk processors have been forced to travel all the way down to Victoria to source milk, which in turn pushes up the price of the inventory.

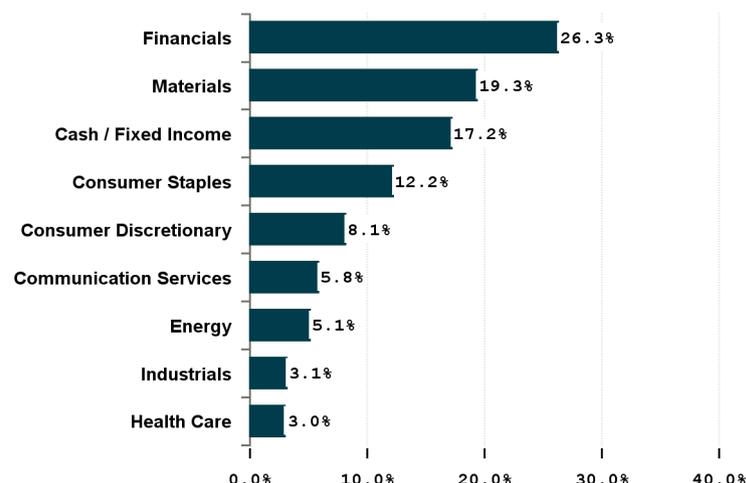
BGA has a rich history in Australia starting as a dairy cooperative at the turn of the 20th century. At the time, advances in refrigeration prompted the commercialisation of the milk industry and cooperatives were formed in response as a more efficient means of transporting, processing and marketing the milk of farmers. In the ensuing decades, BGA undertook a number of organic and inorganic growth initiatives which saw the cooperative expand its operations and enter new markets including butter, milk powder and cheese. In 2008, after more than 100 years as a cooperative, BGA changed its corporate structure to become a company before listing on the Australian Securities Exchange in 2011.

Today, BGA remains one of Australia's largest food companies with a stable of quality assets. Importantly, the Manager believes that the company has a strong management team that, over time, have proven themselves proficient allocators of shareholder capital. In the Manager's view, BGA's recent acquisition of the stable earning Vegemite brand has helped turn the company into a more robust business that is better able to weather the volatility of dairy product prices.

Despite some headwinds, the Manager believes their investment thesis for this company remains valid and that BGA is poised to benefit from:

1. Further rationalisation in the milk industry: Following the deregulation of the Australian dairy industry in 2001, the market has continued to rationalise and consolidate with less efficient operators either exiting the industry or being acquired. This trend continues to be a tailwind for the remaining large operators such as BGA who continue to grow and benefit from increased economies of scale.

## PORTFOLIO SECTORS



2. Increased supply of raw milk: Over the years BGA has developed a reputation in the marketplace for treating its milk suppliers well. Doing so has provided BGA a competitive advantage over its peers when it comes to attracting new raw milk supply. However, until recently, the company's processing capacity has been constrained meaning it hasn't been able to properly leverage this edge. The company's acquisition of a large dairy processing facility in June last year changes this dynamic.

3. Strategic growth opportunities: Following the purchase of the Koroit facility from international dairy heavyweight Saputo, BGA recently conducted a capital raising and the \$202.2 million raised has significantly strengthened the company's balance sheet. BGA is now better positioned to pursue strategic growth opportunities. In 2017, the company completed the acquisition of the Mondalez grocery business, which gave it the famous Australian Vegemite brand.

In short, BGA has demonstrated an ability to turn milk into profits over many years and the Manager believes their extra milk supply will underpin future profit growth. We remain positive on the outlook. As at 30 June 2019 PIC held 1.42% of the portfolio in Bega Cheese (ASX:BGA).

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

### SAVE THE DATE: ANNUAL GENERAL MEETING & INVESTOR UPDATES 2019

The Company is pleased to notify all shareholders and interested parties that our annual roadshow for 2019 will be held in capital cities throughout October 2019.

Investors will be provided with a briefing on FY19 results and highlights. Vince Pezzullo, Perpetual Investments' Deputy Head of Equities and PIC Portfolio Manager will outline his views on market conditions, investment performance and stock insights into a number of the Australian and global securities held in the portfolio. There will be an opportunity to have shareholder questions answered.

Importantly, the Sydney Investor Update will coincide with the Annual General Meeting on the 17 October 2019 at Perpetual's Sydney office.

The dates and locations will be released shortly via an ASX Release and also placed on the company website [www.perpetualequity.com.au](http://www.perpetualequity.com.au)

### 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, 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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