PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

INVESTMENT UPDATE AND NTA REPORT

JUNE 2024

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 30 JUNE 2024	AMOUNT
NTA after tax	$1.272
NTA before tax	$1.314

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 30 JUNE 2024

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	$470 million
Share Price:	$1.235
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 30 JUNE 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	2.2%	-0.8%	9.2%	7.7%	11.8%	5.3%	10.4%	9.8%	9.5%
S&P/ASX 300 Acc Index	0.9%	-1.2%	4.2%	11.9%	13.2%	6.1%	7.2%	8.7%	8.6%
Excess Returns	1.3%	0.4%	5.0%	-4.3%	-1.3%	-0.8%	3.2%	1.1%	0.9%

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

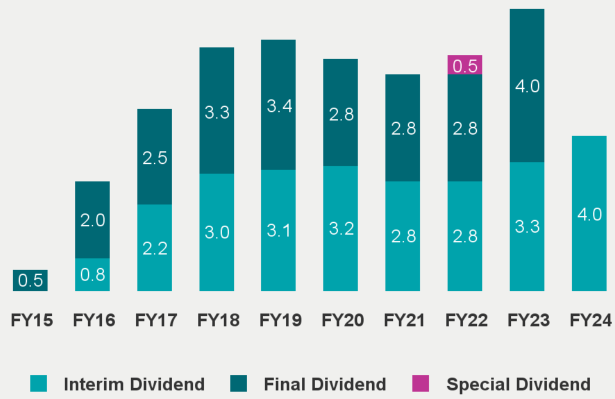
COMPANY	PORTFOLIO WEIGHT
National Australia Bank Limited	9.6%
Flutter Entertainment Plc	6.4%
BHP Group Ltd	6.3%
Origin Energy Limited	5.8%
Goodman Group	4.9%
Insurance Australia Group Ltd	4.4%
Graincorp Limited	3.9%
GWA Group Limited	3.6%
Ramsay Health Care Limited	3.0%
Healius Limited	3.0%

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

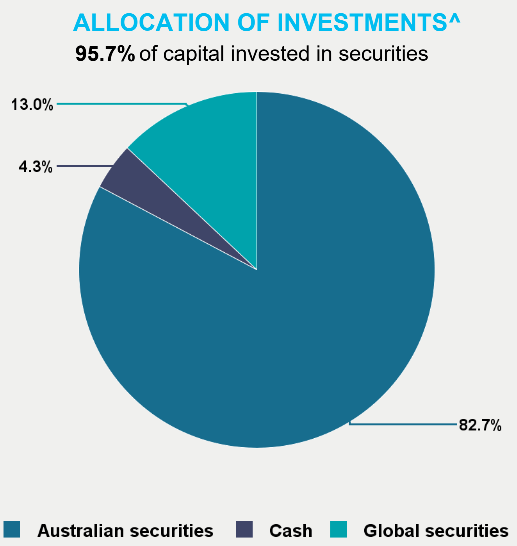
DIVIDENDS IN CENTS PER SHARE

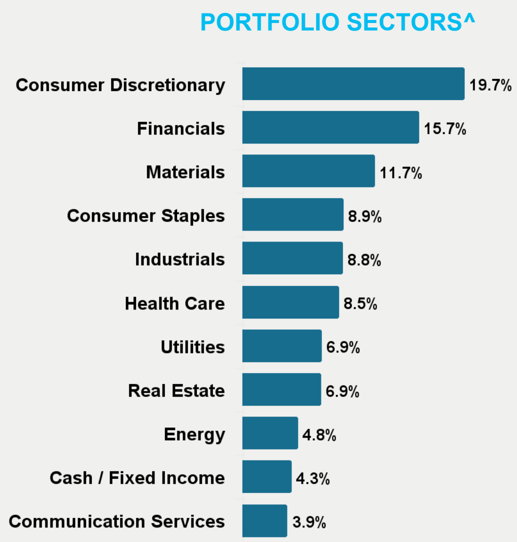
Annual dividend yield: 6.5%

Grossed up annual dividend yield: 9.3%



Yield is calculated based on the total dividends of 8.0 cents per share and the closing share price of $1.235 as at 30 June 2024. Grossed up yield takes into account franking credits at a tax rate of 30%.





^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 S&P/ASX300 largely traded sideways throughout June, posting a modest 0.9% gain. Australia's Q1 2024 GDP growth unexpectedly slowed to 0.1% for the quarter, down from 0.2% in the December quarter. On an annual basis, GDP grew by 1.1%, falling slightly short of the consensus estimate of 1.2%. In May, employment rose by 39,700 jobs, surpassing the consensus estimate of 30,000 and the 38,500 increase seen in April. Concurrently, the unemployment rate dropped to 4.0%. Monthly inflation in Australia increased to 4.0% year-over-year in May, up from 3.6% in April, exceeding the consensus forecast of 3.8%. This marks the third consecutive increase, bringing inflation to its highest level since December 2023. Despite this, the Reserve Bank of Australia (RBA) has maintained the cash rate at 4.35%, keeping its options open due to ongoing inflation risks and the influence of recent state and federal budgets on inflation. Sector-wise, Financials and Consumer Staples led the Australian market higher, while Materials was the biggest laggard. Major contributors to this drag were BHP, down -4.1%, and Fortescue, down -13.5%, both of which weighed heavily on the index.

Portfolio

The PIC portfolio’s largest overweight positions include Flutter Entertainment, Origin Energy and National Australia Bank. Conversely, the portfolio’s largest underweight positions include Commonwealth Bank of Australia, CSL (not held) and Westpac Banking Corporation (not held).

Contributors

PIC’s overweight position in IAG was a strong contributor to performance over the month as the stock was up 15.2%. IAG is one of our largest domestic overweight positions, and the stock has been a beneficiary of rising insurance premiums. We think rising interest rates are also a tailwind for the business as it translates into higher investment returns on their balance sheet. Whilst insurance margins have been improving, we believe there is more upside here. In addition, towards the end of the month IAG announced reinsurance agreements with Berkshire Hathaway and Canada Life which reduced earnings volatility risk. We have compared IAG to Suncorp (which we do not hold in the PIC portfolio) and Suncorp’s focus on cost efficiencies has delivered superior profitability. We think there is a substantial upside to IAG if it was able to target a similar level of operating efficiency.

Following a tough period of performance, Healius contributed to performance in June with the stock up 18.1%. With the first quarter under the new CEO Paul Anderson’s belt, we have seen progress across operational improvements and a focus to bringing the balance sheet back to a net cash position. Looking forward we continue to see upside in the stock through the rationalisation of the company’s portfolio (sale of Lumus imaging for a favourable price) with a potential return of some capital as well as a reduction in overhead costs. We also anticipate a recalibration of the pathology operating model. This is already in train and quite a detailed process, encapsulating everything from the authorised collection centre (ACC) footprint, opening hours, staff rostering, lab scheduling, and looking for efficiencies in middle management layers. Our view is that sustainable pathology margins are in excess of consensus expectations.

PIC’s overweight position in motor vehicle equipment, parts, and servicing supplier Bapcor contributed to performance over the month with the stock rising 20.9%. During June, the stock rallied as the company announced it had received an indicative, conditional and non-binding proposal from Bain Capital to acquire the company. This helped the stock recover following a difficult period for the firm with some turbulence to the leadership team. The previous 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 BAP was able to reduce inventory whilst maintaining strong gross margins. We continue to believe that BAP 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.

PORTFOLIO COMMENTARY

Detractors

Our overweight position in Iluka Resources detracted to performance over the month. The stock fell -8.4% as rare earth pricing continued to be volatile and the market remained in limbo as to the funding of the rare earths refinery. Iluka is a major producer of rutile and synthetic rutile that is used to produce pigment (paint) and the largest producer of zircon that is used to produce ceramics (tiles). A recovery in these markets can be met by releasing excess inventory and reducing working capital before production is restarted. Iluka has a very strong balance sheet (net cash) and also owns a valuable stake in Deterra Royalties, which was spun-off in an IPO so is able to buffer these periods of demand distortion that is a feature of these markets. The next catalyst for the company is the update on the funding for the increased capex of the fully integrated rare earths refinery being built in WA to break China's stronghold on these markets. The project is largely funded from a non-recourse loan of more than $1 billion from the Federal Government that has a $200 million overrun facility, but there remains uncertainty between how much of the increased capex is funded by debt versus equity.

Following a period of strong performance, A2 Milk saw a decline of 4.4% in June but remains up 38.5% for the year. The outperformance was driven by unexpectedly strong Chinese birth-rate data for 2023 and an improving outlook for births and marriages, supporting IMF sales. Kantar market share data confirms A2's continued growth in both offline and online channels, which we also observed during our recent trip to China. A2 has transitioned from a fast-growing start-up to a well-established operator with a brand that resonates well with consumers. Their sound inventory and pricing management, along with effective marketing investments, are yielding solid returns. The company's robust balance sheet, with over $800 million in cash, provides flexibility in navigating the challenging macroeconomic environment.

Whilst REITs like Vicinity Centres have been weaker in recent months (-5.1%) in the face of higher inflation and interest rates we believe the stock has some of the highest quality property in the country including Chadstone, malls through Sydney and Melbourne CBDs and a high-performing DFO portfolio making up 53% of portfolio assets. Chadstone and CBD assets are key beneficiaries of the recovery in tourism, in particular inbound tourism from China. The DFOs provide some recession-resilience that other mall portfolios lack. Operating performance remains strong with Vicinity Centres reporting a statutory net profit after tax (NPAT) of $223.5 million for 1H FY24. That was up 27% from H1 FY23, with occupancy rising to 99.1%. With Australia's population forecast to grow to 30 million by 2032, a bounce-back of in-person shopping post-pandemic supports the case for omni-channel retailing. Australia's malls have modernised their offering increasingly shifting towards on premise entertainment (cinemas, Time Zone, spas, healthcare practices etc) allaying many pre-pandemic concerns. Vicinity's extensive mall footprint also provides a landbank with opportunities for mixed use development either directly or through partnership.

Outlook

Markets are contending with a range of challenges, including consumer pressure, high interest rates, and resurgent inflation. Although the Australian market does not have the same concentration of technology companies as the U.S, there are still pockets of exuberance with sky high valuations. It is important to remain disciplined about the prices we pay for quality investments, a strategy that has been crucial in consistently delivering superior returns with lower risk over time.

COMPANY NEWS

ANNUAL RESULTS

The Company's full year results for financial year 2024, including any dividend declaration, will be announced on Monday, 26 August 2024.

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.