

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

KEY ASX INFORMATION

As at 31 March 2017

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$258.434 million

Share price: \$1.02

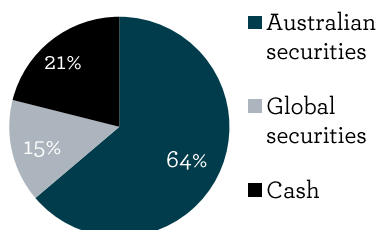
Shares on issue: 253,366,220

MARCH 2017 MONTHLY INVESTMENT UPDATE AND NTA REPORT

PORTFOLIO PROFILE

ALLOCATION OF INVESTMENTS

79% of capital invested in securities.



PERFORMANCE

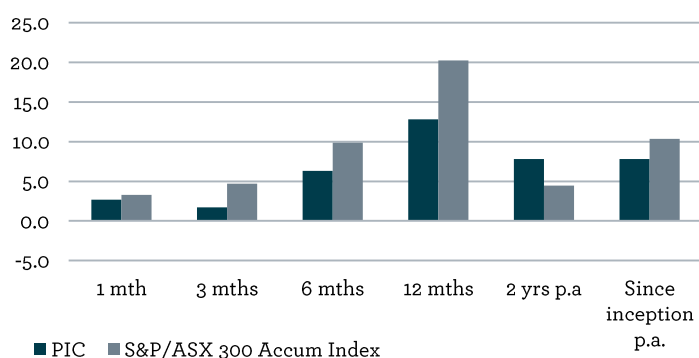
Net of fees, expenses and tax paid

AS AT 31 MARCH 2017	1 MTH	3 MTHS	6 MTHS	1 YRS P.A.	2 YRS P.A.	SINCE INCEP P.A.
PIC	2.7%	1.7%	6.3%	12.8%	7.8%	7.8%
S&P/ASX 300 Acc Index	3.3%	4.7%	9.9%	20.2%	4.4%	10.3%
Versus bench- mark	-0.6%	-3.0%	-3.6%	-7.4%	3.4%	-2.5%

Inception date is 18 December 2014.

PERFORMANCE - PIC VS BENCHMARK

Performance %



PORTFOLIO COMMENTARY

The Portfolio performance, as measured by the growth in net assets per share, was 2.7% in March. The portfolio underperformed the benchmark S&P/ASX300, which rose by 3.3%. Since listing, the Perpetual Equity Investment Company Limited's (PIC) portfolio has returned 7.8% per annum.

During the month, strong share markets meant the portfolio's cash holding of 21% (average over the month) was the largest single detractor from overall performance. From a portfolio holdings perspective, key Australian and globally listed stocks performed solidly. Particularly pleasing was Woolworths, Star Entertainment, Deutsche Boerse, CYBG and Henderson Group. The Manager has been selling into this rally, taking profits and awaiting more attractive valuations to deploy capital.

As at 31 March, 6.1% of the portfolio was invested in Star Entertainment (ASX: SGR). Star owns and operates casino assets in Sydney (Star) and Queensland (Jupiters, Treasury). Star Casino is a high quality asset that had traded weaker in recent months because of wider industry concerns. The stock traded lower on the back of Crown Casino (ASX: CWN) employees being arrested and detained in October 2016, on alleged gambling related crimes. Whilst Star was not directly involved in this event, Star's share price came under pressure due to concerns around the impact to their Chinese VIP gaming revenues. Star is developing hotels with consortium partners and the Manager believes Star will be able to fund the majority of their portion of capex through free cash generation from their current operations.

As at 31 March, 10.5% of the portfolio was invested in Woolworths Ltd (ASX: WOW). Woolworths has been a core holding in PIC for several months, and the Manager remains of the view that the stock offers upside potential. Our in-depth, fundamental research suggests the momentum in Woolworth's turnaround continues; however, given the size of the position we will actively take advantage of any future share price strength.

Returns shown for the Company have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees and any income tax on realised gains) and assuming reinvestment of dividends. Any provisions for deferred tax on set up costs and on unrealised gains and losses are excluded. Past performance is not indicative of future performance. Inception date is 18 December 2014

Perpetual

As at 31 March, 5.5% of the portfolio was invested in CYBG Plc (ASX: CYB). CYBG is the UK bank that was spun out of NAB in 2016, and is engaged primarily in retail and small-to-medium business banking. CYBG has traditionally focused on its core regions of Scotland and Northern England, however recent growth has come from other regions within the UK, such as Greater London. Given it is largely a retail deposit funded bank it is relatively stable. What's more, because it is a UK domiciled and funded institution only broader economic issues will have an impact and there are no significant implications of 'Brexit'. Despite this, the stock fell more than 25% in the days following the referendum in June 2016 and has only recently recovered to levels seen prior to that vote. The Manager believes CYBG is attractively valued, currently trading at 0.9x book value, and is competitively positioned in the UK market as a 'challenger bank' to the majors. CYBG is far more nimble as a stand-alone bank. CYBG is also well regarded in the community compared to the big banks that required bailouts post-GFC, which means CYBG is less reliant on price to win business. The Manager also believes there are a number of internal levers for improvement within the bank, given its relatively high cost-to-income ratio. Rationalising branch numbers and automating certain processes should allow the bank to take some cost out and improve their operating leverage.

MARKET REVIEW

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, rose by 3.3% during March. After a period of complacency, risk began to appear in equity markets amid some softer economic data and market concerns that some early policy setbacks for Donald Trump have increased the level of political uncertainty in the US. The US Federal Reserve lifted US interest rates by 0.25% and reaffirmed its expectation of two further rate hikes in 2017 on the back of an improving US economic outlook. The price of oil fell over the period as doubts began to appear about the commitment of OPEC to the announcement in late November that it had agreed to cut production by 1.2 million barrels per day in 2017. The Australian economy is continuing its transition following the end of the mining investment boom, expanding by around 2½ per cent in 2016. Exports have risen strongly and non-mining business investment has risen over the past year. In its March meeting the RBA kept rates on hold at 1.5%, saying that this would be consistent with sustainable growth in the economy and achieving the inflation target over time. The Australian dollar lost ground against most major currencies and closed down 0.8% against the USD at 0.7629.

The best performing sectors for the month were utilities (+6.3%), health care (+5.6%) and consumer staples (+5.5%).

The worst performers were telecommunication services (+0.3%), materials (+0.2%) and real estate (+1.0%). As a whole, industrial stocks (+3.8%) outperformed resource stocks (+0.5%) and large cap stocks (+3.3%) outperformed small cap stocks (+2.7%).

TOP SECURITIES

TOP 5 AUSTRALIAN SECURITIES AS AT 31 MARCH 2017

COMPANY	PORTFOLIO WEIGHT
Woolworths Ltd	10.5%
Star Entertainment Group	6.1%
CYBG PLC	5.5%
Medibank Private Ltd	5.3%
Suncorp Group Ltd	4.5%

TOP 3 GLOBAL SECURITIES AS AT 31 MARCH 2017

COMPANY	PORTFOLIO WEIGHT
Deutsche Boerse AG	5.6%
Bank of America Corp	4.3%
Icon Plc	3.1%

NET TANGIBLE ASSET (NTA) BACKING PER ORDINARY SHARE ¹

AS AT 31 MARCH 2017	AMOUNT
NTA before tax ²	\$1.098
NTA after tax	\$1.081

Daily NTA is available on the website.

¹All figures are unaudited and approximate.

²The before and after tax numbers relate to provisions for deferred tax on set-up costs and on unrealised gains and losses in the Company's investment portfolio.

KEEPING YOU INFORMED

FINDING VALUE IN AN UNCERTAIN WORLD

If the volatility of 2016 taught us anything it's that world events don't have predictable effects on markets. This new insights piece reminds us that an investment manager with a proven process is one way to make uncertainty work for you. [Read more](#)

LICS NOW MORE POPULAR THAN EVER

Demand for listed investment companies (LICS) continues to grow, as individual investors and SMSF trustees look for investment solutions that are easy to access and managed by experienced investment professionals. [Read more](#)



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, has outperformed consistently 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

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This monthly report has been prepared by Perpetual Investment Management Limited ABN 18 000 866 535, AFSL 234426 and Perpetual Trustee Company Limited ABN 42 000 001 007 AFSL 236643. 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. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of the Company or the return of an investor's capital.

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