PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

Perpetual Equity Investment
Company Limited
ABN 68 601 406 419

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15 October 2020

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Perpetual Equity Investment Company Ltd

Annual General Meeting 2020

The following announcement to the market is provided:

- ✓ Addresses to Shareholders

Yours faithfully,

Sylvie Dimarco

Sylvie Dimarco
Company Secretary
(Authorising Officer)

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

2020 ANNUAL GENERAL MEETING

ADDRESSES TO SHAREHOLDERS

Perpetual

FY20 PIC ANNUAL GENERAL MEETING

Chairman's Address

Nancy Fox

The world has certainly changed since our 2019 AGM, highlighted by our virtual meeting today. 2020 has been a challenging year on many fronts and we understand that investors may have found the market volatility and market sell-off in March very unsettling. We appreciate your continued support and firmly believe that it is in times like these that active professional management with a focus on company fundamentals including a strong balance sheet becomes particularly important. Both of these attributes are consistent with the investment philosophy of the Company's Investment Manager, Perpetual Investment Management Limited and PIC Portfolio Manager Vince Pezzullo.

Your Board shares a firm commitment to deliver long-term growth and consistent, reliable income to shareholders.

In March this year, the Board took swift action to provide the Manager with additional operational flexibility to be able to continue to actively manage the portfolio and take high conviction positions in compelling offshore opportunities. The Board amended the Company's investment strategy to increase the maximum allocation to global listed securities from 25% to 35%. We are confident that this decision was in the best interests of the Company and that the change was made at the right time, particularly given the volatility in markets.

The Board and Manager are very aware of the importance of franking credits to PIC shareholders and maximising the franking credit balance will remain a key area of focus for the Company.

FY20 Results Overview

Turning now to the Company's results for financial year 2020 (FY20). In FY20, the Company delivered an operating loss after tax of $400,000. The operating loss was largely a result of unrealised losses attributed to the significant market volatility led by the COVID-19 pandemic.

Despite this result, Vince and his team were able to generate franking credits for the Company, enabling the Board to declare a fully franked final dividend of 2.8 cents per share. This brings total dividends declared for FY20 to 6.0 cents per share fully franked. We believe this translates to an attractive annual cash dividend yield of 6.6% and a grossed-up annual dividend yield of 9.5%[1].

We, the Board recognise the importance of dividends to our shareholders and are pleased that the Company has delivered fully franked dividends to shareholders each year since inception. We believe that prudent management has enabled the Company to continue to provide shareholders with an attractive dividend yield whilst also maintaining profit reserves and franking credits for the payment of future dividends.

[1] Yield is calculated based on the total grossed-up dividends of 8.6 cents per share (taking franking credits into account) and the closing share price of $0.905 as at 30 June 2020.

Investment performance

Now on to investment performance. The Company invests in a concentrated and actively managed portfolio of Australian securities with typically a mid-cap bias, as well as global listed securities. Core to the Company's investment philosophy is the focus on value and quality. Vince is supported by Perpetual's team of Portfolio Managers and Analysts who undertake fundamental, in-depth, bottom-up research to identify high quality and attractively valued securities using their disciplined investment process. This includes assessing companies on four quality filters: quality of business, conservative debt, sound management and recurring earnings. They have always followed this investment process which is even more critical in the current market conditions as company earnings and balance sheet strength remain uncertain.

We understand the recent market volatility and, in particular, the large downward movements in equity markets, might be concerning to shareholders. However, the volatility has also created opportunities. For the first time in many years, numerous companies are now trading at very attractive valuations. This has provided Vince and his team with opportunities to purchase stocks that they would have previously considered as quality businesses but were overvalued. We are pleased with the strong investment portfolio outperformance of 6.4% above the benchmark for the 12 months to 30 June 2020.

We are further encouraged by the performance thus far in FY21. Investment returns for the 12 months to 30 September 2020 were 3.5% outperforming the benchmark by 13.4%. In this environment of ongoing economic uncertainty and continued market volatility, this gives the

Board further confidence that Vince and his team are managing the portfolio prudently.

Share price and NTA

I will now talk about the Company's share price and Net Tangible Assets (NTA).

Your Board is committed to activity focused on creating investor demand and closing the share price discount to NTA. We also typically regard investment performance, the company's dividend yield, and investor communications as key drivers which support the share price to trade in line with NTA.

As noted earlier, investment portfolio performance against the benchmark has been strong with the portfolio outperforming the benchmark by 13.4% over the 12 months to 30 September 2020. Vince and his team believe the Company's portfolio is well positioned for future growth and comprises of quality companies which they expect to perform well over the long-term. Your Board also believes that PIC's flexible investment strategy, including the ability to invest offshore, together with the Manager's active management style are key differentiators for PIC and can help drive investment performance.

The Company has been delivering a strong, consistent dividend yield which is reinforced by the dividends declared during the financial year. At a grossed-up annual dividend yield of 8.8%[2] as at 30 September

[2] Based on the total grossed-up dividends of 8.6 cents per share (taking franking credits into account), and the closing share price of $0.975 on 30 September 2020.

2020, this compares very favourably to the Australian market dividend yield of only 3.6%[3].

The Board and Manager are collectively committed to communicating with shareholders and promoting PIC to new investors. In particular, as the COVID-19 pandemic impacted markets, a key focus was to increase communication to shareholders about how the portfolio was being managed in regard to risk and deploying cash where investment opportunities presented themselves.

As your Board, we will continue to focus on these drivers to close the gap to NTA. We are confident in the Manager's investment philosophy and process which has defined its approach to investing for the past 50 years through all market cycles. We believe that by focusing on these key drivers, the share price and NTA will ultimately align as investors understand and realise the value that the Company offers.

Governance

I would also like to provide an update on your Board and our governance. As your Board, we are committed to high standards of corporate governance and undertake rigorous processes over the year to provide oversight of the Company's activity and performance.

Your Board is responsible for managing and reviewing the Company's service providers including the Manager, Perpetual Investment Management Limited, Registry provider, Link Market Services Limited and Custodian, RBC Investor Services Trust.

[3] Australian market dividend yield represented by the benchmark dividend yield (S&P/ASX 300 Accumulation Index) of 3.6% as at 30 September 2020.

During the year, the Board commissioned an independent review of the Management Agreement as the initial term of five years ended. We felt this review was important and provides accountability for the Manager. The Manager has and continues to fulfil its requirement to report to the Board regularly on investment performance and the composition of the portfolio. The Board resolved to continue the Management Agreement for a further five years.

On a separate matter, on 10 September this year, Independent Non-Executive Director Christine Feldmanis, notified her intention to resign from her position as director with effect from the end of the Company's AGM. Christine will be retiring by rotation and will not be standing for re-election today. I would like to take this opportunity to thank Christine for her significant contribution to the Company over the last six years. Christine has been on the PIC board since listing on the ASX in 2014 and is also the Chairman of the Audit and Risk Committee and a member of the Nomination and Corporate Governance Committee. Her extensive experience in investment management and the broader financial arena has been invaluable and she has brought unique insights which have been critical to the growth of the Company. On behalf of the Board, I would like to thank Christine and wish her all the very best in her future endeavours.

Under the Company's Constitution and Board Charter, the Board must comprise a minimum of three directors and a maximum of six. The Board's Nomination and Corporate Governance Committee which currently comprises of the independent directors, has reviewed the skills, performance and effectiveness of the Board and considers that the Board would remain effective with only four directors. This would comprise the Chairman, two independent Non-Executive Directors and one Executive Director.

Under the Constitution, questions arising at any meeting of directors shall be decided by a majority of votes cast by directors present at the meeting and entitled to vote. If the votes are equal, the chairperson of the meeting will not have a second or casting vote and a majority must be reached. As a result, this means that the independent directors can effectively veto any decision.

By reducing the number of directors on the Board, the Company's aggregate directors' fee pool will also be reduced. The Company currently runs a very lean operation, with no employees, instead leveraging the resources of the Manager. The reduction in directors' fees is therefore one of the few levers available to reduce company operating costs. The Board is of the view that the reduced number of directors will not be detrimental to the governance of the Company and that the associated decrease in cost is in the best interests of the Company and its shareholders.

Shareholder engagement

Communicating to our shareholders remains of utmost importance to the Board and Manager. We provide a range of investment updates, insights and educational resources on our website (www.perpetualequity.com.au). I encourage all shareholders to visit the website to stay informed.

Looking ahead

On behalf of the Board, I would like to thank you for your ongoing support of PIC.

We have entered financial year 2021 cautiously optimistic. As investment markets continue to be tested, we are confident that prudent management by the Board and the Manager's extensive experience in navigating markets will deliver to shareholders over the long-term.

PERPETUAL EQUITY INVESTMENT COMPANY

ANNUAL GENERAL MEETING & INVESTMENT MANAGER UPDATE

15 October 2020

Perpetual

IMPORTANT NOTE

This information was prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. PIML is the Manager for the Perpetual Equity Investment Company Limited (Company or PIC) ACN 601 406 419. The information in this presentation is current as at 14 October 2020. The presentation is general information only and is not intended to provide you with financial advice or take into account your objectives, taxation situation, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. This information does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of the Company's securities. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

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YOUR PRESENTERS

NANCY FOX
Chairman
Perpetual Equity Investment Company Limited

VINCE PEZZULLO
Deputy Head of Equities
Portfolio Manager
Perpetual Investments

DEAN FREMDER
Equities Analyst
Perpetual Investments

CLARKE WILKINS
Senior Equities Analyst
Perpetual Investments

AGENDA

- Chairman’s Welcome and Address
- Investment Manager Update
- Q & A
- Formal Voting Proceedings
  - Resolution 1
  - Resolution 2
- Closure

CHAIRMAN’S ADDRESS

Nancy Fox

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED (ASX: PIC)

THE INVESTMENT OPPORTUNITY

Delivered a **consistent income stream** via fully franked dividends since inception in 2014

Access to an **actively managed portfolio** of predominantly Australian listed securities with typically a mid-cap bias

Opportunistic allocation of up to 35% in global listed securities

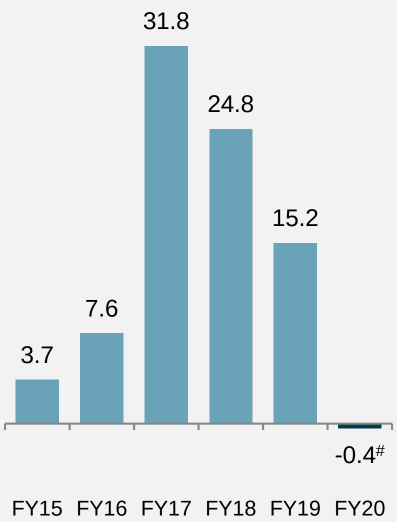
Access to a **diversified portfolio** across industry sectors and offshore investments through a single trade on the ASX

One of Australia's most experienced fund managers with a **long-standing investment philosophy of value and quality** that has defined its approach to investing for the past 50 years through all market cycles.

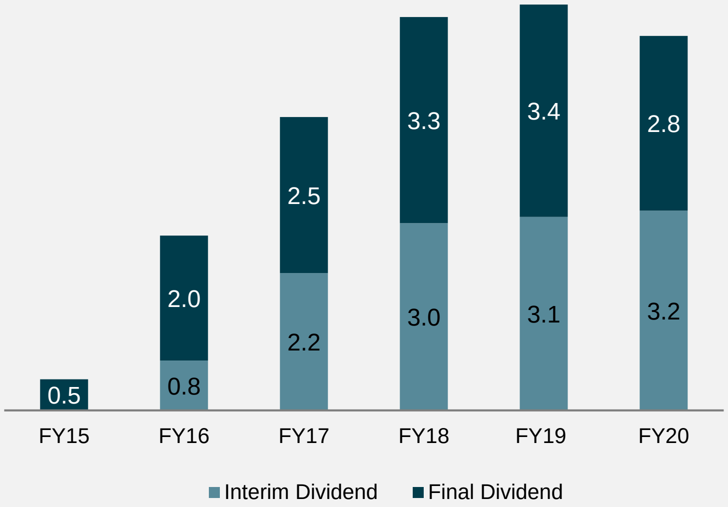
FULL YEAR 2020 (FY20) RESULTS OVERVIEW

DELIVERING A REGULAR FULLY FRANKED DIVIDEND STREAM

NPAT, $m



DIVIDENDS IN CENTS PER SHARE (CPS)



2.8 cps
Fully franked final dividend

9.5%*
Grossed-up annual dividend yield

6.4%**
Investment portfolio outperformance 12 months to 30 June 2020

$1.046^
Net tangible assets (NTA) after tax per share

Source: Perpetual Equity Investment Company Limited (PIC) as at 30 June 2020.

Reflects predominantly unrealised losses attributed to market volatility led by COVID-19 in the second half of the financial year.

*Based on the total grossed-up dividends of 8.6 cents per share (taking franking credits into account), and the closing share price of $0.905 on 30 June 2020.

**Outperformance of the benchmark (S&P/ASX 300 Accumulation Index). Returns have been calculated on the growth of 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.

^ ‘After tax’ refers to tax paid and provisions for deferred tax on unrealised gains and losses in the Company’s investment portfolio as at 30 June 2020.

Past performance is not indicative of future performance.

PERPETUAL’S EXTENSIVE AUSTRALIAN EQUITIES TEAM

ONE OF AUSTRALIA’S MOST EXPERIENCED FUND MANAGERS

VINCE PEZZULLO
Deputy Head of Equities

Portfolio Manager:
Perpetual Equity Investment Company Limited

26 years experience, 13 years at Perpetual

- Perpetual Investments’ value and quality investment philosophy has defined their approach to investing for the past 50 years through all market cycles.
- Vince is supported by the broader Perpetual Investments team which includes an extensive team of experienced Portfolio Managers and Analysts

SHARE PRICE TO NET TANGIBLE ASSETS (NTA)

OUR KEY FOCUS

Investment performance

Portfolio outperformed benchmark by 13.4% in the 12 months to 30 September 2020**

Dividend yield

Regular income to investors reinforced by FY20 dividends

Delivering strong, consistent grossed-up dividend yield of 8.8% as at 30 September 2020*.

Investor communications

The Board and Manager are collectively committed to keeping investors informed.

Visit our website to find out more www.perpetualequity.com.au

We believe prudent management and the Manager's experience in navigating markets through all market conditions will deliver for our investors.

Source: Perpetual Equity Investment Company Limited

*Based on the total grossed-up dividends of 8.6 cents per share (taking franking credits into account), and the closing share price of $0.975 on 30 September 2020.

**Outperformance of the benchmark (S&P/ASX 300 Accumulation Index). Returns have been calculated on the growth of 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.

BOARD APPROACH

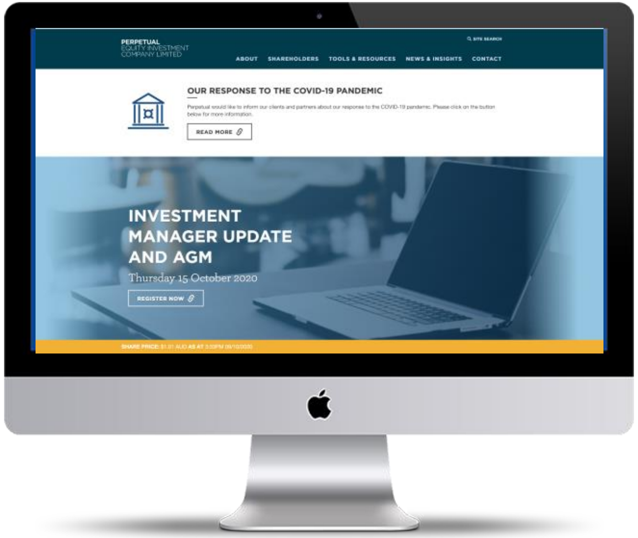
COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE

Left to right: John Edstein, Virginia Malley, Nancy Fox (Chairman), Christine Feldmanis, David Lane

- Rigorous governance and oversight of the Manager's activity and performance
  - With the conclusion of the initial 5-year term, the Board commissioned an independent review of Perpetual Investment Management Limited.
  - The Board resolved to continue the Management Agreement for a further five years.
- Increased the frequency of Board meetings to monitor conditions at the height of the COVID-19 led volatility and focused on increasing communication to investors.

CONTINUING TO KEEP OUR INVESTORS INFORMED

FIND OUT MORE ON THE COMPANY'S WEBSITE



www.perpetualequity.com.au

Monthly Investment Update

Daily NTA announcement

Manager insights

Half year and full year financial results

Investor webinars and broker meetings

Elect to receive electronic communications

QUESTIONS

- **Everyone** can ask a question by texting your full name and question to 0409 261 383

- If you are a PIC shareholder, you can also ask a question or post a comment by clicking on the *Ask a Question* box on your screen.

  A box will pop up and you are required to select the *Text Question* button. In the *Regarding* section, please select *Investment Manager Update.*

INVESTMENT MANAGER UPDATE

Vince Pezzullo, Portfolio Manager
Deputy Head of Equities, Perpetual Investments

INVESTMENT PHILOSOPHY – QUALITY AND VALUE FOCUS

HOW WE INVEST

- Key to our process is the use of four quality filters:
    1. Quality of business – this test looks at the industry in which the company operates, its market share and barriers to entry, its products and their positioning and any issues such as social and environmental impacts
    2. Conservative debt – involves strict balance sheet scrutiny to avoid overleveraged companies
    3. Sound management – based on our assessment of the track record of a company's management. We are looking for management with a history of using shareholders' capital sensibly, a clear focus on maximising shareholder value and strong governance practices
    4. Recurring earnings – we look for companies that have at least a three year track record of generating earnings and cash flows

- We focus on buying high quality companies at prices below what we perceive as fair value, based on company fundamentals and prevailing market conditions

INVESTMENT PROCESS

MINIMISING THE RISK OF FALLING INTO VALUE TRAPS

Value investing

- Value investing involves identifying stocks that the market appears to have undervalued and are trading at a discount relative to the company's underlying or "intrinsic" value.
- The goal in value investing is for the share price of the stock to ultimately align with or trade above the stock's intrinsic value.
- While a company trading at a discount can appear attractive, the share price can sometimes end up becoming cheaper. This is known as a "value trap".

Example of value trap
SKY Network Television Limited (ASX: SKT)

- We first acquired SKT in 2015 as the stock de-rated from premium valuation. The business had solid revenue streams from licenced content, including rugby in NZ.
- The business had been well managed and consistently extracted value from its capital expenditure cycle, which they had just completed.
- However, a failed merger with Vodafone and other Management decisions changed our perception of the outlook.
- Our extensive research seeks to avoid value traps through ongoing evaluations of the company.

MARKETS AND ECONOMIES AT A CROSSROAD: WHERE TO FROM HERE?

- US election dynamics driving markets - risk of a contested outcome is high
- Further COVID-19 waves delaying full economic recovery overseas (and Victoria)
- Immigration has typically been a significant driver of growth – about two thirds of Australia's gross domestic product (GDP)
  - COVID-19 has restricted cross-border movement and therefore, we face stagnant population growth
- Massive fiscal stimulus to drive near term recovery - budget deficit of $213.7 billion (11% of GDP)
- Federal Budget announced earlier this month focused on tax cuts, business and employment incentives
- RBA yet to fully embrace a zero interest rate policy (ZIRP) and quantitative easing (QE) but now has "employment" focus: all eyes on Melbourne Cup day for a cut of the official cash rate

PORTFOLIO POSITIONING

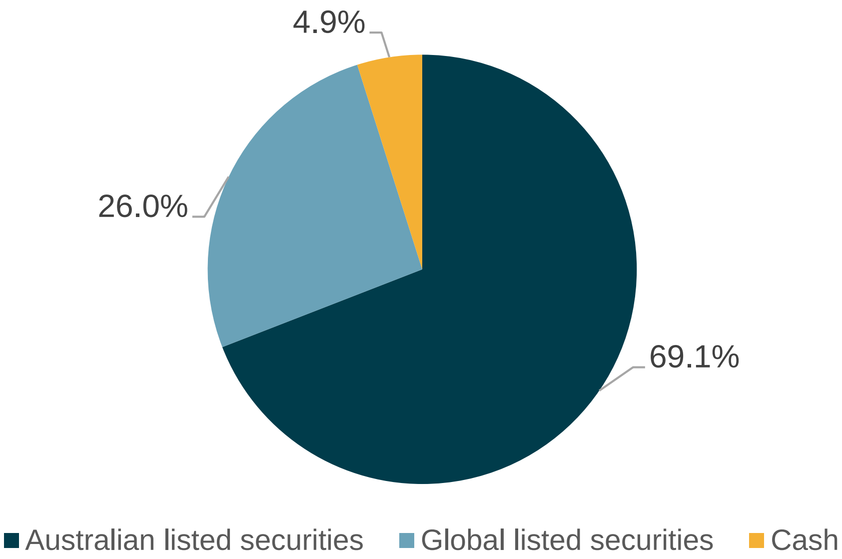
A HIGH CONVICTION APPROACH TO INVESTING

We remain focused on seeking companies that we believe exhibit the following characteristics:

1. Companies which provide structural advantages, are well positioned for future growth and are trading at reasonable valuations

2. Cyclical companies that rise and fall with the business cycle. We believe many cyclical companies are trading at steep discounts to mid-cycle valuation despite being high quality, well managed market leaders in a good financial position.

Allocation of investments as at 30 September 2020^

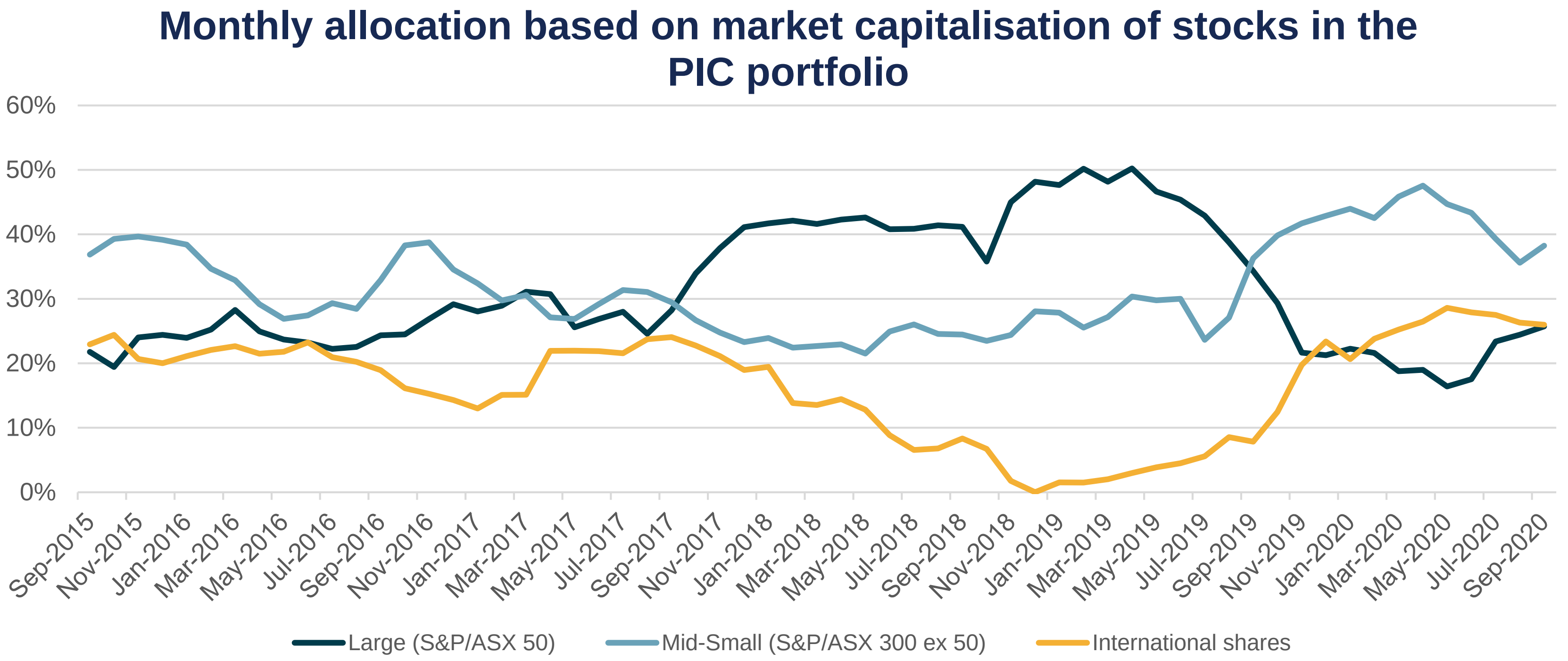


^ Weightings calculated based on direct investments in securities and any indirect exposure via S&P/ASX 200 related derivatives. All figures are unaudited and approximate.

Source: Perpetual Equity Investment Company Limited.

PORTFOLIO POSITIONING

EMPLOYING AN ACTIVE INVESTMENT APPROACH BASED ON OPPORTUNITIES IDENTIFIED THROUGH RESEARCH



Source: Perpetual Equity Investment Company Limited

STOCK IN FOCUS:
PWR HOLDINGS LIMITED (ASX: PWH)

Dean Fremder, Equities Analyst, Perpetual Investments

PWR HOLDINGS LIMITED (ASX: PWH)

AUSTRALIAN MID-CAP STOCK

COMPANY

- Designs and manufactures high performance cooling systems for the automotive and aerospace industries.

- PWR is primarily focused on the production of aluminium radiators, intercoolers and cold plates for elite motorsport teams with growing applications in electric vehicles, autonomous vehicles and the military.

PWR ADVANCED COOLING TECHNOLOGY

ENGINEERING THE UNFAIR ADVANTAGE

PWR HOLDINGS LIMITED (ASX: PWH)

PASSING OUR FOUR QUALITY FILTERS

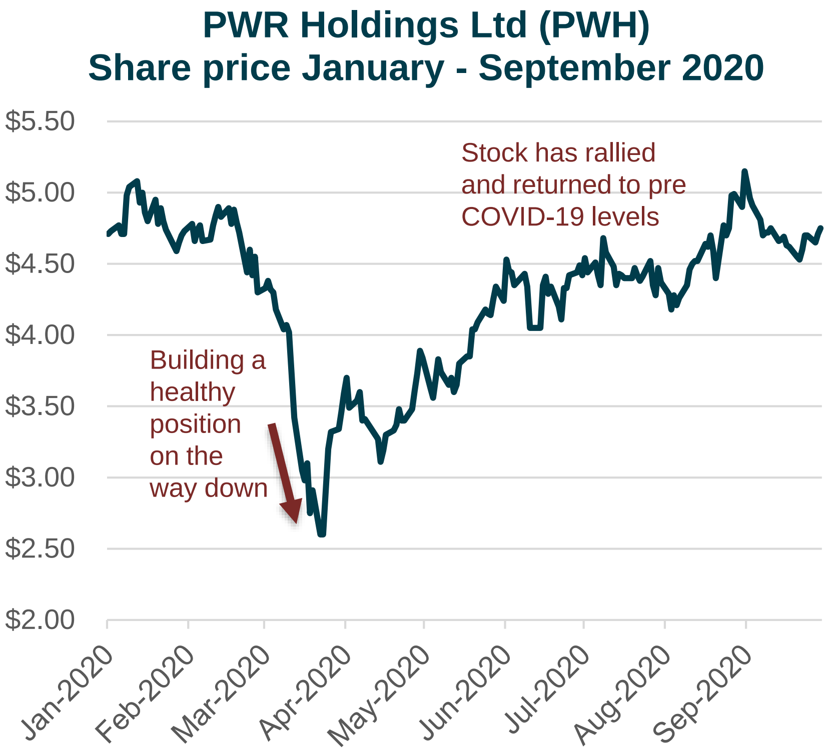
1. Quality of business – PWR's products represent vital components in motorsport supply chains and we believe this results in loyal customers and a sticky revenue base. This provides for a highly attractive 20% net profit margin and a 25% return on equity.
2. Conservative debt – The business has no debt and is a reliable generator of free cash flow.
3. Sound management – Kees Weel is the Founder CEO and has more than 30 years of experience in the industry. He owns just under 30% of the company and runs it with the passion and focus of a family business.
4. Recurring earnings - PWR has been profitable for many years with a track record of delivering consistent double-digit earnings per share growth.

Source: Perpetual Equity Investment Company Limited

PWR HOLDINGS LIMITED (ASX: PWH)

THE OPPORTUNITY

- PWR fell by approximately 50% in March 2020 from its share price highs in January 2020 on news of global motorsport cancellations.
- The PIC portfolio initiated a position in March 2020 as we considered the revenue impact to be temporary and realised the opportunity to acquire what we believe is a high quality company at an attractive valuation.
- The stock has rallied 80% since March 2020.



Source: Factset

PWR HOLDINGS LIMITED (ASX: PWH)

WHAT WE SEE – DOMINANT MARKET POSITION AND POTENTIAL FOR GROWTH

- We believe PWR has a dominant competitive position in niche cooling solutions and is loved by its customers.
- Motorsport events have resumed with a packed schedule for the rest of 2020 while management have highlighted its pipeline of work being its strongest in years.
- Our assessment indicates the company has highly attractive financial characteristics and a large reinvestment opportunity as it expands into new markets such as electric vehicles and military applications. For example, PWR's products are used to cool complex batteries and electronics which can become overheated during use.
- As at 30 September 2020, PWR comprised 2.3% of the PIC portfolio.

Source: Perpetual Equity Investment Company Limited

STOCK IN FOCUS:
WESTERN AREAS LIMITED (ASX: WSA)

Clarke Wilkins, Senior Equities Analyst, Perpetual Investments

WESTERN AREAS LIMITED (ASX: WSA)

AUSTRALIAN SMALL CAP STOCK

WESTERN AREAS LTD

COMPANY

- WSA operates a portfolio of low-cost, high-grade nickel mines in Western Australia.
- The main asset is the 100% owned Forrestania nickel projects where WSA currently produces ~22kt of nickel from the Flying Fox and Spotted Quoll mine.
- WSA is also developing the Odysseus mine at the Cosmos Nickel Operation.

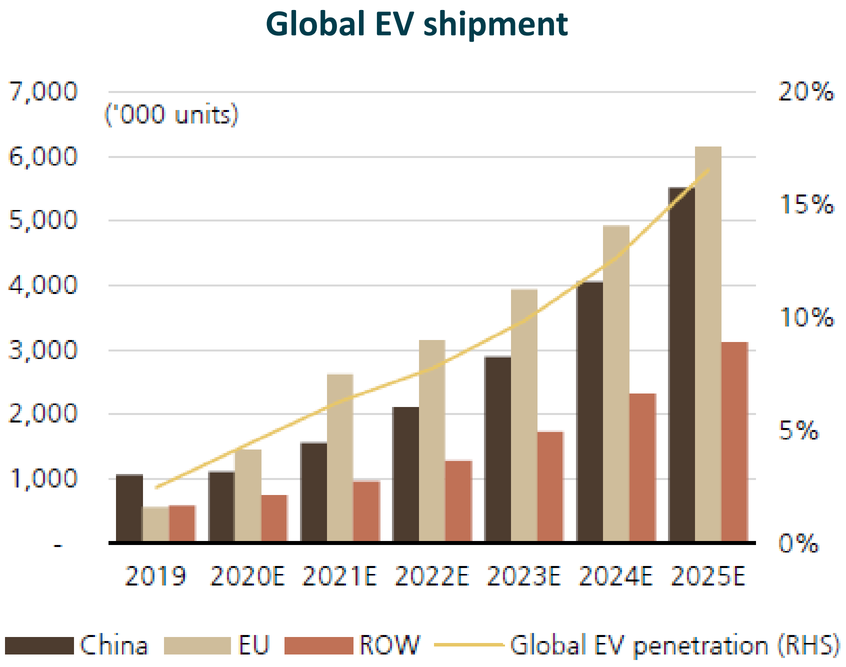
PASSING OUR FOUR QUALITY FILTERS

1. **Quality of business** – low cost nickel producer with a 10+ year mine life from Odysseus.
2. **Conservative debt** – at the end of FY20, strong balance sheet with cash of $145m and no debt. Increased EBITDA of 51% and improved EBITDA margin of 39%.
3. **Sound management** – we consider Management have a demonstrated operational track record.
4. **Recurring earnings** – WSA has generated earnings for the last 3 years.

WESTERN AREAS LIMITED (ASX: WSA)

THE OPPORTUNITY – GROWING DEMAND OF ELECTRIC VEHICLES (EVs)

- Current market share of EVs in the global automotive market is ~2%. This is expected to grow to 20-60% by 2030 depending on model roll-outs, government incentives and reaching cost/performance parity with internal combustion engines.
- Increased market share for EVs is expected to drive a massive increase in battery production over this decade, and the raw materials (e.g. nickel) that are required to make batteries.
- Tesla alone is targeting 3TWhr[1] of battery production by 2030, from a target for 2022 of 100GWhr[2], which IF achieved would represent ~30% of the global automotive sales by 2030.



Source: UBS

[1] Terawatt Hour (energy unit)

[2] Gigawatt hour (energy unit)

WESTERN AREAS LIMITED (ASX: WSA)

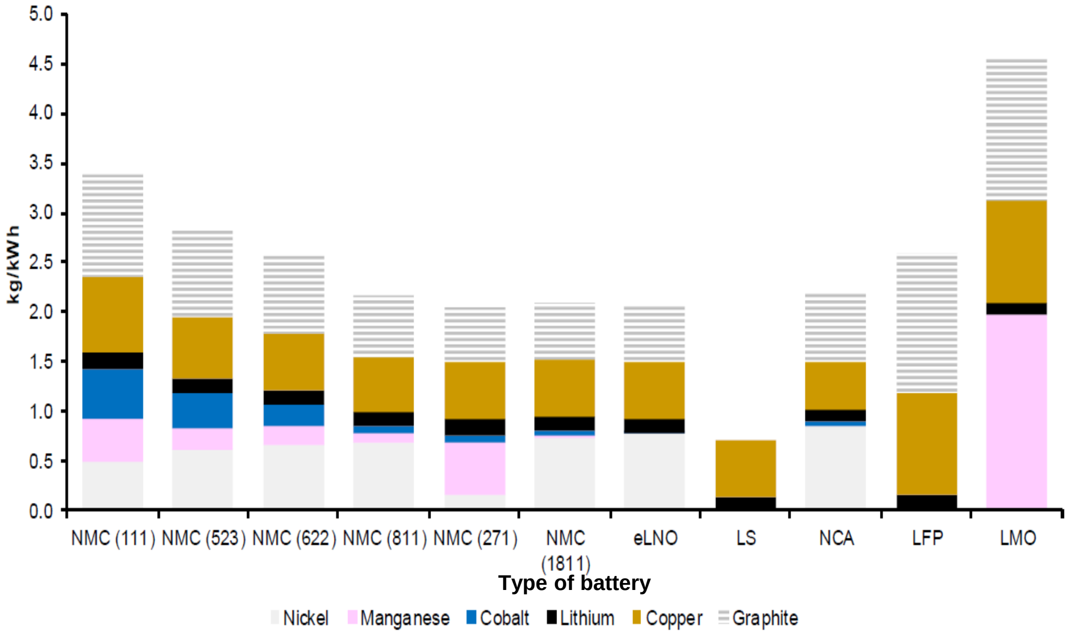
THE OPPORTUNITY – BATTERY TECHNOLOGIES REQUIRE NICKEL

- While lithium is a key component of batteries and gets a lot of media attention, most battery technologies require more nickel and copper than lithium (see chart).

- This is particularly so the more energy dense batteries are expected to be the key beneficiaries of the electrification of the global vehicle fleet.

- Nickel is currently a ~2.4mtpa[1] market, but demand from batteries alone is expected to increase this by ~600kt by 2030.

Main metal requirement by battery chemistry



Source: Bernstein analysis & estimates

[1] million tonnes per annum

WESTERN AREAS LIMITED (ASX: WSA)

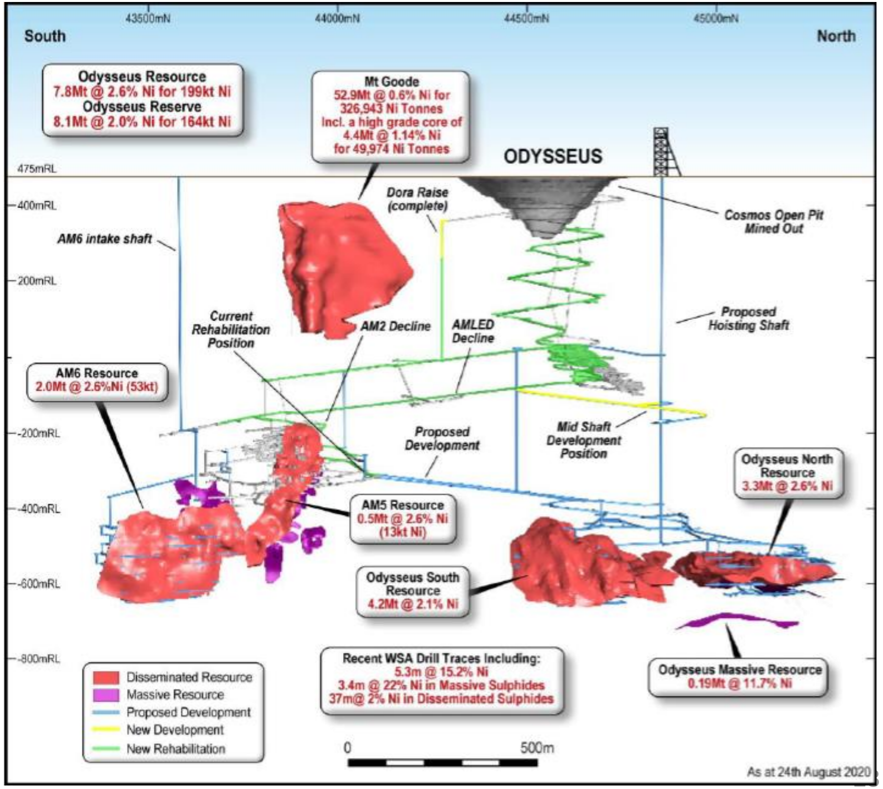
WHAT WE SEE – NICKEL PRODUCTION CONSTRAINT

- Based on current production, we consider nickel to be the most geologically constrained battery material with the shortest reserve life of ~33 years. There are a lot of lithium projects globally that can fill the demand growth, but very few major nickel projects.
- Nickel is currently primarily used in stainless steel production. >50% of current nickel production is in the form of Ferro Nickel or Nickel Pig Iron (NPI). This source of nickel production is not suitable for use in battery production without incurring significant costs.
- We believe this creates an inherent advantage for nickel sulphate producers (~40% of nickel supply) like WSA. This benefit not only comes from higher prices and premia, but also through the “payability”, or the percentage of the nickel price paid to the mining company for the concentrate. The payability used to be ~70%, but appears to be approaching 80%, which may drive higher revenue.

WESTERN AREAS LIMITED (ASX: WSA)

WHAT WE SEE – A LONG LIFE NICKEL MINE AT ODYSSEUS

- WSA is developing the Odysseus mine at the Cosmos complex that will be a long-life, low-cost nickel mine that also has considerable exploration upside from known ore bodies.
- This development has lower risk than most mines as it is partly a refurbishment of existing infrastructure (underground workings and the processing mill), although does require extension of the decline and construction of a shaft (the lowest cost way to haul ore from underground).
- First production is expected in early 2022 and the current reserve is ~210kt of nickel.
- There is no offtake for Odysseus yet, but there is expected to be strong competition from smelters for the nickel concentrate due to tightening supply.



Source: Western Areas Limited

WESTERN AREAS LIMITED (ASX: WSA)
OUTLOOK

- Our view during August reporting season was that WSA delivered strong FY20 results:
  - Increased sales revenue
  - Highest net profit after tax in seven years
  - The company has a strong balance sheet to fund the growth with cash of $145m and no debt
  - Odysseus Project is progressing

- WSA is also testing a heap leaching process that could commercialise the ~900kt of contained nickel in resources through a lower cost processing option for the low grade resources at Flying Fox, New Morning and other deposits.

- As at 30 September 2020, WSA comprised 1.5% of the PIC portfolio.

INVESTMENT MANAGER UPDATE

Vince Pezzullo, Portfolio Manager
Deputy Head of Equities, Perpetual Investments

PORTFOLIO POSITIONING – GLOBAL LISTED SECURITIES

HOW WE IDENTIFY OPPORTUNITIES OFFSHORE

- We only consider investment in companies offshore when:
  - we believe it offers better value than Australian companies
  - we have a high degree of conviction in the investment case for the stock.
- We can leverage the resources of the entire Perpetual Investments team to identify investment opportunities. For example, investing in the IPO for La Francaise Des Jeux SAEM (PAR: FDJ) when it listed on the Paris Stock Exchange.
- Research of global listed securities is organic and often occurs through the Investment Team identifying global counterparts when analysing Australian listed companies. The Investment Team then conduct relative value assessments.

SELECTING GLOBAL LISTED SECURITIES

EXAMPLES OF AUSTRALIAN COUNTERPARTS

GLOBAL SECURITIES IN PIC PORTFOLIO		COMPARISON TO AUSTRALIAN COMPANY (NOT IN PIC PORTFOLIO)
FDJ PAR: FDJ	⟷	Tabcorp ASX: TAH
FERGUSON LON: FERG	⟷	reece ASX: REH
AutoTrader LON: AUTO	⟷	carsales com ltd ASX: CAR

Source: Perpetual Investment Management Limited; as at 30 September 2020

STOCK IN FOCUS – PERSIMMON PLC (LON: PSN)

GLOBAL STOCK

PERSIMMON

COMPANY

- Leading UK homebuilder that targets the low to mid-end market across the UK.

- Operates Persimmon Homes, Charles Church and Westbury Partnerships which all aim to build quality homes across the UK, though with a skew to the north.

PASSING OUR FOUR QUALITY FILTERS

1. **Quality of business** – the company generates industry leading margins and invests strategically through the cycle.
2. **Conservative debt** – net cash balance sheet with about 10% of its market capitalisation in cash. Strong balance sheet allowed PSN to make the decision not to access any form of government support during the COVID-19 shutdown period.
   Sound management – PSN's new CEO started only last month, though industry feedback has been positive around his prior role as CEO of National Express Plc, Britain's leading transport group.
3. **Recurring earnings** – our assessment indicates that PSN has sustainably delivered strong returns and its strategic land base sets it up for sustainable returns in future years.

PERSIMMON PLC (LON: PSN)

THE OPPORTUNITY

- As COVID-19 has impacted economies globally, residential housing has been a bright spot in the UK. Low mortgage rates, supportive government policy and a shift to more spacious living has led to a boom in housing demand.
- As PSN did not access government support during the COVID-19 shutdown period, they resumed operations swiftly in April/May compared to many other UK businesses.
- PSN has significant land holdings – we estimate that the value of its strategic land holding combined with current land bank supports 2x the current value of the company.
- Likely to benefit from government stimulus policy to homeowners in the short-term compared to other homebuilders as PSN is overweight low-end housing.
- In mid-August 2020, the company indicated that it had seen an approximately 49% year on year increase in average weekly private sales rates per site since the start of July and its forward order book was 21% higher than last year.
- As at 30 September 2020, PSN represented 2.8% of the PIC portfolio.

PERSIMMON PLC (LON: PSN)

COMPARISON TO AUSTRALIAN COMPANIES

- PSN can be compared to Mirvac Group (ASX: MGR) and Stockland Corporation Limited (ASX: SGP).
- A key difference is that PSN has pure residential exposure while residential exposure only forms a part of MGR and SGP’s overall business.

WHY WE PREFER PERSIMMON

- PSN has relatively low exposure to apartments (9% compared to 33% for the overall market) and higher exposure to detached housing (37% compared to 26% for the overall market).
- PSN has very valuable land holdings which sets them apart from peers and is more significant than listed Australian peers.
- The company generates much higher returns compared to Australian peers. PSN’s return on equity (ROE) is in the mid-20s over recent years whereas the ROEs for MGR and SGP are 6-7%.

BENEFITS OF ACTIVE MANAGEMENT

ABILITY TO ADAPT TO CHANGING MARKET CONDITIONS

- Portfolio turnover for the 12 months to 30 September 2020 was 86%.
  - Over 50% of the portfolio comprises completely new positions compared to 30 September 2019.
  - Substantial increase in the allocation of global listed securities (7.8% in September 2019 compared to 26.0% in September 2020) as we found that a number of offshore companies represented better value than Australian companies. This was further supported by the Board's decision to increase the maximum allowable allocation to global listed securities to 35% of the PIC portfolio.
- Our active management style can be an advantage during volatile market conditions, particularly as markets reach an inflection point as they did in March 2020.
  - The ability to invest up to 25% in cash provides flexibility during changing market conditions and we can act quickly to invest in companies we believe are high quality and are trading at attractive and discounted valuations.
- We actively manage the franking credit balance including realised and unrealised positions in the portfolio and work closely with the Board throughout the year.

PORTFOLIO POSITIONING – TOP 10 STOCKS

A MIX OF AUSTRALIAN AND GLOBAL LISTED SECURITIES

LON: FLTR

PAR: FDJ

ASX:CWN

ASX: ILU

ASX: AUB

ASX: ALL

ASX: BLD

LON: FERG

ASX: NAB

ASX: HT1

Source: Perpetual Equity Investment Company Limited; as at 30 September 2020

INVESTMENT PORTFOLIO PERFORMANCE

POSITIVE PERFORMANCE COMPARED TO THE BENCHMARK

AS AT 30 SEPTEMBER 2020	1 MTH	3 MTHS	6 MTHS	1 YR	2 YR P.A	3 YRS P.A.	5 YRS P.A.	SINCE INCEPTION P.A.
PIC Investment Portfolio[1] Net of fees, expenses and before tax paid	-0.8%	5.5%	29.5%	3.5%	3.6%	5.7%	8.1%	7.4%
S&P/ASX 300 Accumulation Index	-3.6%	-0.1%	16.7%	-10.0%	0.7%	4.9%	7.4%	6.5%
Excess Returns	**2.8%**	**5.5%**	**12.8%**	**13.4%**	**2.9%**	**0.8%**	**0.7%**	**1.0%**

1. 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.

Source: Perpetual Equity Investment Company Limited; as at 30 September 2020

SUMMARY

ACTIVE MANAGEMENT CAN PROVE BENEFICIAL IN TIMES OF MARKET VOLATILITY

- PIC's flexible investment strategy combined with our in-depth research means we can quickly take advantage of opportunities to add to our existing positions or invest in new companies.
- PIC can provide diversification to your portfolio through our typically mid-cap bias and ability to invest offshore.
- We believe our highly active approach has contributed to strong investment performance with the portfolio returning 3.5% in the 12 months to 30 September 2020, outperforming the benchmark by 13.4%[1].
- We actively manage the franking credit balance throughout the year and aim to deliver investors with a fully franked dividend and a dividend yield that compare favourably to the market.

Source: Perpetual Equity Investment Company Limited

[1.] 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.