

**PERPETUAL**  
EQUITY  
INVESTMENT  
COMPANY  
LIMITED

Perpetual Equity Investment  
Company Limited  
ABN 68 601 406 419

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12 June 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 May 2020 (as attached).

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

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Yours faithfully



Sylvie Dimarco  
Company Secretary  
(Authorising Officer)

# INVESTMENT UPDATE AND NTA REPORT

May 2020

## PORTFOLIO SNAPSHOT

### NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 MAY 2020	AMOUNT
NTA after tax	\$1.052
NTA before tax	\$1.065

Daily NTA is available at [www.perpetualequity.com.au](http://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.

### KEY ASX INFORMATION

#### AS AT 31 MAY 2020

ASX Code:	PIC
Listing Date:	18 December 2014
Market Capitalisation:	\$322 million
Share Price:	\$0.925
Shares on Issue:	347,830,810

## INVESTMENT PERFORMANCE

AS AT 31 MAY 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	8.6%	3.1%	-4.7%	2.4%	3.4%	5.2%	6.9%	7.0%
Net of fees, expenses and before tax paid								
S&P/ASX 300 Acc Index	4.6%	-9.7%	-14.4%	-6.5%	1.8%	4.5%	4.3%	6.4%
Excess Returns	4.0%	12.9%	9.7%	9.0%	1.5%	0.7%	2.6%	0.6%

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	5.9%
AUB Group Limited	5.6%
Iluka Resources Limited	4.5%
OZ Minerals Limited	3.7%
Suncorp Group Limited	3.6%

### TOP 3 GLOBAL LISTED SECURITIES

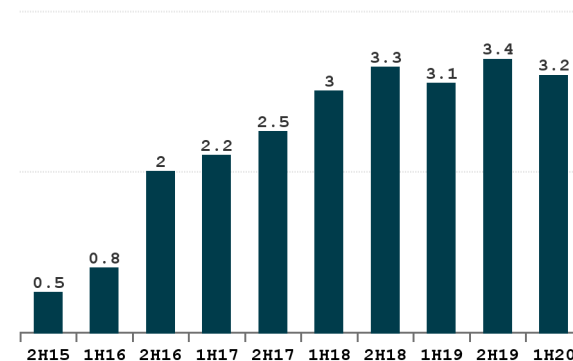
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	9.6%
La Francaise des Jeux SA	6.6%
Auto Trader Group PLC	3.9%

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

## DIVIDEND - CENTS PER SHARE

Annual dividend yield: 7.1%

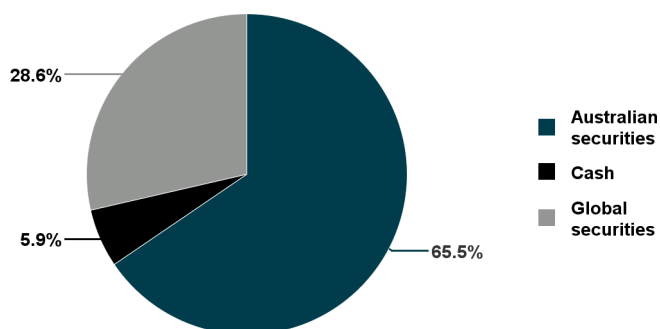
Grossed up annual dividend yield: 10.2%



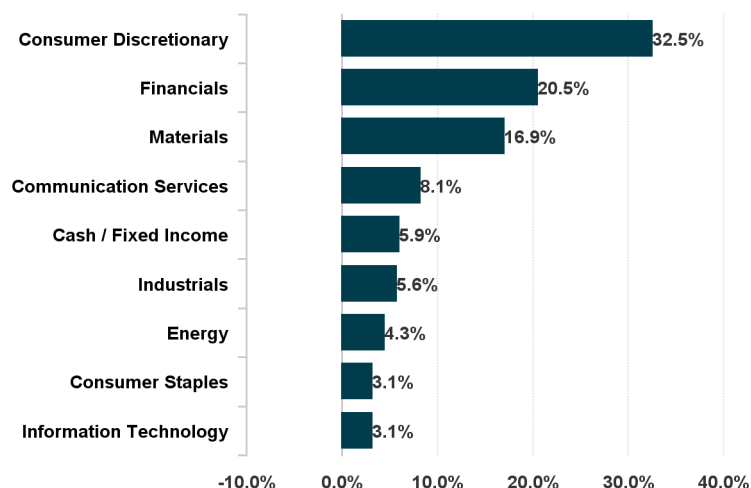
Yield is calculated based on the total dividends of 6.6 cents per share and the closing share price of \$0.925 as at 31 May 2020. Grossed up yield takes into account franking credits at a tax rate of 30%.

## ALLOCATION OF INVESTMENTS<sup>^</sup>

94.1% of capital invested in securities



## PORTFOLIO SECTORS<sup>^</sup>



<sup>^</sup>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

During May, equity markets continued their long climb out of the March lows, albeit at a slower pace. The scale of the recovery has been extraordinary, but perhaps not a surprise given the extent of stimulus applied by central banks and governments around the world. Whether authorities can continue with these stimulus packages remains to be seen, as sooner or later economic participants will need to embrace a return to some sort of normality without the support of massive, unsustainable assistance.

During the month of May many of the Manager's decisions during the extreme market volatility over recent months delivered returns for PIC's investors. The position in French lottery operator La Francaise des Jeux (PAR: FDJ) was the largest single contributor to absolute performance during the month due to it being PIC's largest holding and delivering returns of 17.7%. However, smaller positions taken in retail and travel stocks trading at multi-year low valuations delivered the biggest returns on investment. The Manager's position in Flight Centre Travel Group Limited (ASX: FLT), acquired at a steep discount after the company significantly reshaped their business model, rose 37.4% in May. Similarly, a small stake in Mosaic Brands Ltd (ASX: MOZ) rose 56.2%. The Manager's decision to buy into insurance broker AUB Group Ltd (ASX: AUB), a type of business that usually benefits from distressed market conditions, also delivered a solid 16.9% return.

The Manager has always been focused on building a portfolio of companies that it believes to be of high quality trading at reasonable values with the aim of delivering returns for the Company's investors. It is in volatile markets in particular where this type of disciplined but active approach to portfolio management can benefit investors and can come at a time when it really counts. The active approach seeks to rapidly identify risks and opportunities through thorough research and analysis. The Manager is pleased with the performance of the portfolio over recent months, achieving returns above the benchmark (S&P/ASX 300 Accumulation Index), and rewarding investors for their patience during a long period where growth investing had been outperforming value investing.

### PERSIMMON PLC (LON: PSN) (ANAYLST - JAMES RUTLEDGE)

One of the recent global additions to the PIC portfolio that the Manager has added in the last few months is Persimmon PLC (LON: PSN). PSN is a leading UK homebuilder that is listed on the London Stock Exchange and included in the FTSE 100 Index. PSN targets the low to mid-end market across the UK by operating Persimmon Homes, Charles Church and Westbury Partnerships which all aim to build quality homes across the UK, though with a skew to the north.

In the Manager's view, PSN has some superior qualities compared to other UK homebuilders. This includes a net cash balance sheet with about 10% of its market capitalisation in cash. The company's strong balance sheet allowed it to make the decision not to access any form of Government support during the COVID-19 shutdown period. This decision has enabled the company to get back to business swiftly post the phased re-opening of construction sites in England and Wales from 27 April 2020. The company also reopened its sales office in England on the 15th of May. PSN is also a high dividend paying company and given the strength of its balance sheet, the Manager expects that the company will continue to pay a dividend in the second half of the year.

PSN has very valuable land holdings which set them apart from peers. In addition, given their overweight position to low end housing, they are more likely to benefit from government stimulus policy than others in the near term. Despite the lockdown, in the 8 weeks to 10 May, the Group took 1,351 gross private reservations. Cancellations remain in line with historical trends, suggesting consumers have not lost confidence. As at 31 May, PSN represented 3.1% of the PIC portfolio.

## OUTLOOK

The extent and duration of the impact that COVID-19 will have on the economy and markets is still unfolding. Measures implemented by governments have been effective and the spread of COVID-19 has slowed, flattening the curve. Australian businesses are starting to re-open as restrictions continue to ease. However, there is still a threat of a second wave and the rate of recovery for the economy is unknown. The end of the JobKeeper program alongside other fiscal stimulus on 30 September 2020 is likely to be a key turning point for many businesses, particularly those that do not have a strong balance sheet.

The Manager expects that businesses will need to change the way they operate and consider changing consumer attitudes in light of COVID-19. For example, the Manager expects that retailers will increase their online presence and accordingly reduce their retail floorspace thereby impacting Real Estate Investment Trusts (REITs). The Manager believes companies with high operating leverage that have managed to weather the storm will also be considering structural changes to better manage their business going forward. The Manager continues to focus on the disciplined investment approach it has used over many decades and market cycles, identifying high-quality companies with proven management, low operating leverage and strong balance sheets for the PIC portfolio. Companies with these characteristics will not only remain resilient throughout prolonged periods of uncertainty but also be poised for a strong recovery when the economy bounces back over the mid to long term.

## COMPANY NEWS

### INVESTMENT INSIGHTS WEBINAR RECORDING

On 15 May 2020, PIC Portfolio Manager, Vince Pezzullo provided an update on markets, how the PIC portfolio has been managed in the recent volatile conditions and the opportunities he is seeing in Australia and globally.

If you missed the webinar, it can be viewed on the Company website at <https://www.perpetualequity.com.au/news-and-insights/webinar-covid-19-market-and-portfolio-impacts>.

### 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.

The PIC [website](#) also includes a link to information about the Manager's response to the COVID-19 pandemic.

### 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 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 the Perpetual Investments' Equity team, one of the largest investment teams in Australia.

## PERPETUAL KEY CONTACTS

### INVESTOR RELATIONS

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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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