

# INVESTMENT UPDATE AND NTA REPORT

February 2022

## PORTFOLIO SNAPSHOT

### NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 28 FEBRUARY 2022	AMOUNT
NTA after tax (cum dividend)	\$1.330
NTA before tax (cum dividend)	\$1.367

Daily NTA is available at [www.perpetualequity.com.au](http://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 cost and unrealised gains and losses of the Company's investment portfolio. As at 28 February 2022, the NTA after tax (ex dividend) was \$1.302 and the NTA before tax (ex dividend) was \$1.339. The ex dividend NTA figures are reduced by a provision for the 2.8 cents per share dividend with ex date 5 April 2022 and payment date 29 April 2022. 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 2022

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$505 million
Share Price:	\$1.35
Shares on Issue:	374,358,738
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

\* exclusive of GST

## INVESTMENT PERFORMANCE

AS AT 28 FEBRUARY 2022	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS P.A.	3 YRS P.A.	5 YRS P.A.	7 YRS P.A.	SINCE INCEP P.A.
PIC Investment Portfolio	1.5%	4.0%	0.5%	19.2%	23.6%	16.0%	12.6%	11.3%	11.2%
Net of fees, expenses and before tax paid									
S&P/ASX 300 Acc Index	2.1%	-2.0%	-4.2%	10.2%	8.6%	8.7%	8.6%	6.9%	8.8%
Excess Returns	-0.6%	6.0%	4.7%	8.9%	15.0%	7.3%	3.9%	4.3%	2.4%

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
Santos Limited	7.6%
BHP Group Ltd	7.3%
Insurance Australia Group Limited	6.1%
Crown Resorts Limited	5.9%
Westpac Banking Corporation	4.7%

### TOP 3 GLOBAL LISTED SECURITIES

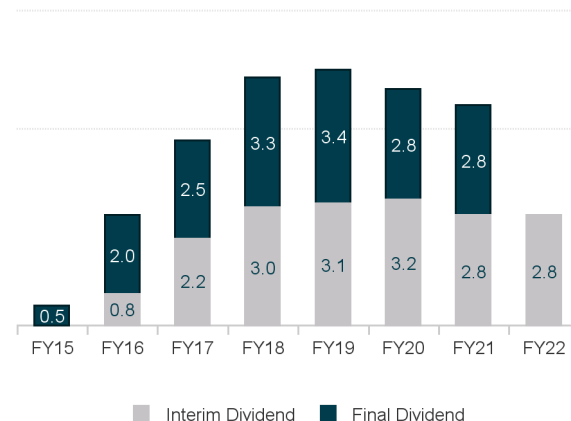
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	4.7%
La Francaise des Jeux SA	4.1%
Ferguson Plc	4.1%

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

## DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.1%

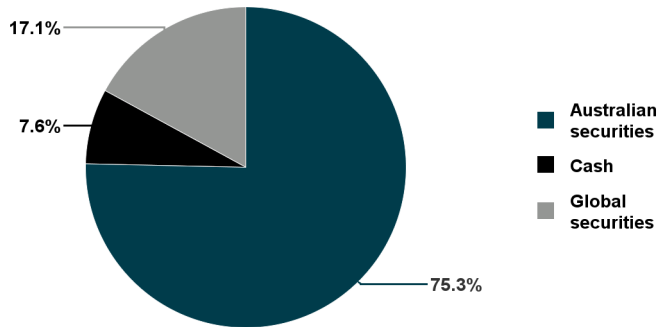
Grossed up annual dividend yield: 5.9%



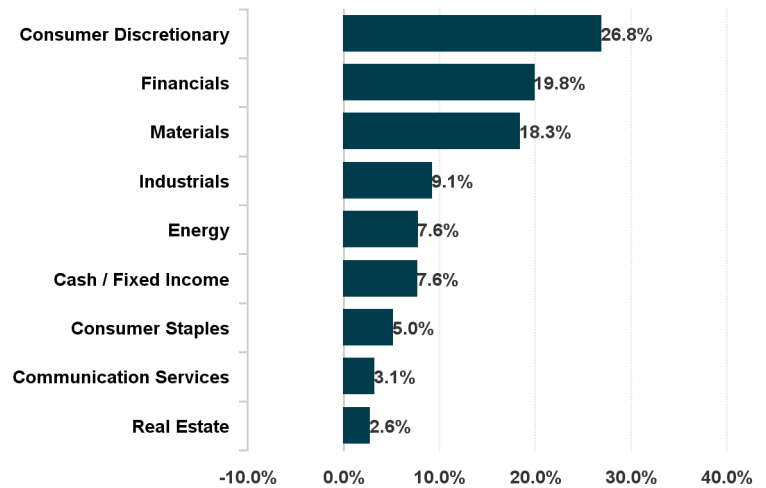
Yield is calculated based on the total dividends of 5.6 cents per share and the closing share price of \$1.350 as at 28 February 2022. Grossed up yield takes into account franking credits at a tax rate of 30%.

## ALLOCATION OF INVESTMENTS ^

92.4% 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

February was marked by rising global volatility in markets, however Australia remained largely immune. Global markets, represented by the MSCI World ex Australia Index, fell -5.6% in AUD terms while the S&P/ASX 300 Accumulation index (benchmark) rose +2.1%. This created a 7.7% gap between domestic and global equity performance. The VIX Index, a measure of volatility on equity markets, rose to over 30% by the end of February as the market grappled with fears of imminent central bank tightening and increasing hostility from Russia regarding Ukraine. The tensions boiled over on 24 February with Russia invading Ukraine and marked the first large scale war between two European countries since World War II.

Commodity prices rose over the month – and sharply beyond it – as the toughest economic sanctions ever imposed on Russia raised fears of shortages in global energy markets and risks of economic contagion as Russia and Europe risk falling into recession. Whilst this hurt global markets, it was a benefit for Australia's resource heavy bourse. The energy sector was the best performer in February rising +8.4% in anticipation of tighter conditions. Materials also rose +5.1%. Together these sectors comprise 28.3% of the benchmark. By contrast the information technology sector, which the Manager considers richly priced, came under further selling pressure as the prospect of rising interest rates and geopolitical risk slashed the risk premium investors were comfortable with. The global tech sector fell -7.5% in AUD terms whilst Australia's fell -6.8%. But whereas Australian tech is just 3.7% of the benchmark, tech is now the biggest global sector making up 22.4% of the MSCI All Countries World Index. Australian financials also held together well.

The PIC portfolio returned 1.5%^ in February, slightly underperforming the benchmark by -0.6%. The top contributors to absolute performance in February were BHP Group Limited (ASX:BHP), Insurance Australian Group Limited (ASX:IAG), Jervois Global Limited (ASX: JRV) and PWR Holdings Limited (ASX: PWR). JRV is a cobalt mining company with significant nickel and copper exposure and is focused on becoming a global supplier in the emerging battery metals market. JRV's share price rose in February alongside other materials companies in the PIC portfolio such as BHP Group Ltd (ASX: BHP), OZ Minerals Limited (ASX: OZL), Deterra Royalties Limited (ASX: DRR) and Iluka Resources Limited (ASX: ILU). The Manager's contrarian exposure to IAG paid off in February, returning 10.0%. IAG is currently trading between \$4 and \$4.50, which contrasts significantly to when it traded around \$8 in 2019. IAG reported an increase in net profit after tax and upgraded their FY22 gross written premium guidance from low to mid single-digit growth in the half year results for FY22. The Manager believes IAG has turned around its business to deliver long term value and returns to shareholders. The Manager has held PWR in the portfolio since March 2020 and views its management and quality of business favourably.

Global securities in the portfolio De'Longhi S.P.A (MIL: DLG), Flutter Entertainment Plc (LON: FLTR) and Ferguson Plc (LON: FERG) all detracted from absolute performance in February due to the risk aversion in offshore markets. The Manager is bullish on DLG, particularly given its strong balance sheet and penetration in the US over the medium to long term as the US market shifts away from filtered coffee. FLTR is the largest global position in the portfolio. Despite its share price falling in February, it announced a strong 2021 full year result on 1 March 2022, delivering an increase of 37% in revenue and maintaining its market share in the US, UK and Ireland. FLTR also announced a "Positive Impact Plan" sustainability strategy which aims to promote safer gambling and further demonstrate it being a responsible leader in the industry.

The Manager believes that markets are in for a long bout of volatility as the realities of ongoing geopolitical strife, higher inflation and policy uncertainty play out. Locally, an Australian election year may also impact policy making on businesses and economic spending. For that reason, the Manager is currently seeing more opportunities in Australian than globally. Cash in the portfolio has also increased to 7.6% as a way for the Manager to keep powder dry for when opportunities to take new positions or add to existing positions arise. For our investors it remains important to have a high conviction portfolio of diverse ideas to ride out the storm.

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## **BAPCOR LIMITED (ASX: BAP) (EQUITIES ANALYST: ALEX PATTEN)**

Bapcor Limited (ASX:BAP) primarily operates in the automotive aftermarket segment, with a large network of stores distributing auto parts on a just in time basis to mechanics throughout Australia and New Zealand. Their business spans the aftermarket supply chain covering trade, commercial vehicles, specialist wholesale and retail.

We established a position in BAP in December 2021. This followed BAP's announcement in late November that their longstanding CEO was stepping down, about 18 months before his contract was due to expire. It was apparent that there had been disagreement between the Board and the CEO and that the Board felt the need to accelerate his exit from the company. The stock was heavily sold off following the announcement and fell by over 20% in the following weeks. Whilst our view remains that the now former CEO had led the business successfully we felt the sell-off provided an opportunity to buy a high quality business at an attractive price. We believe BAP's success stems from its strong competitive position and exposure to attractive end markets and not from any one person. The business has a clear strategy focused around ongoing store rollout and increasing private label product penetration that is proven and low risk. This was validated in BAP's half year results for financial year 2022 announced in February. BAP reported an increase in revenue, strong balance sheet and solid progress on its network expansion and new supply chain and logistics capabilities.

## COMPANY NEWS

### INTERIM DIVIDEND FY22

On 23 February 2022, the Company announced its half year results for the 2022 financial year. The Board declared an interim dividend of 2.8 cents per share with the following dates.

- Ex date Tuesday, 5 April 2022
- Record date Wednesday, 6 April 2022
- DRP election date Thursday, 7 April 2022
- Payment date Friday, 29 April 2022

The Company's dividend reinvestment plan (DRP) is available to shareholders for the interim dividend and will operate without a discount. The price of shares allocated under the DRP will be calculated using the 5 day Volume Weighted Average Price (VWAP) calculated over the pricing period commencing on 8 April 2022 and ending on 14 April 2022.

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 Friday, 8 April 2022. For more information including the DRP rules, please click [here](#).

Option holders that elect to exercise some or all of their PIC options before the ex-date, 5 April 2022, will be entitled to the interim dividend.

### BONUS ISSUE OF OPTIONS

Shareholders are reminded that in June 2021, the Company [announced](#) a one-for-one issue of bonus options which provides 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 are trading on the ASX under the ASX code PICOA.

The options provide shareholders with the opportunity to purchase additional shares and participate in the potential growth of the Company without incurring brokerage or transaction costs. Option holders that elect to exercise some or all of their PIC options before the ex-date will also be entitled to the dividend for that respective period.

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](#).

### 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 Asset Management Australia  
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 Asset Management Australia's Equity team, one of the largest investment teams in Australia.

## PERPETUAL KEY CONTACTS

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