

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

INVESTMENT UPDATE AND NTA REPORT MARCH 2023

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 MARCH 2023	AMOUNT
NTA after tax	\$1.266
NTA before tax	\$1.288

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 cost and unrealised gains and losses of the Company's investment portfolio. The NTA figures above have been reduced by a provision for the 3.3 cents per share interim dividend that was declared on 21 February 2023. The ex date for the interim dividend is 27 March 2023 and payment date 18 April 2023.

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

KEY ASX INFORMATION

AS AT 31 MARCH 2023

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 MARCH 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>	0.8%	4.6%	12.9%	1.6%	8.1%	23.3%	10.8%	11.0%	9.9%
S&P/ASX 300 Acc Index	-0.2%	3.3%	12.8%	-0.6%	7.0%	16.6%	8.6%	9.4%	8.4%
Excess Returns	1.0%	1.3%	0.1%	2.2%	1.1%	6.7%	2.2%	1.6%	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
BHP Group Ltd	7.4%
Insurance Australia Group Ltd	6.3%
Commonwealth Bank of Australia	6.2%
Brambles Limited	6.0%
Santos Limited	5.0%

TOP 3 GLOBAL LISTED SECURITIES

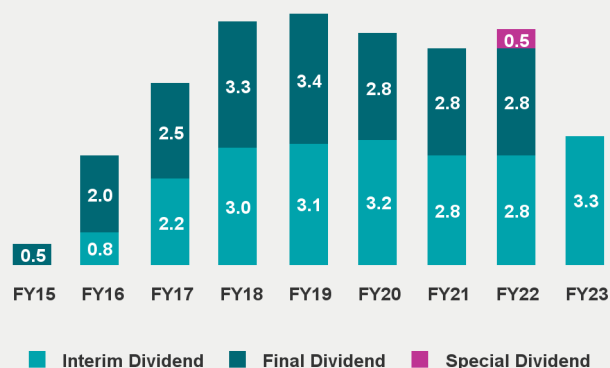
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	6.6%
La Francaise des Jeux SA	3.1%
De'Longhi S.p.A.	0.8%

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

DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 5.6%

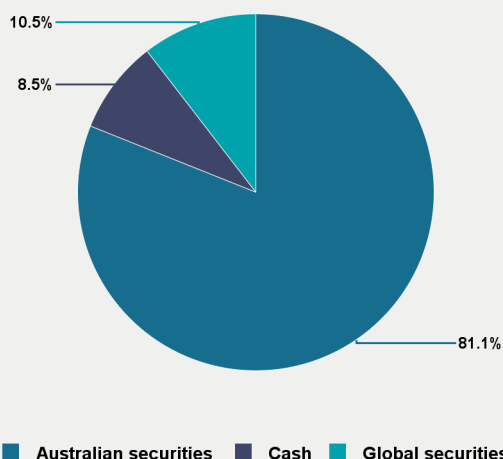
Grossed up annual dividend yield: 8.0%



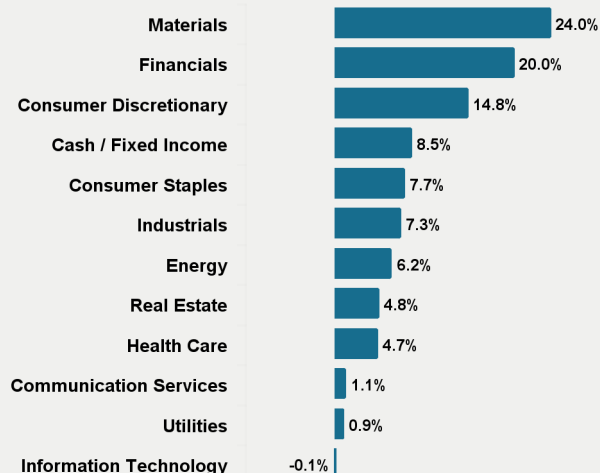
Yield is calculated based on the total dividends of 6.6 cents per share and the closing share price of \$1.175 as at 31 March 2023. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS[^]

91.5% 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. The portfolio does not have direct exposure to Information Technology. The portfolio comprises a put option on the S&P/ASX 200 Index which is reflected on a look through basis to underlying securities and sector allocation. As a result, there is a negative allocation to Information Technology. All figures are unaudited and approximate. Allocations may not sum to 100% due to rounding.

PORTFOLIO COMMENTARY

Equity markets were shaken through the first half of March after the failure of SVB Financial (Silicon Valley Bank) sparked fears of a global credit crisis. The additional failure of Signature Bank, troubles at First Republic Bank and other regional banks seemed to confirm fears of the potential for financial contagion. With a sharp decline in Credit Suisse's share price, after years of stagnation, Swiss authorities were forced to arrange a hasty merger with UBS on 19 March.

Now at the time of writing, things seem stable. Whilst credit continues to tighten in line with aggressive rate hikes the US Federal Reserve (the Fed) flooded markets with liquidity once again. From 8 to 22 March the Fed's balance sheet expanded by more than US\$400 billion, rising from US\$8.3 trillion to US\$8.7 trillion, as banks used the Fed's discount window to access liquidity. Two of Perpetual's Equity Analysts were on the ground in the US and confirmed that despite softness in the technology sector and the metropolitan office market, there was continued strength in the labour market and booming conditions in regional America as the Inflation Reduction Act has spurred a re-industrialisation of many parts of the US. Chair of the Fed, Jerome Powell, whilst mindful of the need to keep an eye on systemic risk, remains focused on inflation as its first and foremost challenge.

In Australia, the Reserve Bank of Australia (RBA) raised interest rates again, this time by 0.25% to 3.60%, although it adopted a more dovish tone in its statement, reflecting softening Gross Domestic Product (GDP) and inflation figures. The Australian banking system has been reinforced by the oligopoly of the Big Four and shook off concerns over global credit risks. The equity market recovered later in the month to finish only mildly down compared with its mid-month lows.

The PIC Portfolio returned +0.8%[^] in March outperforming the S&P/ASX300 Accumulation Index (Benchmark) by +1.0%.

In terms of the Portfolio, Flutter Entertainment, which owns the Paddy Power and FanDuel brands, was once again the top contributor to absolute performance, up +12.8%. The Manager believes that the fast growing US business remains the jewel in the crown and is about to become more than 50% of the business valuation. Even relatively conservative assessments of this business may see the valuation continue to climb at a rapid speed into 2024. The company is also seeking approval for a US listing where these assets seem to be better appreciated and ascribed higher valuations than the London bourse.

Newcrest Mining was the second largest contributor to absolute performance and surged in March by +19.1%. Currently subject to a takeover offer, Newcrest Mining also rose in response to concerns over the financial system, as investors bet that a potential pause in the Fed's hiking cycle could lead to a fall in the US dollar. Healius meanwhile rose +14.9% as Australian Clinical Labs lobbied an opportunistic bid for the company which is inadequate in the Manager's view and significantly undervalued the business.

A2 Milk was the biggest detractor during the month, declining -12.2%. The stock fell after the completion of a NZ\$150m buyout, with no specific news however comes after a strong run up from mid-2022 lows.

Looking forward the Manager continues to keep the Portfolio invested in a range of solid businesses and fast growing enterprises with strong cashflow. Flutter Entertainment, Insurance Australia Group, Brambles Ltd, Santos Limited, Newcrest Mining and Iluka Resources make up nearly one third of the Portfolio and reflect this positioning well. In this environment, the Portfolio has no exposure to more risk seeking financials like Macquarie Group and ANZ. The Portfolio also has no exposure to expensive defensive companies like Telstra, Woolworths Group and Transurban Group, and continues to be underweight BHP Group Ltd at elevated iron ore prices, which the Manager has added to during regular dips in the share price.

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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. 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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