

INVESTMENT UPDATE AND NTA REPORT

October 2019

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 OCTOBER 2019	AMOUNT
NTA after tax	\$1.089
NTA before tax	\$1.095

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 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 31 OCTOBER 2019

ASX Code:	PIC
Listing Date:	18 December 2014
Market Capitalisation:	\$355 million
Share Price:	\$1.025
Shares on Issue:	346,631,433

INVESTMENT PERFORMANCE

AS AT 31 OCTOBER 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	0.1%	-0.8%	4.7%	8.1%	5.1%	9.3%	8.1%
S&P/ASX 300 Acc Index	-0.4%	-0.8%	7.7%	19.5%	10.9%	12.5%	10.0%
Excess Returns	0.5%	0.0%	-3.0%	-11.4%	-5.8%	-3.2%	-1.9%

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	7.3%
Crown Resorts Limited	5.1%
Suncorp Group Limited	4.3%
Unibail-Rodamco-Westfield SE Stapled	4.1%
Iluka Resources Limited	4.1%

TOP 3 GLOBAL LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	5.0%
Ferguson Plc	3.3%
Norwegian Cruise Line Holdings Ltd.	1.3%

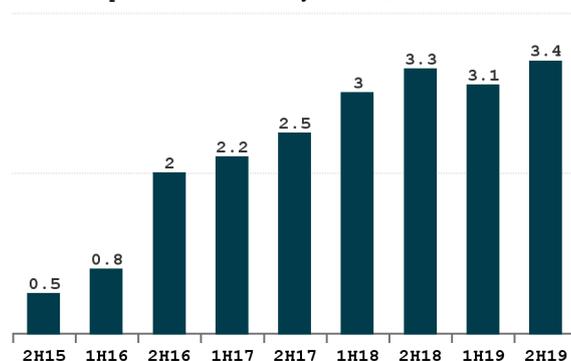
Portfolio weight based on direct investments in securities and does not include any derivative exposure

DIVIDEND PER SHARE, CPS

Final dividend for FY19: 3.4 cents per share

Annual dividend yield: 6.3%

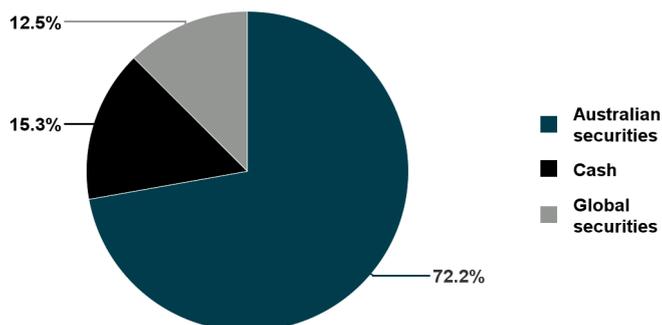
Grossed up annual dividend yield: 8.9%



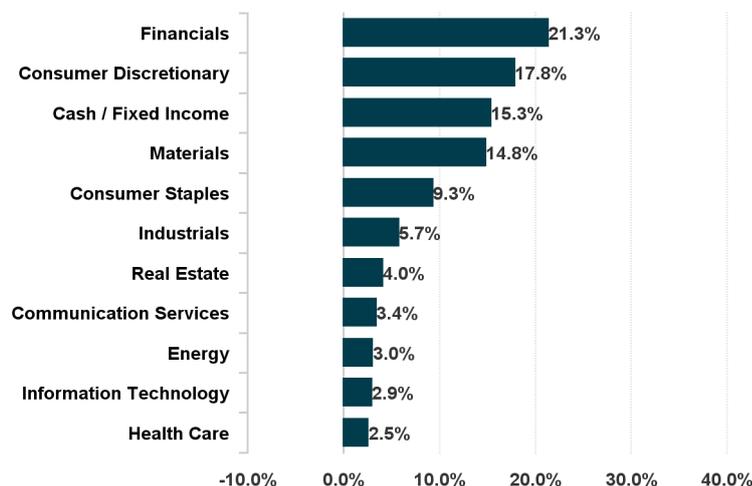
Yield is calculated using the 31 October 2019 share price of \$1.025. Grossed up yield takes into account franking credits at a tax rate of 30% for the final dividend 2H19 and 27.5% for the interim dividend 1H19.

ALLOCATION OF INVESTMENTS[^]

84.7% 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.

PORTFOLIO COMMENTARY

Top contributors to absolute performance this month were PIC's holdings in Iluka Resources Ltd (ASX: ILU), and global securities Ferguson Plc (LON: FERG) and Flutter Entertainment Plc (LON: FLTR). The largest detractors to absolute performance were Bega Cheese Ltd (ASX: BGA) and Fletcher Building Ltd (ASX: FBU).

The Manager has increased the portfolio allocation to global securities during the month to 12.5% (up from 7.8% in September), increasing the positions in FERG and FLTR, and taking a number of smaller new positions. This increase in global securities coincided with a reduction in cash holdings to 15.3% (down from 21.0% as at 30 September 2019).

As noted above, BGA was a detractor from performance during the month. At its AGM in late October BGA provided earnings guidance for FY20. BGA guided for FY20 EBITDA to be between the range of \$95-105m, down from \$115m in FY19. The core driver of the softer earnings guidance was the company's decision to match its key competitors and pay a higher milk price to its farmers, which will come at a material cost to BGA's margins. As the drought on the East Coast of Australia has continued to worsen, total industry milk volumes have continued to fall meaning processors are competing over a smaller volume of milk. Whilst the profit downgrade is very disappointing, the Manager believes the company's decision to match the market on milk prices in FY20 will prove to be a sound strategic decision over the long-term. Matching the market will enable BGA to maintain a large portion of its milk volumes at a time that its competitors are losing significant amounts of milk. As an example, key competitor Fonterra announced recently its milk collections in Australia for 1 July to 30 September were down 22%. For BGA, maintaining milk volumes in the peak of the drought will enable the company to capture the upside when the drought breaks, industry milk volumes stabilise, and the competition for milk eases.

In the short-term, BGA's earnings are being significantly impacted by the drought and the effect it is having on the broader dairy industry. Despite this, the Manager continues to believe the company is significantly undervalued at current share prices, with the company trading below book value and expects a meaningful share price recovery once the drought breaks. As at 31 October 2019, BGA represented 1.1% of the PIC portfolio.

A more recent position in the portfolio is a holding in Platinum Asset Management (ASX: PTM), representing 2.7% of the portfolio at the end of the month. PTM is an international equity manager founded in the mid-1990s. Today the firm manages approximately \$24.5bn for predominantly retail investors across a suite of unlisted funds, listed investment companies and exchange traded unit trusts. Despite a distinguished long-term track record, PTM's shorter-term performance has endured a challenging period. Even still, the flagship International Fund has outperformed by more than 5% p.a. compound, net of fees, since inception in April 1995!

As is common following periods of poor relative performance, flows have been weak and as a result the stock price has been under pressure. These flows tend to move in cycles as individual investors inevitably follow recent momentum. Despite this backdrop the Manager believes valuation has become attractive, discounting many of the near-term challenges. The Manager contends that PTM's disciplined investment style has not been suited to the valuation agnostic appetite for high flying technology companies, companies with traditional business models pretending to be technology companies, or "quality compounders" at any multiple. Underperformance was particularly acute in 2018, however has improved since, and recent market developments provide tentative optimism for better times ahead.

Continued underperformance is of course the key risk to an investment in PTM, followed closely by stability of the experienced investment team. PTM has put extensive effort into ensuring incentive structures for investment professionals are appropriate in order to address the latter. Further, the company has invested in new product structures, greater direct communication with clients, and establishment of an offshore distribution capability for prospective institutional clients. Progress in this regard takes many years even when performance is strong, so patience is necessary. The Manager believes that PTM have continued to manage the business for medium to long-term growth and are well positioned to capitalise on a lift in performance fortunes.

COMPANY NEWS

AGM AND INVESTOR UPDATE 2019

Thank you to everyone who attended the AGM on 17 October and to shareholders who voted on the resolutions. The details of AGM addresses and the outcomes of the meeting are available on the [Company's website](#).

Annual shareholder presentations have also taken place in major capital cities around Australia in the weeks following the AGM. Thank you to those people who were able to attend. For anyone that was not able to attend, you can access a video recording of the presentation and slides on the [News & Insights](#) section of the website.

SHAREHOLDER COMMUNICATIONS

The Company website hosts a range of information aimed at keeping shareholders and other interested parties up to date with the latest Company news. Via the website, you can also update your [communication preferences](#) to receive various Company alerts electronically. We encourage you to ensure your communication preferences are up to date so that you have access to all the information you need.

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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