

INVESTMENT UPDATE AND NTA REPORT

February 2021

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 28 FEBRUARY 2021	AMOUNT
NTA after tax (cum dividend)	\$1.203
NTA before tax (cum dividend)	\$1.257

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. As at 28 February 2021, the NTA after tax (ex dividend) was \$1.175 and the NTA before tax (ex dividend) was \$1.229. The ex dividend NTA figures are reduced by a provision for the 2.8 cents per share interim dividend that was declared on 17 February 2021. The ex date for the interim dividend is 6 April 2021 and the payment date is 26 April 2021.

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

KEY ASX INFORMATION

AS AT 28 FEBRUARY 2021

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$396 million
Share Price:	\$1.135
Shares on Issue:	348,685,708
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

* exclusive of GST

INVESTMENT PERFORMANCE

AS AT 28 FEBRUARY 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	5.7%	5.2%	18.0%	28.2%	14.4%	10.9%	11.8%	9.9%
Net of fees, expenses and before tax paid								
S&P/ASX 300 Acc Index	1.5%	3.2%	11.7%	7.1%	7.9%	7.5%	10.8%	8.6%
Excess Returns	4.2%	2.0%	6.3%	21.2%	6.5%	3.3%	0.9%	1.4%

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.	5.2%
Suncorp Group Limited	4.2%
Bluescope Steel Limited	4.2%
Crown Resorts Limited	4.0%
AUB Group Limited	3.9%

TOP 3 GLOBAL LISTED SECURITIES

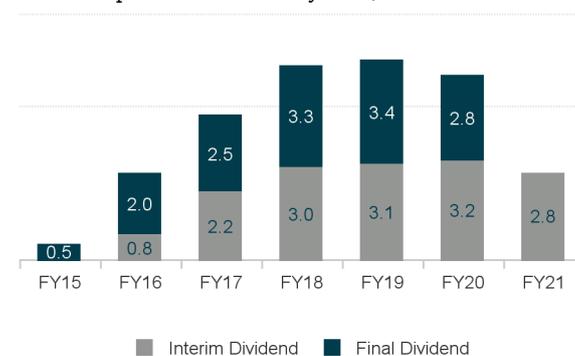
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	7.4%
La Francaise des Jeux SA	6.8%
Persimmon Plc	3.0%

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

DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.9%

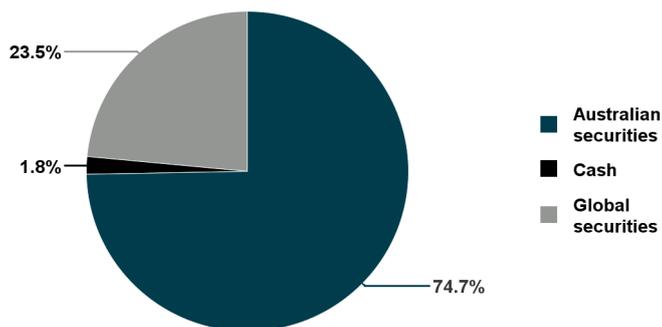
Grossed up annual dividend yield: 7.0%



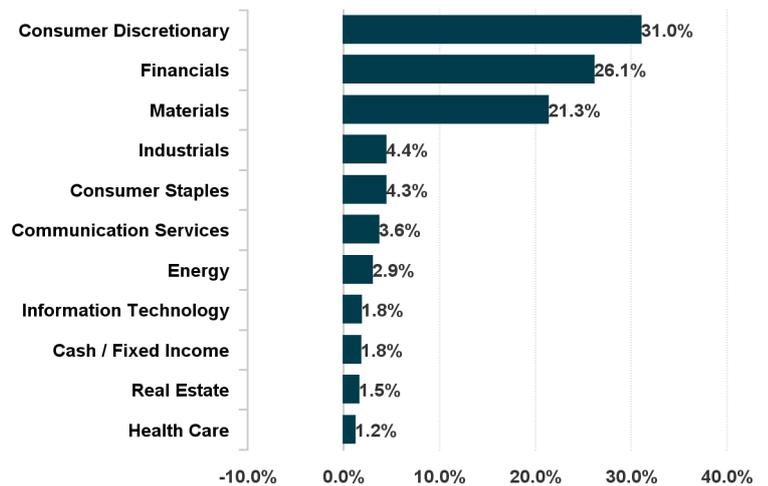
Yield is calculated based on the total dividends of 5.6 cents per share and the closing share price of \$1.135 as at 28 February 2021. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS[^]

98.2% 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

Following reporting season for many Australian listed companies, PIC Portfolio Manager, Vince Pezzullo outlines how he is positioning the portfolio against this backdrop and the current economic conditions.

The PIC portfolio returned 5.7%** in February, outperforming the S&P/ASX 300 Accumulation Index (Benchmark) return by +4.2%. This continues strong performance over the year with the portfolio returning 28.2%** in the 12 months to 28 February 2021, outperforming the Benchmark by +21.2%. We are encouraged by these results and the performance of PIC stocks, especially coming on the back of reporting season following one of the most tumultuous twelve months in market history.

Economic re-opening afoot

The broad economic backdrop continues to be a complex mixture of opportunities and risks. The Australian and US economies continue to recover ahead of expectations. A dramatic steepening in the yield curve – with both Australian and US 10 year bond yields spiking but official cash rates staying near zero - has sparked a large rotation in equity markets. Expensive growth stocks have been crushed whilst value stocks, like many in the PIC portfolio, that are geared to economic re-opening have enjoyed a bounce.

However, other risks such as inflation are also presenting themselves. COVID-19 virtually shut down global production last year, but demand was sustained through extraordinary stimulus measures from governments around the world. As companies ran down their spare inventories a mixture of supply dislocations and trade tensions has led to long waits for new consumer goods. As factories struggle to get production back online and rates for transportation and logistics surge, we believe the economy will likely experience a bout of inflation. There are also fears that the massive new US\$1.9 trillion stimulus delivered by the US Congress is “too much, too late” in the cycle as consumer demand roars back to life. Like the stimuli in 2020 this is not indirect monetary stimulus likely to be trapped in bank reserves but a “hard money” fiscal injection, delivered directly into the hands of consumers with a high propensity to spend it.

In this environment we have continued to position the portfolio in a select mix of cyclical value stocks which we believe will benefit from the recovery. We have also invested in mining companies that we think will do the same and also act as an inflation hedge, and a handful of companies that we believe are high quality, trading at reasonable prices and will benefit from structural growth.

Reporting season stars

Many key stocks in the PIC portfolio performed well through reporting season. Domestic industrial PWR Holdings Limited (ASX: PWH) was the top contributor to absolute performance in February for the PIC portfolio, rising 23.5%. Revenue at the automotive engineering firm rose 25% whilst rising volume, scale and efficiency gains helped push up margins and deliver a staggering 90% increase in net profit. We also considered the half year results from insurance broker AUB Group Limited (ASX: AUB) to be impressive, with the CEO delivering on his new strategy ahead of expectations. AUB’s core broking business did well, whilst the newly acquired BizCover stake (an online distribution platform) also contributed. Tight cost controls and the “hubbing” of smaller brokerages to generate back office synergies continued to pay off. Underlying net profit after tax for half year financial year 2021 rose 44.2% and the stock surged 17.4% for the month. As a result, AUB was the second largest contributor to absolute performance.

Miners booming

Amongst miners, OZ Minerals Limited (ASX: OZL) was the top contributor to the PIC portfolio with its share price rising 20.0% in February. OZL announced their full year results for financial year 2020 in February with net profit after tax rising 30% from \$164 million in 2019 to \$213 million for 2020. This was led by consistent production from Prominent Hill and a successful commissioning of the Carrapateena mine in South Australia.

We also have a position in Iluka Resources Limited (ASX: ILU) which performed well with the stock up 15.0% for the month. ILU reported a net profit after tax of \$2.4 billion, although this included a \$2.2 billion gain from the demerger of Deterra Royalties Limited (ASX: DRR), an iron ore royalty stream business. ILU is the largest producer of zircon and rutile in the world. Zircon is used in tile manufacturing as a hardening agent and rutile is a titanium dioxide feedstock mainly used in pigment for paints. The company also entered into a feasibility study to become the only fully integrated producer of rare earths in Australia by utilising stockpiles at its operations in Eneabba, Western Australia as well as feed from the Wimmera project in Victoria. Whilst it might cost \$1.2 billion to develop the plant, mine and refinery required to create the rare earths business, we believe this could be an extremely valuable business by the second half of the decade.

Bank recovery

We view banks as pro-cyclical stocks and have already observed normalisation following their high degree of caution during the height of COVID-19 through lowering the payout ratio for dividends and managing their capital position. Following APRA's lift on the restriction on banks to cap dividend payouts at 50% of profits in December, we expect the banks to resume their payout ratios relatively soon. As at 28 February 2021, National Australia Bank Limited (ASX: NAB), ANZ Banking Group (ASX: ANZ) and Westpac Banking Corporation (ASX: WBC) together comprised 9.3% of the PIC portfolio. We expect our position in these banks will benefit in regard to portfolio return and generating franking credits for the portfolio.

Global businesses experiencing structural growth

Amongst the global stocks that have been identified, we have invested in what we consider to be excellent structural growth businesses that are trading at reasonable valuations and which we intend to own for a long time. For example, we have held our two largest positions in the PIC portfolio, Flutter Entertainment Plc (LON: FLTR) and La Francaise Des Jeux (PAR: FDJ), since 2019. Our research shows that FLTR has strong global sports betting and gaming brands with growing market share and strong cashflow generation. FLTR's profit margins exceeded 30% and they have been a big winner from the shift from retail to online during COVID-19. In fact, 95% of FLTR's revenue is generated online. FLTR has a track record of building profitable, market leading online positions in newly regulated markets and thus we see them very well placed to benefit as further global markets open up. The recent market leading position they have built in the rapidly growing US market is evidence of this. We view FLTR as one of the highest quality businesses we have ever come across and their management team have demonstrated they are capable and long-term thinkers. Whilst predicting stock movements month to month and year to year is difficult, we have little doubt that Flutter will be a much bigger business in 5 years.

Moreover, FLTR is committed to responsible gambling practices with a wide range of policies on responsible gambling and routine engagement with customers who may be at risk. FLTR continually invest in customer and staff education, drive collaboration across the industry and look at these initiatives as a short and long-term priority.

La Francaise des Jeux (PAR: FDJ) delivered an excellent result for financial year 2020 and returned 4.4% for the portfolio in February 2021. FDJ is a lottery monopoly which is shifting rapidly to online digital sales. We typically see profit margins of online sales being double retail sales. Therefore, we expect FDJ to deliver ongoing margin expansion as sales shift online resulting in a very attractive long-term profit growth outlook. We believe this will help grow the already solid 5% free cash flow yield of the business. The company also has €580 million in net cash on its balance sheet, equating to around 8% of its market capitalisation.

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COMPANY NEWS

KEY DATES FOR THE INTERIM DIVIDEND 2021

On 17 February, the Company announced its half year results for financial year 2021 and declared an interim dividend of 2.8 cents per share fully franked. The key dates for the interim dividend are outlined below.

Announcement/Declaration	17 February 2021
Ex date	6 April 2021
Record date	7 April 2021
DRP election date	8 April 2021
Payment date	26 April 2021

Click here for the [ASX announcement](#).

DIVIDEND REINVESTMENT PLAN

The Company's dividend reinvestment plan (DRP) is available to shareholders for the interim dividend and will operate without a discount. To participate in the DRP or to change your level of participation, a DRP Participation Form must be received by no later than 5.00pm, AEST on 8 April 2021 ("DRP Election Date").

For more information regarding the DRP including the DRP rules and form to update your DRP preference, please visit our [website](#).

If you are already participating in the DRP and wish to remain so, there is no further action to be taken. Should you wish to check your participation, please visit the registry's Investor Centre by clicking [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 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

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