PERPETUAL
EQUITY
INVESTMENT
COMPANY
LIMITED

Perpetual Equity Investment
Company Limited
ABN 68 601 406 419

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14 February 2020

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Perpetual Equity Investment Company Limited
Monthly Investment Update and NTA Report announcement

Perpetual Equity Investment Company Limited (the Company) (ASX: PIC) advises that it has released the Monthly Investment Update and NTA Report (the Report) for the period ending 31 January 2020 (as attached).

If shareholders or other interested parties have any queries regarding the Report, they can contact:

Karen Davis
Senior Manager, Listed Products and Projects
Perpetual Investment Management Limited
P: 02 9229 9114
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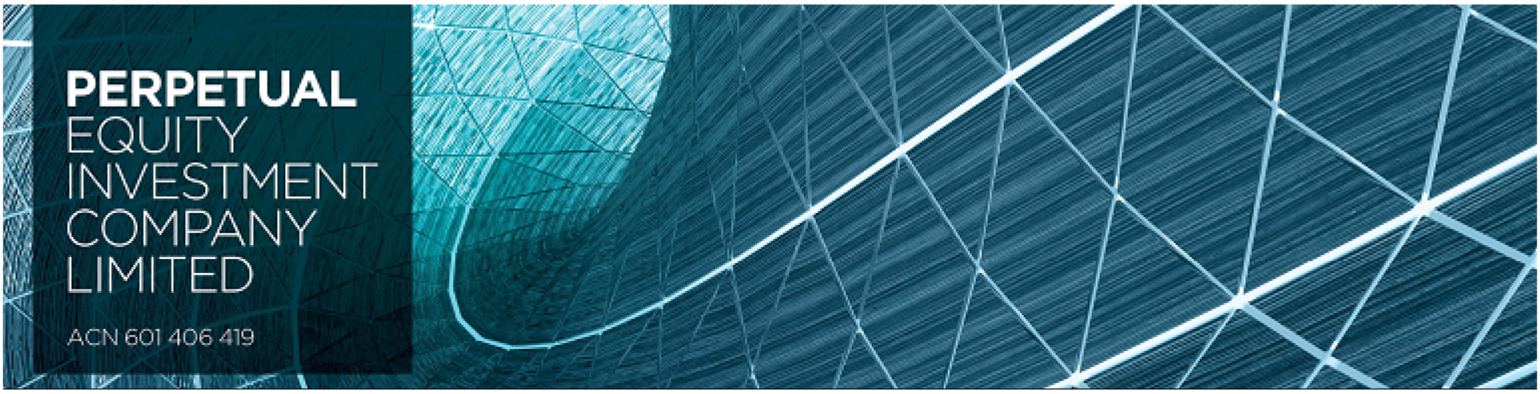
Yours faithfully

Sylvie Dimarco
Company Secretary
(Authorising Officer)



INVESTMENT UPDATE AND NTA REPORT

January 2020

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 JANUARY 2020	AMOUNT
NTA after tax	$1.119
NTA before tax	$1.132

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 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 31 JANUARY 2020

ASX Code:	PIC
Listing Date:	18 December 2014
Market Capitalisation:	$373 million
Share Price:	$1.075
Shares on Issue:	346,631,433

INVESTMENT PERFORMANCE

AS AT 31 JANUARY 2020	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	2 YRS P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PIC Investment Portfolio Net of fees, expenses and before tax paid	1.1%	3.9%	3.1%	14.8%	6.1%	8.4%	8.6%	8.5%
S&P/ASX 300 Acc Index	4.9%	6.0%	5.2%	25.0%	12.4%	12.4%	9.4%	10.7%
Excess Returns	-3.8%	-2.1%	-2.1%	-10.2%	-6.3%	-4.0%	-0.8%	-2.2%

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 SECURITIES

TOP 5 AUSTRALIAN LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Crown Resorts Limited	5.4%
Link Administration Holdings Ltd.	4.9%
ANZ Banking Group Ltd.	4.9%
Iluka Resources Limited	4.8%
Graincorp Limited Class A	3.8%

TOP 3 GLOBAL LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
La Francaise des Jeux SA	5.3%
Flutter Entertainment Plc	4.9%
Ferguson Plc	3.4%

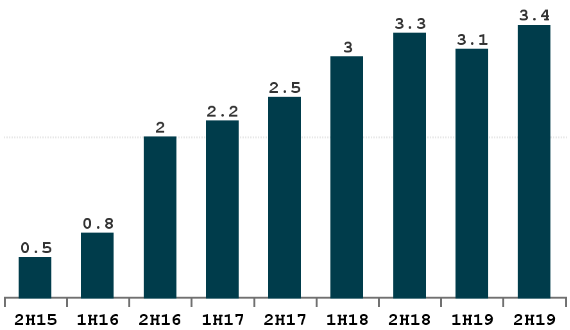
Portfolio weight based on direct investments in securities and does not include any derivative exposure

DIVIDEND PER SHARE, CPS

Final dividend for FY19: 3.4 cents per share

Annual dividend yield: 6.0%

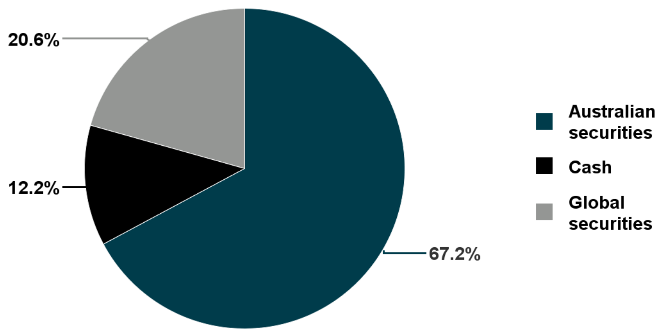
Grossed up annual dividend yield: 8.5%



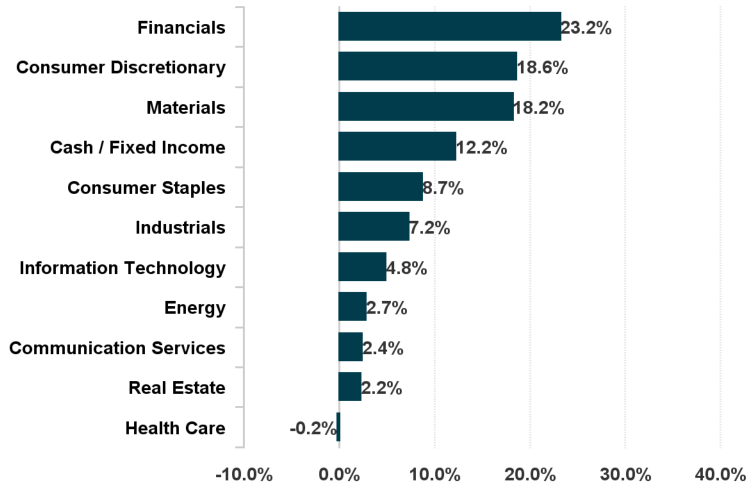
Yield is calculated using the 31 January 2020 share price of $1.075. Grossed up yield takes into account franking credits at a tax rate of 30% for the final dividend 2H19 and 27.5% for the interim dividend 1H19.

ALLOCATION OF INVESTMENTS^

87.8% 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 and may not add to 100% due to rounding.

PORTFOLIO COMMENTARY

Top contributors to absolute performance this month were PIC's holdings in Link Administration Holdings Limited (LNK: ASX) and GrainCorp Limited (GNC: ASX). The largest detractors to absolute performance were Mosaic Brands Limited (MOZ: ASX) and Close Brothers Group Plc (CBG: LON). Due to their regional footprint, MOZ (formerly Noni B Limited) was impacted by the bushfires during the month, with a number of stores either isolated or not able to operate during the period.

Although a number of macroeconomic risks receded at the beginning of the year with the UK election removing immediate Brexit roadblocks and the Phase 1 Sino-American trade deal reducing trade war tensions, January saw mixed conditions across the Australian and UK markets. Despite some improved macroeconomic certainty, the coronavirus impacted in the final weeks of the month. The impact of coronavirus is being monitored by the Manager. While the full extent of the impact remains unclear, it is likely that travel or tourism dependent companies will experience the immediate effect.

In Australia the S&P/ASX 300 was up 4.9% for the month, while in the UK the FTSE 100 fell 3.35%. With global listed securities exposure, predominately in the UK, sitting at >20% of PIC portfolio, these conditions detracted from performance. Coupled with this, growth stocks continued to outperform value stocks, with valuations continuing to reach new highs.

The Portfolio Manager continues to have a disciplined approach to Perpetual's value-style investment process which focuses on quality businesses with conservative debt, sound management and a track record of generating earnings and cash flow. While value stocks remains out of favour for now, this is not a new phenomenon and the Manager has seen these cycles reverse in the past.

Two of PIC's largest domestic holdings, Iluka Resources Limited (ILU: ASX) and GrainCorp Limited (GNC: ASX) are discussed below.

Iluka Resources Limited (ILU: ASX)

As at 31 January 2020, ILU represented 4.8% of the PIC portfolio. ILU is an international mineral sands company with projects in Australia, Sierra Leone and Sri Lanka. It also holds a royalty over iron ore produced from specific tenements of BHP's Mining Area C ("MAC") located in the Pilbara region in the north of Western Australia. In October 2019, ILU announced a review of the MAC. The Manager believes there is significant value to be unlocked by demerging the royalty into a separately listed vehicle. Although previous reviews by the company have amounted to no action, the Manager believes the market is underestimating the likelihood of the demerger given a number of factors that have changed to make it more feasible. The demerger would see the MAC trade at a significantly higher multiple than a mining company given it has no capital expenditure or operating cost risk, has earnings derived from a long life asset, and has the potential to generate significant cash flows following the completion of the South Flank development. The South Flank project involves an expansion of the existing infrastructure at the MAC hub in Western Australia. Given the proposed South Flank mine pit falls within the MAC royalty area, the same royalty will be applied to revenue from the production part of South Flank. The company is expected to provide an update on the review at the full year results in February 2020.

The Manager also believes the Sierra Rutile Operations ("SRL") will deliver significant value through mining expansions as the company has gone back to the drawing board to look at more capital efficient options to develop the Sembehun deposit. Although the carrying value of SRL was impaired to effectively remove any value for this deposit due to the reset on the project, the Manager expects this to be developed as a life extension that will unlock significant value. ILU also continues to progress work on the Balranald and Wimmera (rare earths) project in the Murray Basin and the Eneabba project in Western Australia (monazite rich zircon tailings) with studies expected to be released in 2020.

The zircon market experienced tough conditions for sales as ongoing downstream destocking contributed to prices falling and ILU also reduced sales to prevent a further erosion in the market. Although trade uncertainties still represent a risk to the zircon market, the Manager expects the rise in the Chinese housing market to aid the demand for zircon in 2020. This combined with a decline in zircon production following the closures of a number of mines, leads the Manager's outlook over the medium-term to be a tightening zircon market.

Undoubtedly the coronavirus will disrupt the Chinese housing market short-term and represents a challenge to the zircon market, along with all other commodities given China consumes ~50% of the world's commodities. However, whilst the near-term sentiment is poor and difficult to fully assess, the Manager expects the Chinese government to provide stimulus to support the economy that will drive a recovery in zircon demand in the second half of the year.

The Manager expects further price increases in 2020 for titanium dioxide feedstocks fueled by limited supply in the market and high utilisation rates of pigment plants. In late 2019, Rio Tinto's Richards Bay Minerals operation which was the largest producer of titanium dioxide shut down due to social unrest causing 2019 sales in feedstocks of rutile and synthetic rutile to be production constrained. Strong demand in the pigment market will continue in 2020 with high rates of capacity utilisation leading to increased demand for the high-grade feedstocks that ILU produces.

GrainCorp Limited (GNC: ASX)

The Manager is excited about GNC as we head into 2020. GNC is an international agribusiness that operates businesses in grains, malts and oils to provide a diverse range of products across the food and beverage supply chain. In 2019, GNC announced it will be demerging its malt business to create a separate ASX-listed company, "United Malt". The grains and oils business will also be integrating into a single business unit. The demerger is set to occur during March/April of 2020, and the Manager believes it will unlock shareholder value through closing the material discount that GNC trades verse the sum of the parts valuation.

The Manager believes that the malt business is very high quality and its value has been masked within the existing GNC vehicle due to the volatility of the grain's earnings stream. GNC's US malt assets are located in close proximity to barley fields and transport lines meaning GNC has a low cost of production compared to its peers which enables it to earn better margins and be more competitive on price. A large portion of GNC's malt earnings are underpinned by long-term agreements with large multinational beer brewing companies. As disclosed in a recent investor presentation, GNC has already sold 75% of its financial year 2021 processing capacity and 50% of its financial year 2022 capacity. Further to this, GNC's focus on the growing US craft beer market and whisky distilling markets in Scotland provide a strong backdrop for further earnings growth and an ability to deploy capital moving forward. The combination of these factors enables the malt business to generate stable, growing cash flows which, the Manager believes in the current market will trade at an attractive valuation.

The remaining grains and oils business have historically had very volatile earnings streams due to the seasonal fluctuations in East Coast crop production. Whilst earnings of these businesses have been depressed over the past two years due to the East Coast drought, the Manager believes that post demerger and the introduction of a crop production derivative, the business will make good money in an average year. During 2019 GNC signed a crop protection derivative which sees GNC receive cash payments when the East Coast crop is below a certain level and make cash payments when the crop is above a certain level. This will materially reduce the volatility in earnings and cash flow within this business. Further, as part of the demerger GNC have announced a range of cost out initiatives that will improve the earnings of this vehicle. In addition, the Manager believes the port assets within the grains business holds strategic value and with the malt business removed, will be a more bite-sized target for interested parties.

While there may be corporate interest in either parts of the demerger, the Manager's base case does not rely on this interest. The Manager's internal sum of the parts valuation is over $10 per share verse the current price of $8.30.

COMPANY NEWS

HALF YEAR RESULTS 2020

The Company's half year results for financial year 2020, including any dividend announcement, will be announced on 17 February 2020.

HALF YEAR RESULTS TELECONFERENCE

The Company would like to extend an invitation to all shareholders and interested parties to register for our FY2020 Half Year Results teleconference on Monday, 9 March 2020 at 12pm (AEDT). Nancy Fox, Chairman of PIC will join Vince Pezzullo, Portfolio Manager to present an update on the Company and the portfolio.

REGISTER NOW or visit http://www.perpetualequity.com.au/ for more details.

Questions are welcomed and can be submitted upon registration. A copy of the presentation slides will be emailed on the morning of 9 March 2020 to those registered. The full recording and presentation slides will be available on http://www.perpetualequity.com.au/ following the teleconference.

SHAREHOLDER COMMUNICATIONS

The Company website hosts a range of information aimed at keeping shareholders and other interested parties up to date with the latest Company news. Via the website, you can also update your communication preferences to receive various Company alerts via email at https://www.perpetualequity.com.au/tools-and-resources/email-alerts. We encourage to ensure your communication preferences are up to date so that you have access to all the information you need.

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.

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, 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.

PERPETUAL KEY CONTACTS

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