PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

Dear Fellow Shareholders,

In August, we announced a strong result for Perpetual Equity Investment Company (ASX: PIC; Company) with net profit after tax of $55.0 million and net investment portfolio performance of 16.2%[1] for FY23, outperforming the benchmark by 1.8%. In line with the Company's investment objective, the investment portfolio has returned 9.7% p.a.[1] over 5 years, outperforming the benchmark by 2.6%. This is a testament to the active management style and skill of Portfolio Manager, Vince Pezzullo and the team at Perpetual Investment Management Limited.

For our shareholders, this result combined with the Board's prudent management of capital allowed the Board to declare an FY23 dividend of 7.3 cents per share fully franked. This represents an increase of 19.7% to FY22 and is the highest dividend paid since inception. It also translates to a dividend yield of 6.3% and grossed up dividend yield of 9.0% which we believe is attractive in the current environment[2]. At the same time, we are conscious of macro factors including interest rates and inflation weighing on markets. Accordingly, the Board has sought to maintain a robust profit reserve of $112.9 million and dividend coverage of 3.7 years to deliver a sustainable long-term income stream for shareholders.

In total, the Company has paid over $150 million in dividends or 45.8 cents per share since we first listed on the ASX more than 8 years ago. We are proud of this track record and maintain our commitment to paying dividends to shareholders twice a year, that are fully franked or to the maximum extent possible.

Thank you for your ongoing support in PIC and I look forward to updating you in the future.

Yours sincerely,

Nancy Fox AM
Chairman

FY23 highlights

Company performance

$55m net profit after tax

1 year investment portfolio performance 16.2%[1], outperforming benchmark by 1.8%

5 years investment portfolio performance 9.7%[1] p.a, outperforming benchmark by 2.6%

Income for our shareholders

7.3 cps total FY23 fully franked dividend

6.3%[2] annual dividend yield

9.0%[2] grossed up dividend yield

Fully franked dividends since inception in cents per share (cps)

Portfolio Manager's update

The economic and market outlook has and will continue to be uncertain. Central banks are hoping they are at the end of their tightening cycles. Bond markets are still not fully convinced, with yields remaining near multi-year highs. Despite this, equity market indices remain relatively sanguine and we think there are risks to the downside, especially in cyclical sectors with markets yet to fully price any downturn in earnings over the year ahead. There is still the possibility of a "soft landing" or even "no landing" economic scenario due to the resilience of consumers and strength of labour markets, buttressed by years of stimulus and structural shortages. The challenge to this thinking is that it would likely come at the cost of core inflation embedding even more which would necessitate even higher interest rates. So far during this cycle central banks have consistently underestimated the extent of underlying inflation. We are also conscious of the macroeconomic gap globally, with the US about six months ahead of the Australian cycle. Furthermore in a world of rising geopolitical risks, de-globalisation and pressure to decarbonise through higher cost renewable energy, we still believe the risks of higher structural inflation remain.

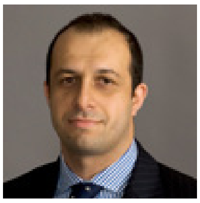
The current environment is a reminder why we do have our quality filters – quality of business, sound management, conservative debt and recurring earnings. The strength of a company's balance sheet indicates to us who will stand through tough conditions. We strategically engage with management, boards and investors of companies to help create catalysts for companies to realise value. Our investment process is value-orientated, pointing us to companies trading at reasonable prices that have good prospects able to deliver long term returns with lower than market risk.

Our portfolio continues to hold Flutter Entertainment Plc and La Francaise Des Jeux which we believe are long-term structural growth winners. Locally, our positions in positions in Bapcor, NAB, Santos and Goodman Group have contributed to portfolio return in the first quarter of FY24. With our active investing approach, we can adapt to changing market conditions and research in Australia and globally to find the most attractive and compelling investments.

Please visit our website, www.perpetualequity.com.au, to access our Monthly Investment Update that provides an update on markets and the portfolio.

Thank you for your continued support.

Yours sincerely,



Vince Pezzullo
PIC Portfolio Manager
Head of Equities, Perpetual Asset Management Australia

AGM & Investment Manager Update

For those who were not able to attend this year's Annual General Meeting and Investment Manager Update, please look out for the recording and presentation slides on www.perpetualequity.com.au following the event on 19 October 2023.

1 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.

2 Yield is calculated based on the total dividends of 7.3 cents per share and the closing share price of $1.165 as at 30 June 2023. Grossed up yield takes into account franking credits at a tax rate of 30%.

3 Profit reserve of $112.9 million as at 30 June 2023 after taking into account the estimated payment of the final dividend. This equates to 29.8 cents per share and provides for 3.7 years dividend coverage based on a total dividend payment of 8.0 cents per share per annum. This does not take into account any changes to share capital. No representation is made in relation to the payment of future dividends, which will be at the discretion of the Company's Board.

Contact us

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