PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

INVESTMENT UPDATE AND NTA REPORT
JULY 2024

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 JULY 2024	AMOUNT
NTA after tax	$1.304
NTA before tax	$1.349

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 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 2024

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	$464 million
Share Price:	$1.22
Shares on Issue:	380,716,264
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

* exclusive of GST

INVESTMENT PERFORMANCE

AS AT 31 JULY 2024	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 Net of fees, expenses and before tax paid	2.9%	5.2%	8.7%	8.8%	12.1%	6.3%	10.7%	10.2%	9.8%
S&P/ASX 300 Acc Index	4.1%	6.0%	7.3%	13.3%	12.2%	7.1%	7.5%	9.3%	9.0%
Excess Returns	-1.2%	-0.8%	1.4%	-4.4%	-0.1%	-0.8%	3.3%	0.9%	0.8%

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 10 STOCK HOLDINGS

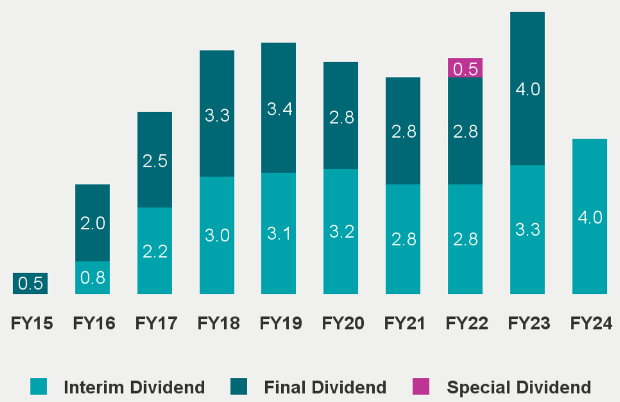
COMPANY	PORTFOLIO WEIGHT
BHP Group Ltd	8.9%
National Australia Bank Limited	7.8%
Flutter Entertainment Plc	6.8%
Origin Energy Limited	5.4%
Insurance Australia Group Ltd	4.4%
Goodman Group	4.2%
GWA Group Limited	3.9%
Graincorp Limited	3.3%
Premier Investments Limited	3.0%
Healius Limited	2.9%

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

DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 6.6%

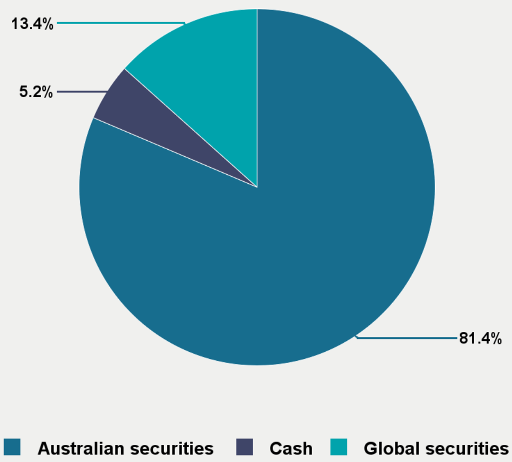
Grossed up annual dividend yield: 9.4%



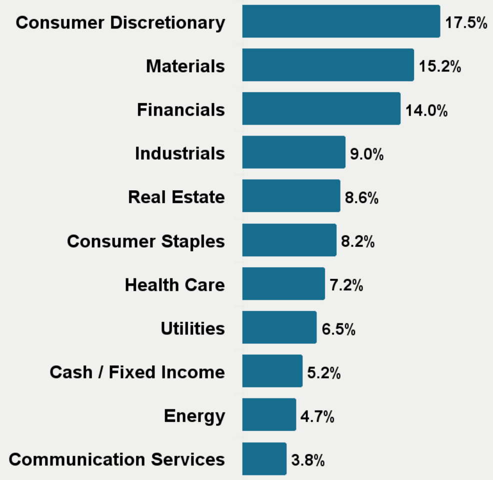
Yield is calculated based on the total dividends of 8.0 cents per share and the closing share price of $1.220 as at 31 July 2024. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS^

94.8% 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

Market Review

The S&P/ASX 300 rallied strongly in July, rising by 4.1%. The Australian market benefited from a global rotation favouring cyclicals over technology. This shift saw Financials soar by 6.3%, contributing nearly half of the benchmark return. The Consumer Discretionary and Real Estate sectors were also significant contributors, along with Healthcare. The macroeconomic backdrop was reasonably benign, with strong domestic employment growth and high hopes for a soft landing in the US. While concerns about high inflation persisted at month-end, a consensus quarterly inflation number alleviated fears of further rate hikes and boosted markets.

Portfolio

The portfolio’s largest overweight positions include Flutter Entertainment Plc, Origin Energy Limited and GWA Group Limited. Conversely, the portfolio’s largest relative underweight positions include Commonwealth Bank of Australia, CSL Limited (not held) and Westpac Banking Corporation (not held).

Contributors

The overweight position in GWA Group significantly contributed to performance over the month, with the stock rallying 10.4%. This recovery followed a period of sell-off after an impressive rally post the 1H24 results, which marked the first volume growth in the core Australian business in many years due to strategic investments in re-engaging with plumbers. This plumber engagement strategy is crucial, as 95% of GWA products require installation by certified plumbers who influence around 70% of purchase decisions. Two years ago, GWA was engaged with only 4,000 plumbers; now, it has increased this number to 22,000 out of a market of approximately 36,000. GWA has also been benefitting from deflationary tailwinds from Chinese manufacturers, which, combined with the ability to implement price increases, expanded gross margins by nearly 3% in the half year result earlier in the year. Despite new builds of Australian homes remaining at low levels, the situation is unlikely to worsen. The Federal Government’s ambitious target to build 1.2 million houses over the next five years and potential interest rate cuts later in the year could positively impact GWA's medium-term outlook. GWA’s fully franked 6.5% dividend provides attractive compensation while awaiting market conditions to improve, especially since we appear to be at the bottom of the residential cycle.

Mainfreight Limited contributed to the performance over the month, with the stock rallying 10.2% and outperforming the broader ASX 300.We began purchasing stock in Mainfreight in June 2024, drawn by a cyclical downturn in New Zealand which culminated in a research trip to the country. Mainfreight is a high-quality logistics company operating globally, with a success-driven culture established by its founder and carefully maintained by a strong management team. CEO Don Braid, who has been with the company for 29 years, exemplifies this culture, which permeates the entire organization down to the most junior employees. The company has robust succession planning, ensuring the continuity of its cultural framework, which has consistently led to significant success. Mainfreight places a strong emphasis on quality service, providing transparent KPI reporting to both customers and shareholders. A key KPI is the number of customers using all three divisions. As of FY23, 37% of the top 500 customers utilized all three divisions, a figure that has steadily increased over time. Outside of New Zealand, the company’s performance in Australia is strong, with the potential to achieve New Zealand-level margins by adapting to local conditions. While the Americas and Europe currently lag behind, Mainfreight is confident in its strategic approach and foundational capabilities to capitalise on these larger markets. The company has announced plans for significant investments in these regions, supported by a strong balance sheet (net cash) and retained earnings. Their impressive track record in New Zealand and disciplined capital management inspire confidence. However, we acknowledge the risks associated with entering highly competitive markets where network intensity is crucial and where volatile cost pressures can significantly impact margins.

PORTFOLIO COMMENTARY

BlueScope Steel Limited also contributed to strong performance in July, with its stock rising by 8.5%. This increase was primarily driven by market anticipation of potential monetary policy easing in the US and expectations that the US election outcome could further pressure Chinese steel imports. This rally occurred despite consensus downgrades for FY25 due to the collapse in steel spreads. While short-term steel spread dynamics remain challenging, we believe the share price movement aligns with the longer-term opportunity. Steel pricing has reached a level where there is an asymmetric upside potential, and we are observing positive competitive trends with hot-rolled coil steel prices increasing. BlueScope remains one of the highest quality steel producers globally, with a capable management team, a significant asset in Port Kembla, and the Colorbond brand, which not only boosts margins but also represents a substantial overseas opportunity.

Detractors

After a period of strong performance, Origin Energy gave back some gains in the month of July falling -3.4%. Although the stock traded down for most of the month, on the 31 July Origin released their quarterly report with no notable surprises. The stock continues to look favourably valued, particularly post the New South Wales government announcing a deal to extend the lifespan of the Eraring power station which was previously scheduled to shut down next year. This agreement enhances electricity supply security in the grid, with the government largely underwriting the asset, allowing Origin to potentially realise value if the transition to cleaner energy sources does not proceed efficiently. Additionally, while electricity prices have remained volatile (weak during summer before improving afterwards), ORG's portfolio of gas peakers provides the flexibility to manage market instability and optimise exposure.

The overweight position in Iluka Resources detracted to performance over July as the stock fell -7.5%. Although rutile and zircon pricing was largely stable, negative sentiment around global GDP levels and negative sentiment around a CAPEX increase for the rare earths refinery led to the stock falling. As mentioned in previous monthly updates, Iluka is a major producer of rutile and synthetic rutile that is used to produce pigment (paint) and the largest producer of zircon that is used to produce ceramics (tiles) and a recovery in these markets can be met by releasing excess inventory and reducing working capital before production is restarted. Iluka has a very strong balance sheet (net cash) and also owns a valuable stake in Deterra Royalties, which was spun-off in an IPO so is able to buffer these periods of demand distortion that is a feature of these markets. The next catalyst for the company is the update on the funding for the increased capex of the fully integrated rare earths refinery being built in WA to break China's stronghold on these markets. The project is largely funded from a non-recourse loan of more than $1 billion from the Federal Government that has a $200 million overrun facility, but there remains uncertainty between how much of the increased capex is funded by debt versus equity.

The overweight position in healthcare services and hospital operator Ramsay Health Care detracted from relative performance over July (-2.1%) although the stock largely traded sideways. There is growing concern over reimbursements the hospital providers receive not keeping up with both wage inflation as well as higher medical supply costs. Overseas, the French Government initially provided Ramsay Sante with a lower-than-expected tariff indexation, which they have since adjusted upwards to match the inflationary environment. The UK Government has provided only a 0.6% indexation, and Ramsay UK are currently in negotiation for a higher rate of indexation. Despite this, activity level trends are normalising, and the balance sheet is much healthier post the sale of Sime Darby.

Outlook

Markets finished July on a high note, but we see difficulties emerging. A sudden deterioration in economic data in the US during the first week of August led to a sharp sell-off in US and other equity markets. This accelerated the rotation in equities that began in July and raised the spectre of a recession for the first time in months. Coinciding with this was the Bank of Japan's decision to raise interest rates to near generational highs, which appeared to trigger a reappraisal of asset allocation and a potential unwind of the multi-trillion-dollar Japanese "carry trades" that have been in place for many years. The Nikkei had its worst day since 1987, though it bounced back a day later. Nonetheless, the sharp correction in markets, with the NASDAQ repeatedly underperforming the Dow and S&P, increases the risk that a broader realignment could finally be here.

COMPANY NEWS

ANNUAL RESULTS

The Company's full year results for financial year 2024, including any dividend declaration, will be announced on Monday, 26 August 2024.

REMINDER: TAX CERTIFICATION COMPLETION

Under the Australian Government's participation in Automatic Exchange of Information (AEOI) regimes, PIC is required to collect 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 CRS certification by logging into the Link investor portal here.

From there, under the Payments & Tax tab you will find '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, who 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. 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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FIND OUT MORE

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