

INVESTMENT UPDATE AND NTA REPORT

October 2021

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 OCTOBER 2021	AMOUNT
NTA after tax	\$1.328
NTA before tax	\$1.401

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 costs and 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 2021

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$488 million
Share Price:	\$1.305
Shares on Issue:	374,314,954
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

* exclusive of GST

INVESTMENT PERFORMANCE

AS AT 31 OCTOBER 2021	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PIC Investment Portfolio	0.0%	5.6%	9.6%	40.3%	21.4%	16.8%	14.0%	11.8%
Net of fees, expenses and before tax paid								
S&P/ASX 300 Acc Index	0.1%	0.8%	6.6%	28.6%	8.8%	12.3%	11.0%	9.6%
Excess Returns	-0.1%	4.8%	3.0%	11.8%	12.5%	4.5%	3.0%	2.2%

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
Crown Resorts Limited	6.0%
Oil Search Limited	6.0%
PWR Holdings Ltd.	4.7%
Aristocrat Leisure Limited	4.3%
Westpac Banking Corporation	4.1%

TOP 3 GLOBAL LISTED SECURITIES

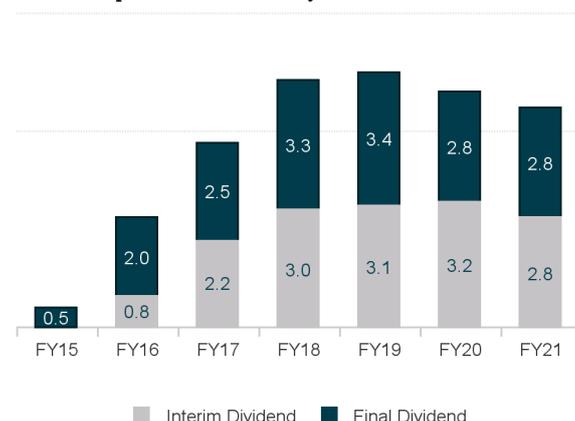
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	4.3%
La Francaise des Jeux SA	3.9%
Ferguson Plc	3.7%

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

DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.3%

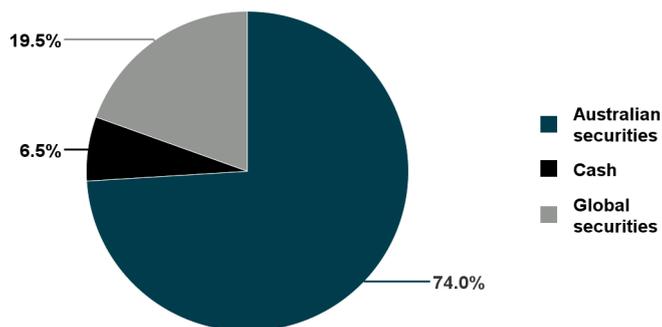
Grossed up annual dividend yield: 6.1%



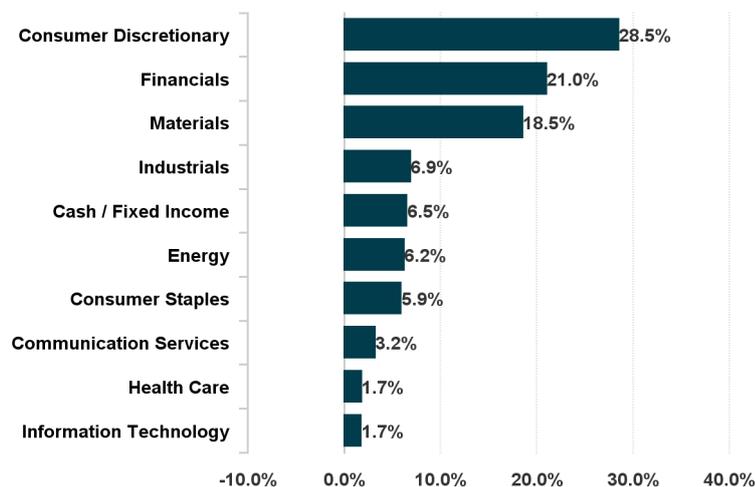
Yield is calculated based on the total dividends of 5.6 cents per share and the closing share price of \$1.305 as at 31 October 2021. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS[^]

93.5% 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

Despite some volatility in the equity market during October, the S&P/ASX 300 Accumulation Index finished more or less where it started. October began with a sharp selloff on global fears of inflation, higher bond yields and talk of tapering central bank stimulus. Closer to home, the easing of lockdowns in NSW and Victoria helped bolster reopening confidence. However, feedback the Manager has heard from businesses across the board indicated they are struggling to fill advertised positions and contain inflationary cost pressures. Market dislocations and shortages in the northern hemisphere seem destined to plague Australia as we approach the end of the calendar year. The month of October, however, also saw dramatic moves in bond markets. With the market expecting the Reserve Bank of Australia (RBA) to abandon its yield curve control program, bond yields began to surge across the spectrum, with 3-year bond rates rising sharply where yield curve control was most focused. It appears that the RBA has also struggled to convince the market that rate rises won't happen before 2023. Equities fell hard in response to the bond spike on the last day of the month, giving up the steady gains accrued during the month since the torrid opening. As a result, the S&P/ASX 300 Accumulation Index finished with just a 0.1% gain for the month.

For the 1 month to 31 October 2021, the PIC portfolio slightly underperformed the S&P/ASX 300 Accumulation Index (the benchmark) by -0.1%. However, over the 12 months to 31 October, the portfolio outperformed the benchmark by 11.8%¹. The top contributors to absolute portfolio performance in October were HT&E Limited (ASX: HT1), Jervois Global Limited (ASX: JRV), PWR Holdings Limited (ASX: PWH) and Crown Resorts Limited (ASX: CWN). While the price for HT1 (referred to below) dipped early in October, HT1 rebounded sharply on the last day of the month, increasing by 31% to \$1.93. The share price for CWN also made solid month end gains against the equity trend, following the favourable outcome for CWN's Victorian gambling license post release of the Royal Commission Report. Despite the potential reduction in CWN's earnings as result of regulatory change and the Government's responsible gambling and AML recommendations, the Manager maintains a positive outlook for CWN and continues to see a potential upside in their valuation. As at 31 October 2021, CWN represented 6.0% of the PIC portfolio.

For the month of October, the largest detractors to the portfolio's absolute performance were Flutter Entertainment (LON: FLTR) (referred to below), Euronet Worldwide (NAS: EEFT) and AUB Group Limited (ASX: AUB).

Below, we hear from members of the Manager's broader equities team, Alex Patten and Sean Roger, on the portfolio's top monthly contributor HT1, and one of the largest detractors for the month, FLTR. They discuss the investment thesis and the research undertaken by the broader equities team to support PIC Portfolio Manager Vince Pezzullo's stock selection.

¹ 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.

HT&E LIMITED (ASX: HT1) (DEPUTY PORTFOLIO MANAGER, EQUITIES - ALEX PATTEN)

Here, There and Everywhere Limited (HT&E) (ASX:HT1) is an Australian Media company headquartered in Macquarie Park, Sydney. HT1 owns the ARN Radio Network, comprised of the KIIS and WSFM stations, which have consistently generated industry leading ratings and revenue share. HT1 also owns a number of other assets, most notably a 25% shareholding in Soprano Design, a fast-growing communication software platform.

We established a position in HT1 for the PIC portfolio at the start of FY21. Initially, our view was that the market was under-appreciating the value inherent in the portfolio of assets, particularly Soprano Design, and was also under-estimating the quality and resilience of the core ARN business.

Whilst radio advertising markets have been slow to recover back towards pre COVID levels, the trajectory is positive, with ARN maintaining their ratings advantage over competitors while continuing to win market share. We believe there have been several catalysts that have helped realise value for HT1 shareholders. The market has come to appreciate more fully the value inherent in the Soprano Design shareholding, particularly after the business was valued at \$560m in a bid from Norwegian listed Link Mobility (NOK: LINK). Whilst the transaction ultimately failed to complete, it raised awareness of the significant value in HT1's shareholding and we expect HT1 will look to monetise their holding in the future. In the meantime, Soprano Design continues to grow profits and generate strong cash flows. HT1 recently settled a long running dispute with the Australian Taxation Office (ATO) for \$71m; this compares favourably to the potential full liability of \$190m the ATO was pursuing and which many analysts were factoring into their valuations. Following the settlement, and the recent sale of HT1's 4.8% shareholding in Ooh Media (ASX: OML), HT1 will hold net cash of ~\$150m. When considered together, and despite the recent strong run in the share price, we feel that the core radio business remains very attractively priced at current levels. We believe HT1 is well placed to benefit from a broad-based recovery in advertising spend as lockdown restrictions in NSW and Victoria ease, and in our view, the business is also well placed for any further industry consolidation.

FLUTTER ENTERTAINMENT (LON: FLTR) (DEPUTY PORTFOLIO MANAGER, EQUITIES - SEAN ROGER)

During the month, the share price of FLTR, PIC's largest global holding, fell ~6%, reducing some of the strong gains made over prior months. Whilst there was no material company specific news released during the month, a trading update late in October from a European based competitor highlighted a run of unfavourable sporting results impacting industry yields. This was confirmed by Flutter in its third quarter (Q3) trading update, released post month end which highlighted that October EBITDA² was impacted by £60m from this run of punter friendly sporting results. Sports results are inherently volatile and will impact short term results both positively and negatively at certain times. As long term investors, we look through these short term impacts and focus on a normalised theoretical yield. Outside of this headwind, the Q3 update showed continued share dominance in the key US market and, in our view, another very strong operational performance from the Australian based Sportsbet business. The ongoing growth in market share and active customer numbers combined with the continual investment in product and customer generosity gives us confidence that FLTR will continue to deliver sustained revenue and earnings growth over the long term.

The Portfolio Manager also used the share price strength in September and early October 2021 to reduce the size of the overweight position; however, it remains a high conviction holding, representing 4.3% of the PIC portfolio at the end of the October.

² Earnings before interest, taxes, depreciation and amortization.

COMPANY NEWS

ANNUAL GENERAL MEETING (AGM) AND INVESTMENT MANAGER UPDATE

On Thursday 21 October, the AGM and Investment Manager Update was broadcast live via an online event. Thank you to all investors who participated in the event.

Click [here](#) to view the full Webcast recording.

BONUS ISSUE OF OPTIONS

On 29 June 2021, all eligible shareholders received their allotment of the one-for-one issue of bonus Options which the Company had [announced](#) on 2 June 2021. The Options are trading on the ASX, under the ASX code PICOA.

PIC Options provide 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 [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.

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

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