

# PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

## KEY ASX INFORMATION

As at 30 April 2016

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$235,044 million

Share price: \$0.935

Shares on issue: 251,384,162

Options on issue: 249,637,777

Options ASX Code: PICO

Options expiry date: 10 June 2016

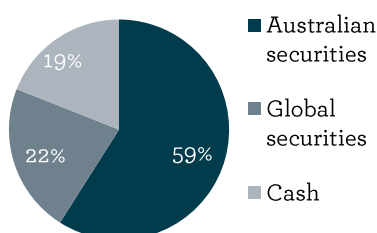
Options Share price: \$0.001

## APRIL 2016 MONTHLY INVESTMENT UPDATE AND NTA REPORT

### PORTFOLIO PROFILE

#### ALLOCATION OF INVESTMENTS

81% of capital invested in securities.



### PERFORMANCE

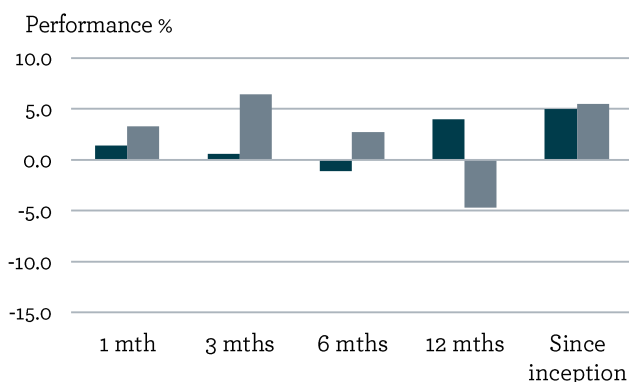
Net of fees, expenses and tax paid

| AS AT 30 APRIL 2016               | 1 MTH | 3 MTHS | 6 MTHS | 12 MTHS P.A. | SINCE INCEP P.A. |
|-----------------------------------|-------|--------|--------|--------------|------------------|
| PIC                               | 1.4%  | 0.6%   | -1.1%  | 4.0%         | 5.0%             |
| S&P/ASX 300 Acc Index             | 3.3%  | 6.4%   | 2.7%   | -4.7%        | 5.5%             |
| Performance Relative to benchmark | -1.9% | -5.8%  | 3.8%   | 8.7%         | -0.5%            |

Inception date is 18 December 2014.

### PERFORMANCE - PIC VS BENCHMARK

■ PIC  
■ S&P/ASX 300 Accum Index



### PORTFOLIO COMMENTARY

The Portfolio performance, as measured by the growth of the net assets per share, was 1.4% in April, underperforming the benchmark by 1.9%. Since listing, the Perpetual Equity Investment Company Limited (PIC) has returned 5.0% per annum.

The bounce back of mining stocks including BHP Billiton Ltd, Rio Tinto Ltd and Fortescue Metals Group during April contributed to the portfolio's underperformance relative to benchmark. The Manager believes that over capacity still exists in many commodities. The Chinese stimulus is heavily weighted towards property and Chinese credit growth is at very high levels, creating concerns about the long-term sustainability of Chinese growth.

Short-term performance was also impacted in April by Nine Entertainment Co Holdings Ltd (ASX Code:NEC). PIC holds 1.6% of the portfolio in Nine Entertainment which announced a disappointing trading update in April. Nine had a slow summer ratings season, including cricket coverage and a number of other key programs, leading Nine management to downgrade expectations around market share for this year. The Manager views this as temporary with Nine having rectified these programming issues. In a broader sense, Nine has been weak because of concerns around the structural decline of free-to-air television. The Manager views free-to-air television as having a unique proposition for advertisers with their mass market coverage dwarfing the best alternatives. Likewise, the Manager understands that advertisers, having experimented with peripheral digital advertising, are moving back to traditional proven forms of advertising to raise brand awareness. The Manager views the free-to-air business model as challenged, yet not broken.

In terms of positive contributors to performance, Bank of America made the largest contribution to the portfolio during April. As highlighted in previous monthly reports, since the global financial crisis, US

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

banks have raised their capital buffers, reduced risk and are seeing robust growth in loans. The Manager believes Bank of America is one of the US banks most likely to benefit from an ongoing US recovery and the Manager has taken advantage of market weakness to build PIC's position in the security.

In contrast, PIC does not hold any of the four major Australian banks. The Commonwealth Bank's recent result showed marginal profit and earnings per share growth on the back of solid growth in risk weighted assets. However, there was no organic capital generation, with Tier-One equity only boosted by their recent capital raising. Margins remain under some pressure as competition intensifies amongst the big four banks. At the CBA's Half-Year result, the CEO focused commentary on culture, technology and innovation rather than on risk, discipline or economic uncertainty. While culture is paramount, the lack of emphasis on risk and discipline has been tolerated because of the current period of high profitability and low customer stress.

## MARKET REVIEW

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, rose 3.3% during April. Global markets delivered mixed results, with resource-heavy bourses posting solid gains on the back of surging commodity prices. Expectations that OPEC members would cut output pushed oil prices higher and although no production agreements were reached, strikes by oil workers in Kuwait pushed prices even higher. Brent crude posted a 16.2% gain for the month. Iron ore delivered even stronger gains, climbing 23.2% over the month as steel demand in China showed signs of a recovery and the big three iron ore miners announced cuts to future production. Economic data from China was largely positive, with 1Q16 GDP surprising on the upside. A lack of additional stimulus action by the Bank of Japan caught markets by surprise, with the Yen rallying strongly against most major currencies as a result. US economic data was generally strong, however the Federal Reserve kept rates on hold, with dovish commentary pushing out expectations of further rate rises this year. In Australia the dollar fell heavily after the consumer price index fell 0.2% over the March quarter, bringing the annual inflation rate down to 1.3%, well below the Reserve Banks targeted range of 2.0-3.0%.

The best performing sectors for the month were materials (+14.3%), energy (+7.5%) and health care (+3.3%). The worst performers were consumer discretionary (-1.7%), utilities (-0.3%) and telecommunication services (+0.5%). As a whole, industrial stocks (+1.5%) underperformed resource stocks (+15.4%) and large cap stocks (+3.5%) outperformed small cap stocks (+3.0%).

## TOP SECURITIES

### TOP 5 AUSTRALIAN SECURITIES AS AT 30 APRIL 2016

| COMPANY                    | PORTFOLIO WEIGHT |
|----------------------------|------------------|
| Woolworths Ltd             | 10.8%            |
| Suncorp Group Ltd          | 7.3%             |
| Sky Network Television Ltd | 6.4%             |
| GrainCorp Ltd              | 5.5%             |
| Caltex Australia Ltd       | 4.8%             |

### TOP 3 GLOBAL SECURITIES AS AT 30 APRIL 2016

| COMPANY              | PORTFOLIO WEIGHT |
|----------------------|------------------|
| Bank of America Corp | 7.9%             |
| Royal Philips        | 7.7%             |
| Ansys Inc            | 2.8%             |

### NET TANGIBLE ASSET (NTA) BACKING PER ORDINARY SHARE<sup>1</sup>

| AS AT 29 APRIL 2016         | AMOUNT  |
|-----------------------------|---------|
| NTA before tax <sup>2</sup> | \$1.025 |
| NTA after tax               | \$1.027 |

Daily NTA is available on the website.

<sup>1</sup>All figures are unaudited and approximate.

<sup>2</sup>The 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

The Board would like to extend an invitation to all shareholders, option holders and interested parties to register for a live online Investment Update webinar on **Wednesday 25 May at 11am** (Australian Eastern Standard Time). Vince Pezzullo, Portfolio Manager and David Kiddie, Group Executive of Perpetual Investments will provide an update on the portfolio and the Company. To register for this event please [click here](#) or visit our website [www.perpetualequity.com.au](http://www.perpetualequity.com.au). (If you are unable to join us at this time the presentation slides and a recording of the Webinar will be posted on our website. There will be an opportunity for participants to ask questions during the Webinar.)

Shareholders are reminded that PIC Options expire on 10 June 2016. If you would like to exercise your Options please contact LINK on +61 1800 421 712 to obtain an Option exercise form.



## 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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