

# INVESTMENT UPDATE AND NTA REPORT

## FEBRUARY 2023

### PORTFOLIO SNAPSHOT

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

AS AT 28 FEBRUARY 2023	AMOUNT
NTA after tax (cum dividend)	\$1.291
NTA before tax (cum dividend)	\$1.309

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 2023, the NTA after tax (ex dividend) was \$1.258 and the NTA before tax (ex dividend) was \$1.276. The ex dividend NTA figures are reduced by a provision for the 3.3 cents per share interim dividend that was declared on 21 February 2023. The ex date for the interim dividend is 27 March 2023 and payment date is 18 April 2023.

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

#### INVESTMENT PERFORMANCE

AS AT 28 FEBRUARY 2023	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 <small>Net of fees, expenses and before tax paid</small>	-0.6%	1.5%	5.7%	1.4%	9.9%	15.7%	10.5%	11.3%	9.9%
S&P/ASX 300 Acc Index	-2.5%	0.2%	5.9%	6.5%	8.4%	7.9%	7.9%	10.1%	8.5%
Excess Returns	1.9%	1.3%	-0.2%	-5.1%	1.5%	7.8%	2.6%	1.1%	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.

### KEY ASX INFORMATION

#### AS AT 28 FEBRUARY 2023

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$457 million
Share Price:	\$1.21
Shares on Issue:	377,461,658
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

\* exclusive of GST

#### TOP 5 AUSTRALIAN LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Westpac Banking Corporation	7.1%
Insurance Australia Group Ltd	6.3%
Brambles Limited	5.8%
Santos Limited	4.9%
Newcrest Mining Limited	3.9%

#### TOP 3 GLOBAL LISTED SECURITIES

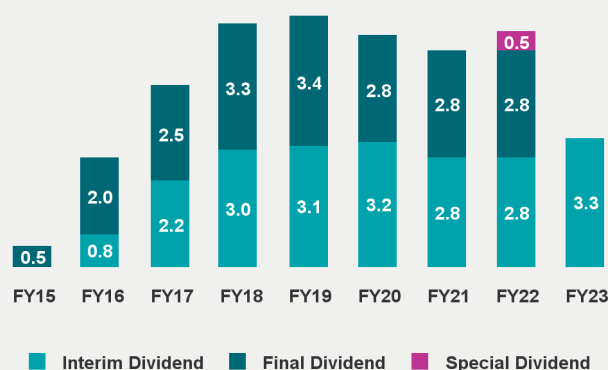
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	5.9%
La Francaise des Jeux SA	3.0%
De'Longhi S.p.A.	1.3%

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

#### DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 5.5%

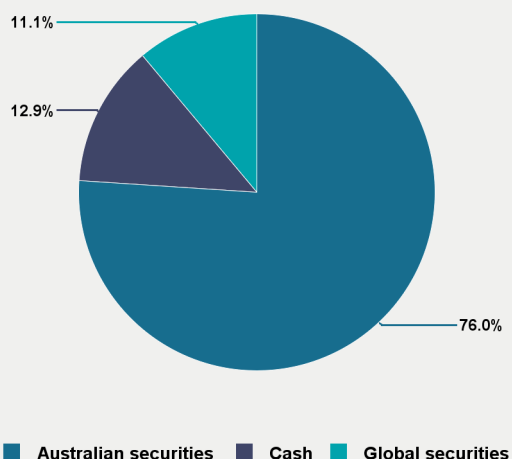
Grossed up annual dividend yield: 7.8%



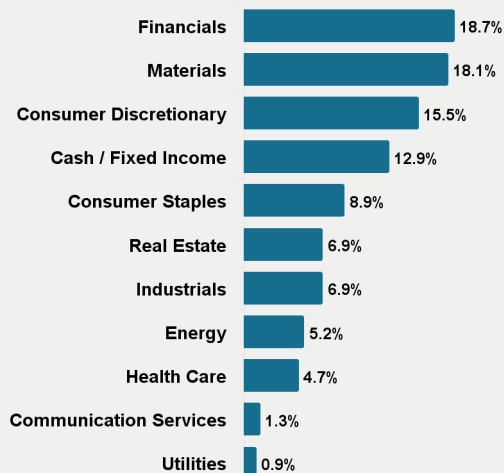
Yield is calculated based on the total dividends of 6.6 cents per share and the closing share price of \$1.210 as at 28 February 2023. Grossed up yield takes into account franking credits at a tax rate of 30%.

## ALLOCATION OF INVESTMENTS<sup>^</sup>

87.1% of capital invested in securities



## PORTFOLIO SECTORS<sup>^</sup>



<sup>^</sup>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 Australia corporate reporting season dominated headlines. The RBA moved to a more hawkish stance, raising rates by 0.25% to 3.35% and signalled more hikes to come. However economic data also showed some sign of weakness. Globally, US markets faltered as hopes of a soft landing gave way to fears that the economy (and inflation) were still too strong and would require even more monetary tightening than had already been factored in by markets. Indeed, the US printed near boom-time Institute of Supply Management (ISM) and employment data early in the month.

Revenue growth was a feature of the recent earnings season, partly due to inflation being pushed through, but there was little else for the market to be enthused by. While inflation was a key theme, costs were materially higher with a tight job market and rising wages impacting on margins. To make matters worse, cash flow was quite ordinary and, coming out of 15 years of low rates, this has had Chief Financial Officers (CFOs) scrutinising their balance sheets and hopefully planning for an environment where borrowing costs continue to increase. A large number of businesses have planned for strategy days in May, which could become opportunities to deliver earnings downgrades. Our quality filters and deep analysis will be more important than ever in navigating through the risks ahead.

The PIC Portfolio returned -0.6%<sup>^</sup> in February, outperforming the S&P/ASX300 Accumulation Index (benchmark) by 1.9%.

Defensive sectors like consumer staples (+1.1%) and utilities (+3.4%) rose, although they were swamped by declines in the dominant resources (-6.7%) and financials (-3.1%) sectors\*. Good stock selection was the key to outperformance with the Portfolio generating better returns in 8 of the 11 GICS sectors. The Portfolio held some index put options going into the sell-off, which had been purchased when we considered the cost of such portfolio insurance to be exceptionally cheap.

Online sports bookmaker Flutter Entertainment was the top contributor to absolute performance for the month and rose +9.1%. The key news out during the month was the Flutter Entertainment Board announcing it is exploring a US listing of the Flutter shares. The market took this positively given the growing materiality of the Fanduel asset to the broader group and its very strong recent operational performance. This strong performance was evident in the Flutter results shortly after month end where Fanduel recorded a 50% sports betting market share in Q4 2022.

Brambles was also a standout, rising +7.3% in February as it delivered a strong result with management lifting guidance for both revenue and earnings growth for the full fiscal year. A key element of our decision to invest in this company was the belief that it could better price its cost-to-serve, particularly in CHEP USA. Hence it was pleasing to see CHEP USA report a 19% increase in 1H23 revenue from Price/Mix benefits. In a high-cost inflationary environment, we believe investors should be rewarding those companies that can clearly demonstrate they have pricing power, such as Brambles.

As we look forward, the big challenges remain the competing forces of rising inflation and economic slowdown. Whilst policymakers are vexed by the conflicting needs to slow Consumer Price Index (CPI) whilst trying not to create a recession it is entirely possible they may not achieve either goal with a repeat of the stagflation of the 1970s a distinct possibility. Whilst this would be favourable to our value investment style, it does not bode well with overall market returns and will put the pressure on investors to allocate more to active management against a backdrop of volatility.

We continue to be fairly defensively positioned, with elevated cash positions, waiting to add to cyclicals as opportunities arise.

<sup>^</sup> 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.

\* Sector level returns relates to the Benchmark's (S&P/ASX 300 Accumulation Index).

## COMPANY NEWS

### INTERIM DIVIDEND 2023

On 21 February 2023, the Company announced its half year results for the 2023 financial year. The Board declared an interim dividend of 3.3 cents per share with the following dates:

- Ex date Monday, 27 March 2023
- Record date Tuesday, 28 March 2023
- DRP election date Wednesday, 29 March 2023
- Payment date Tuesday, 18 April 2023

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 30 March 2023 and ending on 5 April 2023.

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 Wednesday, 29 March 2023. For more information including the DRP rules, please click [here](#).

### 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](#).

## WHY CHOOSE THE PERPETUAL EQUITY INVESTMENT COMPANY?

- Designed to deliver investors an income stream of **fully franked dividends**.
- **Active management** to vary the portfolio's exposure to equity market risk, and to enhance the value of the portfolio when opportunities arise both domestically and globally.
- **Flexibility** to invest up to 35% in global securities and up to 25% in cash for diversification with the intention to add returns above the benchmark, or to manage downside risk.
- Access to Perpetual's tried and tested **quality and value** investment process that assesses companies on 4 key quality criteria: quality of business, conservative debt, sound management and recurring earnings.
- **Depth and breadth** of Perpetual's investment team enables it to conduct extensive company visits each year and make decisions to invest in high quality and attractively valued securities based on fundamental, in-depth, bottom-up research.
- **Ease of access** as you can buy and sell PIC on the ASX.
- **Daily NTA published on the ASX** to provide transparency of the portfolio.

## KEY FEATURES

**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.

**ABOUT THE MANAGER** The Company's investment portfolio is managed by Perpetual Investment Management Limited, part of the Perpetual Group, whose has a longstanding commitment to deliver superior outcomes over the long-term for clients. This 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 is Head of Equities and leverages the expertise of Perpetual Asset Management Australia's Equity team, one of the largest investment teams in Australia.

All investments are subject to risk which means the value of investments may rise or fall, which means that you may receive back less than your original investment or you may not receive income over a given time frame. Refer to announcements and other information for the Company lodged with the ASX, which is available at [www.asx.com.au](http://www.asx.com.au). A financial adviser can assist you in determining whether an investment in the Company is suited to your objectives, financial situation or needs.

## CONTACT DETAILS

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Email: [pic@linkmarketservices.com.au](mailto:pic@linkmarketservices.com.au)

## FIND OUT MORE

Visit our website [www.perpetual.com.au/equity](http://www.perpetual.com.au/equity) to access a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources.

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