PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

INVESTMENT UPDATE AND NTA REPORT

MAY 2024

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 MAY 2024	AMOUNT
NTA after tax	$1.252
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 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 MAY 2024

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	$445 million
Share Price:	$1.17
Shares on Issue:	380,716,264
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

* exclusive of GST

INVESTMENT PERFORMANCE

AS AT 31 MAY 2024	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 Net of fees, expenses and before tax paid	0.0%	0.7%	12.2%	7.5%	5.0%	5.2%	10.5%	9.4%	9.4%
S&P/ASX 300 Acc Index	0.9%	1.1%	10.7%	12.8%	7.5%	6.5%	7.8%	8.5%	8.6%
Excess Returns	-0.9%	-0.4%	1.5%	-5.3%	-2.5%	-1.4%	2.8%	0.9%	0.8%

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.

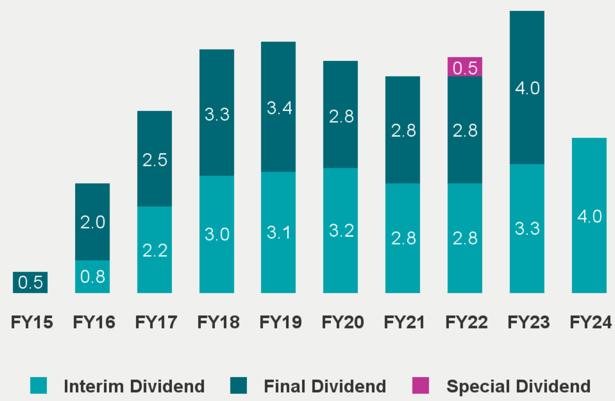
TOP 10 STOCK HOLDINGS

COMPANY	PORTFOLIO WEIGHT
National Australia Bank Limited	9.1%
BHP Group Ltd	6.7%
Flutter Entertainment Plc	6.1%
Origin Energy Limited	5.5%
Goodman Group	5.1%
Insurance Australia Group Ltd	3.9%
Graincorp Limited	3.9%
GWA Group Limited	3.5%
Iluka Resources Limited	3.1%
Santos Limited	2.9%

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

DIVIDENDS IN CENTS PER SHARE

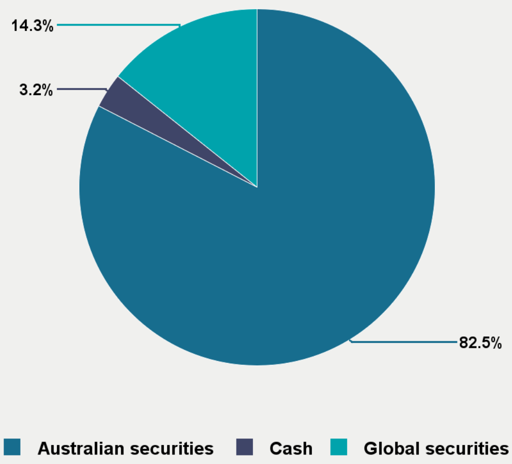
Annual dividend yield: 6.8%
Grossed up annual dividend yield: 9.8%



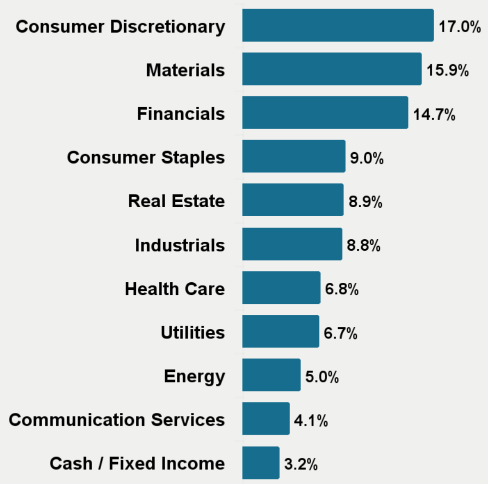
Yield is calculated based on the total dividends of 8.0 cents per share and the closing share price of $1.170 as at 31 May 2024. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS^

96.8% 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

Market Review

The market experienced a notable rally throughout May, though it surrendered some gains in the final days of the month. Early optimism was driven by the Reserve Bank of Australia's (RBA) decision to maintain current interest rates. Mid-month, lower-than-expected US CPI figures and an increase in Australia's unemployment rate fuelled speculation of potential rate cuts, which the market eagerly anticipated. However, in Australia, an unexpected rise in April's inflation to 3.6% year-on-year, up from 3.5% in March, unsettled equities as investors adjusted their expectations, postponing the first anticipated RBA rate cut to mid-2025. Despite these fluctuations, the Information Technology sector outperformed, ending the month up by 4.5%, partly buoyed by strong international sentiment towards tech stocks. In contrast, the Communications sector declined by 2.8% and Consumer Staples fell by 1.0%, as concerns over a weakening consumer environment impacted market confidence.

Portfolio

The portfolio’s largest overweight positions include Flutter Entertainment Plc (global; not in the benchmark), Origin Energy Limited and National Australia Bank Limited. Conversely, the portfolio’s largest relative underweight positions include Commonwealth Bank of Australia, CSL Limited (not held) and Westpac Banking Corporation (not held).

Contributors

A2 Milk was the top contributor to PIC portfolio performance in May (+16.1%). During our visit to multiple cities in China from 12 May to 18 May 2024, we engaged with a wide range of A2 Milk stakeholders, which reinforced our confidence in the company. Although the share price has surged as China's birth rate seems to be stabilizing, we believe there is still more value to be realised. Feedback on our trip consistently indicated that A2's brand is strong and its recognition continues to grow. Inventory levels are within acceptable ranges, and the management team at all levels has proven to be effective executors. A2 Milk is expanding into tier 2 and 3 cities, and we appreciate the management's long-term focus on building market share. With a robust balance sheet and over $790 million in cash, we consider A2 Milk to be well-positioned for strategic moves amid the challenging macroeconomic environment.

The PIC portfolio’s overweight position in HMC Capital contributed to performance over May as it rallied 12.3%. The market responded warmly to the company raising $127.5 million to purchase Payton Capital and expand its footprint into private credit. The company also announced former Prime Minister Julia Gillard will chair its $2 billion energy transition fund. HMC Capital was originally listed on the ASX in 2019 as a highly geared property fund that owned Master’s sites and had a complicated capital structure. Since then, they have bought into healthcare assets and large format retail sites and set up two listed property trusts (HomeCo Daily Needs REIT and HealthCo Healthcare and Wellness REIT). Targeting $20b in Funds Under Management over the medium term, the business continues to evolve.

Origin Energy also contributed significantly to portfolio returns in May (+4.5%). This strong performance was primarily due to the New South Wales government announcing a deal to extend the lifespan of the Eraring power station, which was previously scheduled to shut down next year. This agreement enhances electricity supply security in the grid, with the government largely underwriting the asset, allowing Origin to potentially realise value if the transition to cleaner energy sources does not proceed efficiently. Additionally, despite the volatility in electricity prices—weak during summer but improving afterward—Origin’s portfolio of gas peakers offers the flexibility to manage market instability and optimize exposure. While pure upstream energy plays have shown inconsistent operational performance, Origin’s APLNG demonstrated solid volumes and favourable capital expenditure outcomes in the third quarter report.

PORTFOLIO COMMENTARY

Detractors

The overweight position in motor vehicle equipment, parts, and servicing supplier Bapcor (-26.5%) detracted from relative performance in May. The incoming CEO Paul Dumbrell, quit on 30 April just before he was due to start on 1 May. The business is now in an unenviable situation lacking a CEO, CFO and with a Chair that has flagged she won't stand for re-election at the next AGM. The downgrade in net profit after tax also highlighted the pressure the business faces from costs of doing business. Despite this, FY23 was a solid result with significant improvement in cash flow conversion through the second half as Bapcor was able to reduce inventory whilst maintaining strong gross margins. We continue to believe that Bapcor is a good quality business with material opportunity to improve margins, although volatility could persist with a potentially tough trading environment and uncertainty around future leadership.

PIC's overweight position in healthcare services and hospital operator Ramsay Health Care also detracted from relative performance over May (-9.8%). There is growing concern over reimbursements the hospital providers receive not keeping up with both wage inflation as well as higher medical supply costs. Overseas, the French government initially provided Ramsay Sante with a lower-than-expected tariff indexation, which they have since adjusted upwards to match the inflationary environment. The UK Government has provided only a 0.6% indexation, and Ramsay UK are currently in negotiation for a higher rate of indexation. Despite this, activity level trends are normalising, and the balance sheet is much healthier post the sale of Sime Darby.

McMillan Shakespeare was down -10.6% during the month and detracted from relative performance. Importantly, this is despite no stock specific news from the company and likely a case of an automotive "baby being thrown out with the bathwater" as a few auto dealers such as Eagers Automotive downgraded profit for the financial year. McMillan Shakespeare continues to be a well-trusted, high-quality brand, with numerous government contracts spanning decades. The company remains strategically positioned to capitalise on growth opportunities in employee benefits, fleet management, and disability support industries. Additionally, the push for electric vehicles, supported by lease benefits, presents a promising growth pathway for the business.

Outlook

Australian equities remain close to their all-time highs and continue to exhibit overall buoyancy. Unlike the US market, which has substantial exposure to high-growth technology stocks, the Australian market lacks a similar dynamic. Nevertheless, many local growth stocks are rallying in tandem with global trends, indicating that substantial value opportunities may be underappreciated and currently out of favour. Our investment strategy focuses on acquiring quality assets at reasonable prices. We believe that the portfolio's deeply undervalued classic value opportunities will be pivotal in driving alpha in the coming period.

REMINDER: TAX CERTIFICATION COMPLETION

Under the Australian Government's participation in Automatic Exchange of Information (AEOI) regimes, PIC is required to collect 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 CRS certification by logging into the Link investor portal here.

From there, under the Payments & Tax tab you will find '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

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.

CONTACT DETAILS

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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.