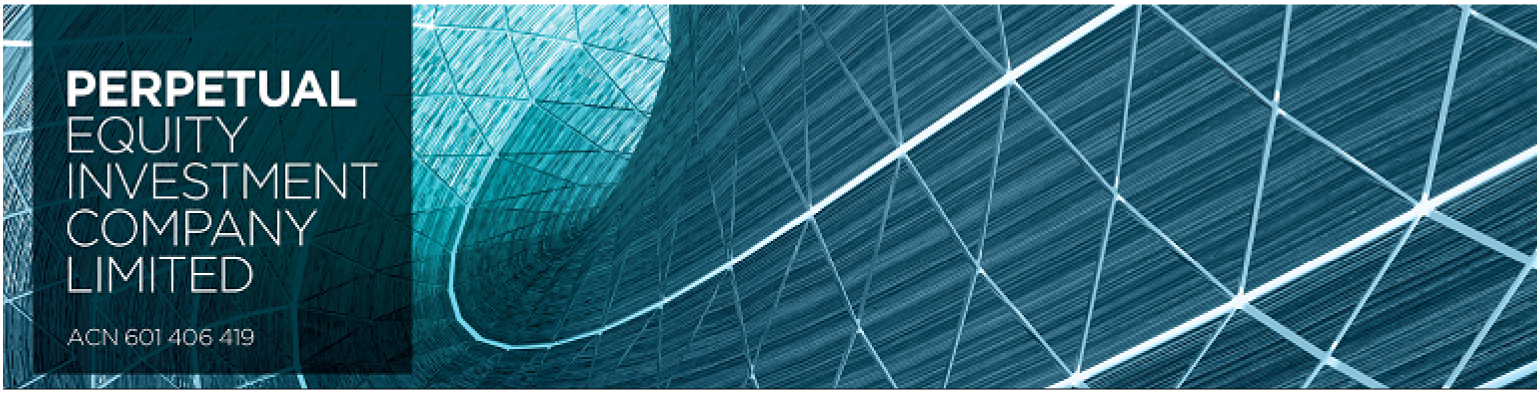


REVISED INVESTMENT UPDATE AND NTA REPORT

May 2019

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 MAY 2019	AMOUNT
NTA after tax	$1.095
NTA before tax	$1.103

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 set-up costs and on unrealised gains and losses in the Company's investment portfolio.

A tax rate of 27.5% (previously 30%) is now applied.

KEY ASX INFORMATION

AS AT 31 MAY 2019

ASX Code:	PIC
Listing Date:	18 December 2014
Market Capitalisation:	$347 million
Share Price:	$1.005
Shares on Issue:	345,693,045

INVESTMENT PERFORMANCE

AS AT 31 MAY 2019	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	2 YRS P.A.	3 YRS P.A.	SINCE INCEP P.A.
PIC Investment Portfolio Net of fees, expenses and before tax paid	1.1%	2.8%	7.9%	4.3%	6.6%	8.7%	8.1%
S&P/ASX 300 Acc Index	1.7%	5.0%	15.4%	10.9%	10.5%	10.6%	9.5%
Excess Returns	-0.6%	-2.3%	-7.4%	-6.6%	-3.8%	-1.9%	-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 set up costs and 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
Commonwealth Bank of Australia	9.5%
Westpac Banking Corporation	6.7%
Suncorp Group Limited	5.3%
Telstra Corporation Limited	5.1%
Woolworths Group Ltd	5.0%

TOP 3 GLOBAL LISTED SECURITIES

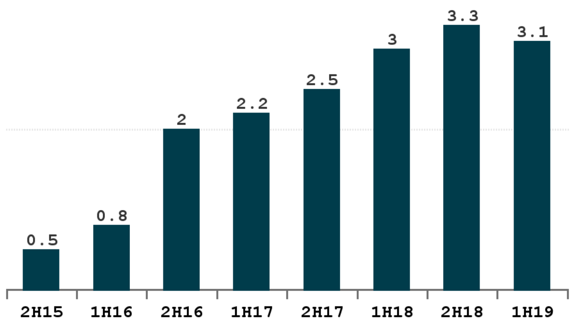
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	1.2%
Siemens AG	1.1%
Takeda Pharmaceutical Co. Ltd.	0.9%

DIVIDEND PER SHARE, CPS

Interim dividend for FY19: 3.1 cents per share

Annual dividend yield: 6.4%

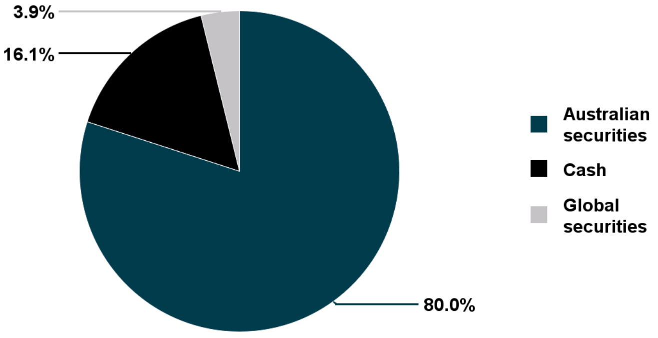
Grossed up annual dividend yield: 8.8%



Yield is calculated using the 31 May 2019 share price of $1.005. Grossed up yield takes franking credits into account.

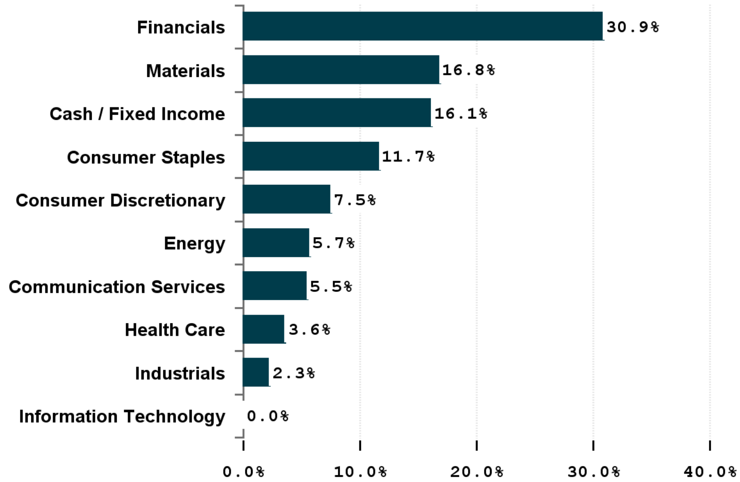
ALLOCATION OF INVESTMENTS

83.9% of capital invested in securities



All figures are unaudited and approximate.

PORTFOLIO SECTORS



PORTFOLIO COMMENTARY

Federal election

Following the upset results of the federal election, financial markets adjusted quickly at the first opportunity on 20 May. The overall market bounced +1.7% despite weakness elsewhere in the region as several tax and regulatory changes disappeared from the horizon. With franking credits safe from changes and property investment restrictions off the agenda the banks jumped sharply, with financials up 5.85% on the day. PIC's preferred holdings, Commonwealth Bank (ASX:CBA) and Westpac (ASX:WBC), performed well, returning +6.3% and +9.2% respectively. Conversely unfranked yield plays, like Transurban (ASX:TCL) and Sydney Airports (ASX:SYD), sold off as pre-election demand for their income reversed. But the biggest winners on the day were the health insurers with PIC's key position in Medibank Private (ASX:MPL) up +11.5%. With premium growth caps proposed by the opposition already largely priced into the stock, the Manager thought there was little further downside for this very well managed and well positioned business, no matter who had won, but the status quo result sparked a sharp relief rally for investors.

Top contributors to performance this month were PIC's holdings in Evolution Mining (ASX:EVN) and Medibank Private (ASX:MPL). Detractors to performance were Grain Corp (ASX:GNC) and Link Administration (ASX:LNK). This month saw Suncorp Group (ASX:SUN), one of PIC's largest holdings (5.3%) announce that its CEO Michael Cameron will be leaving the business. While the Manager expects a new CEO to stamp his/her authority, it remains confident in the underlying strength of SUN's core business and balance sheet.

Mid-cap focus: Select Harvest

One of PIC's mid-cap stocks is Select Harvest (ASX: SHV), representing 2.3% of the portfolio at 31 May 2019. SHV is an Australian based grower, processor and marketer of almonds and almond based value-added products. The business owns and leases over 7,500 hectares of almond orchards across New South Wales, Victoria and South Australia and has two processing facilities located in Victoria. SHV has been held in the portfolio since early 2018 and was initially purchased in the low $5 range. During May, SHV released a strong set of 1H19 results that was supportive of the Manager's investment thesis. SHV reported 1H19 Earnings Before Interest and Taxation (EBIT) of $31m which was 77% ahead of the prior corresponding period. The strong result was driven entirely by the performance of the core almond division. This division has three primary drivers of profitability being the volume of almonds produced from SHV's farms, the cost of growing and processing the almonds and finally the realised price when the almonds are sold. As can be seen from the table below, the forecasts for the 2019 crop show a significant improvement in all three components when compared to the 2018 crop.

FORECAST IMPROVEMENT IN 2019 CROP	2018	2019	%
Forecast total volume (MT)	15,700	20,750	32.2%
Costs ($/kg)	5.42	4.95	-8.6%
Realised price ($/kg)	8.05	8.5	5.6%

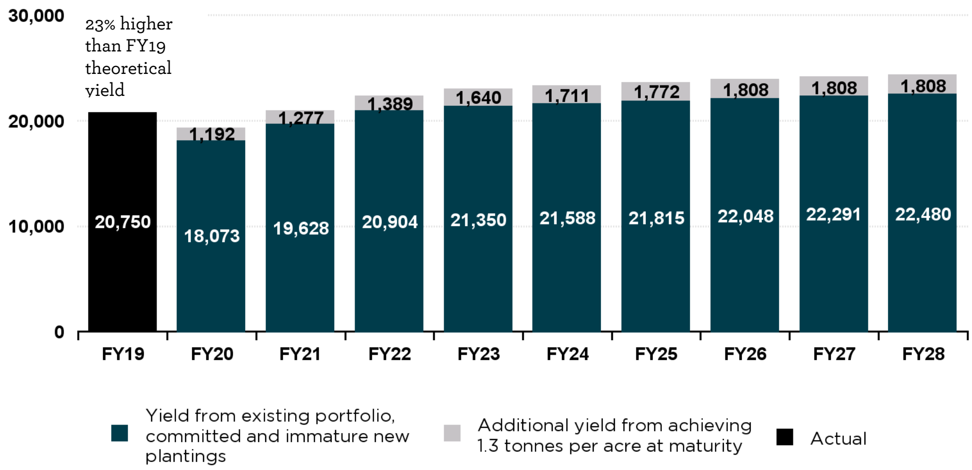
Source: Company accounts, Perpetual Investments analysis

The Manager was most pleased with the significant increase in production volumes and the improvement in cost efficiencies given these are within the company's control. The 32% growth in production was a result of an 8% increase in the almond bearing acreage due to tree maturation and a 23% increase in yields. The improvement in yields has been driven by the company's strategy to focus on its horticultural program and invest capital in frost fans which protects the crop from damage during frost events. The increased almond volumes and the focus on processing efficiency drove an 8.6% reduction in total costs / kg. This is impressive considering the business had to absorb a 34% increase in water irrigation costs as spot water prices in the Murray Darling Basin increased sharply due to the ongoing dry conditions on the East Coast of Australia.

Due to the significant investment in new plantings over FY13-18 and assuming stable yields, SHV will deliver ongoing growth in total almond production from 2020. Almond orchards take 7 years to reach full maturity and therefore this growth in total production will be achieved without any further investment in new orchard plantings. SHV was able to deliver yields 23% higher than theoretical in FY19. If they can repeat this moving forward, the Manager believes there is further upside to the production growth as outlined in the chart below.

SHV Theoretical Harvest Volume 2019 - 2028

(Basis: 1.2 tonnes per acre at maturity yield)



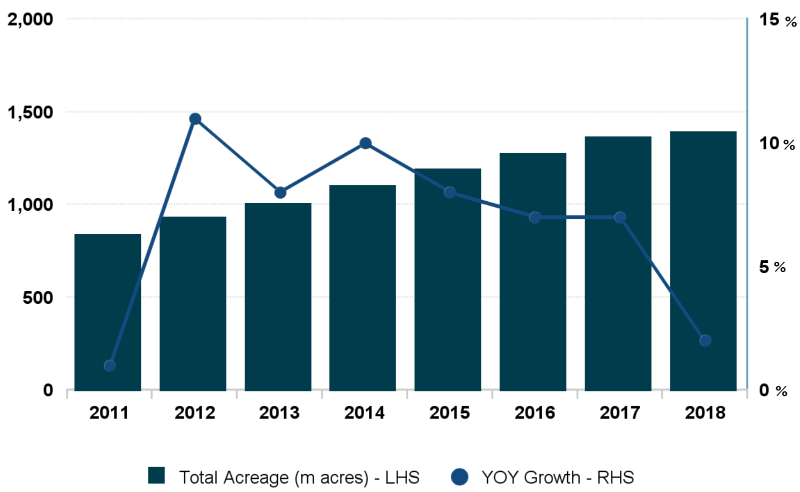
Source: Based on a SHV company presentation chart

The Manager is also attracted to the long-term dynamics of the Almond industry with global consumption having grown 6-8% over the past 5 years. Almond demand and consumption continue to grow with the ongoing focus from consumers on healthy foods and the shift to plant based diets. The increasing prevalence of almond milk as an alternative to dairy in the American and Australian market is a good example of this. Compounding this dynamic is the Manager's view that the long-term global supply of almonds will be constrained by water availability in California.

California produces approximately 80% of the world's almonds and the supply out of this region is the primary supply side driver of global almond prices. Water access in California is undergoing a significant structural change due to the introduction of regulation and constraints on groundwater use. Groundwater usage in California has historically been unregulated with landowners having the right to build a well and extract groundwater on their property. In 2014, the Sustainable Groundwater Management Act was passed which provides a framework for long-term sustainable groundwater use. Under the act, regions of California that are classified as critical overdraft zones need to have plans implemented by January 2020 that outline pathways to eliminate groundwater over-drafting. This means these regions cannot pump more water out of the underground acquifers than is being replenished each year.

Whilst the direct impacts on almond growers remains unclear until these plans are released publicly in 2020, the Manager's research suggests it is very likely to reduce the overall amount of water available for crop irrigation and creates an uncertain outlook for total almond acreage and supply. In this environment and given almond trees are a 35-year investment, we believe the growth in almond plantations will slow and thus over the medium-term supply growth out of California will not match the ongoing growth in demand. Supporting this thesis is the data from the California Almond Acreage Report which shows that in 2018 total growth in Californian almond acreage fell to its lowest level in seven years.

CALIFORNIA ALMOND ACREAGE GROWTH



Source: California Department of Food and Agriculture.

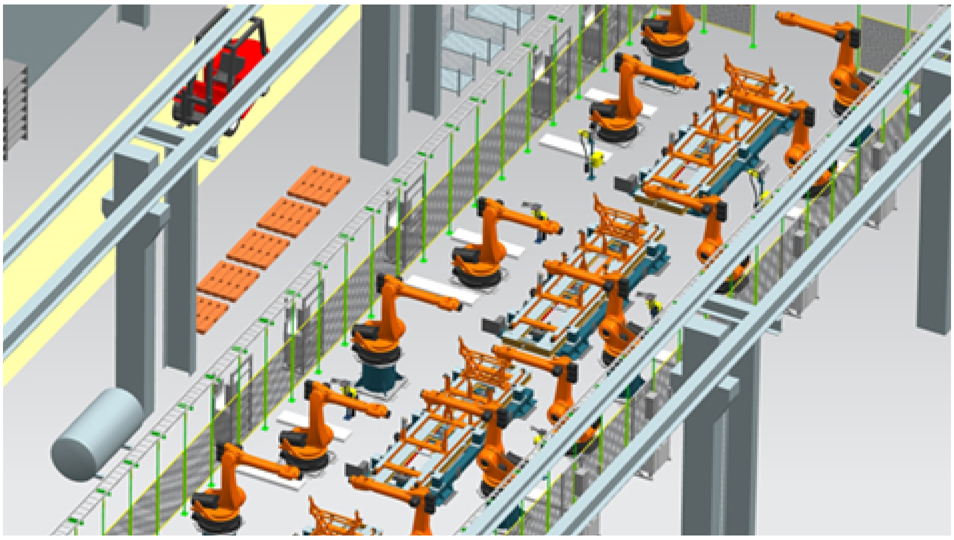
SHV exports most of its almonds and therefore the price it realises for the sale of its crop is highly leveraged to global almond prices. The Manager believes the combination of a favourable outlook for global almond pricing due to the demand/ supply dynamics and growth in production will underpin ongoing earnings growth over the medium – long term. Despite the recent share price appreciation, the Manager continues to believe SHV reflects good value and is an attractive mid cap opportunity. Based on consensus forecasts for FY19, SHV is trading on a 16x Price to Earnings multiple and has a strong balance sheet.

Global focus: Siemens AG

PIC has increased its position in Siemens with the investment representing 1.1% of PIC's portfolio as at 31 May 2019. Below, Portfolio Manager, Vince Pezzullo explains why he believes Siemens is an attractive investment.

Think for a moment about the complexity of designing a car. Over 30,000 individual parts are present in a typical vehicle and the design engineer needs to use all of these parts to create a product that not only meets all stringent regulations, but also meets all efficiency and reliability requirements, looks good, and can be produced millions of times with as few recalls as possible with zero tolerance for accident-causing faults.

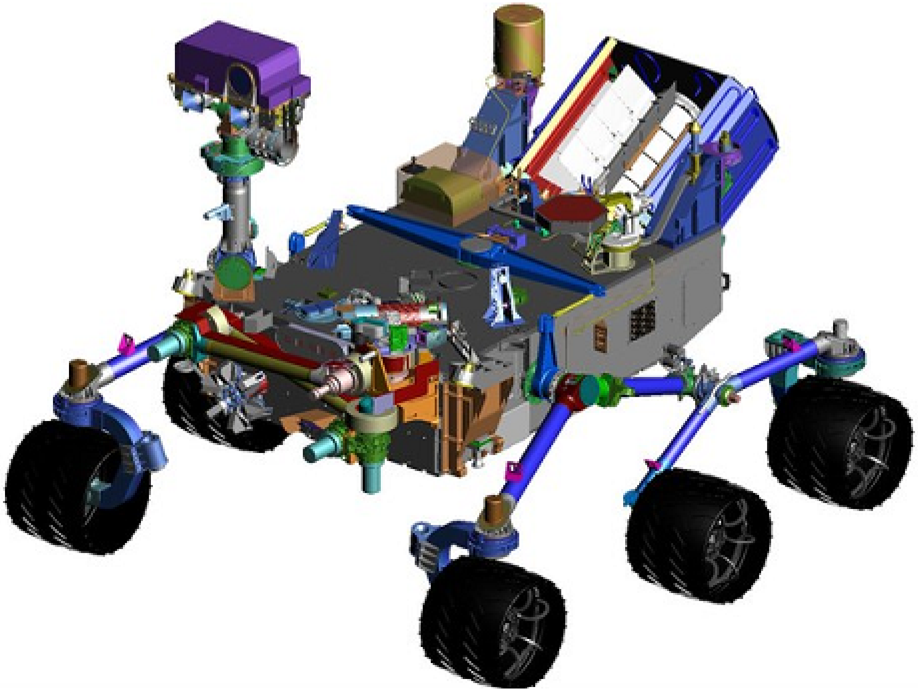
The level of technological sophistication embedded into vehicles also continues to grow. An increasing number of sensors and significantly more computing power is enabling more advanced safety features. Layered on top of this are the entertainment and other customer experience features that need to be included and considered. The car is an extremely complex system, as is the manufacturing process that creates it, and both are prone to unforeseen system interactions and errors. The cost of not finding these errors before millions are copied is high to say the least.



Siemens software includes software to fully design and optimise manufacturing production lines in a virtual environment.
Source: https://www.plm.automation.siemens.com/global/en/industries/automotive-transportation/factory-layout-line-design-optimization.html

To deal with this massive complexity automakers rely on software tools. Automakers are most commonly using tools provided by Siemens, as are many other types of manufacturers ranging from drone designers, jet engine makers, machine builders, and even consumer electronics companies. The software that Siemens provides is effectively the platform on which a large part of global manufacturing operates, and it covers the process from conception to design and simulation, along with plant design and infield tracking. They are indispensable. Their position as a platform also enables them to bring additional capabilities to their customers through acquisitions and offer even greater value. Using software to deal with the complexity facing global manufacturers and their supply chains is far from being fully exploited, and we will eventually get to the goal of complete digitisation of the life cycle of the manufactured product.

Siemens calls their industrial software business "Siemens PLM". It sits within their Digital Industries segment, which historically and unfortunately has been part of a much larger conglomerate with some good and bad parts. Management, to their credit, has recognised that the sprawling structure they inherited was not optimal and have been simplifying it over the years. Today they are still involved in a range of other areas including making trains, providing gas turbines for electricity production, equipment for refining plants, supplying electrical components for grids, and providing imaging and diagnostic equipment for hospitals. This has had, and continues to have, a depressing effect on Siemens' valuation.



Siemens software includes software to fully design and optimise manufacturing production lines in a virtual environment. Source: https://www.plm.automation.siemens.com/global/en/industries/automotive-transportation/factory-layout-line-design-optimization.html

The software business has been relatively hidden within the group structure but has now become big enough that we think it accounts for at least a quarter of the value of the whole company. As part of the company's simplification strategy they have listed two of their businesses – their healthcare and renewables businesses – and if you take the value of these two listed businesses out of Siemens, we believe Siemens PLM is worth more than 50% of the rest. Management have also recently announced their intention to spin off their least attractive businesses in electricity production and high voltage grid products. Once this is complete the "core" of Siemens (which strips out their listed investments) will become dominated by software.

Our outlook is that the current low valuation will grind up, especially as further simplification actions occur overtime. This process will take a few years, but the rewards are high enough to wait. PIC is going to get closer and closer to owning one of the world's greatest industrial assets and a major beneficiary of ongoing digitisation at the heart of productivity improvements. We will be able to do this at a steep discount by taking advantage of the market's lack of patience.

COMPANY NEWS

POST-ELECTION UPDATE

When the company released its half year results in February, the Chairman noted that the Board was actively considering its response in anticipation of potential legislative changes to franking credits. With the proposed legislative changes no longer proceeding following the Federal election result, the Board would like to reassure its shareholders that the Company will continue to protect and pass on the value of franking credits to shareholders as it has done since inception.

SHAREHOLDER SURVEY

Thank you to all shareholders who completed the recent survey. We had an overwhelming response with over 1000 shareholders providing feedback – that's more than 10% of PIC's shareholders. We are currently analysing the feedback and will be using it to continue to enhance the services we provide to you.

ASA NATIONAL CONFERENCE PRESENTATION

James Holt, Perpetual Investments Senior Investment Specialist, presented to ASA members at their 2019 National Conference 'Investing In The Age Of Uncertainty' in Melbourne on Tuesday 21 May 2019. A copy of the presentation slides are available 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.

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 20 years' experience in the financial services industry, has outperformed consistently 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

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