

INVESTMENT UPDATE AND NTA REPORT

JUNE 2022

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

| AS AT 30 JUNE 2022 | AMOUNT |
|--------------------|---------|
| NTA after tax | \$1.191 |
| NTA before tax | \$1.169 |

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

All figures are unaudited and approximate.

The before and after tax numbers relate to provisions for deferred tax on capital raising costs and on unrealised gains and losses of the Company's investment portfolio.

NTA figures are calculated as at the end of day on the last business day of the month.

KEY ASX INFORMATION

AS AT 30 JUNE 2022

| | |
|------------------------|---|
| ASX Code: | PIC |
| Structure: | Listed Investment Company |
| Listing Date: | 18 December 2014 |
| Market Capitalisation: | \$436 million |
| Share Price: | \$1.16 |
| Shares on Issue: | 376,007,767 |
| Dividends: | Half-yearly |
| Management Fee | 1.00% p.a.* |
| Manager | Perpetual Investment Management Limited |

* exclusive of GST

INVESTMENT PERFORMANCE

| AS AT 30 JUNE 2022 | 1 MTH | 3 MTHS | 6 MTHS | 1 YR | 2 YRS p.a. | 3 YRS p.a. | 5 YRS p.a. | 7 YRS p.a. | SINCE INCEP p.a. |
|--|--------|--------|--------|-------|------------|------------|------------|------------|------------------|
| PIC Investment Portfolio <small>Net of fees, expenses and before tax paid</small> | -10.0% | -11.6% | -11.5% | -6.7% | 15.3% | 9.5% | 8.9% | 9.3% | 8.9% |
| S&P/ASX 300 Acc Index | -9.0% | -12.2% | -10.4% | -6.8% | 9.4% | 3.4% | 6.9% | 7.0% | 7.5% |
| Excess Returns | -1.0% | 0.6% | -1.1% | 0.1% | 5.8% | 6.1% | 2.0% | 2.3% | 1.5% |

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 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 5 AUSTRALIAN LISTED SECURITIES

| COMPANY | PORTFOLIO WEIGHT |
|-----------------------------------|------------------|
| Insurance Australia Group Limited | 8.2% |
| Santos Limited | 7.0% |
| Iluka Resources Limited | 5.9% |
| Brambles Limited | 5.5% |
| Westpac Banking Corporation | 4.8% |

TOP 3 GLOBAL LISTED SECURITIES

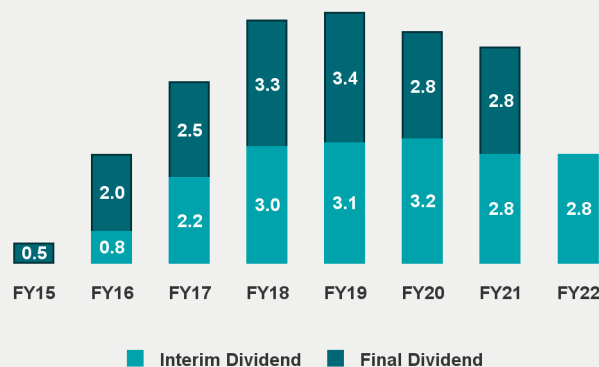
| COMPANY | PORTFOLIO WEIGHT |
|---------------------------|------------------|
| Flutter Entertainment Plc | 6.3% |
| La Francaise des Jeux SA | 6.0% |
| Light & Wonder, Inc. | 2.4% |

Portfolio weight based on direct investments in securities and does not include any derivative exposure

DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.8%

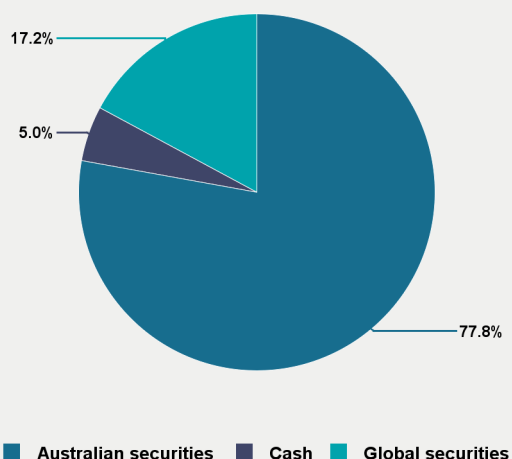
Grossed up annual dividend yield: 6.9%



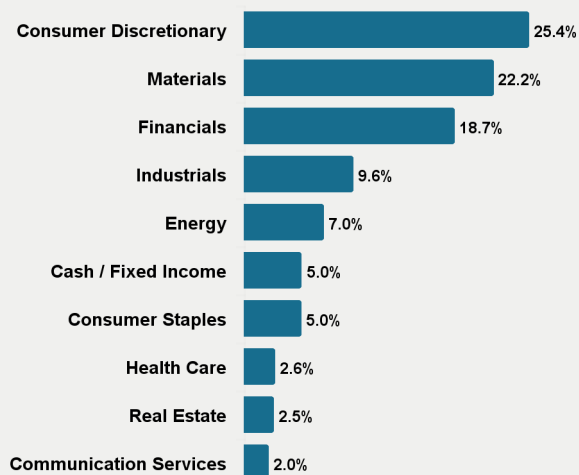
Yield is calculated based on the total dividends of 5.6 cents per share and the closing share price of \$1.160 as at 30 June 2022. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS[^]

95.0% of capital invested in securities



PORTFOLIO SECTORS[^]



[^]Weightings calculated based on direct investments in securities and any indirect exposure via S&P /ASX 200 related derivatives. All figures are unaudited and approximate. Allocations may not sum to 100% due to rounding.

PORTFOLIO COMMENTARY

The S&P/ASX300 Accumulation Index (benchmark) fell -9.0% for the month ending 30 June 2022. Materials, Information Technology, Financials and Real Estate all fell by double digit percentages whilst Consumer Staples, Healthcare, Industrials and Energy held up relatively well. In a reversal of recent months, all Australian GICS sectors fell harder than their MSCI counterparts, except energy. The MSCI World Index in AUD fell just -4.7% by comparison.

Early June was characterised by a continuation of recent concerns that central banks were struggling to contain inflation. A key measure of inflation, the US CPI came in for May at 8.6% above expectations and dashing hopes that it had peaked. This closely followed a robust employment report indicating the US economy added 390,000 jobs in May. Commodity prices were trading at or near peak levels, including over US\$120 per barrel for both Brent and WTI crude oil. Meanwhile, an unfolding energy crisis in Australia added to the sense of inflation crisis.

The Reserve Bank of Australia shocked markets by raising the target cash rate by 0.5% on 8 June and the US Federal Reserve (Fed) subsequently tightened the benchmark interest rate by 0.75%, the most aggressive hike since 1994. The University of Michigan consumer sentiment survey dropped to the lowest levels since the survey began in 1980, weighed down by rampant price rise fears. RBA Governor Philip Lowe gave a rare TV interview indicating the central bank saw inflation of 7% later in the year and would seek to raise the target cash rate to 2.5%. J P Morgan CEO Jamie Dimon expressed concerns of an "economic hurricane" approaching as inflation and rising rates took their toll.

Bond yields experienced a sharp spike in mid-June on the back of the aggressive stance taken by central banks. The Australian 10 year bond yield reached well over 4% by the middle of the month. Australian equities fell around -10% over a period of 7 days with Technology and other long duration stocks steam-rolled. Banks were also crushed in the wake of the RBA shock hike. Whilst economic recoveries and steady rate increases are generally good for banks, rapid rate hikes raise the risk of a recession and a bad debt cycle.

This also marked a turning point for the market more generally. Commodity prices began to ease and bond yields fell back at rapid speed. Growth stocks found a bottom mid-month and value stocks began to struggle as miners joined banks in retracing their recent gains. Evidence of a struggling housing market began to roll in. US recession models began to flash red. One financial institution after another lined up to forecast a recession in the world's largest economy in 2023. In Australia, we face a tough couple of years ahead but the jury is out on whether we will actually enter a recession. In addition to a tight labour market and nearly \$300 billion in accumulated savings, Australia avoided recession from 1991-2020 in part due to our strong external position; Australia has enjoyed both an extraordinarily flexible currency, which absorbed global economic shocks, and also strong terms of trade as China flourished. These features could well aid the economy in the year ahead, with better than expected data from China in recent weeks raising the prospect that a recovering Chinese economy could lift external demand for Australia even as the broader global economy is weakening. Lastly, the yield curve of Australia's bond market remains fairly steep whilst the US bond market has inverted twice since April, hinting at diverging economic outlooks.

In terms of markets, if the Fed can engineer a "soft landing" then the worst may already be over. However, if the US slips into recession then the Manager believes that US earnings are vulnerable to a significant further leg down and Morgan Stanley has forecast that the US S&P500 could decline to as low as 3,000. This compares with nearly 3,800 at the end of June and nearly 4,800 on 3 January 2022. The Australian equity market decline has been less severe, with Australian equities trading on lower multiples and at less risk of falling into outright recession.

The Portfolio returned -10.0%* before tax and after fees and expenses compared with -9.0% for the benchmark. In June, detractors from portfolio performance included cobalt mining company, Jervois Global Limited (ASX: JRV), media company HT&E Limited (ASX: HT1), global gaming company Flutter Entertainment Plc (LON: FLTR) and airline operator Qantas Airways Limited (ASX: QAN). The Manager believes that the portfolio has benefited from strong performance in many of these holdings despite their near-term weakness, and they remain key positions.

By contrast, the Manager has balanced the portfolio with positions in Insurance Australia Group Limited (ASX: IAG) with the Manager considering insurance to be at cyclical lows, French lotteries company La Francaise des Jeux (PAR: FDJ), car repair and automotive aftermarket company, Bapcor Limited (ASX: BAP), pallets business, Brambles Limited (ASX: BXB) and commercial explosives company, Orica Limited (ASX: ORI). The Manager has used these positions to reduce the volatility of the more cyclical positions in the portfolio.

Crucially, as an active manager, the Manager it is not fixated on one single valuation methodology or pre-set notions of investment opportunities. The Manager is attracted to any quality business that meets its criteria of quality of business, conservative debt, sound management and recurring earnings. This can include erstwhile growth companies, which are temporarily trading at discounted valuations. The Manager believes that whilst many investors are fixated on timing their entry into the limited opportunity set in Australia, the ability for the portfolio to invest up to 35% in global listed securities can add so much value for investors. As an example, the Manager regards CSL to be a high quality stock but is trading at a price well above its value as illustrated by its high price to earnings (P/E) ratio below. On the other hand, the Manager views stocks like FLTR which is listed on London Stock Exchange and FDJ which is listed on Paris Stock Exchange to offer better value for investors. It regards these companies to be of similar quality to CSL and has held FLTR and FDJ for many years now as it considers them to be dominant in their market segments, with growing margins, excellent balance sheets yet trade at a fraction of the valuation of CSL. The Manager took significant profits in FLTR earlier in the year, generating substantial franking credits for the portfolio, and has re-established a larger position in FLTR as it has become recently undervalued. CSL is yet to experience an equivalent correction. Accordingly, the Manager remains focused on utilising the full breath of its investment strategy including domestic and global listed securities to manage the portfolio to generate sustainable long-term returns.

| SECURITY NAME | P/E ratio FY21 | P/E ratio FY22 | Dividend Yield (%) |
|---------------------------|-------------------|-------------------|-----------------------|
| La Francaise des Jeux SA | 18.8 | 17.7 | 4.0 |
| Flutter Entertainment Plc | 27.7 | 16.3 | 0.0 |
| CSL Limited | 39.4 | 33.7 | 1.1 |

Source: Factset.

* 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 unrealised gains and losses are excluded. Past performance is not indicative of future performance.

COMPANY NEWS

BONUS ISSUE OF OPTIONS

The bonus issue of options announced in June 2021 have an exercise price of \$1.35 per option and an expiry date of 2 September 2022. The options are trading on the ASX under the ASX code PICOA.

An option holder of PIC Options can elect to:

1. Exercise some or all of the PIC Options on or before 2 September 2022 and be issued new PIC ordinary shares; or
2. Sell some or all of the PIC Options on the ASX before 2 September 2022; or
3. Do nothing and their PIC Options will expire at the end of the exercise period (2 September 2022)

The Options [Prospectus](#) should be read carefully and in its entirety before you decide whether to deal in or exercise the Options. Further information on the Options, including the Prospectus and Options Exercise Form is available [here](#).

REMINDER: TAX CERTIFICATION COMPLETION

Under the Australian Government's participation in Automatic Exchange of Information (AEOI) regimes, PIC is required to collect FATCA/CRS certification information and an investor's tax residency from shareholders. The information in certain circumstances may be reported to the Australian Taxation Office (ATO) which in turn reports to various global tax authorities.

Please check that you have completed your FATCA/CRS certification by logging into the Link investor portal [here](#).

From there, under the Payments & Tax tab you will find 'FATCA/CRS', where you can fill in the Self Certification. Completing this information online is straightforward as the questions will guide you, and in some instances, it is only a couple of steps.

If you do not certify, PIC may be required to provide information about your account to the ATO. For more information on the self-certification process via Link please click [here](#). For further information on FATCA and CRS, please visit [here](#).

WHY CHOOSE THE PERPETUAL EQUITY INVESTMENT COMPANY?

- Designed to deliver investors an income stream of **fully franked dividends**.
- **Active management** to vary the portfolio's exposure to equity market risk, and to enhance the value of the portfolio when opportunities arise both domestically and globally.
- **Flexibility** to invest up to 35% in global securities and up to 25% in cash for diversification with the intention to add returns above the benchmark, or to manage downside risk.
- Access to Perpetual's tried and tested **quality and value** investment process that assesses companies on 4 key quality criteria: quality of business, conservative debt, sound management and recurring earnings.
- **Depth and breadth** of Perpetual's investment team enables it to conduct extensive company visits each year and make decisions to invest in high quality and attractively valued securities based on fundamental, in-depth, bottom-up research.
- **Ease of access** as you can buy and sell PIC on the ASX.
- **Daily NTA published on the ASX** to provide transparency of the portfolio.

KEY FEATURES

INVESTMENT OBJECTIVE The investment objective of the Company is to provide investors with an 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 typically hold 20 to 40 securities.

| | |
|------------|------------------------------|
| 50% - 100% | Australian listed securities |
| 0% - 35% | Global listed securities |
| 0% - 25% | Cash |

The Manager typically expects that the portfolio will be unhedged. Currency exposures may be hedged defensively where the Manager sees significant risk of currency weakness, but no attempt is made to add value to the portfolio by actively managing currency. Derivatives are permitted.

ABOUT THE MANAGER The Company's investment portfolio is managed by Perpetual Investment Management Limited, part of the Perpetual Group, whose has a longstanding commitment to deliver superior outcomes over the long-term for clients. This is underpinned by its proven investment process that focuses on value and quality.

PORTFOLIO MANAGER Vince Pezzullo
Perpetual Asset Management Australia
Vince has over 25 years' experience in the financial services industry, and has prior global experience as both an analyst and a portfolio manager. Vince leverages the expertise of Perpetual Asset Management Australia's Equity team, one of the largest investment teams in Australia.

All investments are subject to risk which means the value of investments may rise or fall, which means that you may receive back less than your original investment or you may not receive income over a given time frame. Refer to announcements and other information for the Company lodged with the ASX, which is available at www.asx.com.au. A financial adviser can assist you in determining whether an investment in the Company is suited to your objectives, financial situation or needs.

CONTACT DETAILS

For queries regarding investor relations:

Karen Trau
P: 02 9229 3138
E: karen.trau@perpetual.com.au

For queries regarding investor shareholdings:

Link Market Services
Investor queries: Telephone: +61 1800 421 712
Mailing address: Link Market Services,
Locked Bag A14, Sydney South, NSW 1235
Email: pic@linkmarketservices.com.au

FIND OUT MORE

Visit our website www.perpetual.com.au/equity to access a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources.

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