

# INVESTMENT UPDATE AND NTA REPORT

September 2019

## PORTFOLIO SNAPSHOT

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

AS AT 30 SEPTEMBER 2019	AMOUNT
NTA after tax (cum dividend)	\$1.123
NTA before tax (cum dividend)	\$1.130

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 unrealised gains and losses of the Company's investment portfolio. As at 30 September 2019, the NTA after tax ex dividend was \$1.089 and the NTA before tax ex dividend was \$1.096. The ex dividend NTA figures are reduced by a provision for the 3.4 cents per share final dividend that was declared on 19 August 2019. The ex date for the final dividend is 2 October 2019 and the payment date is 18 October 2019.

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

### KEY ASX INFORMATION

#### AS AT 30 SEPTEMBER 2019

ASX Code:	PIC
Listing Date:	18 December 2014
Market Capitalisation:	\$366 million
Share Price:	\$1.06
Shares on Issue:	345,693,045

## INVESTMENT PERFORMANCE

AS AT 30 SEPTEMBER 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	1.9%	0.7%	7.0%	3.8%	6.9%	8.9%	8.2%
Net of fees, expenses and before tax paid							
S&P/ASX 300 Acc Index	1.9%	2.6%	10.8%	12.6%	13.3%	11.9%	10.2%
Excess Returns	0.0%	-1.9%	-3.8%	-8.8%	-6.4%	-2.9%	-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	7.1%
Suncorp Group Limited	4.8%
National Australia Bank Limited	4.3%
Crown Resorts Limited	4.1%
Amcorg PLC	3.8%

### TOP 3 GLOBAL LISTED SECURITIES

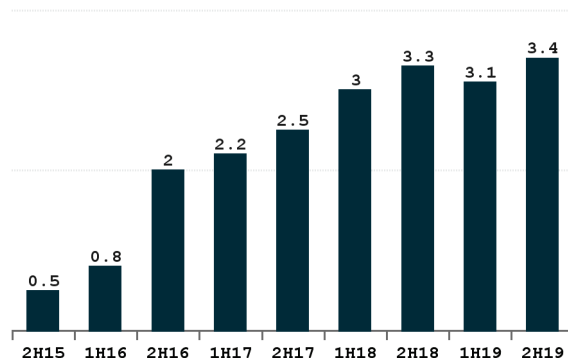
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	3.2%
Ferguson Plc	2.8%
Takeda Pharmaceutical Co. Ltd.	0.9%

## DIVIDEND PER SHARE, CPS

Final dividend for FY19: 3.4 cents per share

Annual dividend yield: 6.1%

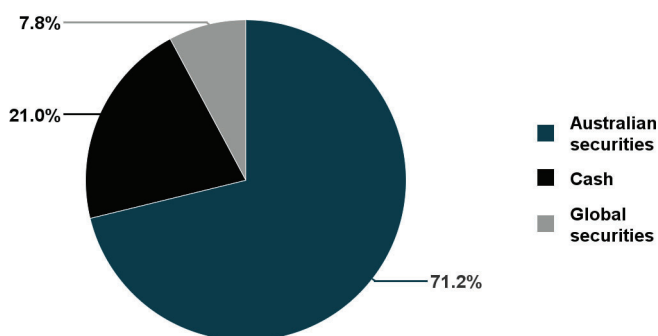
Grossed up annual dividend yield: 8.6%



Yield is calculated using the 30 September 2019 share price of \$1.06. 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.

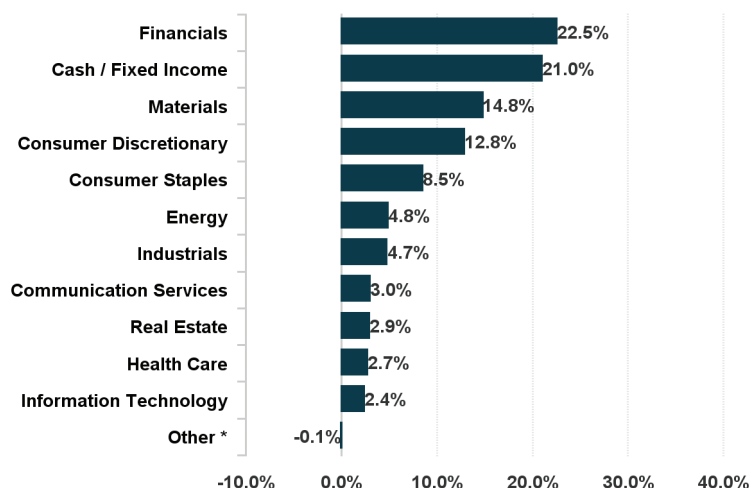
## ALLOCATION OF INVESTMENTS

79.0% of capital invested in securities



All figures are unaudited and approximate.

## PORTFOLIO SECTORS



\*Negative position is due to exposure to the sector via a market index derivative

## PORTFOLIO COMMENTARY

Top contributors to absolute performance this month were PIC's holdings in Flutter Entertainment Plc (LON: FLTR) and National Australia Bank (ASX: NAB). The largest detractors to absolute performance were Telstra (ASX: TLS) and Evolution Mining (ASX: EVN).

The Manager's views on some of PIC's longer-term and newer portfolio positions are outlined below.

As at 30 September 2019, registry services provider, Link Market Services (ASX: LNK) represented 2.4% of the PIC portfolio. LNK has just experienced an earnings reset, and the stock has de-rated far more than the earnings adjustment. The Manager believes that if the company can prove that financial year 2020 (FY20) earnings have stabilised, then the market should start to re-rate what ought to be a steady growth and defensive business. Of interest is LNK's 44% ownership of Property Exchange Australian Limited (PEXA), an online property exchange network. The Manager believes that the market underestimates the value of this business and will also underestimate the earnings upside that will emerge as the business reaches scale. Quasi-monopoly network businesses, like the ASX, command very high valuation multiples, and given PEXA is in its infancy, the Manager sees this as being under-appreciated by the market.

During September, the Manager took a new position in G.U.D Holdings Limited (ASX: GUD), a company that is involved in the manufacture, importation, distribution and sale of automotive and water products. GUD is considered an attractive investment based on fundamentals. Despite its share price having increased around \$1.50 or almost 20% to \$10.25 over the past month, it is currently trading on an attractive price / earnings ratio of less than 15x and a fully franked dividend yield of more than 7%. The Manager remains vigilant in seeking opportunities to acquire quality companies like GUD when they occasionally fall out of favour with the broader market, as occurred with the early August release of GUD's financial year 2019 (FY19) results. A change in management towards the end of calendar year 2018 and a poor acquisition meant that FY19 profit growth was not at the levels previously achieved. These factors, together with no FY20 guidance announcement, saw the broader market initially left looking elsewhere, and consequently the share price fell.

The Manager's view is that GUD retains its strong market position within an enduring consumer category (as wholesaler and brand owner of automotive parts), with generally sustainable margins despite some more immediate headwinds. Balance sheet and cashflow remain solid.

One of PIC's more recent global positions is Ferguson (LON: FERG). Whilst Ferguson is listed in London, around 90% of its business is in the US where the company is primarily engaged in the distribution of plumbing and heating products. The business trades at a significant discount to US listed peers and the Manager still sees significant upside if the company were to divest their UK business and move the primary listing for the company to the US. Despite a weaker US macro backdrop for the business currently, FERG continues to grow above market and is showing evidence of operating leverage despite the lower top-line growth. The company has a conservatively geared balance sheet which allows it to continue to roll-up other distributors for relatively attractive multiples and extract significant synergies. As at 30 September 2019, FERG represented 2.8% of the PIC portfolio.

## COMPANY NEWS

### 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 2.00pm – 4.00pm (Includes Annual General Meeting)	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 10.00am - 11.00am	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](#).

#### 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 via email at [www.perpetualequity.com.au/tools-and-resources/email-alerts](http://www.perpetualequity.com.au/tools-and-resources/email-alerts). We encourage 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

### INVESTOR RELATIONS

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