

INVESTMENT UPDATE AND NTA REPORT

OCTOBER 2022

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

| AS AT 31 OCTOBER 2022 | AMOUNT |
|-----------------------|---------|
| NTA after tax | \$1.234 |
| NTA before tax | \$1.230 |

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 capital raising costs and 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 2022

| | |
|------------------------|---|
| ASX Code: | PIC |
| Structure: | Listed Investment Company |
| Listing Date: | 18 December 2014 |
| Market Capitalisation: | \$444 million |
| Share Price: | \$1.175 |
| Shares on Issue: | 377,461,658 |
| Dividends: | Half-yearly |
| Management Fee | 1.00% p.a.* |
| Manager | Perpetual Investment Management Limited |

* exclusive of GST

INVESTMENT PERFORMANCE

| AS AT 31 OCTOBER 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> | 5.5% | 4.8% | -4.8% | -5.0% | 15.5% | 11.8% | 9.1% | 9.5% | 9.5% |
| S&P/ASX 300 Acc Index | 6.0% | 0.5% | -5.8% | -2.6% | 11.9% | 4.9% | 7.2% | 8.3% | 8.0% |
| Excess Returns | -0.5% | 4.3% | 1.0% | -2.4% | 3.6% | 7.0% | 1.9% | 1.2% | 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.

TOP 5 AUSTRALIAN LISTED SECURITIES

| COMPANY | PORTFOLIO WEIGHT |
|-----------------------------------|------------------|
| Westpac Banking Corporation | 12.3% |
| Insurance Australia Group Limited | 8.4% |
| Santos Limited | 7.3% |
| Brambles Limited | 5.4% |
| Mirvac Group | 4.4% |

TOP 3 GLOBAL LISTED SECURITIES

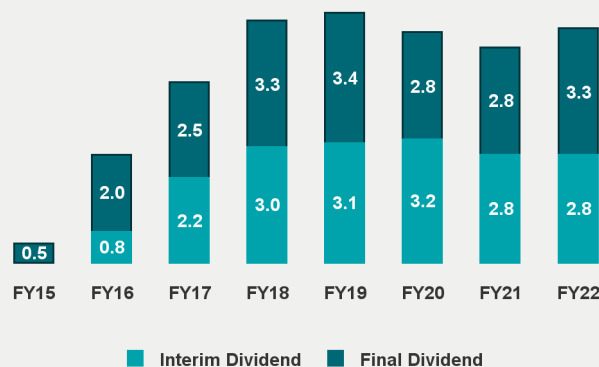
| COMPANY | PORTFOLIO WEIGHT |
|---------------------------|------------------|
| Flutter Entertainment Plc | 7.6% |
| La Francaise des Jeux SA | 4.1% |
| De'Longhi S.p.A. | 1.8% |

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

DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 5.2%

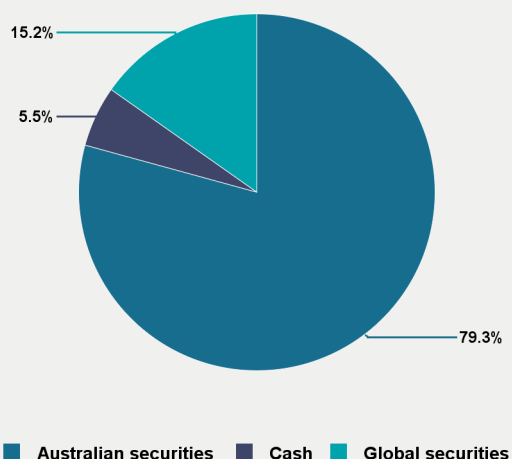
Grossed up annual dividend yield: 7.4%



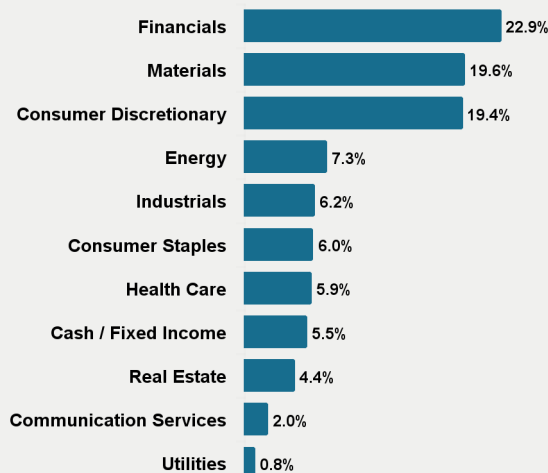
Yield is calculated based on the total dividends of 6.1 cents per share and the closing share price of \$1.175 as at 31 October 2022. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS[^]

94.5% 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. Allocations may not sum to 100% due to rounding.

PORTFOLIO COMMENTARY

Share markets rose sharply in October off the back of a strong lead from Wall Street early in the month and this was supercharged on 4 October when the Reserve Bank of Australia (RBA) surprised markets by opting to raise interest rates by 0.25% instead of the widely expected 0.5%. The market immediately priced in a lower terminal cash rate in futures markets and equities surged by 3.75% on the day, the largest bounce in over two years. The RBA's moves reflected around the world and sparked hopes that Australia was leading a pivot by other central banks towards a less aggressive monetary stance. The RBA's Financial Stability Review noted that stability risks had increased with the tightening of financial conditions. Whilst the review said banks continued to be liquid and well capitalised there were risks from a disorderly decline in asset prices, loan arrears and defaults.

Australian inflation accelerated to a new 32 year high in the September 2022 quarter well ahead of market expectations, with headline Consumer Price Index (CPI) up 7.3% year on year versus consensus +7.0% and up from +6.1% in the June quarter of 2022. The Federal Government delivered a no-surprises budget on the 25 October which sought to contain inflation and manage rising household financial strains.

Globally, it was all politics and policy worries that drove markets. Surprisingly strong US employment data kept the US Federal Reserve (Fed) on alert for another 0.75% hike in rates in November. Meanwhile the UK government's poorly received budget sent bond markets into turmoil which led to the ouster of the UK Chancellor (finance minister) and Prime Minister in quick succession. Currency markets were also very volatile with the yen at generational lows (lowest since 1998) and the UK pound flirting with 40 year lows. The Australian dollar looked like it might slip below 60 cents as an aggressive Fed and dovish RBA chafed. The Chinese Congress re-elected Xi Jinping as leader which worried markets about the continuation of the COVID-19 zero policies. Many growth technology stocks in the US faced a turbulent reporting season. Meta plummeted to US\$93 on the 31 October, down a whopping -75% from its September 2021 highs of nearly US\$379.

The PIC portfolio in October returned 5.5% compared to the S&P/ASX300 Accumulation Index (benchmark) which returned 6.0%. Financials, Real Estate and Energy were the place to be during October as banks and insurers rallied, oversold property vehicles returned to favour and energy prices remained high. The Materials sector was more challenged, as were the expensive Consumer Staples and Healthcare sectors as rising global bond yields took their toll. Detractors to the portfolio were metal companies, Iluka Resources Limited (ASX: ILU) 29Metals Limited (ASX: 29M) and Jervois Global Limited (ASX: JRV). Despite all the global volatility, our key global positions performed well led by Flutter Entertainment Plc (LON: FLTR) which rose +20.5% in October which continues to grow well in advance of its competition.

The financials sector was up 12.1% in October. Bank of Queensland (ASX:BOQ) released its 2021-22 annual results and indicated a better-than-expected net interest margin (NIM) figure that underpinned investor support for the banks. The NIM is the amount of money paid by banks for access to funds, deposit-holders, less the interest paid by the banks to savings deposit-holders. BOQ's clear trend of NIM improvement into and beyond the end of the reporting period has seen the market recalibrate their estimates for the banking complex. Given the relative competitive positioning and deposit funding strength of the four majors, the Manager believes BOQ stands to benefit disproportionately. Accordingly, the Manager considers Westpac Banking Corporations (ASX: WBC) to be better positioned for the PIC portfolio. In October, Westpac delivered the strongest return amongst the big four, up +16.9%.

[^] 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.

Rising interest rates are helping to buoy lending profitability at Australia's biggest banks but there is also uncertainty with the economy expected to slow. A major part of the Westpac's revenue comes from net interest income, whose components are NIM and asset growth. Westpac's NIM increased from 1.85% in 1H22 to 1.9% in 2H22, which assisted its net interest income to increase by 7% over the period. These higher rates of income growth have two benefits. Firstly, they enable income to grow faster than expenses which increases the company's return on equity (ROE); and secondly, they produce higher rates of profit growth, all else being equal. Both these characteristics lead to higher share price multiples. The Manager believes Westpac should trade on a multiple much closer to National Australia Bank (ASX: NAB) as a result of its higher weighting towards the higher-returning retail business. It is also the only major bank which is actively seeking to reduce its expenses, and this will lift its share price multiple should it succeed. Westpac is the largest position and as at 31 October 2022, comprised 12.3% of the PIC portfolio.

COMPANY NEWS

ANNUAL GENERAL MEETING (AGM) AND INVESTMENT MANAGER UPDATE

On Thursday 20 October, the AGM and Investment Manager Update was broadcast live via an online and in-person event. Thank you to all investors who participated in the event. Click [here](#) to view the full webcast recording.

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 | <p>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.</p> <table><tr><td>50% - 100%</td><td>Australian listed securities</td></tr><tr><td>0% - 35%</td><td>Global listed securities</td></tr><tr><td>0% - 25%</td><td>Cash</td></tr></table> <p>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.</p> | 50% - 100% | Australian listed securities | 0% - 35% | Global listed securities | 0% - 25% | Cash |
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| 0% - 25% | Cash | | | | | | |
| 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 | <p>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.</p> | | | | | | |

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. A financial adviser can assist you in determining whether an investment in the Company is suited to your objectives, financial situation or needs.

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FIND OUT MORE

Visit our website 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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