

INVESTMENT UPDATE AND NTA REPORT

July 2018

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE ^{1,3}

AS AT 31 JULY 2018	AMOUNT
NTA before tax ²	\$1.172
NTA after tax ²	\$1.152

Daily NTA is available at www.perpetualequity.com.au

¹ All figures are unaudited and approximate.

² The before and after tax numbers relate to provisions for deferred tax on set-up costs and on unrealised gains and losses in the Company's investment portfolio.

³ A tax rate of 27.5% (previously 30%) is now applied.

KEY ASX INFORMATION AS AT 31 JULY 2018

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$308 million

Share price: \$1.210

Shares on issue: 254,442,926

INVESTMENT PERFORMANCE

AS AT 31 JULY 2018	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	2 YRS P.A.	3 YRS P.A.	SINCE INCEP P.A.
PIC Investment Portfolio ³ Net of fees, expenses and <u>before tax paid</u>	1.4%	4.0%	4.4%	13.7%	12.2%	9.8%	10.0%
S&P/ASX 300 Acc Index	1.3%	5.8%	6.0%	14.7%	10.8%	8.1%	10.0%
Excess Returns	+0.1%	-1.8%	-1.6%	-1.0%	+1.4%	+1.7%	-0.1%

³ 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.

TOP SECURITIES

TOP 5 AUSTRALIAN LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Westpac Banking Corporation	8.0%
Woolworths Ltd	6.7%
Suncorp Group Ltd	5.1%
National Australia Bank Ltd	4.7%
BHP Billiton Ltd	4.1%

TOP 3 GLOBAL LISTED SECURITIES

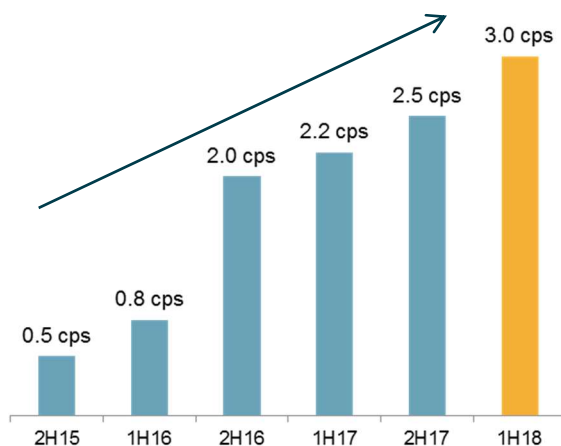
COMPANY	PORTFOLIO WEIGHT
Shire PLC	5.7%
General Electric Co	0.9%
N/A	-

DIVIDEND PER SHARE, CPS

1H18 interim dividend: 3.0 cents per share

Annual dividend yield: 4.5%⁴

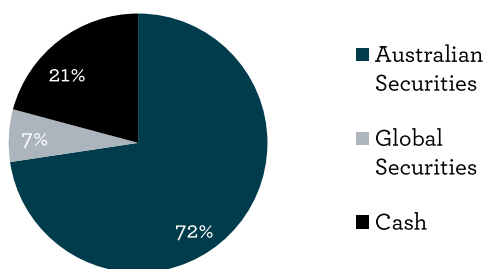
Grossed up annual dividend yield: 6.5%⁴



⁴ Yield is calculated using the 31 July 2018 share price of \$1.210. Grossed up yield takes franking credits into account.

ALLOCATION OF INVESTMENTS

79% of capital invested in securities.



PORTFOLIO COMMENTARY

The portfolio performance net of fees and expenses was 1.4% in July overperforming the benchmark S&P/ASX300 Accumulation Index by 0.1%. Since listing, the Perpetual Equity Investment Company Limited's (PIC) portfolio has returned 10.0% per annum net of fees and expenses.

Portfolio holdings in Medibank Private Limited, CYBG Plc and Brambles Ltd contributed positively to performance this month. Conversely, the portfolio's cash position and holdings in Select Harvests and Woolworths Ltd detracted from relative returns.

STOCK NEWS

General Electric (GE) is a US based industrial with a market capitalisation of USD \$112 billion. GE operates a number of businesses which are leaders in their respective fields. The crown jewel is GE Aviation which supplies more than 50% of all engines used in civil aerospace, a secularly growing industry in which the barriers to entry are very high. As at 31 July 2018 the portfolio allocation to GE was 0.9%.

The Manager believes GE shareholders have been let down by poor corporate governance and capital allocation. The result has been a business overexposed to a declining gas turbine market (used in power generation) where earnings have fallen significantly and are unlikely to rebound greatly. The Manager believes this has created a sense of crisis around the company and significant value destruction.

In the Manager's view, improvements are finally coming. Management and the board have changed materially and the new CEO has announced that they are breaking the company up, having recognised that the sprawling conglomerate model isn't working. They are also making appropriate change to incentives and oversight. At the end of this two year process, the Manager believes GE will be left with a focused business. The bulk of its value will be derived from a dominant jet engine franchise which the Manager thinks is mispriced at current levels. The Manager also expects that a smaller and more focused business can be more effectively managed.

It is important to note that GE is still a small position in the portfolio as execution of their plan is still to come. The Manager believes that at present GE is carrying too much

debt but that it is working to address this issue. Progress will be monitored carefully by the Manager.

MARKET COMMENTARY

The Australian equity market began the new financial year on a positive note with the S&P/ASX 300 Accumulation Index gaining 1.3% in July. The market was supported by stronger economic data as consumer confidence rose to a four and a half year high. June job numbers increased by 50,900 (well beyond an expected increase of 16,500 jobs) and the unemployment rate dropped marginally to 5.4% to reach a five and a half year low. The Reserve Bank of Australia left interest rates on hold at 1.5%, maintaining their neutral stance on monetary policy with no change to forward guidance and remaining upbeat with respect to global and domestic economic conditions. CPI climbed over the prior quarter, attributed to rising fuel costs, though failed to meet consensus expectations and remained below the RBA's target rate of 2-3%. National dwelling prices for June fell by 0.2% to its weakest growth rate since 2012, while retail sales figures released during July gained 0.4%, exceeding consensus by 10 basis points.

Major mining and energy companies released quarterly production updates, with the mining sector hampered by a pullback in commodity prices during July. Base metals struggled, with most metals finishing lower. The London Metals Exchange index fell 5.5%, dragged down by lead (-11.0%), zinc (-7.9%) and nickel (-6.0%). Coking coal ended its strong run, falling 13.2% in July as demand from China fell from port restrictions. Oil prices reversed recent gains with Brent and WTI crude oil falling 5.9% and 5.1% respectively, amidst oversupply concerns as Saudi Arabia sharply increased production. Iron ore, on the other hand, gained 4.9%, assisted by rising steel prices which boosted demand. The Australian market underperformed the global market, which gained 3.0% (as measured by the MSCI World Total Return Index in Australian dollar terms) on positive Europe and US corporate earnings results despite increased trade war concerns between the US and its major trading partners.

Sector performance was mixed over July, with the best performing sectors for the month, as measured from the S&P/ASX 300 Accumulation Index, being Telecommunication Services (+7.6%), Industrials (+3.2%) and Health Care (+2.2%). The worst performers were Utilities (-1.4%), Information Technology (-1.1%) and Consumer Staples (-0.9%). As a whole, industrial stocks (+1.6%) outperformed resource stocks (+0.1%) and large cap stock (+1.6%) outperformed small cap stocks (-1.0%). Value stocks (+0.6%) outperformed growth stocks (-0.1%) as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

COMPANY NEWS

ANNUAL RESULTS ANNOUNCED 20 AUGUST 2018

The Company will announce its annual results for the financial year to 30 June 2018 on Monday 20 August 2018.

2018 ANNUAL INVESTOR ROADSHOW

The Company is pleased to extend an invitation to all shareholders and interested parties to attend our annual roadshow being held in capital cities throughout September 2018.

Investors will be provided with a briefing on Financial Year 2018 results and highlights. Vince Pezzullo, Perpetual Investments' Deputy Head of Equities and PIC Portfolio Manager will outline his views on market conditions, investment performance and stock insights into a number of the Australian and global securities held in the portfolio. There will be an opportunity to have shareholder questions answered.

The dates and locations can be found below. Registration is now open, [REGISTER HERE](#) or visit www.perpetualequity.com.au. We look forward to seeing you.

DATE	LOCATION
Monday 3 September 10.15am for 10.30am, to conclude by 11.30am	Brisbane Perpetual Offices Level 15, 345 Queen St
Tuesday 4 September 10.15am for 10.30am, to conclude by 11.30am	Sydney Perpetual Offices – Angel Place Level 18, 123 Pitt Street
Wednesday 5 September 10.15am for 10.30am, to conclude by 11.30am	Melbourne Spaces Rialto Podium West, Level M2 525 Collins Street
Friday 7 September 10.15am for 10.30am, to conclude by 11.30am	Adelaide Perpetual Offices Level 11, 101 Grenfell Street
Monday 17 September 10.15am for 10.30am, to conclude by 11.30am	Perth Perpetual Offices Exchange Tower Level 29, 2 the Esplanade

INVESTMENT PHILOSOPHY

INVESTMENT OBJECTIVE

The investment objective of the Company is to provide investors with a growing 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 provide investors with the opportunity to invest in an actively managed portfolio and to gain access to the investment management experience and expertise of the Manager.

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 Investments
Vince has over 20 years' experience in the financial services industry, has outperformed consistently and has prior global experience as both an analyst and a portfolio manager. Vince leverages the expertise of the Perpetual Investments' Equity team, one of the largest investment teams in Australia.

PERPETUAL KEY CONTACTS

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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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