

# INVESTMENT UPDATE AND NTA REPORT

## December 2018

### PORTFOLIO SNAPSHOT

#### NET TANGIBLE ASSET (NTA) BACKING PER SHARE <sup>1,3</sup>

| AS AT 31 DECEMBER 2018      | AMOUNT  |
|-----------------------------|---------|
| NTA before tax <sup>2</sup> | \$1.044 |
| NTA after tax <sup>2</sup>  | \$1.055 |

Daily NTA is available at [www.perpetualequity.com.au](http://www.perpetualequity.com.au)

<sup>1</sup>All figures are unaudited and approximate.

<sup>2</sup>The before and after tax numbers relate to provisions for deferred tax on set-up costs and on unrealised gains and losses in the Company's investment portfolio.

<sup>3</sup>A tax rate of 27.5% (previously 30%) is now applied.

### KEY ASX INFORMATION

#### AS AT 31 DECEMBER 2018

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$360 million

Share price: \$1.045

Shares on issue: 344,840,452

### INVESTMENT PERFORMANCE

| AS AT 31 DECEMBER 2018   | 1 MTH | 3 MTHS | 6 MTHS | 1 YR P.A. | 2 YRS P.A. | 3 YRS P.A. | SINCE INCEP P.A. |
|--|-------|--------|--------|-----------|------------|------------|------------------|
| PIC Investment Portfolio <sup>4</sup><br>Net of fees, expenses and before tax paid | -0.6% | -7.6%  | -6.5%  | -5.1%     | 4.6%       | 5.9%       | 6.7%             |
| S&P/ASX 300 Acc Index  | -0.2% | -8.4%  | -7.0%  | -3.1%     | 4.2%       | 6.6%       | 6.7%             |
| Excess Returns   | -0.4% | 0.8%   | 0.5%   | -2.1%     | 0.4%       | -0.7%      | 0.1%             |

<sup>4</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 set up costs and 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 SECURITIES

#### TOP 5 AUSTRALIAN LISTED SECURITIES<sup>5</sup>

| COMPANY                     | PORTFOLIO WEIGHT |
|-----------------------------|------------------|
| Commonwealth Bank           | 9.0%             |
| Westpac Banking Corporation | 7.8%             |
| Suncorp Group Ltd           | 5.8%             |
| Evolution Mining Ltd        | 4.8%             |
| Woolworths Group Ltd        | 4.6%             |

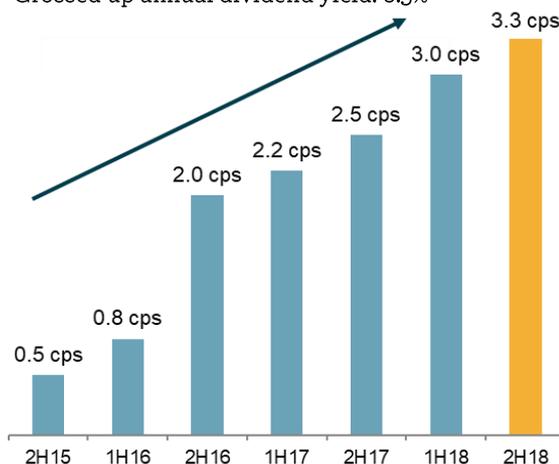
<sup>5</sup>As at 31 December 2018 the portfolio did not hold global listed securities.

### DIVIDEND PER SHARE, CPS

2H18 final dividend: 3.3 cents per share

Annual dividend yield: 6.0%<sup>6</sup>

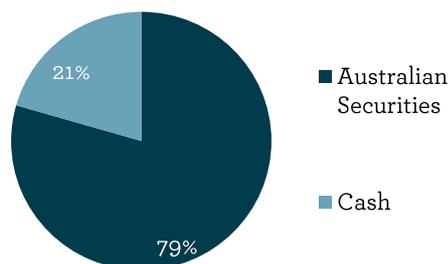
Grossed up annual dividend yield: 8.5%<sup>6</sup>



<sup>6</sup>Yield is calculated using the 31 December 2018 share price of \$1.045. Grossed up yield takes franking credits into account.

## ALLOCATION OF INVESTMENTS

79% of capital invested in securities.



## PORTFOLIO COMMENTARY

The portfolio performance net of fees and expenses was -0.6% in December underperforming the benchmark S&P/ASX300 Accumulation Index by -0.4%. Since listing, the Perpetual Equity Investment Company Limited's (PIC) portfolio has returned 6.7% per annum net of fees and expenses.

Portfolio holdings in Evolution Mining, Medibank Private and Commonwealth Bank contributed positively to performance this month. Conversely the Company's positions in Incitec Pivot, Bega Cheese and Suncorp Group detracted from returns. The portfolio's cash holding assisted returns over the month.

## MARKET COMMENTARY

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, continued its decline over December to finish 0.2% lower. Financials weighed-down the market as several major banks felt the backlash from the Financial Services Royal Commission, while shareholders took a stance against executive remuneration reports. Discretionary retail companies lost ground due to anticipation that Christmas sales will fail to meet expectations, leading to a shortfall in profit-margin growth and earnings downgrades in February. Energy stocks also slumped as crude oil prices continued to decline with both Brent and WTI each down ~10% on improved supply and falling demand triggered by concerns of a slowdown in economic activity. Iron ore increased 9.8% amid increased demand from China, however base metals were mostly depressed as the London Metals Exchange Index fell 3.7%.

In economic news, the Reserve Bank of Australia kept the official interest rate on hold at 1.5% as expected. The unemployment rate rose unexpectedly in November (from 5.0% to 5.1%) despite 37,000 new positions being created, as the labour participation rate increased more than employment. The Commonwealth Treasury's Mid-Year Economic and Fiscal Outlook provided an improved 2019/20 budget surplus forecast from A\$2.2B to A\$4.1B, along with net debt expected to decline from 18.2% as a percentage of GDP in 2018/19 to 1.5% in 2028/29. The strengthening economic expectations were cited as being attributed to stronger-than-expected growth in tax revenue, employment growth and higher corporate earnings.

The Australian dollar fell to its lowest in over two years, losing 3.5% against the USD, 4.8% against the Euro, and 4.4% against the Chinese RMB, as global markets struggled on the back of concerns of a slowdown in economic growth and ongoing US-China trade tensions.

The best performing sectors for the month, as measured from the S&P/ASX 300 Accumulation Index, were Materials (+5.1%), Utilities (+2.8%) and Health Care (+2.7%). The worst performers were, Communication Services (-5.1%) Information Technology (-4.1%), and Financials (-3.1%). As a whole, industrial stocks (-1.4%) underperformed resource stocks (+4.8%) and large cap stock (+0.6%) outperformed small cap stocks (-4.2%). Value stocks also (-0.2%) underperformed growth stocks (+1.0%) as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

## COMPANY NEWS

### REMINDER OF KEY DATES FOR 2019

A reminder of the indicative key dates for 2019 is below:

| Event  | Date                     |
|--|--------------------------|
| Release of PIC 31 December 2018 Half Year Results to the ASX | Monday 18 February 2019  |
| Release of PIC 30 June 2019 Year-end Results to the ASX      | Monday 19 August 2019    |
| Annual General Meeting                                       | Thursday 17 October 2019 |

Key dates can be found at [www.perpetualequity.com.au](http://www.perpetualequity.com.au) and are subject to confirmation. Any changes to the above will be notified to the ASX.

## INVESTMENT PHILOSOPHY

### INVESTMENT OBJECTIVE

The investment objective of the Company is to provide investors with a growing 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 provide investors with the opportunity to invest in an actively managed portfolio and to gain access to the investment management experience and expertise of the Manager.

### ABOUT THE MANAGER

The Company's investment portfolio is managed by Perpetual Investment Management Limited, part of the Perpetual Group, whose consistent track record of investing excellence is underpinned by its proven investment process that focuses on value and quality.

### PORTFOLIO MANAGER

Vince Pezzullo - Perpetual Investments  
Vince has over 20 years' experience in the financial services industry, has outperformed consistently and has prior global experience as both an analyst and a portfolio manager. Vince leverages the expertise of the Perpetual Investments' Equity team, one of the largest investment teams in Australia.

## PERPETUAL KEY CONTACTS

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