

**PERPETUAL**  
EQUITY  
INVESTMENT  
COMPANY  
LIMITED

Perpetual Equity Investment  
Company Limited  
ABN 68 601 406 419

Angel Place,  
Level 18, 123 Pitt Street  
Sydney NSW 2000  
Australia  
GPO Box 4172  
SYDNEY NSW 2001  
Australia

Phone 02 9229 9000  
Fax 02 9229 9009  
[www.perpetualequity.com.au](http://www.perpetualequity.com.au)

21 October 2021

ASX Limited  
ASX Market Announcements Office  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**Perpetual Equity Investment Company Ltd**  
**Annual General Meeting 2021**

The following announcement to the market is provided:

✓ Addresses to Shareholders

Yours faithfully,



Sylvie Dimarco  
Company Secretary  
(Authorising Officer)

# PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

2021 ANNUAL  
GENERAL MEETING

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ADDRESSES TO SHAREHOLDERS

Perpetual 

# **FY21 PIC ANNUAL GENERAL MEETING**

## **Chairman's Address**

### **Nancy Fox**

While Financial Year 2021 certainly had its challenges, with COVID-19 continuing to impact our day-to-day lives and the broader economy, we have also seen the resilience of individuals and markets. For PIC, we have had a very busy year, with a continued focus on delivering to the Company's investment objective and providing consistent, reliable income to shareholders by way of dividends paid twice a year. We have been able to move quickly and take advantage of market conditions and the opportunities presented. Today, I'd like to share with you my thoughts on the Company's key activities during the year and the value created for you, our shareholders.

### **FY21 Results Overview**

In August, we announced our FY21 results with the Company posting a net operating profit after tax of \$108.4 million and an operating profit before tax of \$152.9 million. This represented a record profit for the Company since listing on the ASX in 2014.

The Board also declared a fully franked final dividend of 2.8 cents per share, bringing the total dividend for FY21 to 5.6 cents per share fully franked. This represented an annual dividend yield of 4.3% and a grossed-up dividend yield of 6.2%<sup>1</sup>.

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<sup>1</sup> Yield is calculated based on the total grossed up dividends of 8.0 cents per share (taking franking credits into account) and the closing share price of \$1.30 as at 30 June 2021.

The Company's investment objective is to provide investors with an income stream and long-term capital growth in excess of its Benchmark (S&P / ASX 300 Accumulation Index), over a minimum 5-year period.

We, your Board, recognise the importance to shareholders of both components of the investment objective. In respect of the income stream, we are pleased that the Company has delivered fully franked dividends to shareholders each year since inception and believe that prudent capital management has enabled the Company to continue to provide shareholders with a sustainable and attractive dividend yield.

The Board is mindful of the potential for volatility in markets to impact the Company's profits. We consider that consolidating on a year of record profit by continuing to build profit reserves and maintaining an appropriate level of franking credits for future dividend payments is a prudent approach. It also demonstrates our focus and commitment to continue to pay dividends to shareholders twice a year that are fully franked, or to the maximum extent possible.

Moving to investment performance.

### **Investment performance**

The other key pillar of the Company's investment objective is to provide shareholders with long-term capital growth in excess of its benchmark.

Key to the achievement of the Company's investment objective is our relationship with Investment Manager Perpetual Investment Management Limited (the Manager), one of Australia's most

experienced Fund Managers. Through their active management approach, and with a disciplined focus on value, company fundamentals and bottom-up analysis, the Manager generated strong investment performance for FY21, and pleasingly this has continued in the first quarter of FY22.

For financial year 21, PIC generated strong investment portfolio performance, returning 42.4% and outperforming the benchmark by 13.9%<sup>2</sup>. Total shareholder return also exceeded the benchmark by 22.7%, returning 51.2% for the 12 months to 30 June 2021<sup>3</sup>. Strong investment performance has continued in the first quarter of financial year 2022 (FY22) with the portfolio returning 5.5%, outperforming the benchmark by 3.7%<sup>2</sup>.

We remain confident in the investment management of PIC, and optimistic in the positioning of the portfolio for FY22.

I would like to touch briefly now on the capital raising.

## **Capital Raising**

Towards the end of FY21, market conditions turned more favourable for the Company and Manager's investment style. The Board believed it was an appropriate time to raise capital. The Company announced a Share Purchase Plan (SPP) and one-for-one bonus issue of options,

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<sup>2</sup> The benchmark is the S&P/ASX 300 Accumulation Index. Returns have been calculated on the growth of 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

<sup>3</sup> Total shareholder return for the 12 months to 30 June 2021. Source: FactSet; Performance presented in AUD, based on the ASX share price assuming reinvestment of dividends on the ex-date.

enabling shareholders to participate in the potential anticipated growth of the Company.

The Share Purchase Plan received strong support from eligible shareholders, raising over \$30 million, and bringing the Company's market capitalisation to \$485 million as at 30 June 2021. The Board would like to reiterate our thanks to all shareholders who participated in the Share Purchase Plan. All eligible directors also participated.

In addition to the Share Purchase Plan, eligible shareholders received at no cost, PIC options under the one-for-one bonus offer. We believe the options provide a further opportunity for shareholders to participate in the potential growth of the Company. They deliver value to shareholders, providing the ability to purchase additional shares at a fixed exercise price of \$1.35 while incurring no brokerage or transaction costs. The options can be exercised by option holders at any time up until the expiry date of 2 September 2022. Option holders may also sell their options on the ASX at any time up until the expiry date, potentially providing additional value to shareholders.

## **Governance**

I would also like to provide an update on the Board and our governance. As your Board, we are committed to high standards of corporate governance and undertake rigorous processes over the year to provide oversight of the Company's activity and performance.

The Manager reports to the Board on a quarterly basis, providing detailed updates on the investment portfolio, investor relations activity

and industry insights. The Board receives regular information on investment compliance and challenges the Manager on matters such as the consideration and integration of environmental, social and governance factors within the investment approach.

On 13 May 2021, the Board welcomed Amanda Apted (Gillespie) as Executive Director of the Company, following the resignation of David Lane from the Board. Amanda is the Group Executive of Perpetual Asset Management Australia and is also a director of the Manager. She is responsible for leading the Australian division of Perpetual Asset Management. The Board would like to welcome Amanda, and also express our sincere thanks to David for his valuable contribution to the Company.

In September 2021, the Company transitioned its custody and administration services from RBC Investor Services Trust (RBC) to State Street Australia Limited (State Street). During this process, the Board undertook extensive oversight of the due diligence approach to select State Street and received regular updates on progress throughout the lengthy and comprehensive period of preparation for the transition.

Moving now to investor engagement.

### **Investor engagement**

During the year, we have continued to focus on keeping shareholders and potential investors up to date with the Company's activities and the performance of the investment portfolio. We are always encouraged by

the level of engagement by our shareholders and potential investors and thank you for your participation in events during the year.

We understand the importance of keeping shareholders informed as well as attracting new investors to the Company. The Manager participates in a number of events during the year and we continue to provide a range of investment updates, insights and educational resources on our website ([www.perpetualequity.com.au](http://www.perpetualequity.com.au)). I encourage all investors to visit the website to stay informed.

### **Looking ahead**

On behalf of the Board, I would like to thank you for your ongoing support of PIC.

We have entered financial year 2022 with positive momentum, building on the Company and the portfolio's strong performance in FY21.

We are confident that prudent management by the Board and the Manager's extensive experience in navigating markets will deliver to our shareholders over the long-term.



**PERPETUAL  
EQUITY  
INVESTMENT  
COMPANY**

# **ANNUAL GENERAL MEETING & INVESTMENT MANAGER UPDATE**

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21 October 2021

Perpetual 

# IMPORTANT NOTE

This information was prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. PIML is the Manager for the Perpetual Equity Investment Company Limited (Company or PIC) ACN 601 406 419. The information in this presentation is current as at 20 October 2021. The presentation is general information only and is not intended to provide you with financial advice or take into account your objectives, taxation situation, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. This information does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of the Company's securities. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

References to securities in this publication are for illustrative purposes only and are not recommendations, and the securities may or may not be currently held by the Company. Past performance is not indicative of future performance.

This presentation may contain forward looking statements, including statements regarding PIML's intent, objective, belief or current expectation relating to the Company's investments, market conditions or financial condition. These are based on PIML's current expectations about future events and is subject to risks, uncertainties, which may be beyond the control of the Company or PIML. Actual events may differ materially from those contemplated in such forward looking statements. Forward looking statements are not representations about future performance and should not be relied upon as such. Neither the Company nor PIML undertake to update any forward-looking statement to reflect events or circumstances after the date of this presentation, subject to its regulatory and disclosure requirements.

The information in this publication is believed to be accurate at the time of compilation and is provided in good faith. This report may contain information contributed by third parties. The Company and PIML do not warrant the accuracy or completeness of any information contributed by a third party. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Neither the Company, PIML nor any company in the Perpetual Group warrants or guarantees the performance of, or any return on an investment made in, the Company. Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries.

## YOUR PRESENTERS



### **NANCY FOX AM**

Chairman  
Perpetual Equity Investment  
Company Limited



### **VINCE PEZZULLO**

Deputy Head of Equities  
Portfolio Manager  
Perpetual Asset  
Management Australia



### **CLARKE WILKINS**

Senior Equities Analyst  
Perpetual Asset  
Management Australia



### **ROSEMARY TAN**

Equities Analyst  
Perpetual Asset  
Management Australia

## AGENDA

| Chairman's Welcome and Address

| Investment Manager Update

| Q & A

| Formal Voting Proceedings

- Resolution 1
- Resolution 2
- Resolution 3
- Resolution 4

| Closure

# CHAIRMAN'S ADDRESS

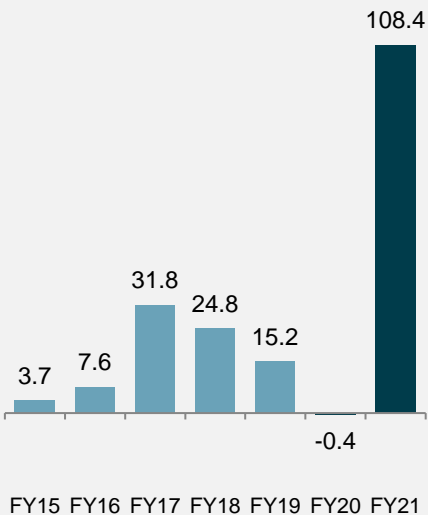
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Nancy Fox AM

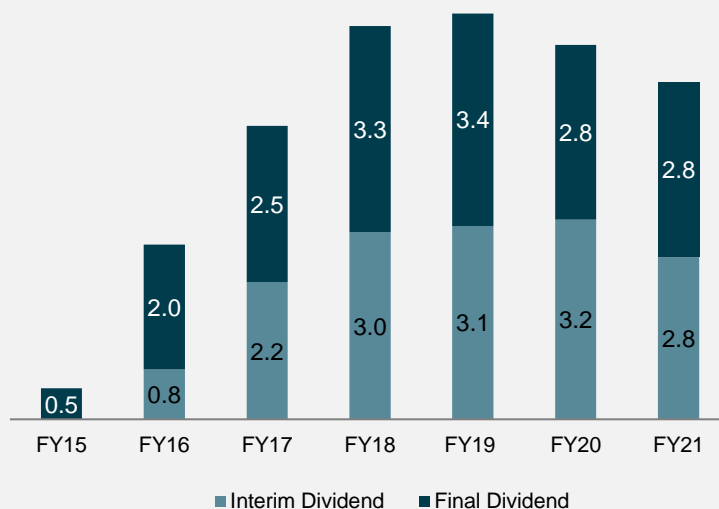
# FULL YEAR 2021 RESULTS OVERVIEW

DELIVERING A **RECORD PROFIT** AND FULLY FRANKED DIVIDEND INCOME

## NPAT, \$m



## DIVIDEND PER SHARE, CENTS PER SHARE (CPS)



**2.8 cps**

Fully franked final dividend

**6.2%\***

Grossed up annual dividend yield

The Board aims to pay dividends to shareholders twice a year, franked to 100% or the maximum extent possible.<sup>^</sup>

Source: Perpetual Equity Investment Company Limited (PIC) as at 30 June 2021.

\* Based on the total grossed up dividends of 8.0 cents per share (taking franking credits into account) and the closing share price of \$1.30 as at 30 June 2021.

<sup>^</sup> PIC does not guarantee that any future dividends will be paid. Past dividend payments should not be taken as an indication of future dividends which may be declared or paid to shareholders.

# DELIVERING ON OUR INVESTMENT OBJECTIVE

VIA OUR RELATIONSHIP WITH ONE OF AUSTRALIA'S MOST EXPERIENCED FUND MANAGERS

**Investment objective:** 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



**VINCE PEZZULLO**  
Deputy Head of Equities

Portfolio Manager:  
Perpetual Equity  
Investment Company  
Limited

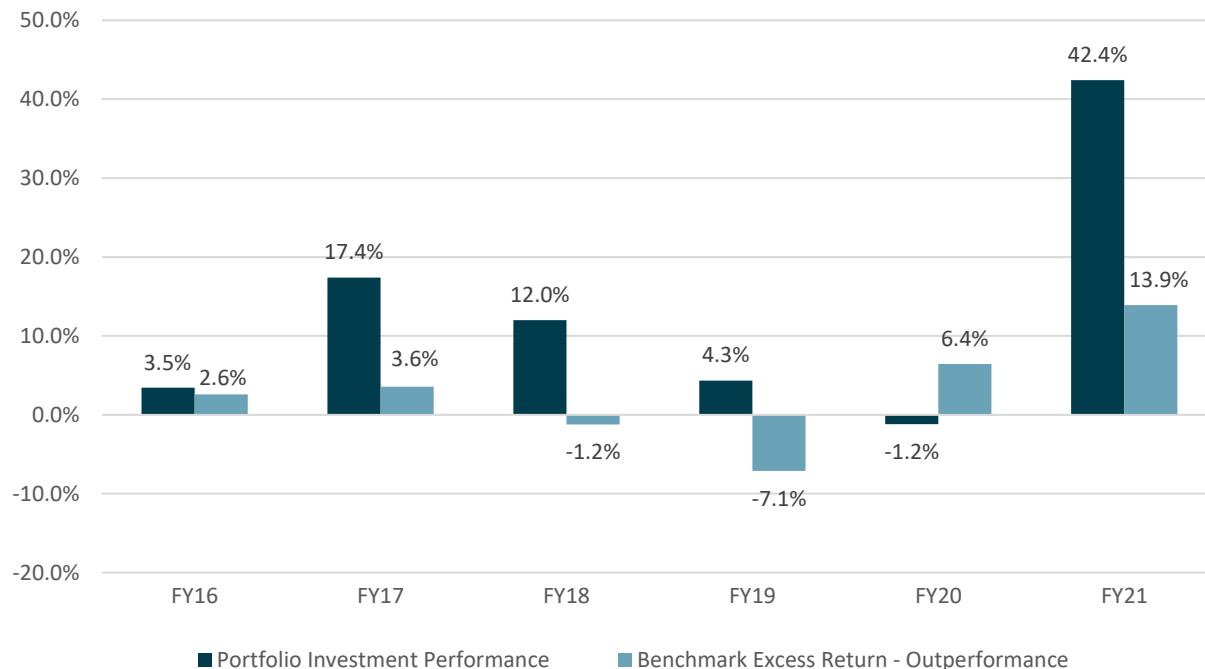
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27 years experience, 14 years at Perpetual

- Perpetual's value and quality investment philosophy has defined their approach to investing for the past 50 years through all market cycles.
- The active investment style means the portfolio can be adjusted quickly to respond to changing market conditions.
- Vince is supported by the broader Perpetual Asset Management Australia team which includes an extensive team of experienced Portfolio Managers and Analysts.

# GENERATING SOLID INVESTMENT PERFORMANCE AND A RECORD FY21 RESULT

## Historical Investment Performance Vs Benchmark Outperformance



## Total Shareholder Return

**51.2%** for the 12 months to 30 June 2021, exceeding the benchmark by **22.7%<sup>^</sup>**.

Source: Perpetual Equity Investment Company Limited. Outperformance of the benchmark (S&P/ASX 300 Accumulation Index). Returns have been calculated on the growth of 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.

<sup>^</sup> Total shareholder return for the 12 months to 30 June 2021. Source: FactSet; Performance presented in AUD, based on the ASX share price assuming reinvestment of dividends on the ex-date.

# SHARE PURCHASE PLAN (SPP) AND BONUS ISSUE OF OPTIONS

## OUR VIEW ON THE BENEFITS OF THE CAPITAL RAISING



Market conditions provided attractive opportunities for the Manager's active, value style of investing



The opportunity for shareholders to participate in the potential growth of the Company  
Potential for enhanced liquidity in the Company



Greater scale in the Company should also benefit shareholders by reducing the Company's fixed expense base on a per share basis



Options are tradeable on the ASX; opportunity to exercise options which may be at a discount to the current share price at the time of exercise



SPP shares, and new shares issued when Options are exercised, are entitled to future dividends<sup>1</sup>



# SHARE PURCHASE PLAN (SPP) AND BONUS ISSUE OF OPTIONS

## DETAILS OF THE SPP OUTCOME AND OPTIONS ON ISSUE

### SHARE PURCHASE PLAN

- Successful completion announced on 21 June 2021.
- SPP raised just over \$30 million.
- Strong support from eligible shareholders.
- Approximately 23.6 million new fully paid shares issued, bringing the Company's market capitalisation to \$485 million as at 30 June 2021\*.

### PIC OPTIONS: (ASX Code: PICOA)^

- Each option gives option holders the opportunity to purchase one additional fully paid ordinary PIC share at \$1.35 (the exercise price), without incurring any brokerage.
- Expiry date of the options is 2 September 2022. Option holders can choose to exercise or sell their options on the ASX on or before this date.

\* Source: Perpetual Equity Investment Company Limited.

^ Refer to the prospectus issued by PIC, dated 2 June 2021, which is available at [https://www.perpetualequity.com.au/~media/perpetualpeic/pdf/peic\\_prospectus\\_2021.ashx?la=en](https://www.perpetualequity.com.au/~media/perpetualpeic/pdf/peic_prospectus_2021.ashx?la=en). Anyone wishing to exercise the options will need to complete the exercise form that is in, or accompanies the prospectus. Eligible shareholders should consider the prospectus in deciding whether to deal in, or exercise, the options. You should consider, with a financial or other professional adviser, whether the exercise or sale of the options is suitable for your circumstances.

# BOARD APPROACH

COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE



**Nancy Fox AM**  
Chairman and  
Non-Executive Director



**Virginia Malley**  
Non-Executive Director



**John Edstein**  
Non-Executive Director

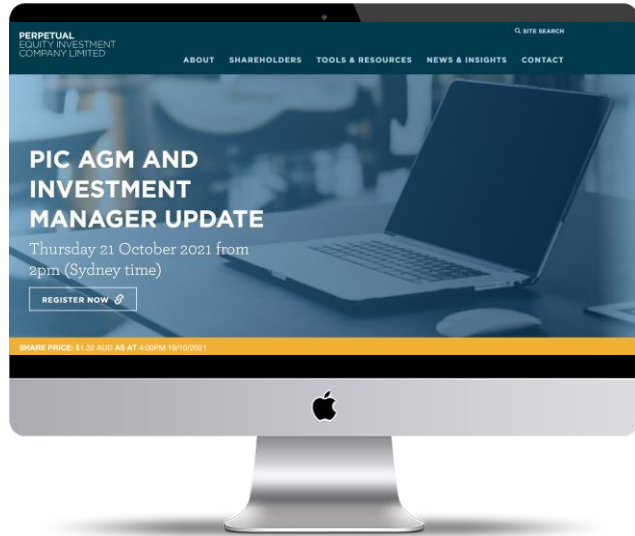


**Amanda Apted (Gillespie)**  
Executive Director

- Oversight of the Company's service providers including the Manager, Share Registry and Custodian.
- The Company recently transitioned its administration and custody services from RBC Investor Services Trust to State Street Australia Limited.

# CONTINUING TO KEEP OUR INVESTORS INFORMED

## FIND OUT MORE ON THE COMPANY'S WEBSITE



[www.perpetualequity.com.au](http://www.perpetualequity.com.au)



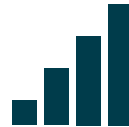
Monthly Investment Update



Daily NTA announcement



Manager insights



Half year and full year financial results



Investor webinars and broker meetings



Elect to receive electronic communications

# INVESTMENT MANAGER UPDATE

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Vince Pezzullo, Portfolio Manager  
Deputy Head of Equities, Perpetual Asset Management Australia

# INVESTMENT PHILOSOPHY – QUALITY AND VALUE FOCUS

A HIGH CONVICTION, PROFESSIONALLY MANAGED PORTFOLIO

## Our four quality filters

- 1 Quality business
- 2 Conservative debt
- 3 Sound management
- 4 Recurring earnings

## Investment approach



High conviction



Active management



Bottom up research

## A unique portfolio of stocks

Examples include\*:

- Icon Plc (NAS: ICLR)
- Jervois Global Ltd (ASX: JRV)
- Scientific Games (NAS: SGMS)
- NobleOak Life Ltd (ASX: NOL)
- A2 Milk Company Ltd (ASX: A2M)
- Euronet Worldwide (NAS: EEFT)

Typically a mid-cap focus but flexibility to invest across the market capitalisation spectrum

\* These represent a selection of listed securities held within the PIC portfolio as at 30 September 2021.

# OUR VIEWS ON CURRENT MARKET CONDITIONS

## IDENTIFYING INVESTMENT OPPORTUNITIES FOR THE PIC PORTFOLIO

### What we are seeing in the market

- Strong government stimulus under threat due to upcoming elections in North America/Australia.
- Anticipation of strong economic re-opening leading to a new and sustained business cycle.
- Supply constraints in various industries as trade / freight bottlenecks build. This will be exacerbated by onshoring of strategic industries.
- Unwinding of globalisation and large investments to decarbonise will result in higher costs being passed to consumers.

### What we believe are the consequences

- Higher than expected inflation as “transitory price rises” reverberate for longer.
- Volatile bond markets lead to a higher probability of sell-off as investors demand more interest income, reducing bond prices, coupled with the Fed reducing purchasing of securities.
- Market will favour quality and value stocks that are pro-cyclical over expensive growth / technology.
- Chance of policy mis-steps are growing as authorities try to navigate through a much more robust economic environment

### Opportunities for PIC#

- **Open up / Normalisation** consumer recovery
  - Qantas Airways Limited (ASX: QAN)
  - Aristocrat Leisure Limited (ASX: ALL)
- **Insurance** benefits from rising rates
  - Suncorp Group Ltd (ASX: SUN)
  - Nobleoak Life Ltd (ASX: NOL)
  - AUB Group Ltd (ASX: AUB)
- **Industrial materials**: capital spending
  - Ferguson PLC (LON: FERG)
- **Metals**: global recovery, decarbonisation
  - Iluka Resources Ltd (ASX: ILU)
  - Western Areas Ltd (ASX: WSA)
  - OZ Minerals (ASX: OZL)
  - Jervois Global Ltd (ASX: JRV)
  - Deterra Royalties (ASX: DRR)
- **Contrarian**:
  - A2 Milk Company Ltd (ASX: A2M)
  - Crown Resorts Ltd (ASX: CWN)
  - Insurance Australia Group Ltd (ASX: IAG)

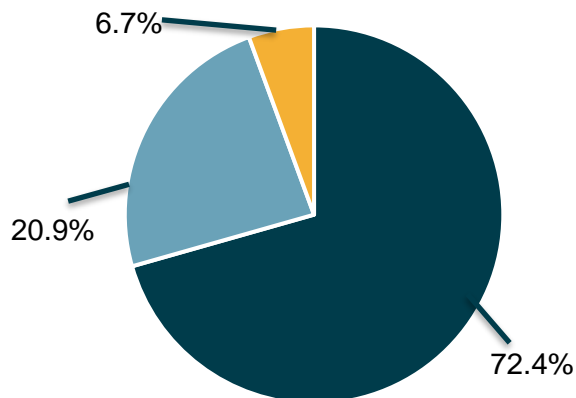
# Securities are provided for illustrative purposes only. They are not recommendations. The securities may or may not be held by the Company. Past performance is not indicative of future performance.

# PORTFOLIO POSITIONING AS AT 30 SEPTEMBER 2021

## A HIGH CONVICTION APPROACH TO INVESTING

### Allocation of investments<sup>^</sup>

93.3% of capital invested in securities



- Australian Listed securities
- Global listed securities
- Cash

### Top 5 Australian Listed Securities<sup>\*</sup>

Company	Portfolio Weight
Oil Search Limited (ASX: OSH)	6.0%
Crown Resorts Limited (ASX: CWN)	5.7%
Commonwealth Bank of Australia (ASX: CBA)	4.5%
PWR Holdings Ltd (ASX: PWR)	4.3%
Westpac Banking Corporation (ASX: WBC)	4.1%

### Top 3 Global Listed Securities<sup>\*</sup>

Company	Portfolio Weight
Flutter Entertainment Plc (LON: FLTR)	5.4%
La Francaise des Jeux SA (PAR: FDJ)	4.1%
Ferguson Plc (LON: FERG)	3.5%

<sup>^</sup> All figures are unaudited and approximate. Weightings calculated based on direct investments in securities and any indirect exposures via S&P/ASX 200 related derivatives. Allocations may not sum to 100% due to rounding.

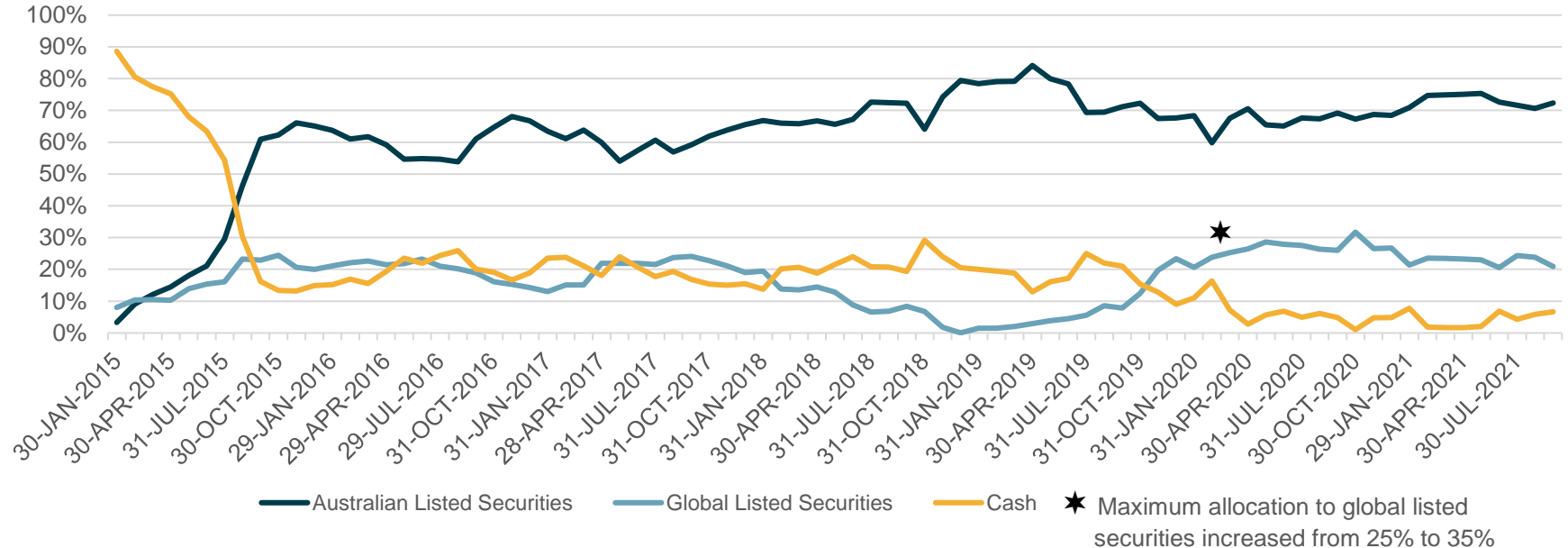
<sup>\*</sup> Top listed securities within the PIC portfolio by weight as at 30 September 2021. Portfolio weight based on direct investments in securities and does not include any derivative exposure.

Source: Perpetual Investment Management Limited.

# FLEXIBLE INVESTMENT STRATEGY

ENABLES US TO TAKE ADVANTAGE OF CHANGING MARKET CONDITIONS

## Portfolio positioning since inception\*

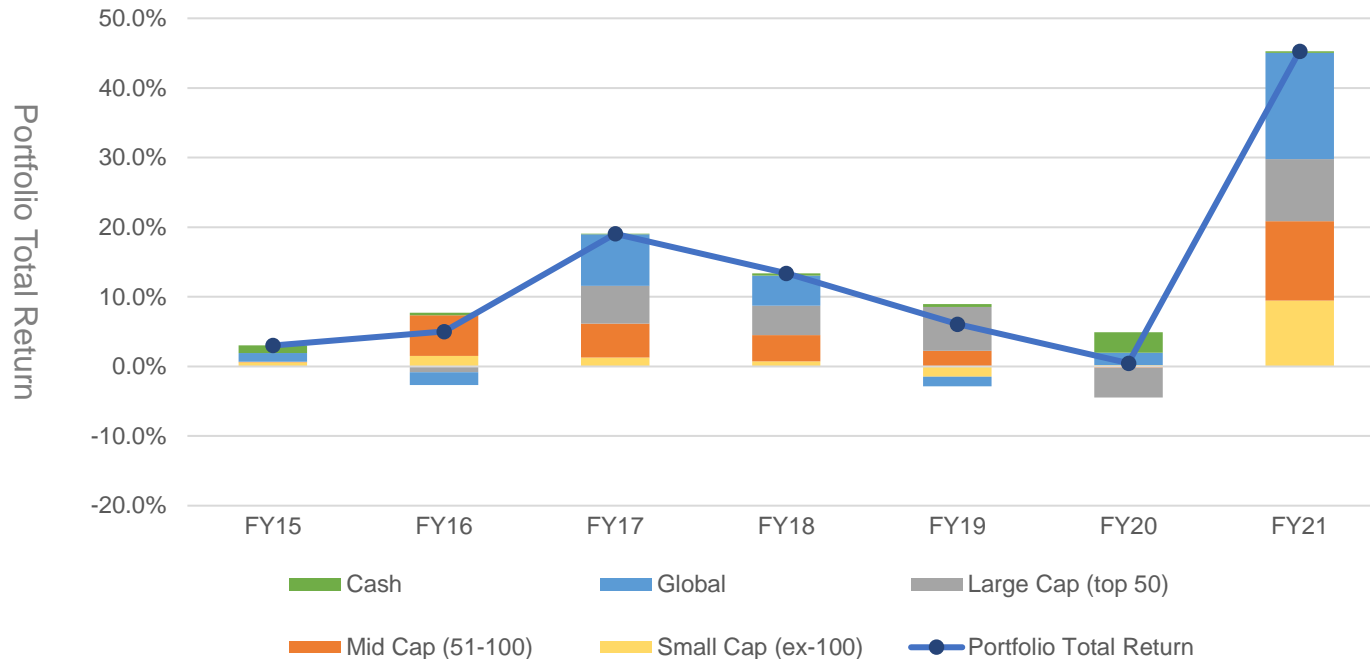


Allocation to Global Listed Securities is opportunistic and has changes over time as market conditions evolve.



# CONTRIBUTORS TO PERFORMANCE – HISTORICAL TRENDS

## GLOBAL AND DOMESTIC MID-CAP STOCKS HAVE BEEN KEY CONTRIBUTORS



Source: FactSet.  
Past performance is not indicative of future performance.

# **STOCK IN FOCUS: OIL SEARCH (ASX: OSH)**

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**Clarke Wilkins, Senior Equities Analyst, Perpetual Asset Management Australia**

# OIL SEARCH (ASX: OSH)\*

## AUSTRALIAN LARGE CAP STOCK

### COMPANY

- OSH is a low-cost, long life oil and gas production and exploration company.
- The main operating asset is the Papua New Guinea (PNG) liquefied natural gas (LNG) (OSH 29%) facility that is operated by ExxonMobil.
- OSH also has the undeveloped Pikka project in Alaska (OSH 51%) that is in front end engineering and design (FEED).
- OSH and Santos Limited (ASX: STO) have entered into a definitive agreement to merge the two companies in an all-scrip transaction.

### PASSING OUR FOUR QUALITY FILTERS

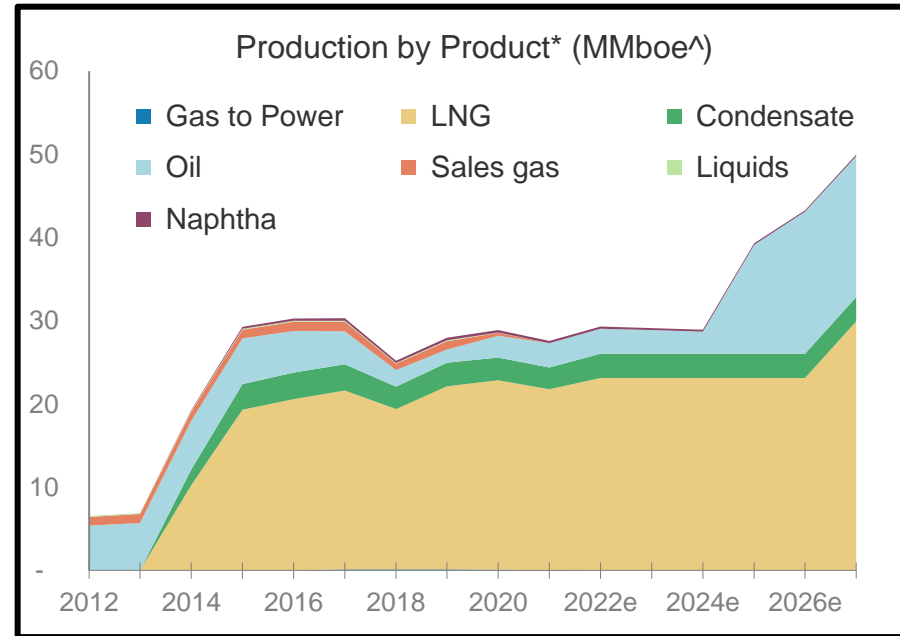
1. **Quality of business** – the high quality upstream gas assets makes OSH one of the lowest cost LNG producers.
2. **Conservative debt** – gearing was 27% at 30 June 2021 and will be reducing further from cash flow due to low capex in 2021.
3. **Sound management** – operational management is largely ExxonMobil, but OSH also have a track record of operating in PNG.
4. **Recurring earnings** – OSH has generated underlying earnings for the last 3 years.

# OIL SEARCH LIMITED (ASX: OSH)

## THE OPPORTUNITY – LOW COST LNG WITH GROWTH

- PNG LNG produces ~8.5 Million Tonnes per Annum (MTPA) of LNG (OSH attributable ~2.5 MTPA).
- There are extensive undeveloped resources for backfill to give a long-life of 20+years
- The project debt used to fund the development will be fully repaid by 2026, driving a significant increase in free cash flow generation.
- Papua LNG (currently OSH 22.8%) is expected to enter FEED in 1HCY2022 and is likely to entail a 2 LNG train development to increase production by 5.4MTPA (OSH share ~1 MPTA after Government interest).
- OSH have embedded ESG across their business via an Energy Transition review, with targets to reach net zero by 2050, and reduce emissions by 30% by 2030.

### Production Profile



\*Perpetual estimate of the production profile.

^ One million barrels of oil equivalent.

# OIL SEARCH LIMITED (ASX: OSH)

## M&A – SANTOS TRANSACTION EXPECTED TO PROCEED

- OSH and Santos have signed a Merger Implementation Deed to merge the two companies.
- OSH shareholders will receive 0.6275 Santos shares and OSH shareholders will own ~38.5% of the combined company.
- Gearing of the combined entity will be <30% with combined production of ~116 MMboe\*, with significant growth from a deep project pipeline.
- Merger is expected to unlock synergies of US\$90-115 million per annum.
- Subject to clearing regulatory approvals, with PNG approval the key risk, shareholders are expected to vote on the transaction in late November and the effective date will be 2 December 2021.

\* Millions of barrels of oil equivalent

# STOCK IN FOCUS: JERVOIS GLOBAL (ASX: JRV)

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Clarke Wilkins, Senior Equities Analyst, Perpetual Investments

# JERVOIS GLOBAL LIMITED (ASX: JRV)\*

## AUSTRALIAN SMALL CAP STOCK

### COMPANY

- JRV is a cobalt producer and refiner.
- The company recently purchased the Freeport Cobalt operations in Finland.
- JRV is also developing the Idaho Cobalt Operations (ICO) in the US and planning a restart of the SMP nickel/cobalt refinery in Brazil.
- Cobalt and nickel are key raw materials for high energy density batteries and therefore critical to the electrification of transportation.

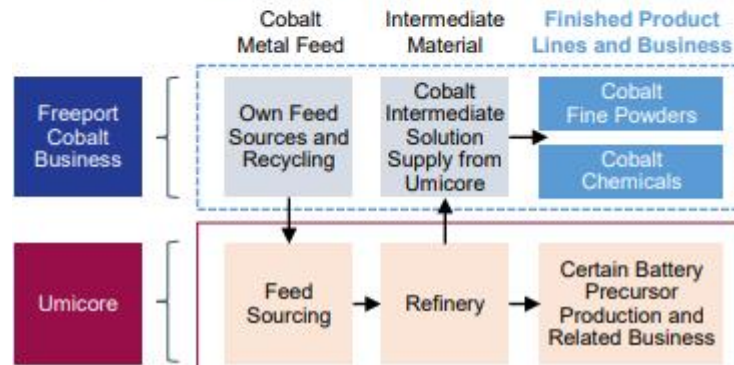
### PASSING OUR FOUR QUALITY FILTERS

1. **Quality of business** – low cost cobalt refinery with responsibly sourced feed.
2. **Conservative debt** – acquisition was funded by an equity raising and a debt facility is in place to fund ICO
3. **Sound management** – management have extensive experience in the cobalt and nickel markets.
4. **Recurring earnings** – Freeport Cobalt has demonstrated the ability to generate positive margins through the cycle.

# JERVOIS GLOBAL LIMITED (ASX: JRV)

## FREEMPORT COBALT – RIGHT ASSET AT THE RIGHT TIME

- JRV recently acquired the Freeport Cobalt business in Finland.
- The refinery is operated by Umicore, but JRV is entitled to c40% of production that is ~6.25 Kilo-Tonnes Per Annum (KTPA) of refined cobalt/value added products.
- This equates to ~20% of the ex-China refined capacity at a time when battery/automotive producers are becoming increasingly focussed on supply chains.
- Feed for the refinery is largely sourced from environmentally and ethically responsible mines in the DRC under long-term contracts.



Source: Jervois Investor Presentation July 2021



# JERVOIS GLOBAL LIMITED (ASX: JRV)

## FREEMPORT COBALT – RIGHT ASSET AT THE RIGHT TIME

- JRV is developing the Idaho Cobalt Operations in the US
- First production is expected in mid-22
- Mine will produce ~2 KTPA of cobalt
- The concentrate from the mine is expected to be refined at the Sao Miguel Paulista (SMP) refinery in Brazil that will be restarted (option agreement to purchase).
- SMP will also treat purchased nickel and cobalt concentrates/hydroxides – capacity 25 KTPA of nickel and 2 KTPA of cobalt, but this split is likely to be adjusted to produce more cobalt.

### Bankable Feasibility Study 2020 – Published Highlights<sup>1</sup>

Production rate	1,090 mtpd ore
Initial mine life (reserve only)	7 years
Remaining capital cost <sup>1,2</sup>	US\$91.2m
Operating cost (post by-product credit)	7.45 US\$/lb payable Co
NPV @ 8% (real) pre-tax	US\$113.4m
NPV @ 8% (real) post-tax	US\$95.7m
IRR (nominal) pre-tax	45.2%
IRR (nominal) post-tax	40.6%
EBITDA (average, US\$ real)	US\$54.8m
Post-tax Payback (from technical comp)	2.8 years
Average EBITDA-margin	>50% life of mine

Source: Jervois Investor Presentation July 2021.

# STOCK IN FOCUS: ICON PLC (NAS: ICLR)

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Rosemary Tan, Equities Analyst, Perpetual Asset Management Australia

# ICON (NAS: ICLR)\*

## LEADING CLINICAL RESEARCH ORGANISATION

### COMPANY

- ICLR helps accelerate the development of drug and devices on behalf of pharmaceutical companies.
- ICLR benefits from the increasing number of outsourced trials from pharmaceutical companies and the increasing dollar allocated to develop and discover new treatments for rare diseases.
- ICLR also increasingly benefit from the innovation from smaller biotech companies who are able to secure funding but not the bandwidth to conduct trials on their own.

### PASSING OUR FOUR QUALITY FILTERS

1. **Quality of business** – highly regarded service provider to the pharmaceutical industry – top tier Clinical Research Organisation.
2. **Conservative debt** – Management are targeting ND/EBITDA\*\* of <2.5x by 2023 (expected versus ~4.5x PF^ at deal close). The level of debt is comfortably within Perpetual's investment filters with 2021/22E EBIT\*\*/interest coverage of ~9x/7x.
3. **Sound management** – highly regarded with long track record in the industry.
4. **Recurring earnings** – ICLR has generated underlying earnings for the last 10 years.

\*\* Net debt-to-earnings before interest depreciation and amortization.

^ Proforma (after merger) balance sheet debt

\*\*Earnings before interest and taxes

# ICON PLC (NAS: ICLR)

## THE OPPORTUNITY – GOLDEN AGE OF HEALTHCARE

- Increasing new treatment mechanism resulting in larger number of clinical trials (Gene therapy, Cell therapy CART<sup>^</sup>, mRNA\* vaccine, cancer vaccine, oncolytic virus).
- Innovation driven by biotechnology firms who tend to outsource more of their clinical trials.

<sup>^</sup> Chimeric Antigen Receptor (CAR) T-Cell therapy

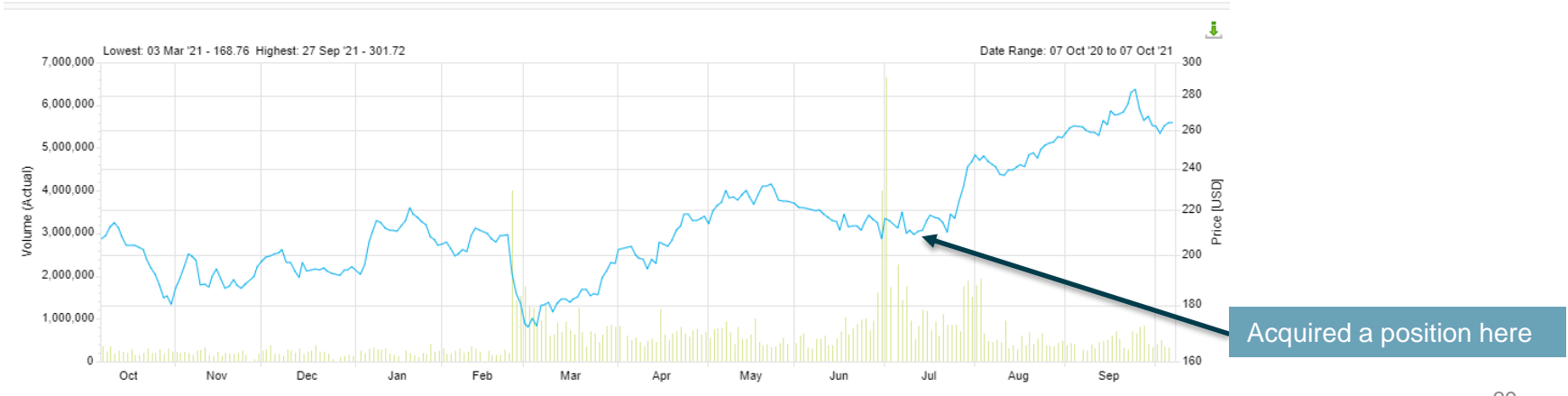
\* Messenger Ribonucleic Acid

# ICON PLC (NAS: ICLR)

## THE OPPORTUNITY

- ICLR fell by approximately 10% in February 2021 on news of announced merger with PRA Health Sciences.
- The PIC portfolio initiated a position in July 2021 as we considered the merger with PRA to bring to ICLR increased capability in remote clinical trial, minimal customer overlap, cost synergies and ability to cross-sell to existing customer.
- The stock has rallied 35% since July 2021.

ICON Plc (ICLR-US)    \$264.08    Next Report Date: 27 Oct '21    Key Statistics    ⚠ Pending Mgt. Change    NASDAQ / FactSet Prices



## **ICON PLC (NAS: ICLR)**

### WHAT WE SEE – LEADING MARKET POSITION, REASONABLE VALUATION AND ABOVE MARKET EARNINGS GROWTH

- ICLR is highly respected and a preferred Clinical Research Organisation (CRO) of large pharmaceutical companies. CRO industry is benefiting from an outsourcing tailwind. Post merger they will be a close #2 to market leader IQVIA (NYS: IQV).
- ICLR has a very strong track record of cost management and consistent execution capability. We believe ICLR is able to integrate the two companies and retain talent.
- Since the announcement of the merger, the company has already had some new customer wins on the back of additional services they could offer through the acquisition of PRA Health Sciences. We believe there is potential for earnings growth of mid teens post merger.

# INVESTMENT MANAGER UPDATE

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Vince Pezzullo, Portfolio Manager  
Deputy Head of Equities, Perpetual Asset Management Australia

# INVESTMENT PORTFOLIO PERFORMANCE

OUTPERFORMING THE BENCHMARK\* THROUGH ACTIVE MANAGEMENT

AS AT 30 SEPTEMBER 2021	1 MTH	3 MTHS	6 MTHS	1 YR	2 YR P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEPTION P.A.
PIC Investment Portfolio <sup>1</sup> Net of fees, expenses and before tax paid	0.9%	5.5%	14.9%	42.4%	21.4%	15.2%	13.8%	12.0%
S&P/ASX 300 Accumulation Index	-1.9%	1.8%	10.4%	30.9%	8.5%	9.9%	10.5%	9.7%
<b>Excess Returns</b>	<b>2.8%</b>	<b>3.7%</b>	<b>4.4%</b>	<b>11.6%</b>	<b>12.9%</b>	<b>5.3%</b>	<b>3.2%</b>	<b>2.2%</b>

<sup>1</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 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. Portfolio and Index return may not sum to Excess Return due to rounding.

\* The benchmark is the S&P/ASX 300 Accumulation Index.

Source: Perpetual Investment Management Limited as at 30 September 2021



# SUMMARY

## ACTIVE MANAGEMENT AND FLEXIBLE INVESTMENT STRATEGY SEEKS TO DRIVE INVESTMENT PERFORMANCE

- PIC's **flexible investment strategy** combined with our **in-depth research** means we can quickly take advantage of opportunities to add to our existing positions or invest in new companies.
- PIC has a diverse portfolio due to our typically mid-cap bias and ability to invest in **unique offshore opportunities**.
- We believe our highly active approach has contributed to strong investment performance with the portfolio returning **42.4%** in the 12 months to 30 September 2021, **outperforming** the benchmark by **11.6%**<sup>1</sup>.
- We actively manage the franking credit balance throughout the year and aim to deliver investors a fully franked dividend <sup>2</sup>.

Source: Perpetual Equity Investment Company Limited

<sup>1</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 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. Portfolio and Index return may not sum to Excess Return due to rounding.

<sup>2</sup> PIC does not guarantee that any future dividends will be paid. Past dividend payments should not be taken as an indication of future dividends which may be declared or paid to shareholders.