

# INVESTMENT UPDATE AND NTA REPORT

## JANUARY 2023

### PORTFOLIO SNAPSHOT

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

AS AT 31 JANUARY 2023	AMOUNT
NTA after tax	\$1.292
NTA before tax	\$1.319

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 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 JANUARY 2023

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$468 million
Share Price:	\$1.24
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 JANUARY 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>	4.4%	6.9%	12.0%	3.6%	13.4%	12.9%	10.1%	10.8%	10.1%
S&P/ASX 300 Acc Index	6.3%	9.5%	10.0%	11.6%	10.6%	6.0%	8.5%	10.3%	8.9%
Excess Returns	-1.8%	-2.6%	2.0%	-8.0%	2.8%	6.9%	1.6%	0.5%	1.2%

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	10.4%
Brambles Limited	5.2%
Santos Limited	4.9%
Newcrest Mining Limited	4.9%
Insurance Australia Group Ltd	4.8%

#### TOP 3 GLOBAL LISTED SECURITIES

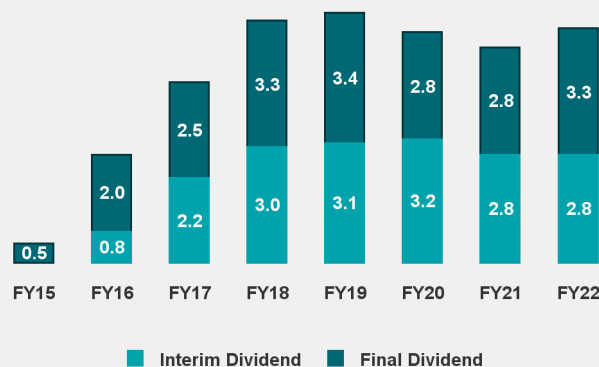
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	5.6%
La Francaise des Jeux SA	3.1%
Ferguson Plc	2.0%

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

#### DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.9%

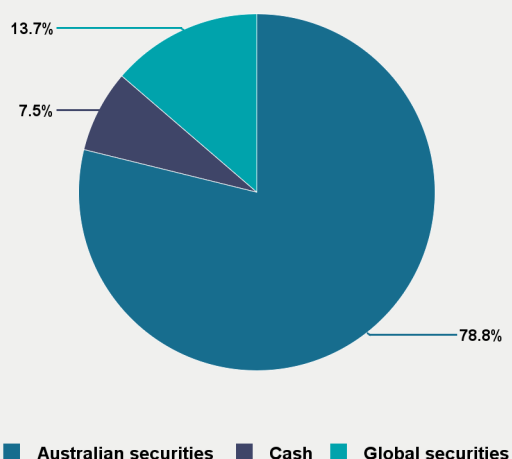
Grossed up annual dividend yield: 7.0%



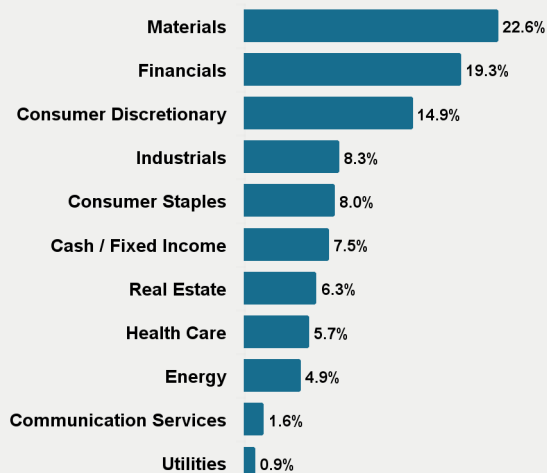
Yield is calculated based on the total dividends of 6.1 cents per share and the closing share price of \$1.240 as at 31 January 2023. Grossed up yield takes into account franking credits at a tax rate of 30%.

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

92.5% 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

Vince Pezzullo, PIC Portfolio Manager and Head of Equities, Perpetual shares his views on markets and the portfolio below.

In January, once again macroeconomic news dominated market sentiment. Equity markets surprised many with its strength in January as the narrative that the economy was on track for a soft landing gained support. Under this argument it deemed that a recession could be avoided by deft US Federal Reserve's (the Fed) policy-making as equity markets had already bottomed with rate hikes reaching an end. The markets' enthusiastic embrace of this idea meant the market rally was propelled by popular meme stocks like Tesla, which by New Year 2023 was down -74% from its 2021 highs (peaking US\$409.97 on 4 November 2021 and falling to US \$108.10 on 3 January 2023) but rose back to US\$207.32 in early February, nearly doubling over a month. A factor in the sharp rally in stocks may also have been the point that the US Treasury Government Account (TGA) had been rising throughout January, adding liquidity to markets. This offset the reduction in the Fed balance sheet as Quantitative Tightening continues to grind on.

But US economic data for January also turned out to be much stronger than expected. The US Institute of Supply Management (ISM) for Services announced its non-manufacturing PMI increased to a robust 55.2, which exceeded expectations of 50.4 and indicated expansion in the services sector. New Orders for Services reported 60.4 in January, almost boomtime conditions and up from a contractionary 45.2 in December. Non-farm payrolls, expected to be 185,000, came in at 517,000 new jobs. The number of officially unemployed persons in the US was just 5.7 million at the end of January, lower than before the COVID-19 pandemic and yet Job Openings in December had risen back above 11 million, suggesting an extremely tight labour market.

In Australia, rising inflation, falling property prices and softer jobs data wasn't enough to stop a notable recovery in consumer confidence. The reopening of China from the COVID-19 lockdown and the looming resumption of trade in key commodities banned by China in recent years, has helped bolster sentiment.

All this complicates the picture for central banks. Far from engineering a soft or hard landing, central banks in the west may have missed the opportunity to slow their economy sufficiently from inflation by delivering too few rate rises, too late in the cycle. This comes as a counter cyclical China, flush with US\$2.6 trillion in record lockdown savings, looks set to unleash trillions in pent up demand.

We have been conscious of keeping the portfolio well balanced between quality and value companies to cushion against experiencing the sort of whipsawing markets have experienced. That being said, we believe the volatility will continue and so with it comes the need to maintain a well-diversified portfolio to absorb the shocks.

In terms of benchmark (S&P/ASX300 Accumulation Index) performance in January, Consumer Discretionary surged over 10% in January, with Materials up +8.9% and Industrials up +4.6%. The gap between Australian and global markets remained pronounced. The S&P/ASX 300 Accumulation Index soared +11.6% over the past 12 months to 31 January 2023 whereas, the MSCI World Index (AUD) was down -7.5%.

The PIC portfolio returned 4.4%<sup>^</sup> in January compared with 6.3% for the benchmark. Despite the performance of global markets, online sports bookmaker Flutter Entertainment (LON: FLTR) was our best performer, up 9.5% for the month. Iluka Resources (ASX: ILU), with exposure to key industrial minerals rutile, zircon and rare earths, rose +13.3%, while media and entertainment business HT&E (ASX: HT1) rose 16%.

<sup>^</sup> 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.

Offsetting this, our position in Westpac (ASX: WBC) rose just 1.6% in January, despite our view of it being the most undervalued of the higher quality largest three banks. A number of our core holdings Brambles (ASX: BXB), A2 Milk Company (ASX: A2M), Santos (ASX: STO), Bapcor (ASX: BAP) and Orica (ASX: ORI) detracted from performance as markets focused on resources. Jervois Global (ASX: JRV) also fell -10.9% with lower prices for cobalt affected by China exporting its surplus stocks during shutdown. We expect this will reverse however as China continues to reopen.

## COMPANY NEWS

### HALF YEAR RESULTS 2023

The Company's half year results for financial year 2023, including any dividend announcement, will be announced on 21 February 2023.

### 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

<b>INVESTMENT OBJECTIVE</b>	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.						
<b>INVESTMENT STRATEGY</b>	<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
50% - 100%	Australian listed securities						
0% - 35%	Global listed securities						
0% - 25%	Cash						
<b>ABOUT THE MANAGER</b>	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.						
<b>PORTFOLIO MANAGER</b>	<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 is Head of Equities and 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](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.

This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. PIML is the investment manager of the Perpetual Equity Investment Company Limited (Company) ACN 601 406 419. It is general information only and is not intended to provide you with financial advice or take into account your objectives, 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. References to securities in this publication are for illustrative purposes only and are not recommendations and the securities may or may not be currently held by the Company. Past performance is not indicative of future performance. This information is believed to be accurate at the time of compilation and is provided in good faith. Neither the Company, PIML, nor any company in the Perpetual Group guarantees the performance of or any return on an investment in the Company. Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries.

