

INVESTMENT UPDATE AND NTA REPORT

MAY 2023

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 MAY 2023	AMOUNT
NTA after tax	\$1.251
NTA before tax	\$1.271

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 2023

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$452 million
Share Price:	\$1.195
Shares on Issue:	378,388,340
Dividends:	Half-yearly
Management Fee:	1.00% p.a.*
Manager:	Perpetual Investment Management Limited

* exclusive of GST

INVESTMENT PERFORMANCE

AS AT 31 MAY 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>	-3.0%	-0.2%	1.3%	2.5%	4.0%	14.4%	9.9%	10.2%	9.6%
S&P/ASX 300 Acc Index	-2.5%	-1.0%	-0.8%	2.4%	3.5%	11.3%	7.4%	8.3%	8.1%
Excess Returns	-0.5%	0.8%	2.1%	0.1%	0.5%	3.1%	2.5%	1.9%	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
Insurance Australia Group Ltd	7.2%
BHP Group Ltd	5.4%
Commonwealth Bank of Australia	5.3%
Santos Limited	5.2%
Brambles Limited	4.8%

TOP 3 GLOBAL LISTED SECURITIES

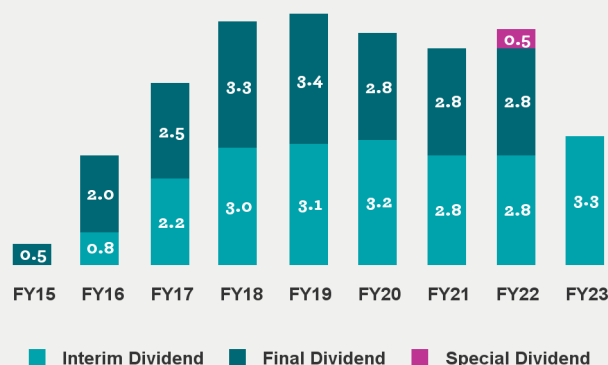
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	6.8%
La Francaise des Jeux SA	3.0%
Ferguson Plc	0.8%

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

DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 5.5%

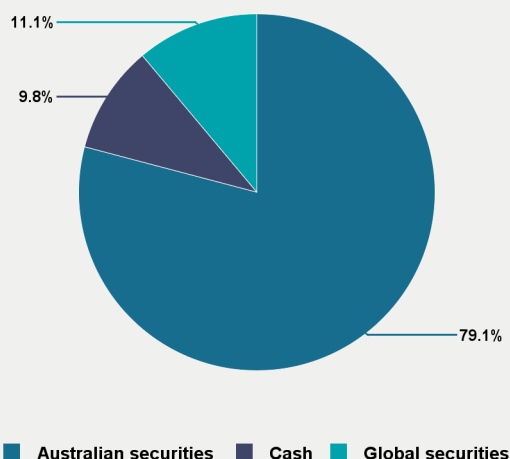
Grossed up annual dividend yield: 7.9%



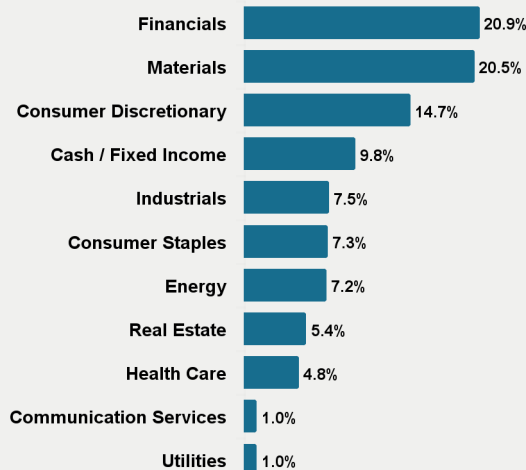
Yield is calculated based on the total dividends of 6.6 cents per share and the closing share price of \$1.195 as at 31 May 2023. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS[^]

90.2% 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

The month of May was defined by a return to favour of growth and momentum equities, driven by a belief that the central banks were near the end of their tightening cycle and rising hopes of a “soft landing” in the global economy. This was despite the US debt ceiling crisis casting a cloud over the second half of the month. Signs of strength were evident across the economy: Australian housing market valuations rose (with national home prices rising in March and April after falling for ten straight months), March housing finance soared +4.9% vs -0.3% market consensus, better than expected job advertisements and March retail sales beat expectations. A budget surplus of \$4.2 billion for financial year 2023 was handed down on 9 May. Massive downward revisions to the deficit over recent months were driven by booming jobs and commodity prices. Some market economists thought the \$14.6 billion in cost of living assistance in the budget added incrementally to fears of further rate hikes.

A string of softer numbers later in the month including the May Westpac Consumer Sentiment Index (which dropped from 85.8 to 79), a slight uptick in unemployment from 3.5% to 3.7% and flatter retail numbers for April appeared to make the case for a rate pause stronger. However hotter wages growth (3.7% in Q1 vs 3.6% prior) and fears that the Fair Work Commission would sign off on record wage rises in June presaged a shock inflation read for April of +6.8%, above consensus of +6.4% and above the +6.3% reported in March. This all but sealed the case for further tightening by the Reserve Bank of Australia (RBA). It has not escaped the Manager’s notice that despite the exuberance of growth equities, bond yields have been rising through the month as well, hinting at more inflation or growth in contrast to hopes of lower interest rates from long duration equities.

Information Technology stocks surged +9.8% for the month as stocks like Xero (+17.8%), Wisetech (+9.2%) NextDC (+11.8%), Life360 (+34.1%), Weebit (+27.4%) and Megaport (+21.1%) sprang back to life. Utilities also rose, defying bond yields and Healthcare held its ground. The Consumer sectors and Materials were all punished as investors dashed for growth.

The PIC Portfolio performed fairly well in the face of growth stock momentum and returned -3.0%[^] in May compared with -2.5% for the S&P/ASX300 Accumulation Index (benchmark). Stock selection across many segments minimised the portfolio’s underperformance, especially in Financials. PIC’s holding in Insurance Australia Group (ASX:IAG) rose +4.2%, outperforming the market in general (-2.5%) and other Financials (-3.2%).

IAG is the top holding and as at 31 May 2023, comprised 7.2% of the PIC portfolio. IAG is a case study in many elements of the Manager’s process coming together. The Manager considers the banks to be fairly richly priced, trading not far off their all-time highs. The portfolio remains underweight in this sector. IAG, by contrast, trades a little over A\$5.00 per share compared to more than A\$8.00 per share at all time highs. With the worst of the wet weather behind us, insurance claims are in the process of peaking. The coming drier conditions are historically much better for insurers. Higher premiums will continue driving up premium revenue. Rising interest rates also lead to better returns for the balance sheet. As the domestic insurance market is a stable duopoly, IAG is further shielded from irrational competition. Lastly, and crucially, the Manager is an “active owner” of the companies held in the PIC portfolio. By “active owner”, the Manager means that by strategically engaging with management, boards and investors of these companies, it can help create catalysts for companies to realise value ahead of time and improve investment outcomes for all shareholders.

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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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