

PERPETUAL
EQUITY
INVESTMENT
COMPANY
LIMITED

Perpetual Equity Investment
Company Limited
ABN 68 601 406 419

Angel Place,
Level 18, 123 Pitt Street
Sydney NSW 2000
Australia
GPO Box 4172
SYDNEY NSW 2001
Australia

Phone 02 9229 9000
Fax 02 9229 9009
www.perpetualequity.com.au

12 February 2021

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

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 2021 (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
E: karen.davis@perpetual.com.au

Yours faithfully



Sylvie Dimarco
Company Secretary
(Authorising Officer)

INVESTMENT UPDATE AND NTA REPORT

January 2021

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 JANUARY 2021	AMOUNT
NTA after tax	\$1.154
NTA before tax	\$1.190

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 2021

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$392 million
Share Price:	\$1.125
Shares on Issue:	348,685,708
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

* exclusive of GST

INVESTMENT PERFORMANCE

AS AT 31 JANUARY 2021	1 MTH	3 MTHS	6 MTHS	1 YR	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	-2.5%	10.9%	18.0%	12.0%	13.4%	8.0%	9.7%	9.1%
S&P/ASX 300 Acc Index	0.3%	12.1%	13.4%	-2.7%	10.3%	7.1%	10.1%	8.4%
Excess Returns	-2.8%	-1.2%	4.6%	14.7%	3.1%	0.9%	-0.4%	0.7%

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
Suncorp Group Limited	4.5%
Bluescope Steel Limited	4.2%
Crown Resorts Limited	4.1%
HT&E Ltd	3.9%
National Australia Bank Limited	3.8%

TOP 3 GLOBAL LISTED SECURITIES

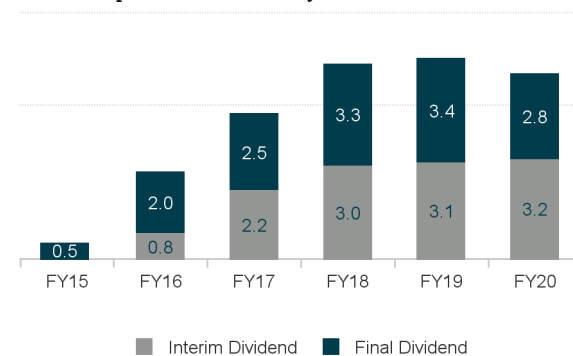
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	7.6%
La Francaise des Jeux SA	6.3%
Persimmon Plc	2.6%

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

DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 5.3%

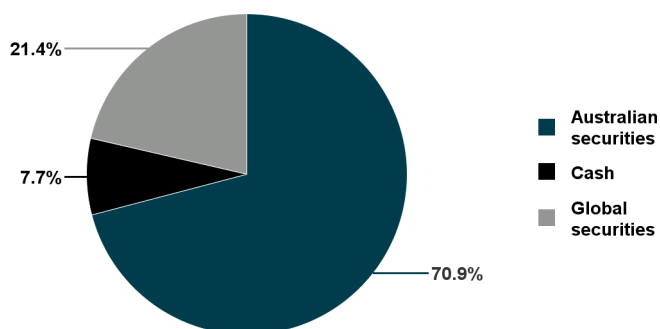
Grossed up annual dividend yield: 7.6%



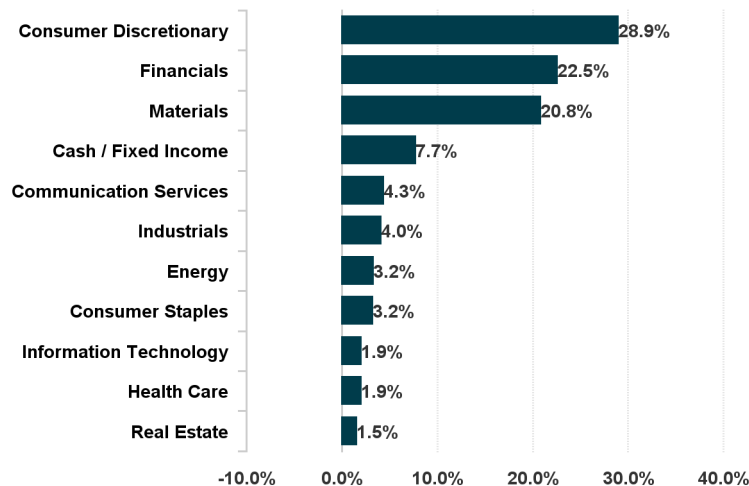
Yield is calculated based on the total dividends of 6.0 cents per share and the closing share price of \$1.125 as at 31 January 2021. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS[^]

92.3% 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

In January 2021, the PIC portfolio returned -2.5%** while the benchmark rose by +0.3%. The top contributors to absolute performance for the PIC portfolio were Suncorp Group Limited (ASX: SUN), National Australia Bank Ltd (ASX: NAB) and ANZ Bank Group Limited (ASX: ANZ). The financial sector was a key beneficiary as steady progress towards economic recovery and reopening continued.

While the Australian market rose in January, offshore stocks detracted from performance. The portfolio's largest holdings, Flutter Entertainment Plc (LON: FLTR) and La Francaise Des Jeux (PAR: FDJ) fell -9.0% and -5.4% respectively during the month. The Manager is not concerned with this given FLTR and FDJ have been strong contributors to absolute performance since first investing in the stocks in 2019. Further, the Manager is of the view that these quality stocks have provided a good counterbalance to the more cyclical value stocks in the portfolio. The Manager believes FLTR and FDJ are well positioned for long-term structural growth given their digital penetration. Over the 12 months to 31 January 2021, FLTR has returned 46.4% and FDJ has returned 47.3%. During the month, the Manager also took profits by exiting positions in offshore stocks, Amadeus IT Holding SA (MCE: AMS) and Euronet Worldwide Inc (NASDAQ: EEFY). Accordingly, the allocation to global listed securities reduced from 26.7% in December 2020 to 21.4% in January 2021.

Globally, the big theme of the month was the transition to a new Administration in Washington. Whilst one could be forgiven for thinking that the upheaval of the Trump era could not reach new heights, it did on 6 January when a rally for the outgoing President turned violent and protestors stormed into the US Capitol. This had come on the heels of the Democrats winning both Senate seats in Georgia the day before, which sealed an unexpected win for the Democrats in both chambers of Congress. Immediately this transformed the policy agenda with US President elect Biden able to outline a larger than expected \$1.9 trillion fiscal stimulus package. Whilst equity markets remained optimistic in the face of the spectacular fiscal largesse, the implications of the new Senate environment sparked a significant rally in bond yields. However, this was not enough to upset riskier asset markets. Equity markets were unnerved in the closing days of the month. A short squeeze in stocks such as Game Stop created a retail driven frenzy in trading activity and fears of financial market instability. Overall, markets finished flat for January.

**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.

HEALIUS LIMITED (ASX: HLS) (ANALYST: MICHAEL CROSER)

Healius Limited (ASX: HLS), formerly Primary Health Care, is an Australian healthcare company that operates pathology, diagnostic imaging, day hospitals and IVF clinics. Equities Analyst, Michael Croser discusses his views on HLS and why PIC Portfolio Manager Vince Pezzullo considered it a compelling investment opportunity for the PIC portfolio.

We have followed HLS for many years and seen them struggle with an excessive debt load and the troublesome Medical Centre business whose operating model was no longer resonating with doctors. Recruitment and retention of good doctors was a major issue and very time consuming for management. It also consumed a lot of cash. That was until HLS found BGH Capital, an Australian-based private equity business who agreed to buy the business in July 2020 for what we believed was a very good price. In doing so, it solved our two major problems with the stock: a poor balance sheet and a primary care business (medical centres, health practices and dental clinics) that was no longer fit for purpose and dragged down the two good businesses in pathology and diagnostic imaging.

What emerged was the second largest domestic Pathology operator and the third largest Diagnostic Imaging operator in Australia with a very clean balance sheet and a management team which could now focus on improving those businesses. In our view, these are stable cash generative businesses which are very difficult and expensive to replicate. Importantly, the company's management now had the opportunity to get them back to their best.

We believe the margins of HLS are well below their peers, a result partly due to the limitations of a stretched balance sheet and the inefficiencies in recruiting and retaining good doctors for medical centres. We see the medium term opportunity for HLS being to restore these margins against peers. Management have laid out a pathway to get them there which they estimate will deliver roughly \$250 million of EBIT (Earnings Before Interest and Tax) by FY23, which is more than double last year's.

Our view is that the market has underestimated or not factored this in as it would not be trading at such a cheap multiple (11x EBIT) for the quality of the assets. We think this is anchoring at work as the memory of the old HLS lingers. We, however, are looking at the business afresh and think they have the right mix of medical and corporate leadership to make the required changes and we are only expecting them to return to peer performance with no heroics required.

We also think they may be sitting on a real undiscovered gem. If we follow the experience in USA in regard to healthcare, then surgical day hospitals are expected to become a much larger part of the private hospital landscape in Australia in years to come. We believe it will be the fastest growing segment in Australian healthcare and HLS has a small but growing surgical day hospital business. HLS is the only listed company on ASX that provides exposure to the surgical day hospital business and we expect HLS to garner more attention over time.

Lastly, whilst they are benefiting from COVID testing at the moment, that will pass and it provides a bridge for them to improving margins, improving investor confidence, and ultimately an improving share price.

As at 31 January 2021, HLS comprised 1.9% of the PIC portfolio.

COMPANY NEWS

KEY DATES

The Company's half year results for financial year 2021, including any dividend announcement, will be announced on 17 February 2021.

[The PIC website](#) website includes the Company's indicative key dates for 2021.

SHAREHOLDER COMMUNICATIONS

[The PIC website](#) hosts a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources. The [News and Insights section](#) of the website also includes the ability for you to subscribe to receive regular updates via email.

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

Karen Davis
P: 02 9229 9114
E: karen.davis@perpetual.com.au

NSW

Mark Williams
Key Account Manager, Perpetual Investments
P: 0405 385 960
E: mark.williams@perpetual.com.au

VIC/SA/NT/TAS

Daniel Moore
Regional Manager, Perpetual Investments
P: 0400 032 819
E: daniel.moore@perpetual.com.au

QLD

Tony Harte
Regional Manager, Perpetual Investments
P: 0407 708 109
E: tony.harte@perpetual.com.au

WA

Tim McCallum
Regional Manager, Perpetual Investments
P: 0411 209 403
E: tim.mccallum@perpetual.com.au

www.perpetualequity.com.au

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.

CONTACT DETAILS

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

