

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

KEY ASX INFORMATION

As at 31 August 2016

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$242.248 million

Share price: \$0.96

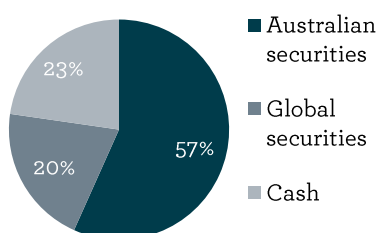
Shares on issue: 252,341,662

AUGUST 2016 MONTHLY INVESTMENT UPDATE AND NTA REPORT

PORTFOLIO PROFILE

ALLOCATION OF INVESTMENTS

77% of capital invested in securities.



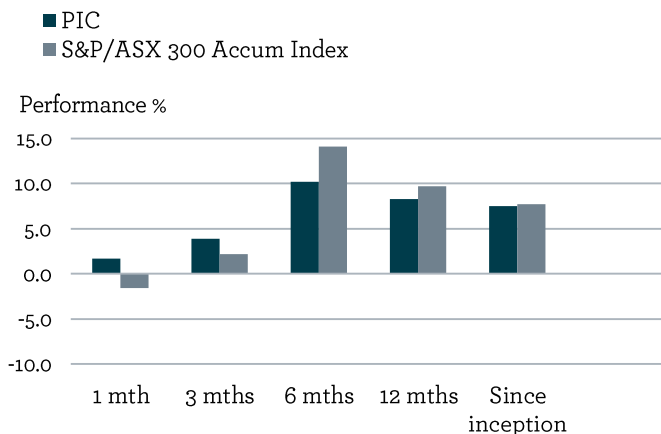
PERFORMANCE

Net of fees, expenses and tax paid

AS AT 31 AUG 2016	1 MTH	3 MTHS	6 MTHS	12 MTHS P.A.	SINCE INCEP P.A.
PIC	1.7%	3.9%	10.2%	8.3%	7.5%
S&P/ASX 300 Acc Index	-1.6%	2.2%	14.1%	9.7%	7.7%
Performance Relative to benchmark	3.3%	1.7%	-3.9%	-1.4%	-0.2%

Inception date is 18 December 2014.

PERFORMANCE - PIC VS BENCHMARK



Returns shown for the Company have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees and any income tax on realised gains) and assuming reinvestment of dividends. 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 COMMENTARY

The Portfolio performance, as measured by the growth in net assets per share, was 1.7% in August. The portfolio outperformed the benchmark S&P/ASX300, which fell by 1.6%. Since listing, the Perpetual Equity Investment Company Limited (PIC) has returned 7.5% per annum.

The recent reporting season saw companies deliver polarised results. On the one hand, the high yielding and high P/E stocks like Telstra and CSL disappointed, whilst stocks with low expectations performed well. The Manager believes that the quality of earnings for stocks that have benefited from the recent yield trade will come under increasing scrutiny, particularly as the market re-assesses the risk to their future dividend payout ratios.

One of the "unloved" stocks that surprised on the upside was Woolworths, the largest holding in the PIC portfolio. Woolworths delivered an increase in its like for like property sales growth for the first time ever. The Manager believes that whilst only a small increase, it represents further validation of Woolworths' new strategic direction.

In addition to Woolworths, other portfolio holdings that performed well during August included Royal Philips, Bank of America and Automotive Holdings Group. AMP Ltd and GrainCorp Ltd underperformed due to poor insurance results for AMP and continued fallout from the unsuccessful equity sale by GrainCorp's major shareholder, Archer Daniels Midlands.

The Manager is taking advantage of stronger prices to take profit on holdings and is building the portfolio's cash position. Cash reached 23% of the portfolio at the end of August and is approaching the maximum limit of 25%. The Manager believes that a higher cash position will protect the portfolio from downward market shocks and will allow PIC to buy quality companies at more attractive prices than today's levels.

During August, PIC announced a strong result for the financial year ending 30 June 2016 with net profit after tax of \$7.6 million. This represented a 106% increase compared to net profit after tax declared for the period ending June 2015.

The PIC Board declared a fully-franked final dividend payment of 2.0 cents per share for the year ended 30 June 2016, which brings the year's total dividend payment to 2.8 cents per share. The Board has an objective to pay a regular and growing dividend and remains focused on achieving this objective for shareholders.

Perpetual

Important dates for the final dividend payment are:

- Ex-dividend date 25 August 2016
- Record date 26 August 2016
- Payment date 12 September 2016

INVESTOR UPDATE AND ANNUAL GENERAL MEETING

We value the opportunity to meet with shareholders and PIC will be running a national Investor Update Roadshow. The dates and locations are in the table below.

A formal invitation for the Investor Update Roadshow will be sent out in coming weeks inviting you to register your attendance. Further information on the Annual General Meeting will be posted on our website shortly.

DATE	LOCATION
20 th October 10.15am for 10.30am, to conclude by 11.30am	BRISBANE Hilton Hotel Brisbane 190 Elizabeth Street, Brisbane
27 th October 10.15am for 10.30am, to conclude by 11.30am	PERTH Perpetual Offices Exchange Tower Level 29/2 The Esplanade, Perth
3 rd November 2.00pm to conclude by 4.00pm (Annual General meeting & Update)	SYDNEY Perpetual Offices Angel Place Level 18, 123 Pitt Street, Sydney
8 th November 10.15am for 10.30am, to conclude by 11.30am	ADELAIDE Adelaide Oval, Level 2, SACA Committee Room, Western Stand War Memorial Dr, North Adelaide
10 th November 10.15am for 10.30am, to conclude by 11.30am	MELBOURNE Perpetual Offices 36/525 Collins Street Melbourne

Importantly, the **Sydney Investor Update** will coincide with our second **Annual General Meeting on 3 November 2016** at Perpetual's Sydney office (Level 18, 123 Pitt Street, Sydney NSW 2000) at 2:00pm.

MARKET REVIEW

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, fell 1.6% during August. Outside of Australia, global markets delivered positive returns over the month, boosted by strong economic data from the US and quantitative easing activity from the Bank of England. Following the 'Brexit' outcome of the recent referendum, the Bank of England announced the purchase of £10bn UK corporate bonds, expanded its UK government bond purchase program by £10bn and lowered interest rates by 25bps to 0.25%. In Australia, weakening inflation and soft economic growth led the Reserve Bank of Australia to cut rates by 25bps to a record low of 1.50%, however the Australian dollar remained relatively steady, closing the month at US\$0.75, down 1.12%.

The best performing sectors for the month were information technology (+4.6%), energy (+2.4%) and consumer staples

(+1.9%). The worst performers were telecommunication services (-6.5%), utilities (-5.7%) and industrials (-4.3%). As a whole, industrial stocks (-1.8%) underperformed resource stocks (+0.2%) and large cap stocks (-1.8%) underperformed small cap stocks (-1.6%).

TOP SECURITIES

TOP 5 AUSTRALIAN SECURITIES AS AT 31 AUGUST 2016

COMPANY	PORTFOLIO WEIGHT
Woolworths Ltd	11.2%
Suncorp Group Ltd	7.3%
Sky Network Television Ltd	6.2%
BlueScope Steel Ltd	5.6%
GrainCorp Ltd	5.1%

TOP 3 GLOBAL SECURITIES AS AT 31 AUGUST 2016

COMPANY	PORTFOLIO WEIGHT
Royal Philips	7.2%
Icon Plc	6.2%
Bank of America Corp	5.4%

NET TANGIBLE ASSET (NTA) BACKING PER ORDINARY SHARE¹

AS AT 31 AUGUST 2016	AMOUNT
NTA before tax ²	\$1.067
NTA after tax	\$1.052

Daily NTA is available on the website.

¹All figures are unaudited and approximate. The before and after tax NTA numbers include an accounting provision for the final dividend for the year ended 30 June 2016 of 2.0 cents per share that was declared on 19 August 2016. This provision will continue to be recognised until the payment date being 12 September 2016.

²The 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.

DIVIDEND REINVESTMENT PLAN

The Company has a Dividend Reinvestment Plan (DRP) in operation. The DRP provides you the choice to receive some or all of your future dividends as ordinary shares in the Company instead of cash, which is an efficient way of increasing your investment in the Company. For more information on the DRP or to [access an application form](#), please visit our website, [click here](#) or contact LINK Market Services Telephone: +61 1800 421.712.



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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This monthly report has been prepared by Perpetual Investment Management Limited ABN 18 000 866 535, AFSL 234426 and Perpetual Trustee Company Limited ABN 42 000 001 007 AFSL 236643. 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. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of the Company or the return of an investor's capital.

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