

PERPETUAL
EQUITY
INVESTMENT
COMPANY
LIMITED

Perpetual Equity Investment
Company Limited
ABN 68 601 406 419

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14 January 2022

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

Perpetual Equity Investment Company Limited
Monthly Investment Update and NTA Report

Perpetual Equity Investment Company Limited (the Company) (ASX: PIC) advises that it has released the Monthly Investment Update and NTA Report (the Report) for the period ending 31 December 2021 (as attached).

If shareholders or other interested parties have any queries regarding the Report, they can contact:

Karen Trau
Investor Relations
Perpetual Investment Management Limited
P: 02 9229 3138
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Yours faithfully



Sylvie Dimarco
Company Secretary
(Authorising Officer)

INVESTMENT UPDATE AND NTA REPORT

December 2021

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

| AS AT 31 DECEMBER 2021 | AMOUNT |
|------------------------|---------|
| NTA after tax | \$1.327 |
| NTA before tax | \$1.388 |

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 capital raising costs and 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 DECEMBER 2021

| | |
|------------------------|---|
| ASX Code: | PIC |
| Structure: | Listed Investment Company |
| Listing Date: | 18 December 2014 |
| Market Capitalisation: | \$487 million |
| Share Price: | \$1.30 |
| Shares on Issue: | 374,314,954 |
| Dividends: | Half-yearly |
| Management Fee | 1.00% p.a.* |
| Manager | Perpetual Investment Management Limited |

* exclusive of GST

INVESTMENT PERFORMANCE

| AS AT 31 DECEMBER 2021 | 1 MTH | 3 MTHS | 6 MTHS | 1 YR | 2 YRS P.A. | 3 YRS P.A. | 5 YRS P.A. | SINCE INCEP P.A. |
|---|-------|--------|--------|-------|------------|------------|------------|------------------|
| PIC Investment Portfolio | 4.5% | 0.0% | 5.4% | 23.4% | 19.7% | 18.3% | 12.6% | 11.5% |
| Net of fees, expenses and before tax paid | | | | | | | | |
| S&P/ASX 300 Acc Index | 2.7% | 2.2% | 4.0% | 17.5% | 9.4% | 14.0% | 9.9% | 9.7% |
| Excess Returns | 1.9% | -2.2% | 1.4% | 5.8% | 10.3% | 4.3% | 2.6% | 1.8% |

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 SECURITIES

TOP 5 AUSTRALIAN LISTED SECURITIES

| COMPANY | PORTFOLIO WEIGHT |
|------------------------|------------------|
| Crown Resorts Limited | 7.4% |
| BHP Group Ltd | 7.3% |
| ANZ Banking Group Ltd. | 6.8% |
| Santos Limited | 6.4% |
| Western Areas Limited | 4.1% |

TOP 3 GLOBAL LISTED SECURITIES

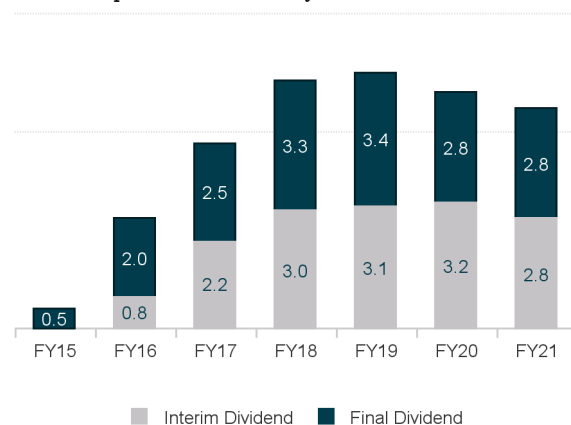
| COMPANY | PORTFOLIO WEIGHT |
|---------------------------|------------------|
| Ferguson Plc | 4.4% |
| La Francaise des Jeux SA | 3.9% |
| Flutter Entertainment Plc | 3.8% |

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

DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.3%

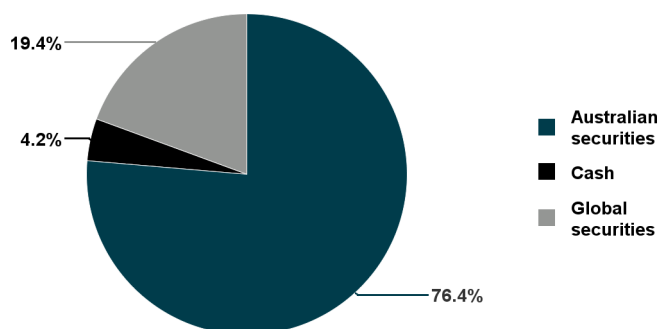
Grossed up annual dividend yield: 6.2%



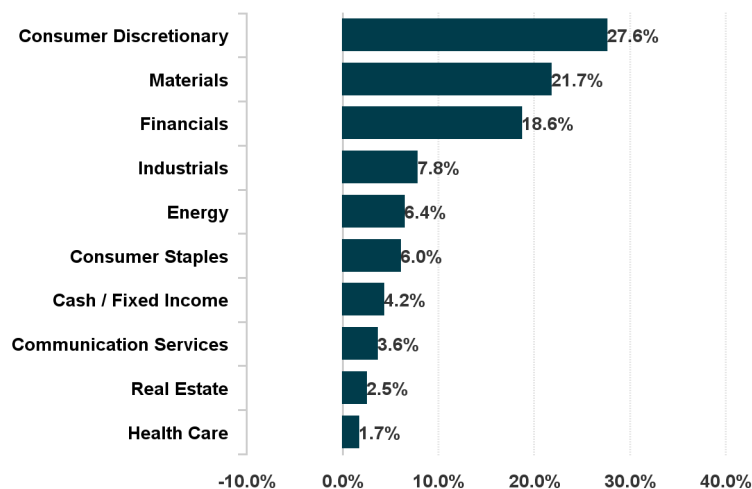
Yield is calculated based on the total dividends of 5.6 cents per share and the closing share price of \$1.300 as at 31 December 2021. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS ^

95.8% 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

Markets rebounded in December after fears about the Omicron variant of COVID-19 gave way to growing evidence that the mutation is milder than the Delta variant, despite being more infectious. Reopening stocks in energy and consumer discretionary sectors recovered ground early in the month. However, some caution remained over the highly infectious nature of Omicron and whether this would add to supply disruption woes plaguing the global economy. The US Federal Reserve (Fed) announced a quickening of the pace of tapering in Quantitative Easing (QE), with tapering doubling from \$15 billion to \$30 billion a month. The Fed also updated their Statement of Economic Projections (SEP) pointing to 3 rate hikes in 2022 and 2023 and two more in 2024. Nevertheless, the market strengthened in the closing days of the year as global markets gained greater comfort as global data confirmed Omicron was as mild as hoped.

In December 2021, net investment performance for the PIC portfolio was 4.5%, outperforming the S&P/ASX 300 Accumulation Index (the benchmark) by 1.9%. The top contributors to absolute performance were Western Areas Limited (ASX: WSA), Crown Resorts Limited (ASX: CWN), Ferguson PLC (LON: FERG) and Iluka Resources Limited (ASX: ILU). On the domestic front, the materials sector continued the upward trend despite supply chain pressure and on-going re-opening disruptions. IGO Limited (ASX: IGO), a mining and exploration company, announced a formal take-over to acquire 100% of WSA via a scheme of arrangement. Under the terms of the scheme, WSA shareholders will receive \$3.36 per WSA share in cash, representing a 35.5% premium to WSA's undisturbed share price of \$2.48 on 18 August 2021 (the day before discussions were announced). WSA, along with ILU, have positively contributed to portfolio performance over the last 3 months and over the 12 months to 31 December 2021. CWN closed the month at \$11.96, up 8.5% from November end, as positive investor sentiment gained traction after the CWN Board offered Blackstone non-exclusive due diligence. The CWN Board has stated that it believes the \$12.50 cash offer does not represent compelling value for Crown shareholders but has offered Blackstone due diligence so that it can formulate a revised proposal that reflects the fair value of CWN. This announcement saw the CWN share price narrow the discount that it was trading to the \$12.50 offer price. In December, FERG announced its first quarter FY22 results with net sales up 26.6% and virtually no debt. FERG remains on track to re-domicile its listing from the UK to the US.

For the month of December, the largest detractors to the portfolio's absolute performance were A2 Milk Company Limited (ASX: A2M), La Francaise des Jeux SA (PAR: FDJ) and PWR Holdings Limited (ASX: PWH). Whilst there was no company specific news out on A2M, the Manager believes there is still concerns in the market about the impact lower birth rates in China will have on overall industry volumes and competition. While this remains a likely outcome for the short term, the Manager notes recent policy in China aimed at increasing the birth rate over the medium to long term. The Manager considers there to be upside to A2M's share price despite an environment of sustained lower industry volumes as the business recovers from the excess inventory and pricing volatility issues that plagued 2021. The Manager has confidence in the new management team and believes the investment case is materially de-risked due to A2M having no debt and over 15% of its market cap in cash. FDJ's performance in December was led by the broader sell-off from global gaming companies. Headwinds in the consumer discretionary sector for the 3 months to 31 December 2021 also impacted PWR's performance. Despite this, PWR was the top contributor to absolute portfolio performance for the 12 months to December 2021. The Manager maintains a positive outlook for PWR as it continues to pass the portfolio's 4 quality filters process, offering conservative debt, sound management, recurring earnings and a quality niche business with potential future growth opportunities in the emerging technology segment.

For the 12 months to 31 December 2021, the PIC portfolio has returned 23.4%, outperforming the benchmark by 5.8%[^]. The Manager is of the view that markets may continue to be volatile in 2022 as inflation risks, yield curve movements and actions by governments continue to present themselves. The Manager has positioned the portfolio to “weather all storms” with a mix of quality stocks that have been in the portfolio for over a year and cyclicals. It believes the portfolio is well diversified across sectors and geographies and continues to actively research new opportunities.

[^] 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.

COMPANY NEWS

HALF YEAR RESULTS 2022

The Company’s half year results for financial year 2022, including any dividend announcement, will be announced on 23 February 2022.

BONUS ISSUE OF OPTIONS

On 29 June 2021, all eligible shareholders received their allotment of the one-for-one issue of bonus Options which the Company had [announced](#) on 2 June 2021. The Options are trading on the ASX, under the ASX code PICOA.

PIC Options provide 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 [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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This monthly report has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. PIML is the investment manager of the Perpetual Equity Investment Company Limited (Company) ACN 601 406 419. It is general information only and is not intended to provide you with financial advice or take into account your objectives, 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 information is believed to be accurate at the time of compilation and is provided in good faith. No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) nor the Company guarantees the performance of the Company or the return of an investor's capital.

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