

INVESTMENT UPDATE AND NTA REPORT

April 2021

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 30 APRIL 2021	AMOUNT
NTA after tax	\$1.257
NTA before tax	\$1.349

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 30 APRIL 2021

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$440 million
Share Price:	\$1.26
Shares on Issue:	349,381,055
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

* exclusive of GST

INVESTMENT PERFORMANCE

AS AT 30 APRIL 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 Net of fees, expenses and before tax paid	4.9%	15.5%	28.1%	47.6%	18.7%	13.1%	12.8%	11.2%
S&P/ASX 300 Acc Index	3.7%	7.6%	20.6%	31.6%	9.4%	9.7%	10.4%	9.3%
Excess Returns	1.2%	7.9%	7.5%	16.0%	9.3%	3.4%	2.4%	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
PWR Holdings Ltd.	5.3%
Bluescope Steel Limited	4.8%
Crown Resorts Limited	4.7%
Suncorp Group Limited	4.2%
Boral Limited	3.9%

TOP 3 GLOBAL LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
La Francaise des Jeux SA	7.2%
Flutter Entertainment Plc	6.9%
Persimmon Plc	2.9%

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

DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.4%

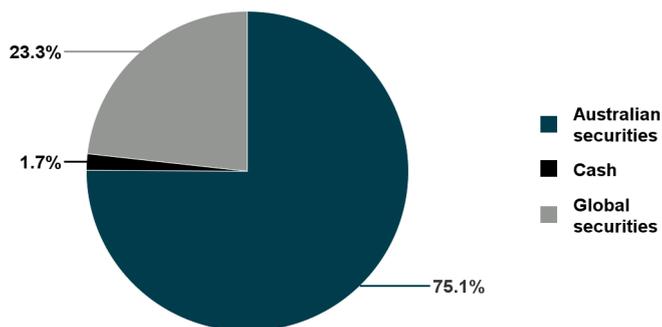
Grossed up annual dividend yield: 6.3%



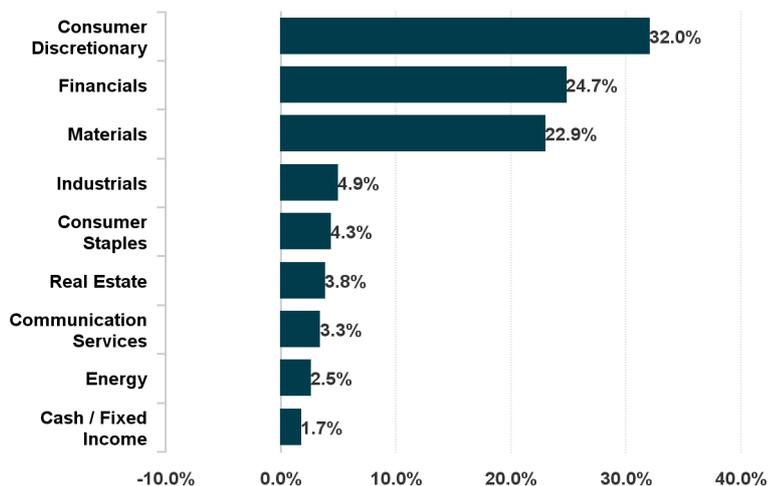
Yield is calculated based on the total dividends of 5.6 cents per share and the closing share price of \$1.26 as at 30 April 2021. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS[^]

98.3% 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

Portfolio Manager, Vince Pezzullo discusses recent performance of the PIC portfolio and how he is positioning the portfolio against the backdrop of current economic conditions including the rotation to value stocks.

The PIC portfolio returned 4.9%** in April, outperforming the S&P/ASX 300 Accumulation Index (Benchmark) return by +1.2%. This continues strong performance over the year with the portfolio returning 47.6%** in the 12 months to 30 April 2021, outperforming the Benchmark by +16.0%.

The Benchmark surged over the psychologically important 7,000 point hurdle during April. "Reopening momentum" led the market to advance after trading in a narrow band since the start of the year. Talk of a large infrastructure stimulus in the US permeated through global markets and the International Monetary Fund (IMF) upgraded the forecast for Australian economic growth in 2021 from 3.5% to 4.5%. Australian business conditions (trading, profitability and employment) rose to the highest levels ever recorded since the National Australia Bank (NAB) survey began in 1997. A number of growth stocks extended their weakness from earlier in the year as concerns around valuations and rising inflation fears lingered in the background. Commodity prices continued their upward march with iron ore prices moving from \$165 to \$185 a tonne.

PIC continues to be a beneficiary of the rotation to value stocks. Our active management style also means we can take advantage of market volatility to position the portfolio in a way that is unavailable to index investors. Importantly, we continue to identify numerous opportunities in the Australian and global market to generate income and capital growth for the portfolio. This is reflective of the portfolio being almost fully invested with just 1.7% cash as at 30 April 2021. The PIC portfolio has been positioned with cyclical companies which we expect to benefit from reopening economies, and which complement the portfolio's long-term positions in companies we believe are experiencing structural growth.

The top contributors to absolute performance for the PIC portfolio in April were La Francaise Des Jeux (PAR: FDJ), BlueScope Steel Limited (ASX: BSL) and Boral Limited (ASX: BLD). FDJ which returned 11.0% in April has been in the portfolio since 2019 and is a prime example of a company we believe is experiencing long-term structural growth. This is predominantly through their ongoing margin expansion with the shift from retail sales to online sales. During the month, BSL increased its earnings guidance for 2H FY2021 to be in the range of \$1.0 billion to \$1.08 billion subject to spread, foreign exchange and market conditions. This is up from its prior guidance of \$750 million to \$830 million. BLD performed well after finalising the US\$1.02 billion sale of its 50% stake in its USG Boral joint venture to Germany's Gebr Knauf KG. Management reported that it expects to generate a post-tax profit of A\$450 million (US \$341.9 million) on the divestment and intend on using the proceeds to reduce its net debt position from ~\$1.9 billion to its target of \$1.5 billion, and to distribute surplus capital via an on-market buyback of up to 10% of its shares on issue over the next 12 months.

In addition to BSL and BLD, materials and mining companies in the PIC portfolio have more broadly benefited the portfolio and cemented our views that they are likely to be key beneficiaries of economic recovery. Western Areas Limited (ASX: WSA), Deterra Royalties Limited (ASX: DRR) and Iluka Resources Limited (ASX: ILU) were all contributors to absolute performance in April.

The largest detractors to absolute performance were Flutter Entertainment Plc (LON: FLTR), Oil Search Limited (ASX: OSH) and Qantas Airways Limited (ASX: QAN). After a strong run-up over the last year, FLTR's share price consolidated in April despite releasing a strong first quarter update in late April. We remain optimistic around the long-term opportunity for the business and believe FLTR is undervalued at current levels. FLTR remains a key position in the portfolio. OSH's share price was impacted as oil prices fell in April. This came as fears mounted that global outbreaks of COVID-19 might suppress oil demand. QAN's share price was also impacted by the concerns lingering about new strains of COVID-19 which have disrupted a return to more normalised travel arrangements. We are of the view that QAN have successfully reset their cost base through their recent restructuring. Although these stocks were detractors for the portfolio in April, they have been more than offset by the returns generated by other stocks in the portfolio and our investment thesis remains strong.

**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.

DEXUS (ASX: DXS) (ANALYST - GUY BUNCE)

Dexus (ASX: DXS) is an Australian Real Estate Investment Trust (A-REIT) that derives the majority of its earnings from rental income received from directly owning Australian property. DXS also has an unlisted funds management business where they receive management fees based on the assets under management on behalf of third party capital partners.

2020 was a tough year for A-REITs generally, but particularly those with a material exposure to the Office sector. With around 75% of its income from Office Investment Properties, DXS was severely impacted and its share price fell from \$13.42 in February 2020 to a low of \$8.03 only a month later. This was driven by analyst and investor concerns about the impact of the COVID-19 pandemic on office occupancy, rent, incentives, income, and ultimately asset valuations. The consensus view was that COVID-19 would lead to a significant structural decline in the demand for office space. However, we took a different view.

In our view, offices will continue to play a critical role in most people's working lives. It is a place for collaboration, innovation, culture building, upskilling, career progression and social interaction. We would argue that most of these things are difficult to achieve through a virtual network. And it would appear that others agree – with the physical occupancy of our CBDs continuing to grow as COVID-19 restrictions are removed. For example, the Property Council of Australia estimates that offices in the Sydney CBD had an occupancy rate of 59% in April 2021, up from a low of 35% in September 2020. More importantly, a number of direct property investors appear to agree with us. Since early last year, there have been a number of direct market transactions either at or above the building's net tangible asset value. For example, 452 Flinders St, Melbourne, 60 Miller St, North Sydney and 10 Eagle St, Brisbane.

At its March 2020 low, DXS was trading at close to a 30% discount to its net tangible asset backing. As at April 2021, DXS is trading at less than a 10% discount as analysts and investors concerns have faded. We continue to see significant value in this stock.

As at 30 April 2021, DXS comprised 3.8% of the PIC portfolio.

COMPANY NEWS

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 Investments
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 Investments' Equity team, one of the largest investment teams in Australia.

PERPETUAL KEY CONTACTS

INVESTOR RELATIONS

Karen Davis
P: 02 9229 9114
E: karen.davis@perpetual.com.au

NSW

Mark Williams
Key Account Manager, Perpetual Investments
P: 0405 385 960
E: mark.williams@perpetual.com.au

VIC/SA/NT/TAS

Daniel Moore
Regional Manager, Perpetual Investments
P: 0400 032 819
E: daniel.moore@perpetual.com.au

QLD

Tony Harte
Regional Manager, Perpetual Investments
P: 0407 708 109
E: tony.harte@perpetual.com.au

WA

Tim McCallum
Regional Manager, Perpetual Investments
P: 0411 209 403
E: tim.mccallum@perpetual.com.au

www.perpetualequity.com.au

This monthly report has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. PIML is the investment manager of the Perpetual Equity Investment Company Limited (Company) ACN 601 406 419. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. This information does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of the Company's securities. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. References to securities in this publication are for illustrative purposes only and are not recommendations and the securities may or may not be currently held by the Company. Past performance is not indicative of future performance. This information is believed to be accurate at the time of compilation and is provided in good faith. No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) nor the Company guarantees the performance of the Company or the return of an investor's capital.

CONTACT DETAILS

Investor queries: Telephone: +61 1800 421 712
Mailing address: Link Market Services,
Locked Bag A14, Sydney South, NSW 1235
Email: pic@linkmarketservices.com.au

