

14 November 2023

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 October 2023 (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

## OCTOBER 2023

### PORTFOLIO SNAPSHOT

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

AS AT 31 OCTOBER 2023	AMOUNT
NTA after tax	\$1.167
NTA before tax	\$1.149

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.

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

### KEY ASX INFORMATION

#### AS AT 31 OCTOBER 2023

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$412 million
Share Price:	\$1.085
Shares on Issue:	379,548,351
Dividends:	Half-yearly
Management Fee:	1.00% p.a.*
Manager:	Perpetual Investment Management Limited

\* exclusive of GST

### INVESTMENT PERFORMANCE

AS AT 31 OCTOBER 2023	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>	-4.2%	-9.8%	-9.1%	-0.7%	-2.9%	9.8%	8.5%	8.9%	8.3%
S&P/ASX 300 Acc Index	-3.8%	-7.3%	-5.4%	2.5%	-0.1%	8.7%	7.2%	7.7%	7.4%
Excess Returns	-0.4%	-2.5%	-3.7%	-3.2%	-2.8%	1.1%	1.3%	1.2%	1.0%

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 10 STOCK HOLDINGS

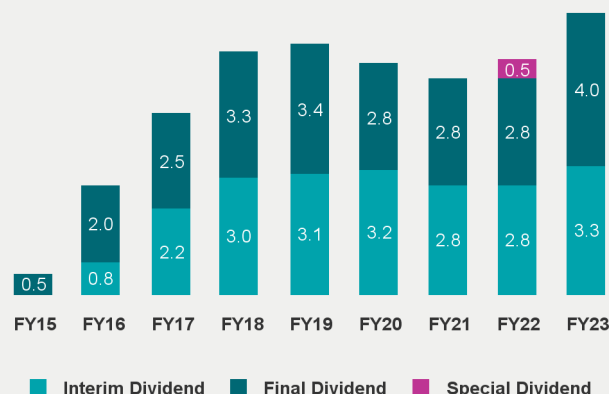
COMPANY	PORTFOLIO WEIGHT
BHP Group Ltd	10.3%
National Australia Bank Limited	7.7%
Commonwealth Bank of Australia	6.8%
Insurance Australia Group Ltd	6.7%
Whitehaven Coal Limited	5.3%
Goodman Group	5.3%
Flutter Entertainment Plc	5.2%
Iluka Resources Limited	4.4%
La Francaise des Jeux SA	3.9%
Ramsay Health Care Limited	3.3%

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

#### DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 6.7%

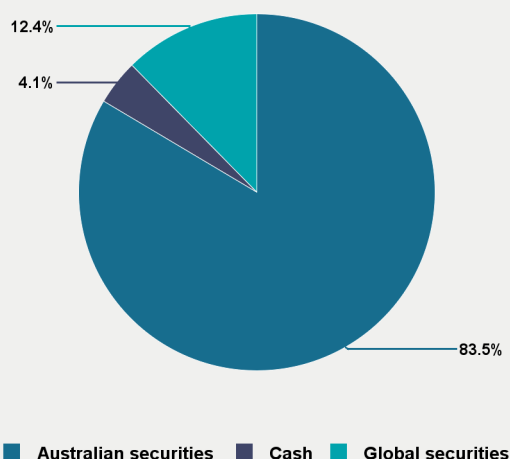
Grossed up annual dividend yield: 9.6%



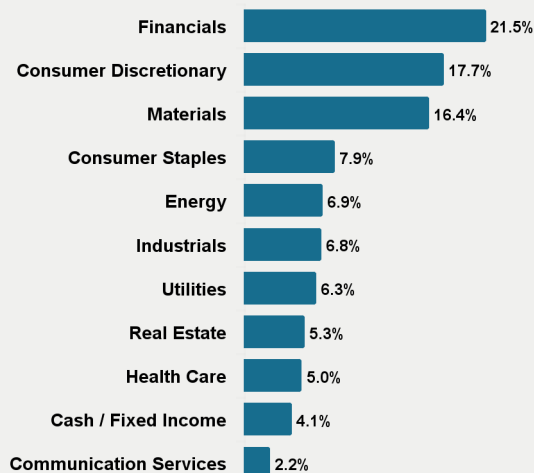
Yield is calculated based on the total dividends of 7.3 cents per share and the closing share price of \$1.085 as at 31 October 2023. Grossed up yield takes into account franking credits at a tax rate of 30%.

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

95.9% 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

The S&P/ASX300 fell -3.8% in October. Rising bond yields was the continuing theme through October as the Australian 10 year extended its run from 4.49% to 4.92%, raising concerns for financial conditions and growth. Hamas' attack on Israel on 7 October sparked renewed geopolitical fears, although the worst expectations for markets were contained and oil fell. RBA Minutes for October noted a low tolerance for slow progress on inflation & Governor Michelle Bullock became more hawkish as October dragged on. Inflation for the September quarter came in hot at 1.2% vs expectations of 1.1% and 0.8% in June. Unemployment fell from 3.7% to 3.6% and retail sales rose 0.9% vs expectations of 0.3%, which led all the major banks to predict a rate hike on Melbourne Cup day. Most sectors finished in the red with IT, Healthcare, Industrials, Real Estate and Energy all taking the heaviest hits.

The PIC portfolio fell in this environment, which was not favourable to most peers with a value investment style. IAG held its value despite the slide in the market and we continue to find insurers attractive with rising interest rates boosting returns, firmer premiums and more stable claims recently boosting profits. A greater focus on cost and capital management has also helped propel IAG's share price upwards.

Relative to the benchmark, the PIC portfolio benefited from having zero exposure to CSL, which continued to deflate, falling as low as \$230 a share by 30 October, more than \$100 below their February 2020 COVID highs. In part this represented a "de-rating" of an expensive growth stock that traded at a price to earnings ratio of 35x at peak as bond yields rose. There have also been concerns about competing products, like Vyvgart, encroaching on some of CSL's treatments.

Our positions in Bapcor and Healius detracted from performance in October. Bapcor is a vertically integrated autoparts business with brands like Autobarn, Autopro and Burson and should be resilient in any economic downturn. However, management's BTB (Better Than Before) transformation, aimed to deliver \$100m in savings, has been slower than projected. Nevertheless, we find Bapcor to still be quality business with good prospects once change can be delivered.

Healius also continued to be a challenge. The stock has been hit hard by tougher operating conditions in a post COVID world which has complicated the path to realising value. We believe there is still clear value in the stock with the pathology and radiology businesses individually worth well above the current share price.

Stickier inflation and higher-for-longer interest rates are playing out as we expected. Whilst longer duration bond prices have been hit very hard in recent months, longer duration stocks have remained stubbornly expensive, especially in the technology space. Whilst this does not make much sense, we think only two outcomes are possible; these expensive and longer duration stock prices will eventually decline to bring them into line with the broader market or the real return on these particular stocks will be low in the period ahead, like growth stocks that have plateaued in the past. Either outcome is not good for investors in excessively priced pockets of the market and we avoid them. By contrast we think the best chance of generating strong returns and exceeding the market is to be invested in quality businesses with good prospects and solid balance sheets but which are trading at much more reasonable valuations. We continue to find many such companies in a range of sectors including energy, materials, consumer, industrials and utilities that we believe will deliver the superior real returns our investors need.

## REMINDER: TAX CERTIFICATION COMPLETION

Under the Australian Government's participation in Automatic Exchange of Information (AEOI) regimes, PIC is required to collect 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 CRS certification by logging into the Link investor portal [here](#).

From there, under the Payments & Tax tab you will find '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 is Head of Equities and 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:

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### For queries regarding investor shareholdings:

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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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