

# PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

## KEY ASX INFORMATION

As at 31 October 2015

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$248,542 million

Share price: \$0.99

Shares on issue: 251,052,374

Options on issue: 249,813,277

Options ASX Code: PICO

Options expiry date: 10 June 2016

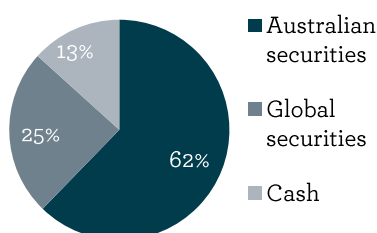
Options Share price: \$0.02

## OCTOBER 2015 MONTHLY INVESTMENT UPDATE AND NTA REPORT

### PORTFOLIO PROFILE

#### ALLOCATION OF INVESTMENTS

87% of capital invested in securities.



### PERFORMANCE

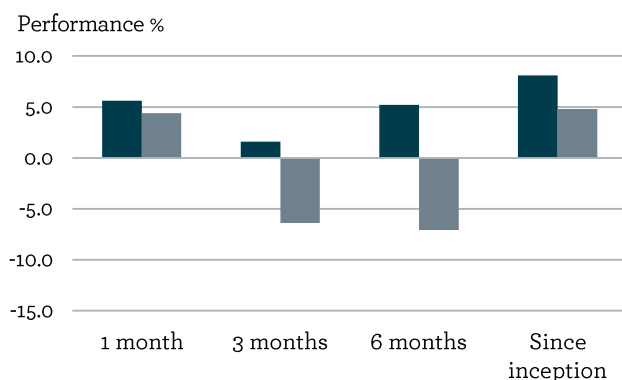
Net of fees, expenses and tax paid

AS AT 31 OCTOBER 2015	1 MTH	3 MTHS	6 MTHS	SINCE INCEPTION
PIC	5.6%	1.6%	5.2%	8.1%
S&P/ASX 300 Accumulation Index	4.4%	-6.4%	-7.1%	4.8%
Performance Relative to benchmark	1.2%	8.0%	12.3%	3.3%

Inception date is 18 December 2014.

### PERFORMANCE - PIC VS BENCHMARK

■ PIC  
■ S&P/ASX 300 Accum Index



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 returned 5.6% in October, outperforming the benchmark by 1.2%. Since listing, the Perpetual Equity Investment Company Limited (PIC) has returned 8.1% exceeding the benchmark return by 3.3%.

One of the recent additions to the portfolio has been Philips NV, a Dutch technology conglomerate with a history going back to the 1920s. The company has made significant contributions to the development of a broad range of industries over this time, including semiconductor production, video and audio equipment and advanced medical imaging.

Under a new CEO, the company has been reassessing its conglomerate structure and Philips has spent the last several years selling off their underperforming businesses to focus on their best. This is not complete yet with the biggest portion, being lighting, still remaining. However the end of the process is in sight and Philips will then be a focused company with two major businesses only, both of which the Manager considers to be attractive. Philips will be concentrated in Advanced Medical equipment and a valuable consumer products business which includes a number of strong brands like Sonicare, Senseo, Avent and a range of Philips branded kitchen appliances.

The Manager thinks the benefits of these actions will be two fold 1) there will be substantially lower corporate charges going forward and 2) that these businesses will be better run. The Manager expects margins to rise over time particularly in healthcare. Given that both Philips medical and consumer businesses revenue will also grow, the potential for Philips to generate strong earnings growth and more importantly free cash flow is clear and the Manager believes that shareholders will benefit materially.

Perpetual

Eighty seven percent of PIC's capital has now been invested in securities. Sixty two percent of the portfolio is invested in Australian securities, 25 percent is invested in global securities and the remainder of the portfolio (13%) is in Cash.

## **ANNUAL GENERAL MEETING UPDATE**

The first Annual General Meeting (AGM) of PIC was held on Thursday, 5 November 2015. For those shareholders unable to attend the meeting, the results of the AGM and the Chairman's and Executive Director's addresses can be found on our website or [click here to access directly](#).

## **INVESTOR UPDATE ROADSHOW**

We also held investor updates around the country during October. Michael Gordon, Executive Director and Vince Pezzullo, Portfolio Manager presented an update on the Company and its investment strategy at a series of investor information sessions. For those shareholders unable to attend a copy of the presentation has been posted on our website or [click here to access directly](#).

## **MARKET REVIEW**

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, rose 4.4% during October. Global markets performed strongly during the month, led by better than expected quarterly earnings in the US, improved sentiment towards the Chinese economy and speculation of further quantitative easing in Europe and Japan. US stocks climbed steadily throughout the month on the back of a better than expected run of 3Q earnings results. The Federal Reserve left rates on hold but hawkish commentary pointed to the likelihood of a rate rise in December. China's economic data remained weak, however the share market staged a small recovery after the Peoples' Bank of China cut interest rates for the sixth time since November last year. European markets also posted positive returns as European Central Bank President Mario Draghi hinted to further quantitative easing in December. Commodity prices delivered mixed results, with oil and most base metals gaining ground while iron ore fell 11.5%. In Australia the RBA kept rates on hold at 2.0% and the Australian dollar gained 1.6% against the USD, closing at US\$0.7135.

## TOP SECURITIES

### TOP 5 AUSTRALIAN SECURITIES AS AT 31 OCTOBER 2015

COMPANY	PORTFOLIO WEIGHT
Woolworths Ltd	7.8%
Reckon	6.8%
Suncorp Group Ltd	6.7%
BlueScope Steel Ltd	6.6%
Sky Network Television Ltd	6.5%

### TOP 3 GLOBAL SECURITIES AS AT 31 OCTOBER 2015

COMPANY	PORTFOLIO WEIGHT
Bank of America Corp	6.4%
Viacom Inc	5.7%
Philips NV	5.3%

### NET TANGIBLE ASSET (NTA) BACKING PER ORDINARY SHARE<sup>1</sup>

AS AT 30 OCT 2015	AMOUNT
NTA before tax <sup>2</sup>	\$1.046
NTA after tax	\$1.037

Daily NTA is available on the website.

<sup>1</sup>All figures are unaudited and approximate.

<sup>2</sup>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.

## 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

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### CONTACT DETAILS

Investor queries: Telephone: +61 1800 421 712

Mailing address: Link Market Services, Locked Bag A14, Sydney South, NSW 1235

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

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

