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# Perpetual Equity Investment Company

## ASX:PIC

Investor Presentation  
April 2022

Trust is earned.

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## Important note

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# Perpetual Equity Investment Company Limited (ASX: PIC)

Core to our investment philosophy is the focus on value and quality



## Investment Objective

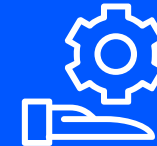
- Deliver an income stream
- Provide long-term capital growth
- Exceed the S&P/ASX 300 Accumulation Index over minimum 5 year investment periods



## Investment Guidelines

Typically 20 – 40 listed securities

50% - 100% Australian securities  
0% - 35% Global securities  
0% - 25% Cash



## Investment Process

### 1. Quality Filters

- Quality business
- Conservative debt
- Sound Management
- Recurring earnings

### 2. Analysts Rank the Stocks

### 3. Portfolio Manager builds the Portfolio

Supported by a large and experienced investment team of portfolio managers and analysts

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## PIC aims to deliver consistent fully franked income stream

4.3%<sup>1</sup> annual dividend yield  
or 6.2%<sup>1</sup> grossed-up



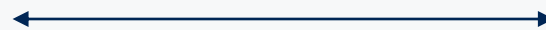
We believe PIC's dividend yield is favourable in the current market environment

28.9 cps<sup>2</sup> profit reserve



This provides confidence in our capital management

5.2 years<sup>2</sup> dividend coverage



We believe this strengthens the Company's ability to deliver a sustainable income stream

Source: Perpetual Equity Investment Company Limited (PIC) as at 31 December 2021.

<sup>1</sup> Yield is calculated based on total dividends of 5.6 cents per share and the closing share price of \$1.30 as at 31 December 2021. Grossed up yield takes into account franking credits at a tax rate of 30%.

<sup>2</sup> Profit Reserve of \$108.4 million as at 31 December 2021, equating to 28.9 cents per share. This represents 5.2 years dividend coverage based on a total dividend payment of 5.6 cents per share per annum. This does not take into account the payment of the interim dividend, any changes to share capital or options exercised in the future.

# Investment Performance

Delivering long-term capital growth in excess of the benchmark

As at 28 February 2022	1 month	3 months	6 months	1 year	2 years p.a.	3 years p.a.	5 years p.a.	7 years p.a.	Since Inception p.a.
PIC Investment Portfolio <sup>1</sup> Net of fees, expenses and before tax paid	1.5%	4.0%	0.5%	19.2%	23.6%	16.0%	12.6%	11.3%	11.2%
S&P/ASX 300 Accumulation Index	2.1%	-2.0%	-4.2%	10.2%	8.6%	8.7%	8.6%	6.9%	8.8%
<b>Excess Returns</b>	<b>-0.6%</b>	<b>6.0%</b>	<b>4.7%</b>	<b>8.9%</b>	<b>15.0%</b>	<b>7.3%</b>	<b>3.9%</b>	<b>4.3%</b>	<b>2.4%</b>

Source: Perpetual Equity Investment Company Limited

<sup>1</sup>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.

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# Is inflation the new normal?

We share our views below

**Some inflation is transitory:** temporary disruptions to transport and freight

**But more and more inflationary pressure looks structural:**

1. **Fragmentation** of all aspects of business is being influenced by the unpicking of 40 years of harmonisation of perceived rules of engagement
2. **People's Quantitative Easing (PQE)** is addictive: are governments hooked after seeing how effective the stimulus was?
3. **Follow-on inflation:** New level of inflation – in the last 10 - 15 years, it ranged between 0% - 2% but now the new level is 2% - 4%?
4. **Geopolitics** has crashed the global economy: rewiring global trade.....again.
5. **De-carbonisation**, if pursued, will raise the cost of many products. For example, cement and steel
6. **Inflation expectations and wages:** feedback loop has started...
7. **The reversal of DuPont ROE:** profit margins, asset efficiency and leverage.

**How are we investing in this environment?**

- Energy & metals
- Companies exposed to interest rates: we believe insurance is best compared to expensive banks
- Companies with resilient assets, earnings power or pricing power and good balance sheets

# Stocks in focus

## Energy and resources

- Santos Limited (ASX: STO)
- BHP Group Limited (ASX: BHP)
- Jervois Global Limited (ASX: JRV)

## Insurance

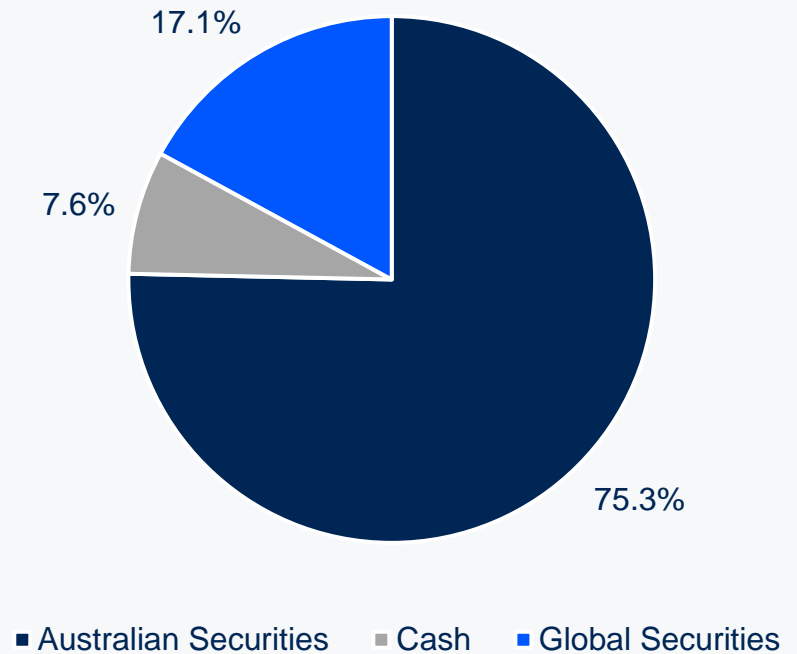
- Insurance Australia Group Limited (ASX: IAG)
- Suncorp Group Limited (ASX: SUN)

## Global

- Ferguson Plc (LON: FERG)
- De'Longhi SPA (MIL: DLG)

## Allocation of investments<sup>^</sup>

92.4% of capital invested in securities



<sup>^</sup> As at 28 February 2022. All figures are unaudited and approximate. Allocations may not sum to 100% due to rounding.  
Source: Perpetual Investment Management Limited

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**Thank you.**

Trust is earned.

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