

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

INVESTMENT UPDATE AND NTA REPORT

July 2021

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 JULY 2021	AMOUNT
NTA after tax	\$1.298
NTA before tax	\$1.372

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 JULY 2021

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$485 million
Share Price:	\$1.30
Shares on Issue:	373,134,413
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

* exclusive of GST

INVESTMENT PERFORMANCE

AS AT 31 JULY 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	-0.1%	3.7%	19.8%	41.4%	17.6%	13.1%	12.7%	11.4%
Net of fees, expenses and before tax paid								
S&P/ASX 300 Acc Index	1.1%	5.8%	13.9%	29.1%	8.0%	9.7%	10.1%	9.9%
Excess Returns	-1.2%	-2.0%	6.0%	12.3%	9.7%	3.4%	2.6%	1.5%

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	5.5%
PWR Holdings Ltd.	5.2%
BHP Group Ltd	4.7%
Oil Search Limited	4.2%
Iluka Resources Limited	4.1%

TOP 3 GLOBAL LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	5.4%
La Francaise des Jeux SA	4.6%
Ferguson Plc	2.8%

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%

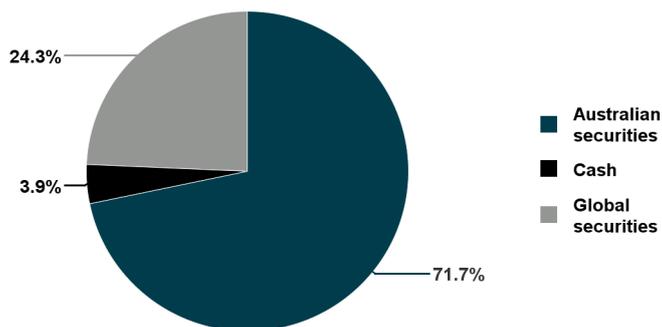
Grossed up annual dividend yield: 6.2%



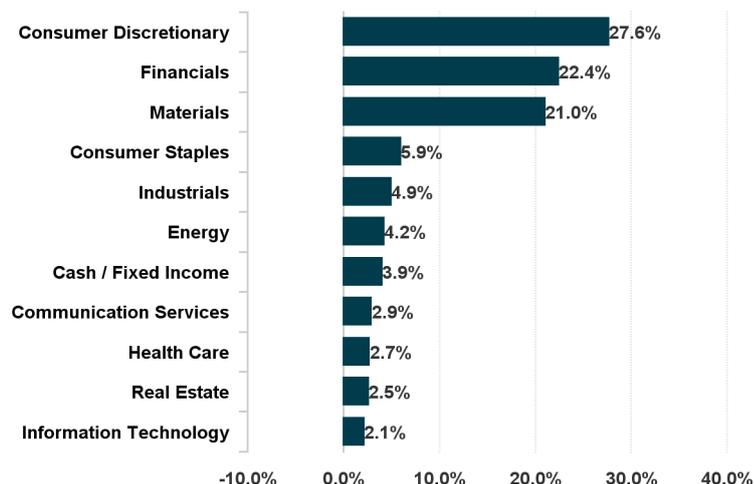
Yield is calculated based on the total dividends of 5.6 cents per share and the closing share price of \$1.30 as at 31 July 2021. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS[^]

96.1% 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

In July, the rise in COVID-19 Delta variant cases, combined with sluggish domestic vaccine rollouts and imposed lockdowns across four states, weighed on economic recovery and market sentiment. While the national unemployment figures released during the month reported a decline to 4.9%, underemployment increased to 7.9%, with unemployment expected to rise moderately in the short term, or until restrictions relax. The index of commodity prices increased by 7.7% (in \$AUD terms*), with industrial metal prices gaining ground, although the Materials sector made the strongest gains within the S&P/ASX 200 Accumulation Index. In contrast, the Technology sector dragged behind, falling overall, while growth stocks outperformed value marginally. Overall, the S&P/ASX 300 Accumulation Index (benchmark) gained 1.1% over the month. Despite COVID-19 being a continual threat to recovery and positive market sentiment, monetary policy remains favourable, with borrowing costs for businesses, governments and households remaining low.

The key contributors to absolute performance were Bluescope Steel Limited (ASX: BSL), ICON Plc (NAS: ICLR), BHP Group Limited (ASX: BHP) and Select Harvests Limited (ASX: SHV). On the global front, ICLR (referred to below) generated positive market sentiment following the announcement of their solid second quarter earnings, while locally, BSL continued its momentum in line with the Materials sector, as surging US steel prices combine with record BSL quarterly earnings. In July, SHV announced a record almond harvest as processing productivity improved. Demand for almonds, both in their natural form and as a value-added food ingredient, is on course to grow globally, and the Manager is confident this structural trend will benefit the PIC portfolio as consumers shift to 'plant-based' foods.

The top detractors to absolute performance were Crown Resorts Limited (ASX: CWN), La Francaise des Jeux SA (PAR: FDJ) and Insurance Australia Group Limited (ASX: IAG). While the bearish sentiment around CWN continues to impact the share price, the Manager believes CWN has shown a strong willingness for governance reform. Despite COVID-19 restrictions and market speculation around CWN's licensing, the Manager's investment thesis is premised on the high-quality asset base that generates significant amounts of cashflow for CWN and is supported by a strong balance sheet. On the global front, FDJ trended down for the month of July, after strong consecutive gains throughout financial year 2021. In July, FDJ reported that their second quarter revenue was up 9%[^] and they continue to have a favourable view on economic recovery. The Manager maintains a positive outlook towards FDJ, which returned 45.5% for the 12 month period ending 31 July 2021. Overall, FDJ contributed 3.13% to the portfolio performance for the 12 month period ending 31 July 2021.

* Index of Commodity Prices July 2021 | RBA

[^] When compared with the same period 2019

ICON Plc (NAS: ICLR) (ANALYST - ROSEMARY TAN)

ICLR is a Contract Research Organisation (CRO) that provides outsourced services to pharmaceutical, biotech and medical device companies to run clinical trials, aiding in the development of device / drugs from discovery through to the approval phase. Equities Analyst, Rosemary Tan discusses her views on ICLR, and why PIC portfolio Manager Vince Pezzullo considered it a compelling investment opportunity for the PIC portfolio.

In pursuing quality global exposure, we recently re-initiated a position in ICLR. The company is currently undergoing a merger transaction with PRA Health Sciences, a global healthcare intelligence partner and CRO. The combined company will be an equal #1 / close #2 to IQVIA (NYS: IQV), a market leader in this space. PRA Health Sciences also complements ICLR's geographic areas by bolstering their presence in the important Japanese market and China. PRA Health Sciences brings with them technology that ICLR didn't have, including mobile health technology to manage decentralised trials that have been essential during COVID-19 and represent the path forward for the industry. PRA Health Sciences also has a data network that will allow the enlarged ICLR to source all important patient volunteers for clinical trials. Data allows ICLR to better identify customers for clinical trial, saving time with patient enrolment. Similarly, PRA Health Sciences' strength in the Asia Pacific region allow ICLR to have conversations with their customers about offering services in regions where they were previously not participating. We believe the combined ICLR will enable them to also cross sell new services to their existing customers.

In our view, we see ICLR growing its earnings per share (EPS) in the mid-teens for the next few years, with a backdrop of strong industry growth and demand for outsourced clinical trials. Consequently, we acquired ICLR at a discount to the market leader IQV, and believe there is potentially a 30% upside of the price from when we acquired shares in the company. Given management's track record with good cost control and governance, we are confident they will be able to manage the integration of the deal with minimal disruption to their existing businesses.

As at 31 July 2021, ICLR Comprised 2.7% of the PIC Portfolio.

COMPANY NEWS

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](#).

ANNUAL RESULTS

The Company's full year results for financial year 2021, including any dividend declaration, will be announced on 20 August 2021.

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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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.

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