

PERPETUAL  
EQUITY  
INVESTMENT  
COMPANY

# INVESTOR UPDATE

OCTOBER 2015

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# IMPORTANT NOTE

This information was prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426 and issued by Perpetual Trustee Company Limited (PTCL) ABN 42 000 001 007, AFSL 236643. PIML is the Manager for the Perpetual Equity Investment Company Limited (Company) ACN 601 406 419.

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**WELCOME**

PERPETUAL  
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## **YOUR PRESENTERS TODAY – BRISBANE ONLY**

**TONY HARTE**  
**STATE MANAGER**



**VINCE PEZZULLO**  
**PORTFOLIO MANAGER**



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**WELCOME**

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**YOUR PRESENTERS TODAY**

**MICHAEL GORDON  
EXECUTIVE DIRECTOR**



**VINCE PEZZULLO  
PORTFOLIO MANAGER**



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# OUR AGENDA

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# COMPANY UPDATE

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# COMPANY UPDATE

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## PROFIT

- Net Profit After Tax of \$3.7m for the period ended 30 June 2015

## DIVIDENDS

- Paid an annual dividend of 0.5 cents per share
- The Board's objective is to pay a regular and growing dividend
- Where possible the Company will pay fully franked dividends twice per year
- Introduced a Dividend Reinvestment Plan

## ABOUT THE MANAGER

- The 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.

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# MANAGER UPDATE

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- Established in 1886, Perpetual is one of Australia's most respected fund managers, with an enduring passion for protecting and growing our clients' wealth
- Perpetual is an active, value manager, with a bottom-up investment process
- One of the largest investment teams in Australia that conducts more than 1,000 company meetings each year
- A\$30.2bn funds under management\*
- Perpetual is part of the Perpetual Limited group. Perpetual Limited is listed on ASX (PPT.AX)
- Provider of market leading equities, fixed income, cash and multi asset solutions
- Approximately 6,500 clients

\* Perpetual Investment. As at 30 June 2015

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# COMPANY PERFORMANCE

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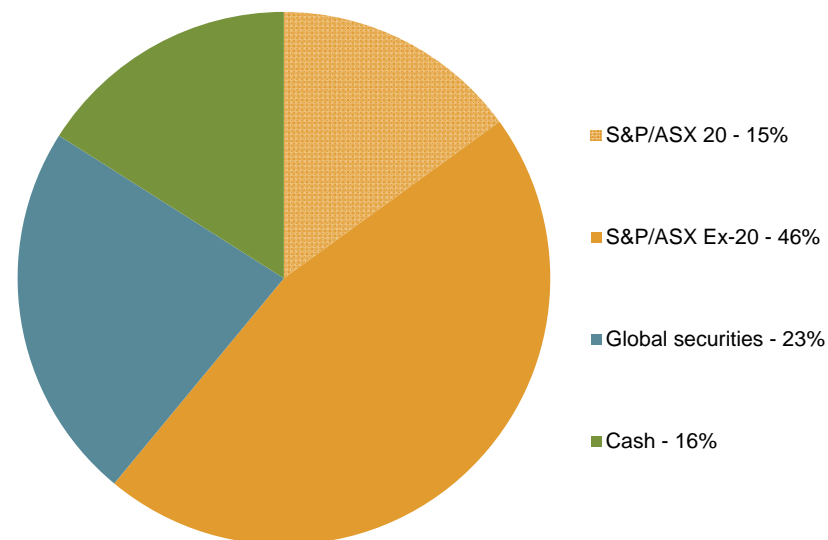
AS AT 30 SEPTEMBER 2015	1 MTH	3 MTHS	6 MTHS	SINCE INCEPTION
<b>PIC</b>	-2.1%	0.3%	0.1%	2.3%
<b>S&amp;P/ASX 300 Accumulation Index</b>	-2.9%	-6.5%	-12.5%	0.4%
<b>Performance Relative to benchmark</b>	+0.8%	+6.8	+12.6%	+1.9%

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.

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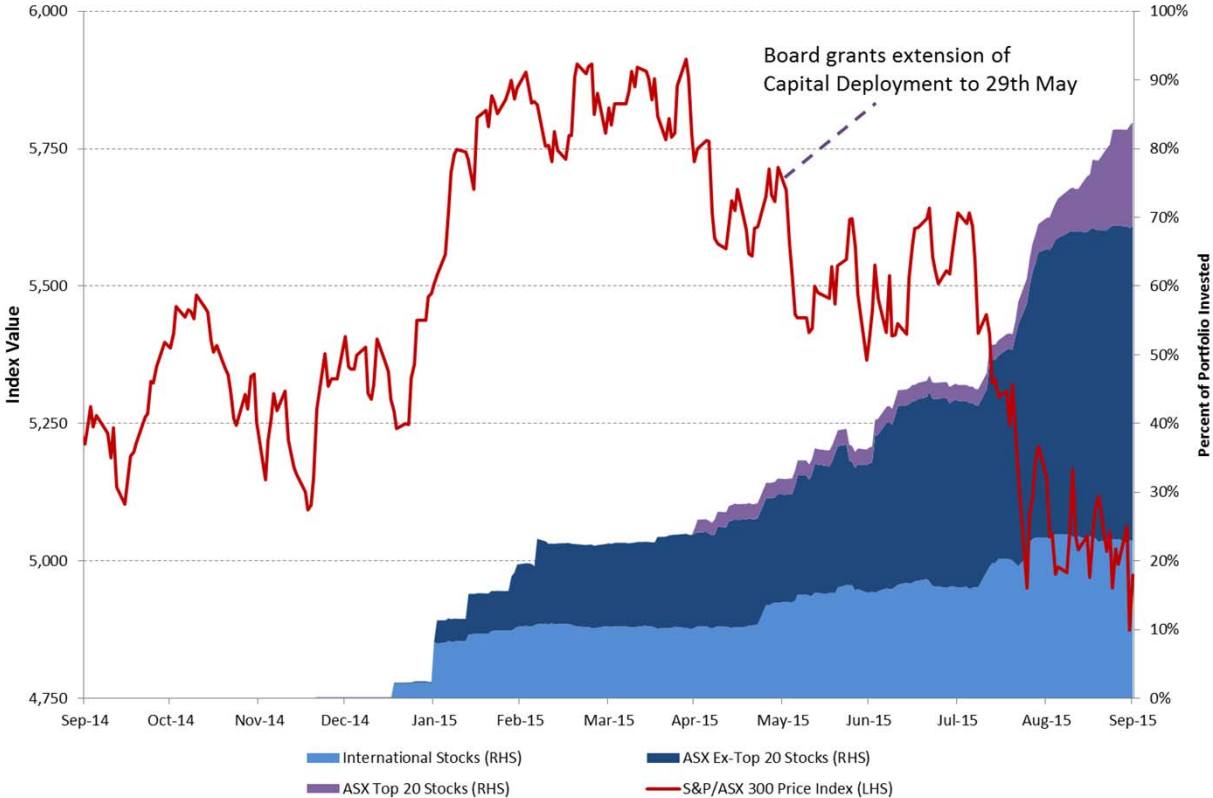

# ALLOCATION OF INVESTMENTS

- At 30 September, 84% of the Portfolio's capital deployed
- Cash will be used to protect the portfolio and take advantage of attractive opportunities
- Patient and prudent investment style has rewarded shareholders



Data as at 30 September 2015

# CAPITAL DEPLOYMENT CHART





# MARKET CONDITIONS AND OUTLOOK

- Markets have been volatile with concerns over the impact of slowing growth in China
- Europe is growing, albeit slowly
- Interest rates remain at record lows.
- There is ongoing uncertainty over the timing of any interest rises by the US Federal Reserve
- Commodities and resource stocks still under pressure
- Corporate earnings growth through “cost-out” has largely played out
- Perpetual is focused on buying quality companies that are “unloved” at attractive prices



**PORTFOLIO HOLDINGS IN PROFILE**

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# OUR INVESTMENT PHILOSOPHY

## QUALITY & VALUE FOCUS

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We focus on:

**1** Quality business

**2** Conservative debt

**3** Sound management

**4** Recurring earnings

This means:

- > We seek **quality companies** at **attractive valuations** – Valuations can be more important than earnings, so we won't buy companies if they're overvalued
- > **Committed to cautiously deploying your capital**

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# THE PROCESS IN ACTION – WOOLWORTHS

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## CORE BUSINESS:

Largest retailer in Australia and New Zealand

**SECTOR:** Consumer staples

**INITIAL ENTRY PRICE:** \$24.40

**PRICE/EARNINGS:** 15.6x

**DIVIDEND YIELD:** 5.2%

**PRICE/BOOK VALUE:** 3.1x

## WHY WE LIKE IT?

- Leading market position with duopoly/oligopoly status
- Defensive earnings with unique portfolio of assets
- Oversold by market on short term concerns (Masters, Aldi etc)
- New management team set to deliver structural change across the business



Source: Perpetual & FactSet

Woolworths

# THE PROCESS IN ACTION – BLUESCOPE STEEL

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## CORE BUSINESS:

Production of steel and flat steel products

**SECTOR:** Materials

**INITIAL ENTRY PRICE:** \$3.10

**PRICE/EARNINGS:** 18.0x

**DIVIDEND YIELD:** 1.5%

**PRICE/BOOK VALUE:** 0.5x

## WHY WE LIKE IT?

- Unloved by the market due to industry headwinds during cyclical lows
- Restructuring and cost reductions delivering strong cash flow at bottom-of-cycle margins
- Strong operating leverage to assist earnings through the cycle



Source: Perpetual & FactSet

BlueScope Steel

# THE PROCESS IN ACTION – BANK OF AMERICA

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## CORE BUSINESS:

One of the largest banking and financial service providers in the US

**SECTOR:** Financials

**INITIAL ENTRY PRICE:** US\$15.35

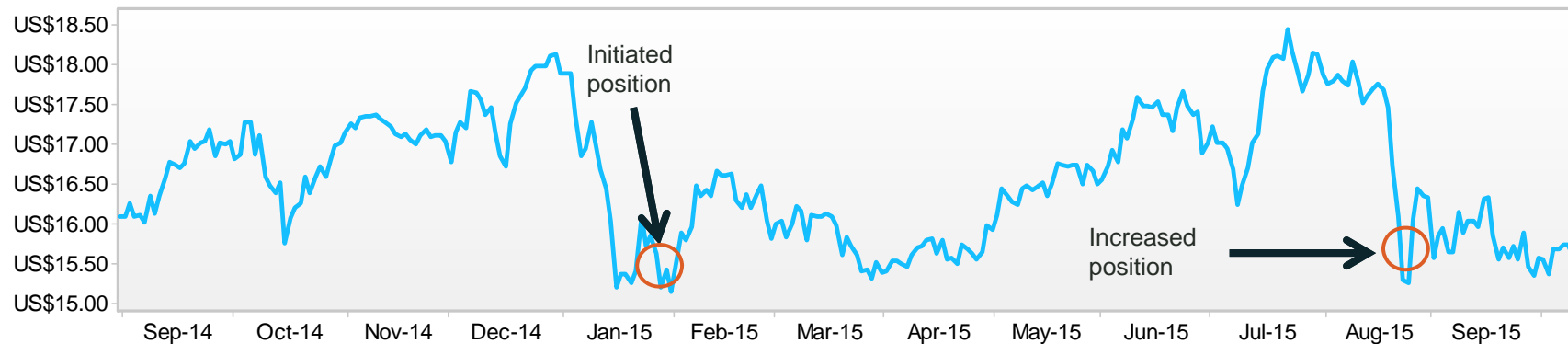
**PRICE/EARNINGS:** 10.1x

**DIVIDEND YIELD:** 1.3%

**PRICE/BOOK VALUE:** 0.7x

## WHY WE LIKE IT?

- Leading market position within industry with significant market share of loans and deposits
- Strong balance sheet
- Leveraged to rising US interest rates and improving US economy
- Trading on cheap multiples



Source: Perpetual & FactSet

Bank of America Corporation



# THE PROCESS IN ACTION – VIACOM

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## CORE BUSINESS:

Worlds sixth largest broadcasting and cable company

**SECTOR:** Consumer discretionary

**INITIAL ENTRY PRICE:** US\$46.65

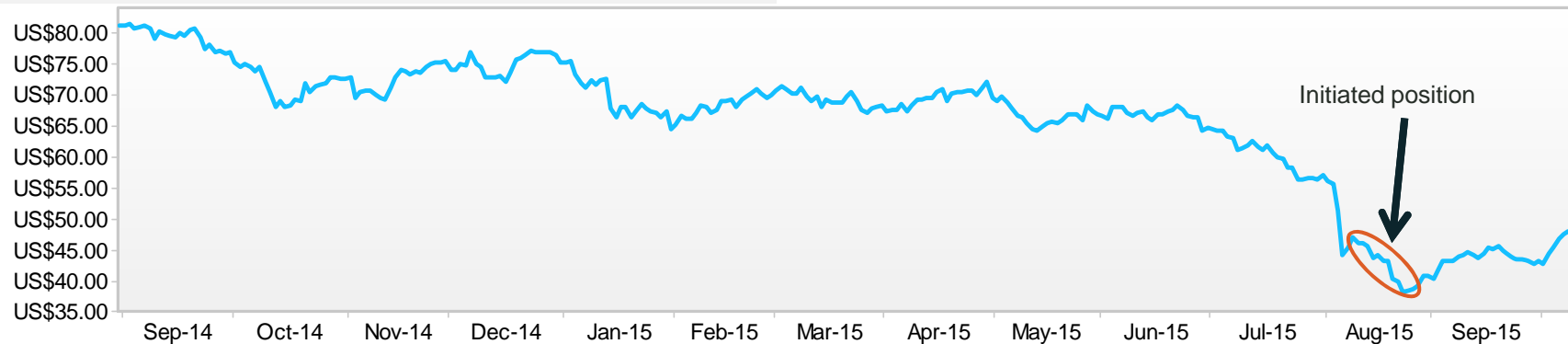
**PRICE/EARNINGS:** 7.9x

**DIVIDEND YIELD:** 3.4%

**PRICE/BOOK VALUE:** 6.6x

## WHY WE LIKE IT?

- Strong market position and owner of leading brands including MTV, Nickelodeon, Paramount etc.
- Oversold on fears of falling subscriber base due to competition from Netflix etc.
- Ratings data does not include 'catch-up' viewing but this will soon change
- Opportunity to increase prices for on-sold content

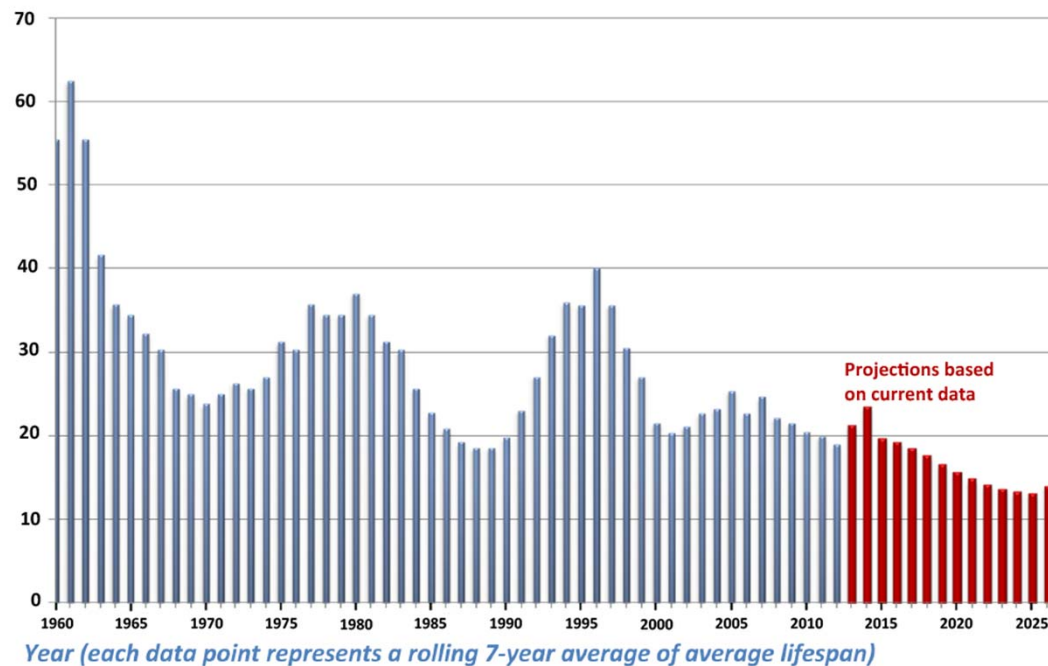


Source: Perpetual & FactSet

Viacom Inc.

# FOCUS ON COMPANIES THAT REINVEST

■ Average company lifespan on S&P Index in years (rolling 7-year average)



- Based on S&P data the average lifespan of a blue chip company in the United States in the 1960's was 40 years
- It is now half of that
- The average lifespan of a U.S. company is predicted to fall to about 15 years
- Companies that do not reinvest in their businesses or innovate will fade quicker than ever before

Source: Innosight : Creative Destruction Whips Through Corporate America

# THE PROCESS IN ACTION – SKY TV

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## CORE BUSINESS:

Largest pay TV broadcaster in New Zealand

**SECTOR:** Consumer discretionary

**INITIAL ENTRY PRICE:** \$5.37

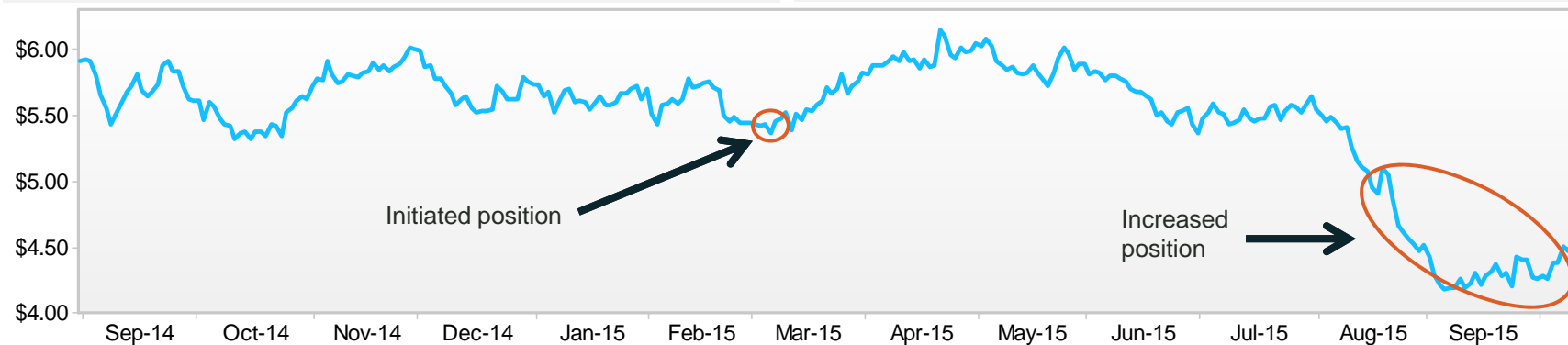
**PRICE/EARNINGS:** 11.6x

**DIVIDEND YIELD:** 6.0%

**PRICE/BOOK VALUE:** 1.5x

## WHY WE LIKE IT?

- Monopoly position in New Zealand Pay TV market with 50% of households subscribing
- Strong defensive earnings and cash flow
- Excellent management team



Source: Perpetual & FactSet

Sky Network Television



# SHAREHOLDER SERVICES

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# SHAREHOLDER SERVICES

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

1

Subscribe to email alerts

2

View monthly portfolio holdings and reports (released on the 14<sup>th</sup> of each month)

3

Daily NTA Reports keep you informed by disclosing the net asset backing per share each day

For all shareholder queries

Contact Link Market Services

Phone 1300 554 474

Email [pic@linkmarketservices.com.au](mailto:pic@linkmarketservices.com.au)

The screenshot displays the Perpetual Equity Investment Company Limited website. At the top, the company name is prominently featured. Below the header, there are navigation links for ABOUT, ANNOUNCEMENTS & EVENTS, PRESS & MEDIA, SHAREHOLDER SERVICES, and CORPORATE GOVERNANCE. The main content area includes a section for PERPETUAL EQUITY INVESTMENT COMPANY LIMITED, followed by three key service buttons: INVESTOR UPDATE (OCTOBER 2015), ANNUAL REPORT TO 30 JUNE 2015, and DIVIDEND REINVESTMENT PLAN. A central section displays the SHARE PRICE at \$0.99, along with a table of daily price movements (Open, High, Low, Volume) and a SHARE CHART showing price fluctuations over time. At the bottom, there are four informational links: COMPANY OVERVIEW, PROSPECTUS, SHAREHOLDER SERVICES, and CORPORATE GOVERNANCE. The footer contains the company logo, website URL, and copyright information.

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# ANNUAL GENERAL MEETING

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## Invitation to attend our first Annual General Meeting:

Date: Thursday 5 November 2015

Time: 2.30pm

Address: Angel Place, Level 12, 123 Pitt Street, Sydney NSW 2000

All shareholders have been sent a Notice of Meeting, Proxy and question forms

**QUESTIONS?**

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