

14 September 2022

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 August 2022 (as attached).

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

Karen Trau  
Investor Relations  
Perpetual Investment Management Limited  
P: 02 9229 3138  
E: [karen.trau@perpetual.com.au](mailto:karen.trau@perpetual.com.au)

Yours faithfully



Sylvie Dimarco  
Company Secretary  
(Authorising Officer)

# INVESTMENT UPDATE AND NTA REPORT

## AUGUST 2022

### PORTFOLIO SNAPSHOT

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

AS AT 31 AUGUST 2022	AMOUNT
NTA after tax (cum dividend)	\$1.265
NTA before tax (cum dividend)	\$1.265

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 capital raising cost and unrealised gains and losses of the Company's investment portfolio. As at 31 August 2022, the NTA after tax (ex dividend) was \$1.232 and the NTA before tax (ex dividend) was \$1.232. The ex dividend NTA figures are reduced by a provision for the 3.3 cents per share dividend with ex date 27 September 2022 and payment date 19 October 2022.

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

#### INVESTMENT PERFORMANCE

AS AT 31 AUGUST 2022	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS p.a.	3 YRS p.a.	5 YRS p.a.	7 YRS p.a.	SINCE INCEP p.a.
PIC Investment Portfolio <small>Net of fees, expenses and before tax paid</small>	5.3%	-2.9%	-4.1%	-3.7%	16.1%	12.8%	10.3%	10.1%	9.8%
S&P/ASX 300 Acc Index	1.2%	-2.4%	0.6%	-3.7%	11.3%	5.6%	8.2%	8.6%	8.3%
Excess Returns	4.1%	-0.5%	-4.7%	0.0%	4.8%	7.1%	2.1%	1.5%	1.5%

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.

### KEY ASX INFORMATION

#### AS AT 31 AUGUST 2022

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$474 million
Share Price:	\$1.26
Shares on Issue:	376,225,433
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

\* exclusive of GST

#### TOP 5 AUSTRALIAN LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Insurance Australia Group Limited	8.2%
Westpac Banking Corporation	7.7%
BHP Group Ltd	7.4%
Santos Limited	7.2%
Brambles Limited	5.5%

#### TOP 3 GLOBAL LISTED SECURITIES

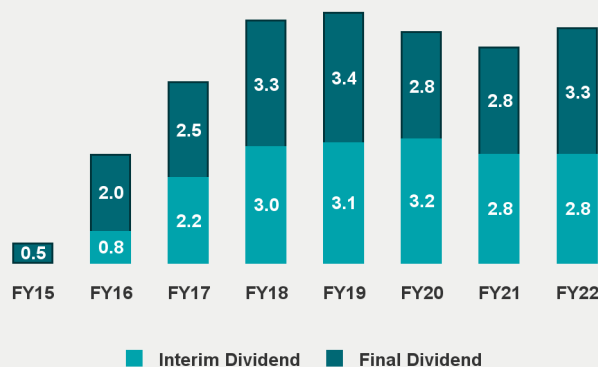
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	7.4%
La Francaise des Jeux SA	3.7%
Light & Wonder, Inc.	2.4%

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

#### DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.8%

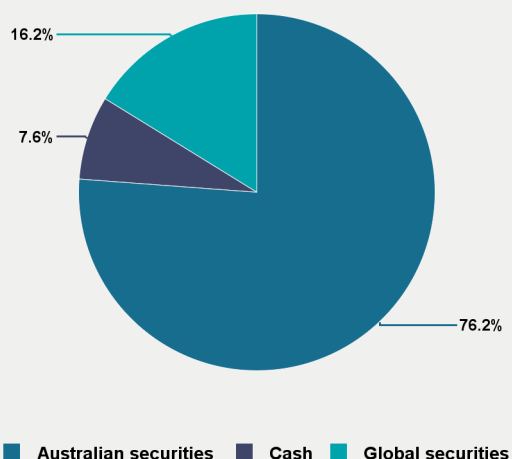
Grossed up annual dividend yield: 6.9%



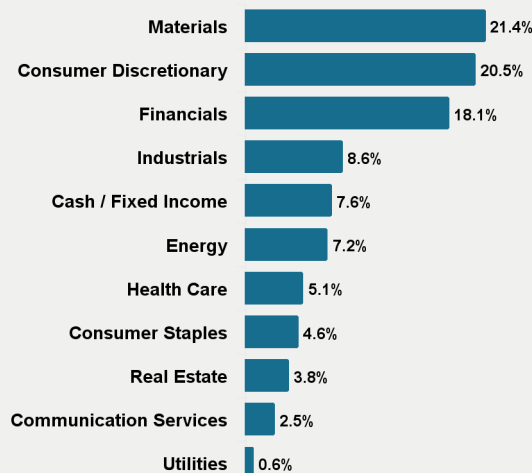
Yield is calculated based on the total dividends of 6.1 cents per share and the closing share price of \$1.260 as at 31 August 2022. Grossed up yield takes into account franking credits at a tax rate of 30%.

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

92.4% 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. Allocations may not sum to 100% due to rounding.

## PORTFOLIO COMMENTARY

August was marked by a sharp divergence between equity and bond markets. After defying economic reality for a few weeks, equity markets came back down to earth with a thud at the end of August. The warning signs were all there with surging bond yields signalling rising rate risks whilst equities were pricing in that the Federal Reserve was close to finishing. Only one of these markets could be right. Chair of the US Federal Reserve, Jerome Powell made it clear at the annual Jackson Hole Economic Symposium that inflation remained a problem and there were more rate rises to come highlighting that “restoring price stability will likely require maintaining a restrictive policy stance for some time” and that “the historical record cautions strongly against prematurely loosening policy”.

Despite central banks already tightening policy significantly, jobs data in the US and Australia remained exceptionally strong, with unemployment in both countries at multi-decade new lows, and Australian retail sales rose +1.3% in July 2022 which was above the market expectation of a +0.3% rise. The other major news was the continuing energy crisis in Europe which threatens to push the region into a deeper recession, potentially rippling across other parts of the world. Many countries in Europe could report some extraordinary inflation rates in coming months.

In August, the Australian market, as represented by the S&P/ASX 300 Accumulation Index (benchmark) rose 1.2%. Energy and Materials dominated as commodity prices strengthened. Meanwhile the interest rate sensitive Real Estate and Consumer Staples sectors sold off. Reporting season in Australia was much as the market expected. There were few real surprises or corporate catastrophes. The Manager did note companies reporting rising levels of working capital to either bolster inventory or secure supply chains in the event of further disruptions. Capital expenditure to expand production, especially existing sites, was also a theme. Overall however, there was an easing of difficult operating conditions. One example was the improved shipping costs being noted by some management teams as a general trend towards re-establishing pre COVID-19 supply chains. However, while labour constraints are also slowly easing, some companies reported difficulties in finding enough skilled staff to meet the demand.

The Manager’s view is that while supply chain pressures may have peaked – and could be a tailwind for some companies relative to competitors – the Manager believes the pressures on the Australian consumer in FY23 are going to worsen before they improve. Bank credit quality is yet to show signs of stress. As the reporting season wore on, more buyback programs were announced. BlueScope Steel Limited (BSL) and Genworth Mortgage Insurance Australia Ltd (GMA) announced extensions of existing buybacks and oOh!Media Ltd (OML) and Qantas Airways Limited (QAN) announced new buybacks. McMillan Shakespeare Limited (MMS) announced an off-market buyback program to return surplus franking credits.

The PIC portfolio returned 5.3%<sup>^</sup>, outperforming the benchmark by 4.1% in August. Flutter Entertainment Plc was the standout and top contributor to absolute performance, surging 27.3% in August. The Manager has significantly increased its position in Flutter in recent months after it became undervalued in the global sell-off in April and May 2022. It has regularly extolled the benefits of owning Flutter, which is rapidly growing as a dominant online sports bookmaker trading at significantly lower valuations than what the Manager would expect investors to normally pay for such a high quality business. During the month, the portfolio also benefited from the upswing in mining and energy including Santos (+9.7%), 29Metals (+34.1%), Jervois Global (+33.4%) and Iluka Resources (+10.0%).

A2 Milk Company was the second largest absolute contributor to the portfolio and the Manager’s investment thesis is outlined below.

## A2 MILK COMPANY LTD (ASX: A2M) (ANALYST: SEAN ROGER)

A2M reported a solid FY22 result with revenue and earnings approximately 5% ahead of consensus expectations. The company reported a 19.8% jump in revenue and 42.3% jump in net profit. While earnings beat market expectations, the Manager thought it could have been larger had the company's management not taken the decision to increase marketing investment above forecast levels. The quality of A2M's results was strong with excellent cashflow management where cashflow was greater than profits delivered for the period.

The most pleasing aspect of the result was the strong growth of the China Label infant formula business. This is a highly competitive channel and despite the industry headwinds from a significantly lower birth rate in China, A2M's infant formula business in China grew its revenue by 40% Year On Year (YOY) in the second half of Financial Year 2022 (FY22). A2M is one of the only international brands to deliver growth during this period. The fact that A2M sales responded so strongly to in-country marketing demonstrates the strength of the brand which is a core pillar of the Manager's investment thesis.

The Manager believes the current management team is doing an excellent job of transforming A2M into a sustainable business for the long term by increasing marketing and shifting volumes away from the volatile Daigou distribution channel. Another key aspect is the strength of A2M's balance sheet which finished in FY22 with no debt and over NZ\$800m of net cash. This enabled the company to launch a NZ\$150m on-market buyback program. The Manager considers this a value accretive use of shareholder's capital and sends a strong signal to the market of the Board's confidence in the trajectory of the company. A2M is currently in the process of renewing its China Label product registration. The Manager notes this risk and has reflected it in the size of the position within the portfolio. This aside, the Manager continues to see material upside to A2M's current share price.

As at 31 August 2022, A2M comprised 3.1% of the PIC portfolio.

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## COMPANY NEWS

### FY22 ANNUAL RESULTS AND FINAL DIVIDEND

The Company announced its full year results on Wednesday, 24 August 2022 including an ordinary dividend of 2.8 cents per share and a special dividend of 0.5 cents per share, both fully franked. The full results are available on the Company's [website](#) for FY22. Please see below important dates for the final dividend:

Ex Date:	Tuesday 27 September 2022
Record Date:	Wednesday 28 September 2022
DRP Election Date:	Thursday 29 September 2022
Payment date:	Wednesday 19 October 2022

The Company's dividend reinvestment plan (DRP) is available to shareholders for the final dividend. To participate in the DRP or to change your level of participation, a [DRP Participation Form](#) must be received by no later than 5.00pm (Sydney time) on DRP Election Date.

### ANNUAL GENERAL MEETING (AGM) AND INVESTMENT MANAGER UPDATE

The AGM and Investment Manager Update will be held on Thursday 20 October 2022 online and in-person. The Notice of Meeting will be available shortly. Shareholders and interested parties can register for the Investment Manager Update now by visiting the [Company's website](#).

### SHAREHOLDER COMMUNICATIONS

The [PIC website](#) hosts a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources. The [News & Insights section](#) of the website also includes the ability for you to subscribe to receive regular updates via email. You can also elect to receive electronic communications by logging into the Link investor portal [here](#).

### 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](#).

## WHY CHOOSE THE PERPETUAL EQUITY INVESTMENT COMPANY?

- Designed to deliver investors an income stream of **fully franked dividends**.
- **Active management** to vary the portfolio's exposure to equity market risk, and to enhance the value of the portfolio when opportunities arise both domestically and globally.
- **Flexibility** to invest up to 35% in global securities and up to 25% in cash for diversification with the intention to add returns above the benchmark, or to manage downside risk.
- Access to Perpetual's tried and tested **quality and value** investment process that assesses companies on 4 key quality criteria: quality of business, conservative debt, sound management and recurring earnings.
- **Depth and breadth** of Perpetual's investment team enables it to conduct extensive company visits each year and make decisions to invest in high quality and attractively valued securities based on fundamental, in-depth, bottom-up research.
- **Ease of access** as you can buy and sell PIC on the ASX.
- **Daily NTA published on the ASX** to provide transparency of the portfolio.

## KEY FEATURES

**INVESTMENT OBJECTIVE** The investment objective of the Company is to provide investors with an 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 typically hold 20 to 40 securities.

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

The Manager typically expects that the portfolio will be unhedged. Currency exposures may be hedged defensively where the Manager sees significant risk of currency weakness, but no attempt is made to add value to the portfolio by actively managing currency. Derivatives are permitted.

**ABOUT THE MANAGER** The Company's investment portfolio is managed by Perpetual Investment Management Limited, part of the Perpetual Group, whose has a longstanding commitment to deliver superior outcomes over the long-term for clients. This is underpinned by its proven investment process that focuses on value and quality.

**PORTFOLIO MANAGER** Vince Pezzullo  
Perpetual Asset Management Australia  
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 Perpetual Asset Management Australia's Equity team, one of the largest investment teams in Australia.

All investments are subject to risk which means the value of investments may rise or fall, which means that you may receive back less than your original investment or you may not receive income over a given time frame. Refer to announcements and other information for the Company lodged with the ASX, which is available at [www.asx.com.au](http://www.asx.com.au). A financial adviser can assist you in determining whether an investment in the Company is suited to your objectives, financial situation or needs.

## CONTACT DETAILS

**For queries regarding investor relations:**

**Karen Trau**  
P: 02 9229 3138  
E: [karen.trau@perpetual.com.au](mailto:karen.trau@perpetual.com.au)

**For queries regarding investor shareholdings:**

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

## FIND OUT MORE

Visit our website [www.perpetual.com.au/equity](http://www.perpetual.com.au/equity) to access a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources.

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