

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

KEY ASX INFORMATION

As at 31 December 2015

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$244.860 million

Share price: \$0.975

Shares on issue: 251,138,874

Options on issue: 249,726,777

Options ASX Code: PICO

Options expiry date: 10 June 2016

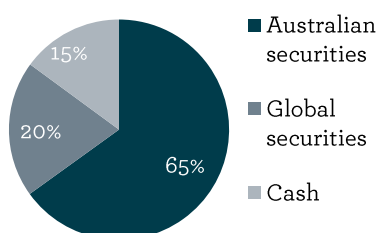
Options Share price: \$0.015

DECEMBER 2015 MONTHLY INVESTMENT UPDATE AND NTA REPORT

PORTFOLIO PROFILE

ALLOCATION OF INVESTMENTS

85% of capital invested in securities.



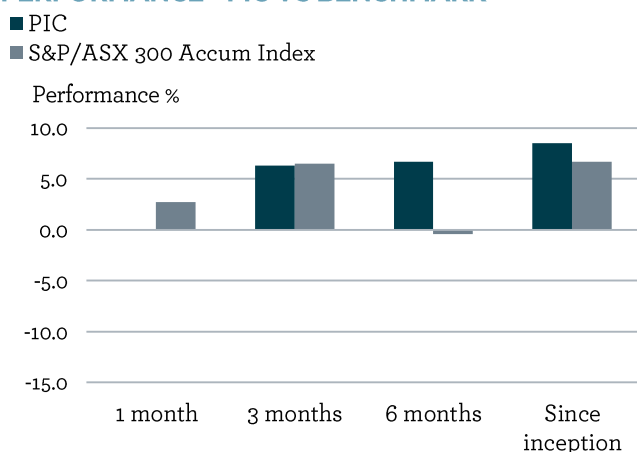
PERFORMANCE

Net of fees, expenses and tax paid

AS AT 31 DECEMBER 2015	1 MTH	3 MTHS	6 MTHS	SINCE INCEPTION P.A.
PIC	0.0%	6.3%	6.7%	8.5%
S&P/ASX 300 Accumulation Index	2.7%	6.5%	-0.4%	6.7%
Performance Relative to benchmark	-2.7%	-0.2%	7.1%	1.8%

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 was flat in December, underperforming the benchmark by 2.7%. Since listing, the Perpetual Equity Investment Company Limited (PIC) has returned 8.5% exceeding the benchmark return by 1.8%.

The market performed strongly in December as previous concerns about Chinese growth and the strength of the United States recovery were forgotten. The biggest contributors to performance for the month of December for PIC were Nine Entertainment (NEC), Caltex and BlueScope Steel.

Nine Entertainment rose as the market realised that the likelihood of a change in the media laws has increased. This will provide an opportunity for NEC to take advantage of the significant change to the domestic media landscape that will result. The Manager believes that NEC provides media exposure for PIC at a reasonable price with an excellent balance sheet. Caltex investors have become more comfortable with the company post the Kurnell refinery shutdown and the market is recognising that the company is reinventing itself as a fuel distribution and marketing business. This will result in a more stable, predictable earnings profile. The Portfolio Manager, Vince Pezzullo prefers Caltex as PIC's Infrastructure exposure given the increased stability of its earnings now it has exited oil refining. Caltex also has significant balance sheet capacity relative to other utility and infrastructure companies that typically carry significant financial leverage with debt/equity ratios in the 100 – 200% range. BlueScope Steel rebounded mostly due to an improvement in steel spreads over the last few months. In addition, the opportunity to improve the efficiency and earnings of the Port Kembla Steel works has been greatly enhanced. BlueScope is providing PIC's indirect exposure to commodities.

The major detractors for the month included Viacom as the market become increasingly concerned about the impact of Netflix and other streaming services on content providers. Viacom is a leading content generator with its leading brands including MTV, Nickelodeon, VH1, Paramount Channel and Viva. Viacom provides content across television, motion

Perpetual

picture, online and mobile platforms in over 160 countries. Viacom will shortly begin publishing the volume of downloaded digital content, which up until now has not been made public. The Manager believes this will demonstrate that Viacom's audience is not in decline and will result in improved pricing power with advertisers. Suncorp underperformed as the company warned that the insurance margin of the core business was under pressure due to an increase in adverse claims and higher than expected claims inflation. While disappointing, the Manager believes that there is a cyclical element to this pressure but that this will abate over time as prices in auto and home insurance have risen to offset margin decline. Royal Philips underperformed as concerns about the prospects for the recovery in Europe and emerging markets cast doubts on the company's ability to proceed with the separation of its lighting business from the core Healthcare and Consumer business given the current weak market environment. The Portfolio Manager, Vince Pezzullo still likes Royal Philips over the medium term as it transforms, via a series of asset sales and possible divestments, from a more consumer/cyclical industrial stock to a Healthcare dominated business. Importantly PIC is not paying a Healthcare type multiple.

Eighty five percent of PIC's capital is invested in equity securities with 65% in Australian securities and 20% in global securities. Fifteen percent of the portfolio is in Cash.

Shareholders are reminded that PIC Options expire on 10 June 2016. If you would like to exercise your Options please contact LINK on Ph:+61 1800 421 712 for an Option exercise form.

MARKET REVIEW AND OUTLOOK

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, rose 2.7% during December. Global markets were down across the board as the US Federal Reserve finally moved to raise interest rates and the collapsing oil price led to heavy losses across the energy sector. In the middle of the month, the Fed raised interest rates for the first time since 2006, lifting its funds rate by 25 basis points. The price of oil fell 10.8% as OPEC surprised the market by effectively abandoning its strategy of limiting production levels in an attempt to drive out higher cost producers and gain market share. Meanwhile the European Central Bank cut bank reserve deposit rates and extended its quantitative easing program by six months. Australian stocks initially followed global markets downwards before staging a rally in the second half of the month on the back of stronger than expected employment data. The positive figures also helped push the Australian dollar 0.4% higher to close the month at US\$0.7276.

The ongoing weakness of the Chinese economy will continue to weigh on the Australian and global economic outlook. The Manager is monitoring how this will affect certain sectors within the economy and has positioned the portfolio towards companies that continue to grow earnings, with robust balance sheets and sustainable dividend yields. The Manager remains cautious of the big four Australian banks which are facing increasing capital requirements and deteriorating economic conditions. The market themes of 2015 are likely to persist with the market focused on the pace of the United States interest rate tightening cycle, weakness in China and the oil price. In these uncertain times, the Manager believes the best defence is to stay true to the proven Perpetual investment process. The process concentrates on buying quality securities at attractive valuations which should give investors downside protection should things deteriorate and upside potential as earnings grow.

TOP SECURITIES

TOP 5 AUSTRALIAN SECURITIES AS AT 31 DECEMBER 2015

COMPANY	PORTFOLIO WEIGHT
Woolworths Ltd	10.8%
Caltex	7.4%
Reckon Ltd	6.8%
Sky Network Television Ltd	6.7%
BlueScope Steel Ltd	6.3%

TOP 3 GLOBAL SECURITIES AS AT 31 DECEMBER 2015

COMPANY	PORTFOLIO WEIGHT
Bank of America Corp	6.3%
Royal Philips	6.2%
Viacom Inc	4.7%

NET TANGIBLE ASSET (NTA) BACKING PER ORDINARY SHARE¹

AS AT 31 DEC 2015	AMOUNT
NTA before tax ²	\$1.053
NTA after tax	\$1.043

Daily NTA is available on the website.

¹All figures are unaudited and approximate.

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.



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.

This monthly report has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. 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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