PERPETUAL
EQUITY
INVESTMENT
COMPANY
LIMITED

Perpetual Equity Investment
Company Limited
ABN 68 601 406 419

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13 March 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 29 February 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
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Yours faithfully

Sylvie Dimarco
Company Secretary
(Authorising Officer)

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

INVESTMENT UPDATE AND NTA REPORT

February 2020

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 29 FEBRUARY 2020	AMOUNT
NTA after tax (cum dividend)	$1.060
NTA before tax (cum dividend)	$1.048

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. As at 29 February 2020, the NTA after tax (ex dividend) was $1.028 and the NTA before tax (ex dividend) was $1.016 . The ex dividend NTA figures are reduced by a provision for the 3.2 cents per share interim dividend that was declared on 19 February 2020. The ex date for the interim dividend is 1 April 2020 and the payment date is 24 April 2020.

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

KEY ASX INFORMATION

AS AT 29 FEBRUARY 2020

ASX Code:	PIC
Listing Date:	18 December 2014
Market Capitalisation:	$334 million
Share Price:	$0.965
Shares on Issue:	346,631,433

INVESTMENT PERFORMANCE

AS AT 29 FEBRUARY 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	-7.7%	-7.6%	-2.1%	2.1%	3.1%	5.8%	6.7%	6.7%
S&P/ASX 300 Acc Index	-7.8%	-5.2%	-0.7%	8.7%	7.8%	8.6%	6.2%	8.8%
Excess Returns	0.1%	-2.4%	-1.4%	-6.7%	-4.7%	-2.9%	0.4%	-2.1%

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. 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
ANZ Banking Group Ltd.	6.2%
Crown Resorts Limited	5.2%
Iluka Resources Limited	4.6%
Graincorp Limited Class A	3.8%
Link Administration Holdings Ltd.	3.7%

TOP 3 GLOBAL LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
La Francaise des Jeux SA	7.1%
Flutter Entertainment Plc	5.1%
Lloyds Banking Group plc	5.1%

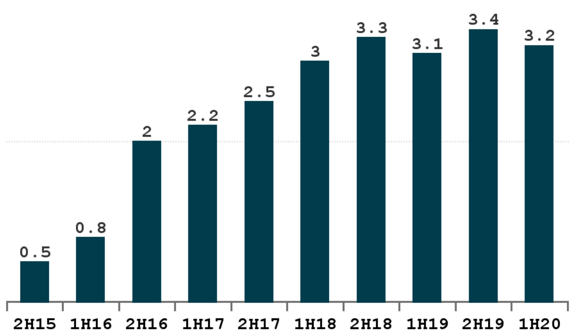
Portfolio weight based on direct investments in securities and does not include any derivative exposure

DIVIDEND PER SHARE, CPS

Interim dividend for FY20: 3.2 cents per share

Annual dividend yield: 6.8%

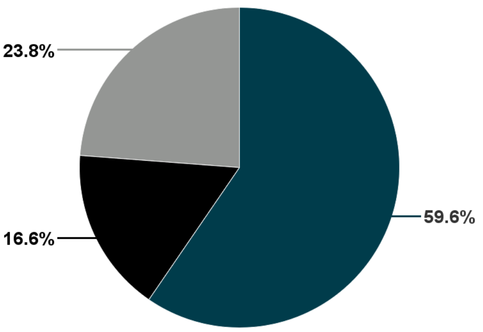
Grossed up annual dividend yield: 9.8%



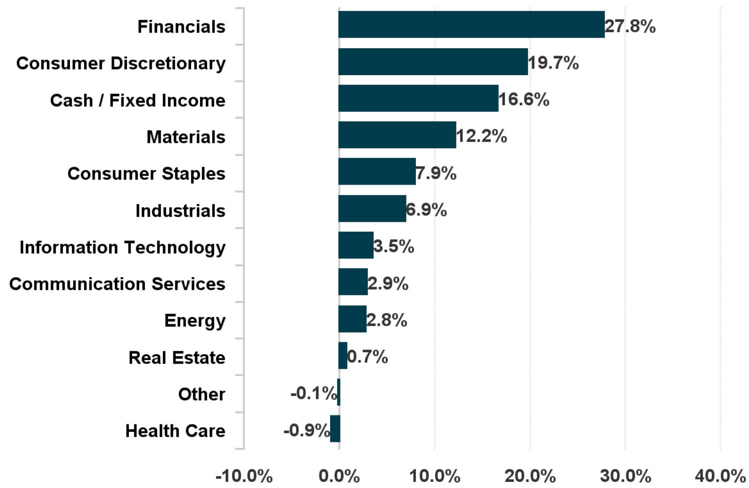
Yield is calculated based on the closing share price of $0.965 as at 29 February 2020. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS^

83.4% 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.

PORTFOLIO COMMENTARY

Top contributors to absolute performance this month were La Francaise des Jeux Saem (PAR: FDJ), AUB Group Limited (ASX: AUB) and Elders Ltd (ASX: ELD). The largest detractors were Link Administration Holdings Limited (ASX: LNK) and Crown Resorts Limited (ASX: CWN).

There was heightened volatility in February across global markets as investors continue to assess numerous macroeconomic factors. Most notably, the coronavirus (COVID-19) has impacted markets with the S&P/ASX 300 Accumulation Index falling -7.8% for the month. During the same month, the market had reached an all-time high. Although education and travel companies have experienced the immediate effect, flow on effects have also disrupted companies operating global supply chains. The Manager believes the demand and supply shocks will cloud the market outlook in the short-term and is focused on forecasts of company earnings and investing in companies with strong balance sheets. In addition, the Manager is taking measures to protect the portfolio by reviewing the cash position and taking out put options. The Manager is comfortable with the composition of the portfolio, including the exposure to financials (as noted below). While the portfolio also has a large exposure to the consumer discretionary sector, including lotteries and online sports betting, the Manager is confident of the quality of the balance sheets of these companies and the opportunity for growth, particularly for the offshore exposures. The Portfolio Manager, Vince Pezzullo, recently provided his views on market conditions and the composition of the portfolio in the Company's half year results teleconference. The teleconference audio and slides are available for viewing on the Company's website.

The investment strategy for PIC allows the Manager to diversify the portfolio through exposure to global securities. The Manager continues to see valuation appeal and potential upside in the UK market following the UK election and post-Brexit environment. Further, the UK government plans to deliver fiscal stimulus which is likely to have a material impact on infrastructure spending, productivity and yield.

Lloyds Banking Group (LON: LLOY) and Close Brothers (LON: CBG) which together represent 7.9% of the portfolio and are listed on the London Stock Exchange are discussed below. Two of the top absolute contributors for the month, FDJ and ELD are also discussed below.

Lloyds Banking Group (LON: LLOY) (Analyst – Nick Vidale)

The Manager has increased its position in LLOY to 5.1% of the portfolio at the end of February (compared to 3.2% at the end of January). LLOYs' activities are retail, commercial and corporate banking, general and life insurance, pensions and investment. It is a retail only bank in the UK and of the UK banks is most similar to the Commonwealth Bank of Australia (ASX: CBA) in the domestic market.

Although LLOY is considered UK's premium domestic banking retail franchise, its valuation is half that of CBA's. For example, as at 3 March 2020 the forward 1-year price to earnings (PE) ratio is 7.4 for LLOY compared to CBA's at 16.8. LLOY also has a very attractive dividend yield at 6.8% compared to CBA's at 5.3%. Even accounting for CBA's better return on equity, the approximately 1% difference does not explain this valuation gap.

Australian and UK banks face earnings headwinds from a sustained low interest rate environment. The UK market have factored in this impact for UK banks, however, the Australian market has not for the majority of Australian banks. The Manager also believes that given the elevated payout ratios of the Australian banks, including CBA, the dividends could be at risk through prolonged low rates and/or any increase in impairments. The Manager considers Australian and New Zealand Banking Group (ASX: ANZ) (one of the portfolio top holdings) to be an exception to this. Despite ANZ facing earnings headwinds alongside the rest of the sector, the Manager believes this to be factored into the share price. ANZ has a more conservative payout ratio at less than 80% compared to CBA or Westpac which means the dividend should be more sustainable in the event of a tougher outlook. The dividend yield which was around 6.4% at the end of February also presents an attractive return which contributes to ANZ's attractive value in both the bank sector and broader market.

LLOY's conservative dividend policy also means that the Manager expects they will be able to hold the dividend should the macroeconomic environment deteriorate, and that shareholders can also expect capital management in coming years. As the UK government looks to stimulate the British economy with more expansionary fiscal policy post-Brexit, the Manager believes LLOY will be a key beneficiary of this environment. For example, the stimulus may boost the housing market and consequently lead to an increase in consumer borrowing from the banks.

Close Brothers Group Plc (LON: CBG) (Analyst: Nick Vidale)

CBG is a leading UK bank focused on small to medium enterprises (SMEs), with divisions across banking, asset management and securities trading. The Manager considers CBG to have strong management and one of the most conservative balance sheets out of UK and Australian banks. Its high return on equity (ROE) is achieved by large lending spreads that it generates in key markets where it has a competitive advantage, namely equipment and working capital, property development, auto finance, and insurance premium finance.

CBG largely underwrites risk through their team of business bankers. As they are not reliant on third parties, the Manager believes CBG should have a better loan impairment experience in the event of a tougher economic environment in the UK. If, however, the UK macroeconomic environment improves as the Manager expects, then CBG will be a key beneficiary as their exposure to small and medium enterprises, especially in northern England, will see a resurgence in loan demand as the UK government rolls out fiscal stimulus. Through close relationships with clients, and dominance in its key markets, CBG has been spared from margin pressure that most of the banking sector has experienced in a low interest rate environment. The stock is pricing in a very aggressive deterioration in ROE which the Manager does not expect, instead considering CBG to be a high-quality company at an attractive valuation. As at the end of February, CBG represented 2.8% of the portfolio.

La Francaise Des Jeux Saem (PAR: FDJ) (Analyst: Sean Rogers)

Since the initial investment at the Initial Public Offer, the Manager has increased its investment in FDJ such that it is now the largest position in the portfolio. The Manager has increased conviction in FDJ as it presents a rare opportunity to buy a high quality, defensive business with a long runway for growth. The Manager believes this growth opportunity, supported by a net cash balance sheet and strong free cash flow is under-appreciated by the broader market with the stock offering a 5.5% free cash flow yield at current levels.

During February, FDJ reported its FY19 full year results. Pleasingly, this result came in approximately 10% ahead of the prospectus forecasts at the net profit line. There was also an upgrade in earnings and profit guidance for FY20 which resulted in the Manager's expectations for FY20 earnings increasing by 13%. The highlight from the result was the strong growth of 30% in digitalized stakes (ticket sales) within the lotteries division. Core to the Manager's investment thesis was the opportunity for FDJ to improve its digital penetration in lotteries to levels similar to what the Manager has observed with global peers, including Tabcorp in Australia. Online sales are at a significantly higher margin than retail sales and thus as digital sales accelerate, profit margins will increase. The Manager believes this result demonstrates FDJ's strategy to push digital sales is working and will continue to underpin strong earnings growth for FDJ over the long-term. The sports-betting division of FDJ also delivered a strong FY19 result with revenue growth of 15% despite a comparative period which coincided with the Soccer World Cup in 2018.

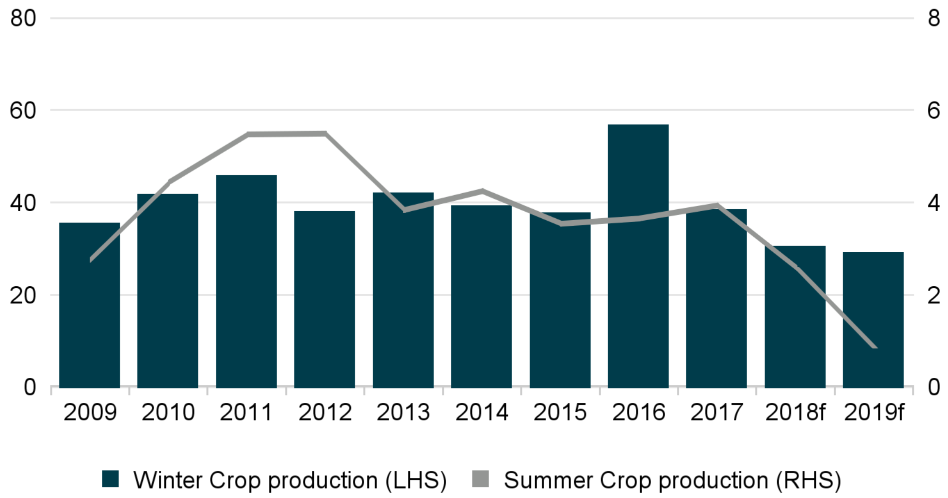
Elders Ltd (ASX: ELD) (Analyst: Sean Rogers)

ELD is a leading Australian agribusiness with diversified operations across rural supplies, financial planning, real estate insurance and home loans. Today, Elders generates earnings from the sale of rural products through its network of approximately 220 stores, wholesale farm supply sales, agents who service the cattle, wool and grain markets, real estate, financial and feedlot services. The Manager has been increasing its position in ELD since late 2019, with it representing 2.7% of the portfolio at the end of February.

ELD has been pursuing a strategy of both organic and inorganic growth over the past three years which has seen a steady increase in the number of stores in the network and a move to capture more of the agricultural chemicals and fertiliser value chain through the acquisitions of TitanAg and more recently Australian Independent Rural Retails (AIRR).

Over the 2018/2019 years, the drought has put considerable pressure on ELD's earnings and has masked the earnings contribution from the growth levers mentioned above. Across its business units, ELD has exposure to winter and summer cropping volumes across both the Eastern and Western cropping regions and to cattle/sheep and wool prices through its agency business. The cropping conditions in 2018 and 2019 can be seen relative to prior years in the chart below which has been sourced from the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) crop report. ABARES latest crop report forecasts 2019 total winter crop production of 29 million tonnes (mt) which is 28% below the 10-year average. The summer crop is forecast at 0.9mt which is 78% below the 10-year average. In FY19, earnings in the agency business also came under pressure as cattle prices fell as the drought put pressure on farmers ability to maintain stock levels. The combination of these factors resulted in the company downgrading earnings guidance a couple of times which saw the stock fall from a high of $9.35 in June 2018 to a low of $5.35 in July 2019.

AUSTRALIA CROP PRODUCTION (mt)



Source: ABARES

Given the cyclicality of earnings for ELD, the Manager values the business based on expectations of what is believed can be earned in an average seasonal year. Some years it will earn less than expected such as in FY19. However, other years it will earn more. As ELD sold off, the Manager began accumulating a position below $6. At this price, on the Manager's earnings forecast ELD was being bought on a 9x price to earnings multiple on the Manager's FY21 forecasts which assumed a return to normal conditions. The solid balance sheet post the capital raise for the AIRR acquisition gave the Manager confidence the company could withstand ongoing poor conditions if they were to persist. Further, the Manager holds ELD's management team in high regard. Having a long-term investment horizon and ignoring the noise around short-term earnings, the Manager was able to purchase ELD at a price below what the Manager considered its fair value.

As always with agriculture, things can change very quickly and over February the East Coast of Australia has received significant rainfall. This has resulted in a sharp appreciation in the cattle and sheep prices as demand has increased due to re-stocking. Whilst follow-up rain is important, the rainfall has materially improved the outlook for the total winter crop area due to be planted. The Manager's channel checks have confirmed that planting intentions are up significantly on last year.

Since the start of the calendar year ELD has rallied by approximately 25%, significantly outperforming the broader market that has fallen 20% over this period. The stock is still trading below the Manager's assessment of fair value and thus the position is retained in the portfolio. With the uncertainty in global markets due to coronavirus, an investment in ELD at an attractive valuation with an improving earnings outlook remains attractive.

COMPANY NEWS

HALF YEAR RESULTS TELECONFERENCE

The Company would like to thank all shareholders and interested parties for attending the 2020 Half Year Results Teleconference on Monday, 9 March 2020. The full recording and presentation slides are available on the Company website.

DIVIDEND REINVESTMENT PLAN

A reminder that the Company has a dividend reinvestment plan (DRP) in place for shareholders. Information about the DRP is available on the Company's website. The DRP Record Date / Election Date is 3 April 2020.

If you are already participating in the DRP and wish to remain so, there is no further action to be taken. Should you wish to check your participation, please visit the registry's Investor Centre by clicking here.

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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This monthly report has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. PIML is the investment manager of the Perpetual Equity Investment Company Limited (Company) ACN 601 406 419. 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. This information does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of the Company's securities. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. References to securities in this publication are for illustrative purposes only and are not recommendations and the securities may or may not be currently held by the Company. Past performance is not indicative of future performance.This information is believed to be accurate at the time of compilation and is provided in good faith. No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) nor the Company guarantees the performance of the Company or the return of an investor's capital.

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