

**PERPETUAL
EQUITY
INVESTMENT
COMPANY**

WHEN THINGS SEEM TO MATTER LEAST IS WHEN THEY MATTER MOST

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PERPETUAL INVESTMENTS**

IMPORTANT NOTE

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PERPETUAL EQUITY INVESTMENT COMPANY LIMITED (PIC)

INVESTING FOR REGULAR INCOME AND LONG-TERM CAPITAL GROWTH



Immediate exposure
to an actively managed
portfolio of stocks



Flexibility to invest
25% in global listed
securities and
25% in cash



A regular fully
franked
dividend stream



Committed to
transparency and
keeping investors
informed

INVESTMENT OBJECTIVES

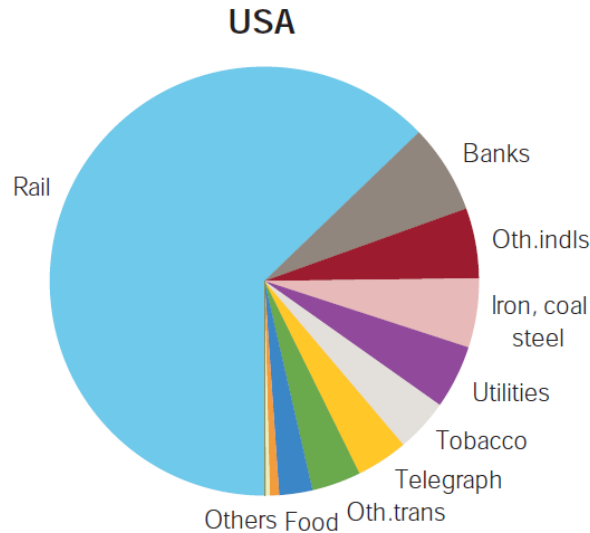
- Deliver a growing income stream
- Provide long term capital growth
- Exceed its benchmark

PORTFOLIO MANAGER – VINCE PEZZULLO

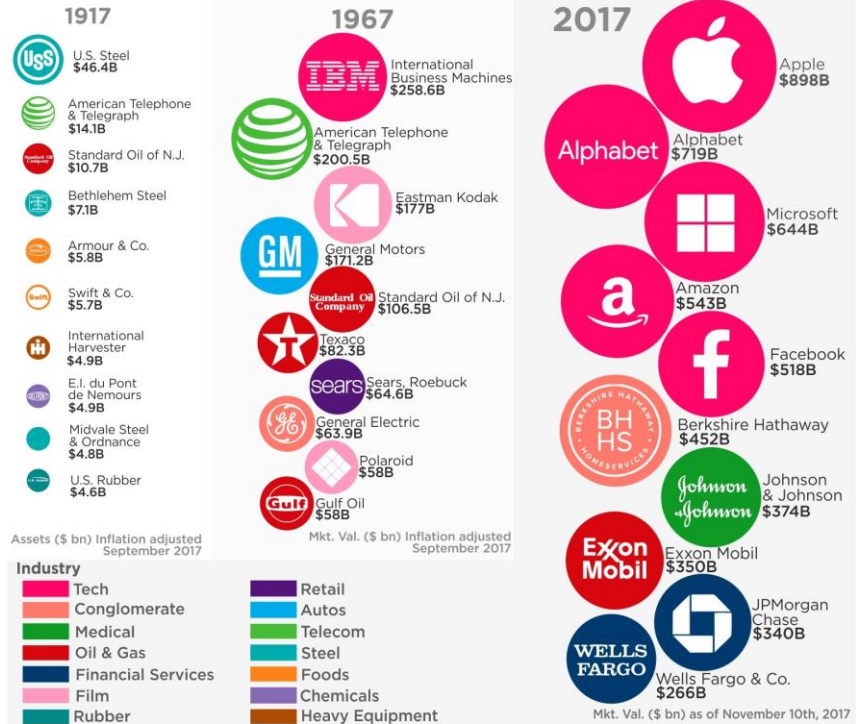
- 20+ years in financial services industry
- Extensive domestic and global equity experience

THE PASSING PARADE: BEWARE TODAY'S "ROOSTERS"

1900: US Industry Weighting



100 Years of America's Top 10 Companies



Source and Article:
<https://howmuch.net/articles/100-years-of-americas-top-10-companies>
<https://forbes.com>

Source: Howmuch.net , "Triumph of the Optimists"

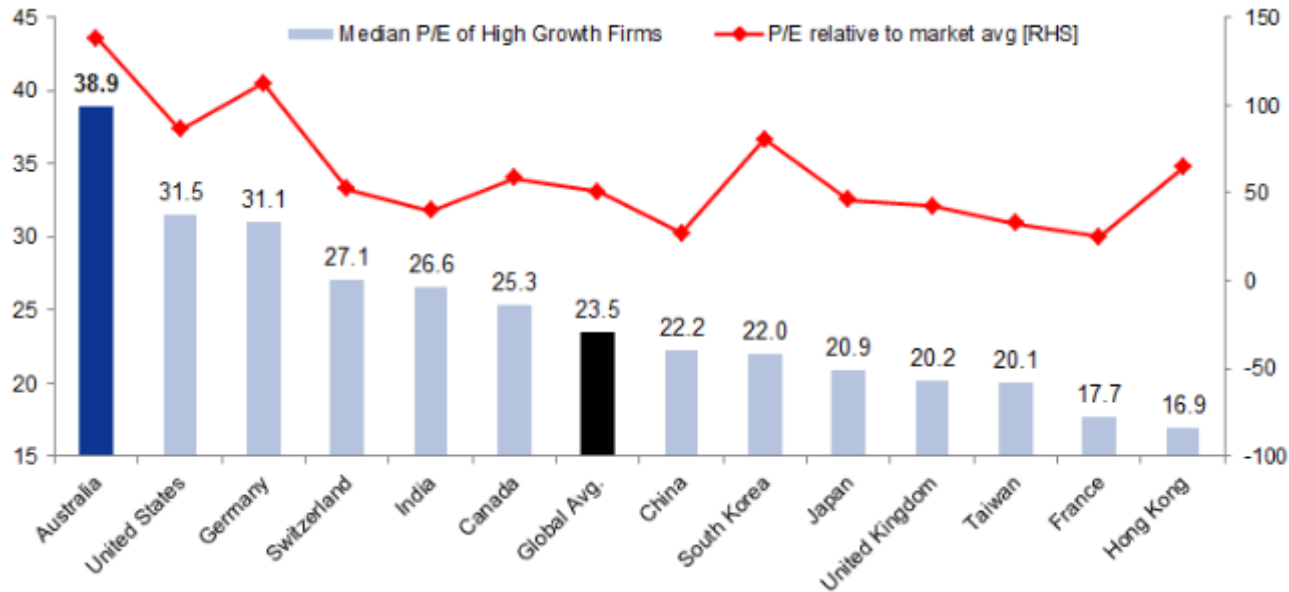
howmuch.net

AUSTRALIA: INDUSTRIAL (EX FIN) P/E RATIOS NEAR RECORD HIGHS



AUSTRALIAN HIGH EPS GROWTH TRADE AT AVERAGE P/E OF 38.9X

Aus growth stocks have the largest **multiple** globally & largest **premium** to the local index
12 month forward P/E of stocks forecast to grow EPS by >20% p.a over FY1 to FY30







Margins are above long-run averages for >70% of firms

BUT

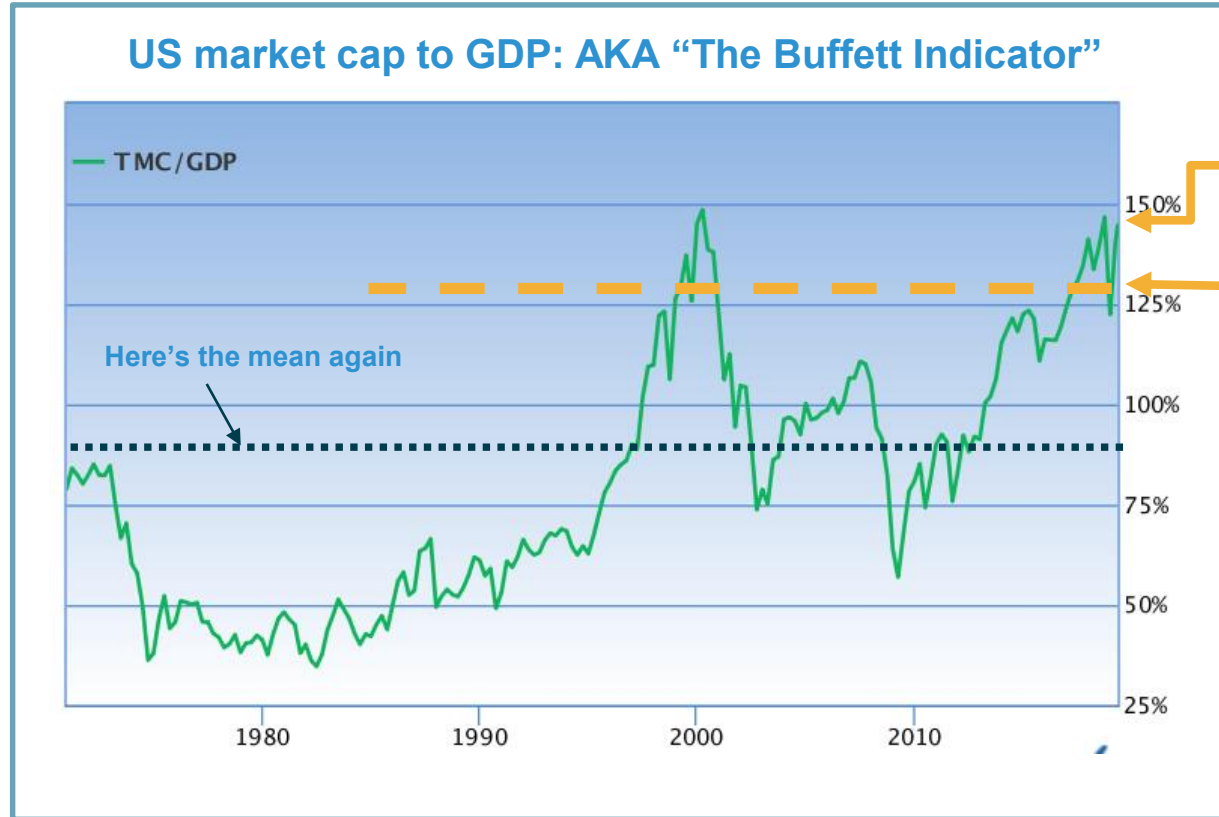
Consensus still expects >80% of companies to deliver margin expansion over the next 2 years.

BEST PERFORMING ASX 300 STOCKS

1 YEAR TO 30 APRIL

COMPANY	CORE BUSINESS	12 MNTH RETURN	P/E FY19
 Shop Now. Pay Later. Interest-free	Technology driven payments company	333.1%	--
 JUMBO	Online lottery and retailing business	293.1%	41.52
	Provision of geospatial map technology	271.1%	--
	Oil and gas exploration and production	200.0%	--

A COMMON ARGUMENT: TECH IS DIFFERENT THIS TIME



Current market cap is 144.6%

But even ex FAANG it is 128% (**2nd highest ever**)

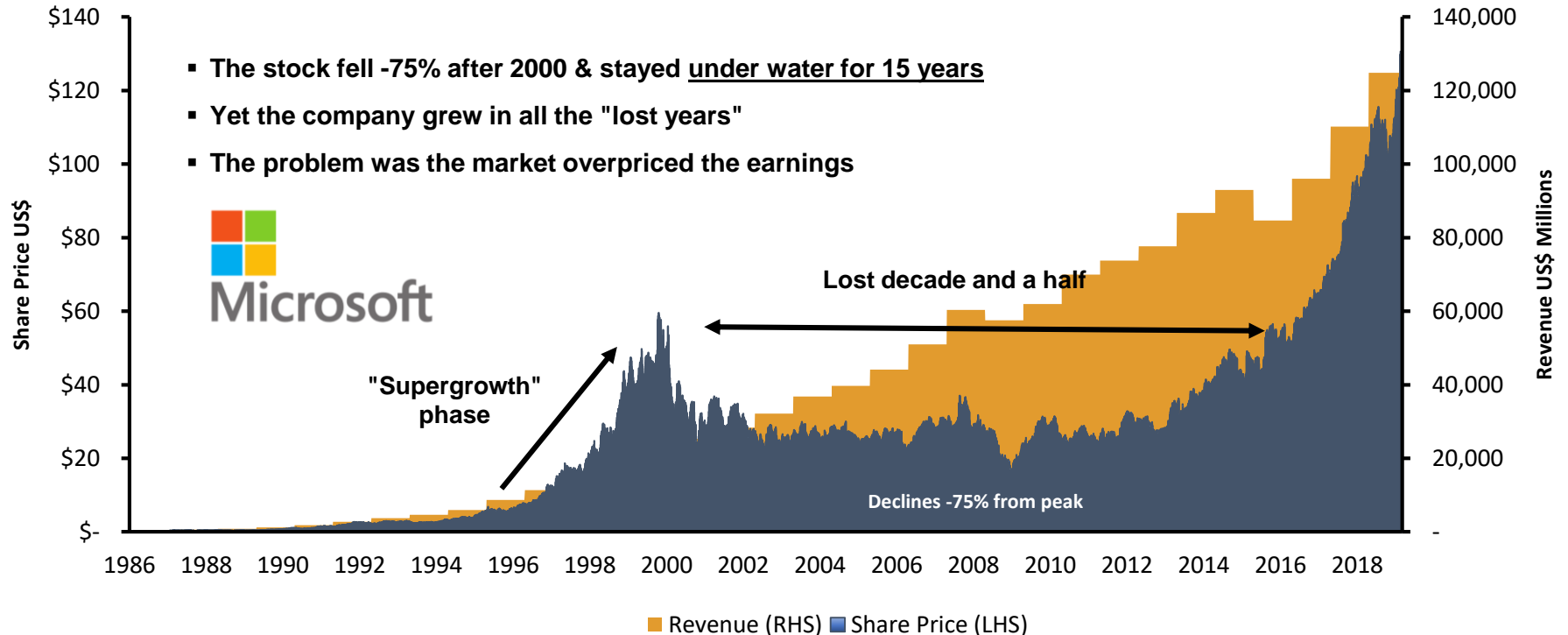
Key stats in dollars:

- GDP is \$21.1 trillion
- Market cap: \$30.5 trillion
- “Tech is taking over”
- But FAANG cap is \$3.4 trillion
- So non FAANG is still \$27.1 trillion

COULD THIS HAPPEN TO TODAY'S MARKET DARLINGS?

WHICH STOCK IS THIS?

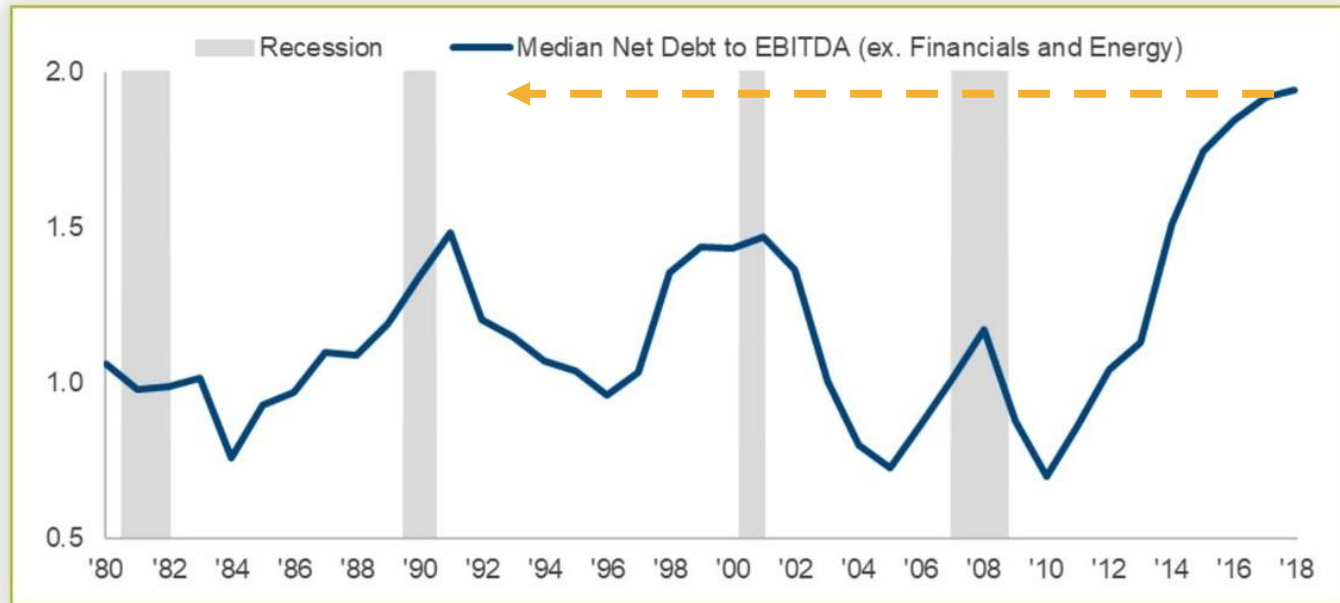
MICROSOFT.....ARE "GROWTH TRAPS" JUST AS DESTRUCTIVE AS "VALUE TRAPS"?



CORPORATE DEBT RATIO HIGHEST EVER

THIS NEVER ENDS WELL

Net Leverage of Russell 3000 Companies (Ratio of Net Debt to EBITDA)

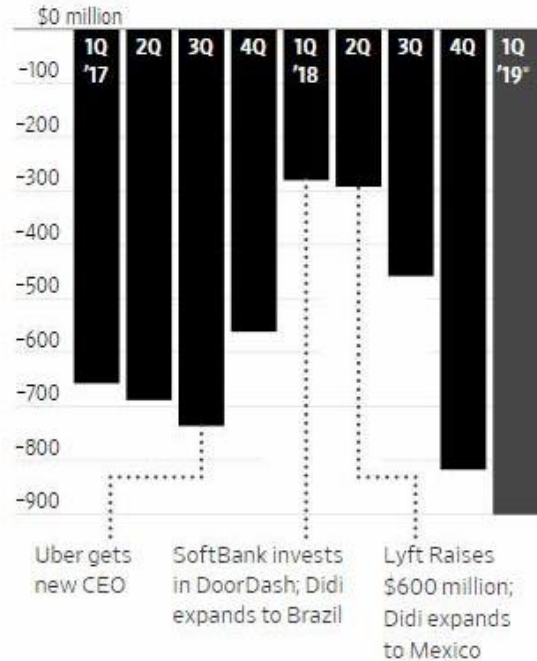


US:
unprecedented
debt levels

Fed* (May 2019): “The historically high level of business debt and the recent concentration of debt growth among the riskiest firms could pose a risk to those firms and, potentially, their creditors”

UBER: EXPECTS OPERATING EXPENSES TO....

Uber's earnings before interest, taxes, depreciation and amortization*



BUT THE COMPANY WARNED

“WE EXPECT OUR OPERATING EXPENSES TO INCREASE SIGNIFICANTLY IN THE FORESEEABLE FUTURE, AND WE MAY NOT ACHIEVE PROFITABILITY”

THE LAST TIME THIS HAPPENED WAS 1999; 19 COMPANIES THAT LISTED DID NOT MAKE MONEY

OUR INVESTMENT PHILOSOPHY SINCE 1966

QUALITY & VALUE FOCUS

OUR FOCUS

1

Quality business

2

Conservative debt

3

Sound management

4

Recurring earnings

THIS MEANS:



We seek quality companies
at attractive valuations



We cautiously
deploy your capital

THE PROCESS IN ACTION

DIFFERENT TYPES OF VALUE OPPORTUNITIES

COMPANY TYPE	VALUATION AND PRICING TECHNIQUES	STOCK EXAMPLES
ASSET/TAKEOVER PLAY	Business Break-up Valuation	EVENT HOSPITALITY
RECOVERY/TURNAROUND	Potential P/E based on a likely restructure	WOOLWORTHS
CYCLICALS	Potential P/E based on normalised conditions	INCITEC PIVOT
RESOURCES	Net Present Value over asset life	ILUKA
MATURE COMPANIES	Relative P/E & Dividend Yield to sector, market	MEDIBANK
GROWTH COMPANIES	Current price v future growth, NPV or forecast P/E	PREMIER INVESTMENT

RECOVERY/TURNAROUND: WOOLWORTHS (ASX:WOW)

CONVICTION GAINED FROM IN DEPTH RESEARCH



- Woolworths overearning in 2014 and rolling out too many stores
- Losing market share and sagging sales per square metre
- Stock traded at \$38 before halving to \$20

WHAT WE NEEDED TO SEE

- Closure of Masters ✓
- Reinvestment in existing stores ✓
- Board renewal ✓
- CEO change ✓
- Changes at head office ✓
- Changes at Big W ✗
- Sale of the petrol business ✓
- Sale of the hotels ✗

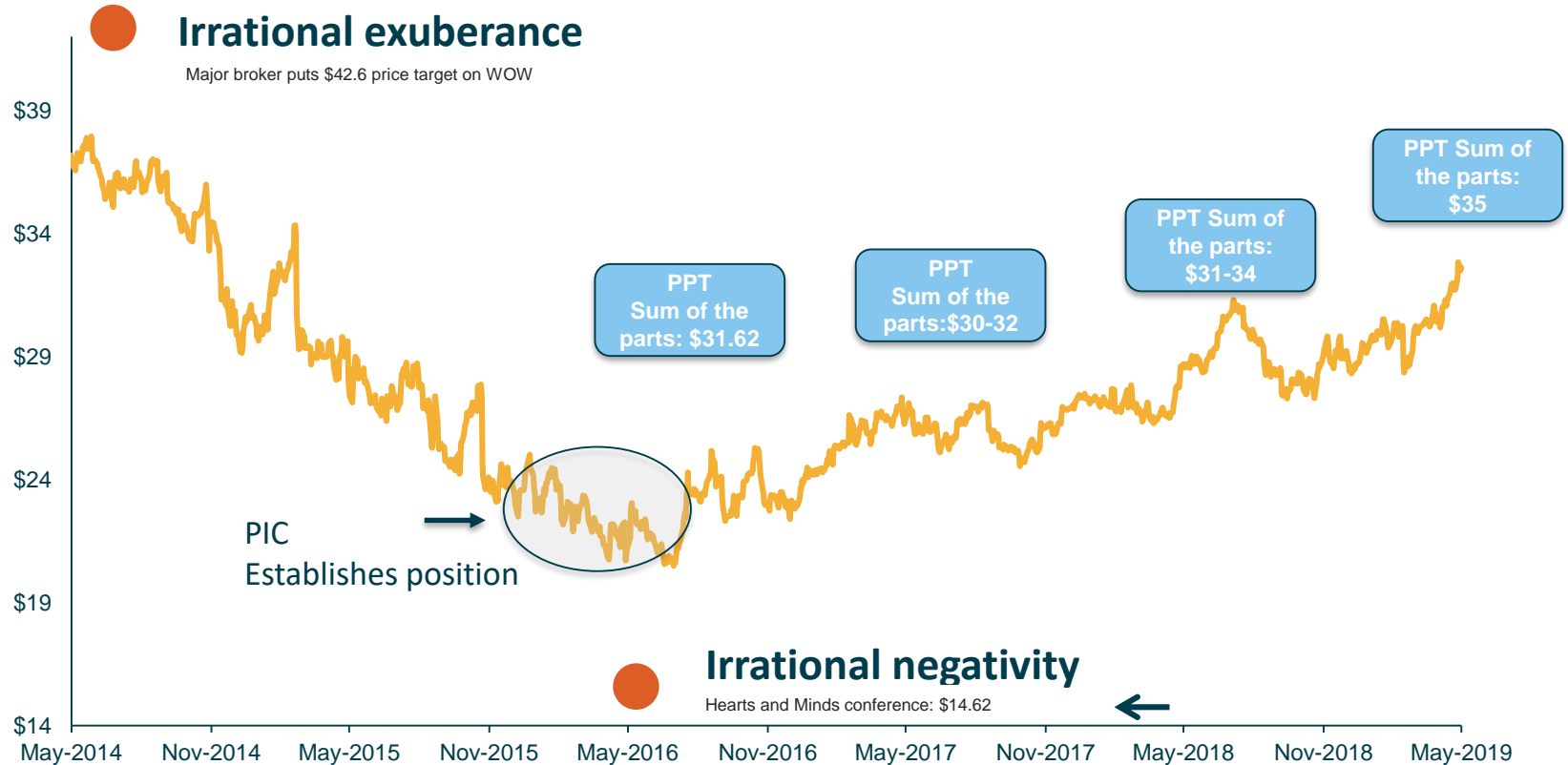
WHAT WE HAVE NOW

- A willing Board and CEO
- Focus on existing stores
- \$1b put back into prices
- Same store sales rising; beating Coles and ALDI
- Market share rising
- Network effect
- Own last mile infrastructure
- Largest online food offering

Results: Sustainable growth, better sales per square metre, rising margins

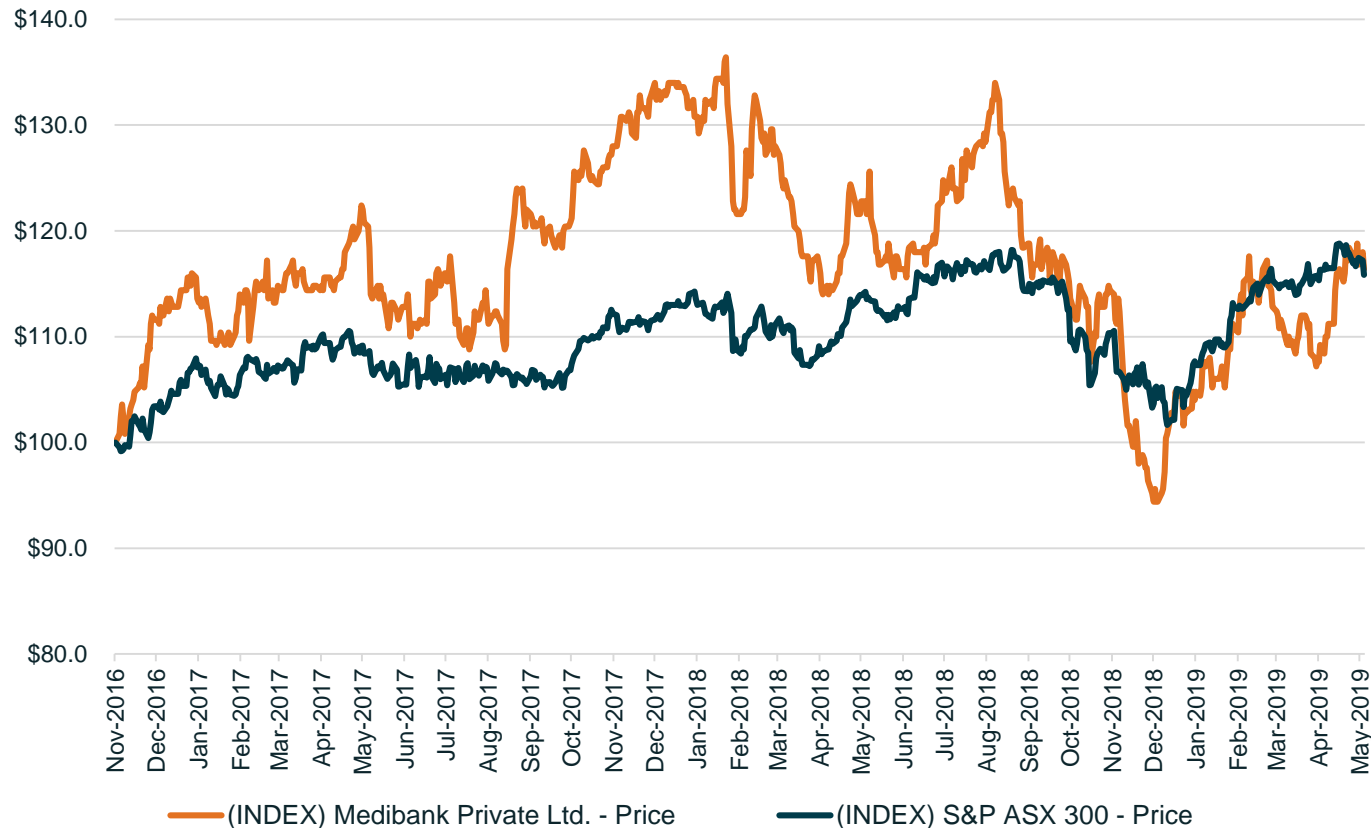
THE SHARE PRICE STORY THE NEWS FLOW

WOOLWORTHS - SHARE PRICE (AUD)



TRADING IN LINE WITH THE ASX

MEDIBANK SHARE PRICE VERSUS THE S&P/ASX300 PRICE INDEX



Key stats:

- Yet to make our money
- ROE is 21.9%
- Yield is 4.5%

MATURE COMPANIES: MEDIBANK (ASX:MPL): SUCCESS STORY IN HEALTH INSURANCE



- Biggest insurer (27% market share) but under threat
- Margins under pressure as costs rise
- Premium cap if Labor wins constrains growth + 2% for 2 years

What we saw:

- Invested in state of the art technology to give insight into customers and costs
- Insight into 3.7m customers, \$5.2b in claims
- Pioneering in-home care and rehab
- Partnering with government
- Personalising customer comms
- Concierge services
- Preventative care

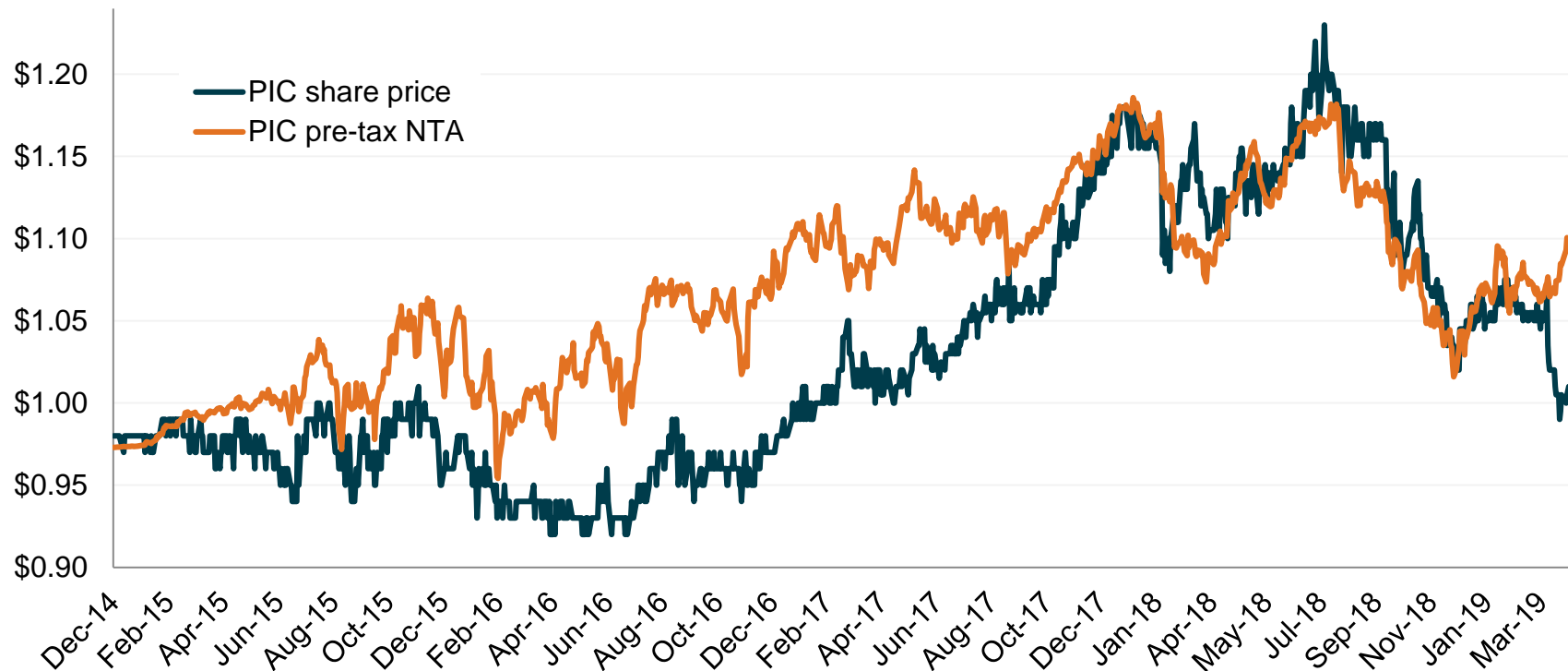
What we have now:

- Great CEO and management driving change
- Complaints have halved (38% to 20%)
- NPS score now +30 (vs negatives amongst peers)
- Better recovery rates and lower costs from rehab
- Claims costs managed, payment integrity, prosthetics, readmission rates etc

Results: Strong gross margins and reinvestment in customer bonuses

SHARE PRICE AND PRE-TAX NTA HISTORY

ACCESS TO A HIGH QUALITY PORTFOLIO AT A 9% DISCOUNT TO NTA



Pre tax NTA returns shown for the Company have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees and any income tax on realised gains) and assuming reinvestment of dividends. 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.

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QUESTIONS
