

PERPETUAL
EQUITY
INVESTMENT
COMPANY
LIMITED

Perpetual Equity Investment
Company Limited
ABN 68 601 406 419

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14 August 2020

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Perpetual Equity Investment Company Limited
Monthly Investment Update and NTA Report announcement

Perpetual Equity Investment Company Limited (the Company) (ASX: PIC) advises that it has released the Monthly Investment Update and NTA Report (the Report) for the period ending 31 July 2020 (as attached).

If shareholders or other interested parties have any queries regarding the Report, they can contact:

Karen Davis
Senior Manager, Listed Products and Projects
Perpetual Investment Management Limited
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Yours faithfully



Sylvie Dimarco
Company Secretary
(Authorising Officer)

INVESTMENT UPDATE AND NTA REPORT

July 2020

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 JULY 2020	AMOUNT
NTA after tax	\$1.050
NTA before tax	\$1.045

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.

KEY ASX INFORMATION

AS AT 31 JULY 2020

ASX Code:	PIC
Listing Date:	18 December 2014
Market Capitalisation:	\$323 million
Share Price:	\$0.93
Shares on Issue:	347,830,810

INVESTMENT PERFORMANCE

AS AT 31 JULY 2020	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	2 YRS P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PIC Investment Portfolio	0.6%	8.2%	-5.1%	-2.2%	1.1%	5.1%	6.2%	6.7%
Net of fees, expenses and before tax paid								
S&P/ASX 300 Acc Index	0.6%	7.8%	-14.2%	-9.7%	1.1%	5.4%	5.2%	6.8%
Excess Returns	0.0%	0.5%	9.1%	7.5%	0.0%	-0.3%	1.0%	0.0%

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 SECURITIES

TOP 5 AUSTRALIAN LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Crown Resorts Limited	5.5%
Iluka Resources Limited	5.3%
AUB Group Limited	4.3%
OZ Minerals Limited	4.1%
Aristocrat Leisure Limited	4.0%

TOP 3 GLOBAL LISTED SECURITIES

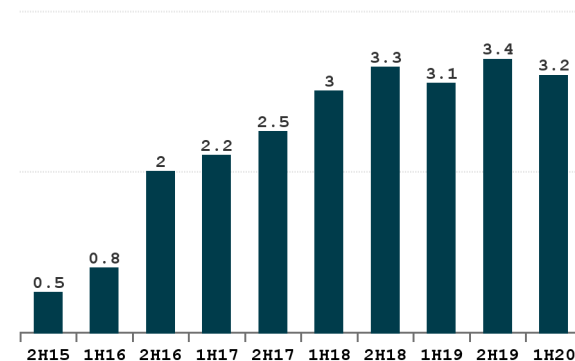
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	10.1%
La Francaise des Jeux SA	6.5%
Ferguson Plc	3.4%

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

DIVIDEND - CENTS PER SHARE

Annual dividend yield: 7.1%

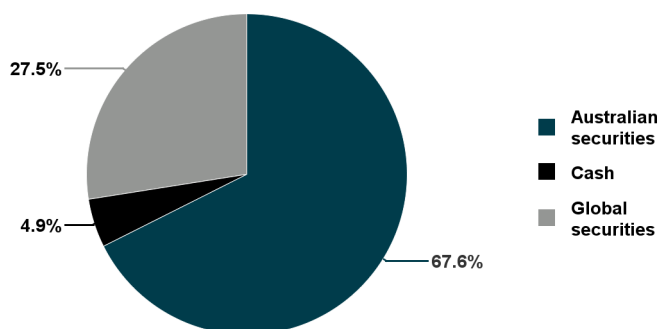
Grossed up annual dividend yield: 10.1%



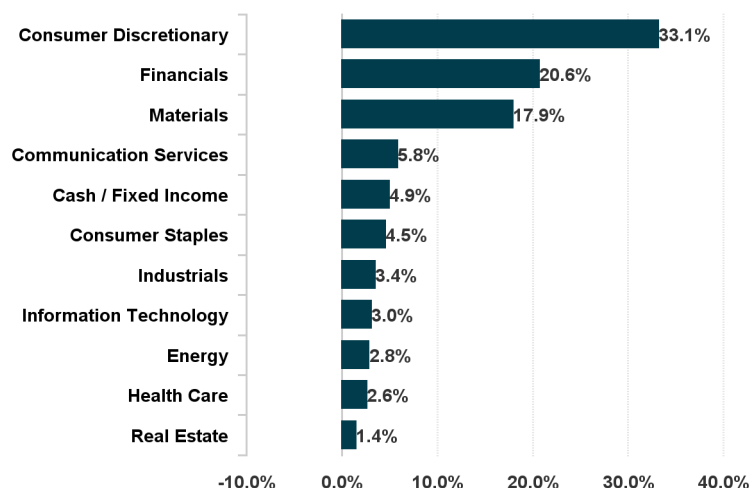
Yield is calculated based on the total dividends of 6.6 cents per share and the closing share price of \$0.93 as at 31 July 2020. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS[^]

95.1% 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.

PORTFOLIO COMMENTARY

In early July, concerns over the worsening COVID-19 outbreak in Victoria and fears of more lockdowns spooked the Australian equity market, leading to some shaky trading sessions during the month. By the middle of July, the market registered some stronger gains as news of positive vaccine tests improved investor sentiment. The Australian government provided an economic and fiscal update on 23 July, forecasting an estimated budget deficit of \$184.5 billion for 2020-21 and an unemployment rate of 9.25% in the December quarter 2020. However, this was overshadowed by a renewed surge in Victorian cases in the closing days of the month.

Globally, the Chinese Purchasing Manager's Index (PMI) data, which indicates the direction of trends and activities in the manufacturing and service sectors, was mixed during the month. The US Congress also remains in deadlock with the White House over further stimulus packages to address the COVID-19 pandemic. All these factors culminated in the Australian share market declining sharply on the last day of July, although the market still managed a small gain for the month overall. The S&P/ASX 300 Accumulation Index gained 0.6% in July.

The emerging rally in value stocks dwindled in July with popular growth stocks like those in the buy now pay later sector back in vogue. Resource stocks also got a fair run with gold surging from US\$1,800 an ounce to US\$1,985 an ounce. Iron ore prices rose from just over US\$100 a tonne to nearly US\$110 a tonne by month end. Meanwhile the Australian dollar surged from \$0.69 to \$0.71.

For PIC during the month of July, top absolute contributors to performance were Flutter Entertainment Plc (LON: FLTR), OZ Minerals Limited (ASX: OZL) and La Francaise des Jeux SAEM (PAR: FDJ). The share price for FDJ rallied sharply by 13.5% after delivering strong half year results at the end of July which far exceeded market expectations. Their results signaled confidence in their business model during the COVID-19 period and show the long-term shift to the digital business is proving successful with online lotteries increasing sharply. Cyclical resource stocks held in the portfolio lifted on the back of rising commodity prices, producing positive returns for the portfolio with OZL gaining 24.3%, Iluka Resources Limited (ASX: ILU) 6.0% and Saracen Minerals Holdings Ltd (ASX: SAR) 10.8%.

The top absolute detractors to performance were AUB Group Limited (ASX: AUB) and Crown Resorts Limited (ASX: CWN). During the market sell-off in March, the Manager substantially increased its position in AUB as the lowest price the stock traded on the market at was \$9.01 representing very attractive value. By July, the share price recovered well, reaching an all-time high closing price of \$15.12 before settling back to a closing price of \$13.04 at the end of July. CWN has been heavily disrupted during the COVID-19 period with Crown Melbourne and Crown Perth ceasing operations across their gaming activities and other non-essential services. While Crown Perth has recommenced operations, hopes of Crown Melbourne re-opening have diminished as Melbourne entered stage 4 restrictions to contain the spread of COVID-19. Despite CWN being a detractor to absolute performance this month, the Manager continues to like the assets which it believes are high quality. These include the monopolistic licenses and net cash balance sheet that CWN possesses. The sector also typically recovers well following a downturn.

OZ MINERALS LIMITED (ASX: OZL) (ANALYST: CLARKE WILKINS)

Earlier this year, the Manager took a new position in OZ Minerals Limited (ASX: OZL) at what the Manager considered a very attractive valuation entry point. The Manager finds the copper market compelling due to China's increased rate of urbanisation and therefore demand for mineral resources including copper. The growing shift to electric vehicles over the coming years will also see an increase in global demand for copper as copper forms a significant component of electric vehicles compared to traditional vehicles. From the supply side, grades at the major global copper mines are declining which may also mean production is expected to decline without new projects. As the grades of the new projects are lower, and/or the capital cost is higher due to infrastructure requirements, higher prices will be required for these new projects to be compelling.

There are limited copper-focused companies in Australia that operate projects with a long mine life and low cash costs. While this is an advantage for OZL, the Manager was also conscious of the risk faced by OZL on their key growth project in Carrapateena which is located in South Australia. Specifically, commissioning new mines, in particular underground mines like Carrapateena, are complex and often result in delays to construction. This has flow-on effects to first production and cash flow. The Manager was encouraged earlier this year to see that the initial teething issues with the project had been overcome and commissioning was progressing back on target. This signaled that the project had been significantly de-risked. Recently, Carrapateena achieved throughput capacity of the processing mill, which has further de-risked the project. The final de-risking event is the mine reaching full capacity. This is expected by the end of the year.

OZL is also a significant gold producer with approximately 40% of revenue at spot prices. Gold is produced as a by-product of copper which can generate credits to drive down costs of production. This means higher by-product credits can offset the impact of copper cash production costs, which would be negative at spot prices. As a result, the balance sheet is in a far better position than the market had expected at the completion of such a large project and is still net cash. The Manager believes that with a strong balance sheet and cash flow generation from the two key mines in South Australia, OZL is very well placed to fund other key growth projects. This includes projects in the Carrapateena Block Cave and Prominent Hill shaft that will increase production, reduce cash costs and increase the mine life of these operations. The Manager expects the advancement of these projects to unlock further value for shareholders. As at 31 July 2020, OZL comprised 4.1% of the PIC portfolio.

PWR HOLDINGS (ASX: PWH) (ANALYST: DEAN FREMDER)

The Manager added PWR Holdings Ltd (ASX: PWH) to the PIC portfolio during the market-sell off in March when the stock fell by approximately 50% from its highs on news of global motorsport cancellations. For example, the highest closing price for PWH in January was \$5.08 and the lowest closing price in March was \$2.60. While the Manager didn't quite buy at the share price low during the extreme volatility in March, it was able to build a healthy position for the portfolio as the price fell.

PWR designs and manufactures high performance cooling systems for the automotive and aerospace industries. This includes the production of aluminum radiators, intercoolers and oil coolers for elite motorsport teams that participate in Formula One, NASCAR, V8 Supercars, DTM, IndyCar and the WRC. Their products represent vital components in motorsport supply chains, leading to very loyal customers and a sticky revenue base.

Over the last few years, the company has been investing heavily to expand its cooling products into new markets including electric and autonomous vehicles as well as military applications. Recent client wins suggest that these industries could one day be as meaningful to PWR as motorsports is today.

Founder CEO Kees Weel owns just under 30% of the company and runs it with the passion and focus of a family business. The Manager believes this approach, combined with an excellent engineering pedigree and minimal competition, will continue to provide a highly attractive set of financials. The business is generating an impressive 20% net profit margin, a 30% return on equity and consistent double-digit earnings per share growth. PWH has no net debt and generates reliable free cash flow.

As COVID-19 spread across the world, motorsport event cancellations created fear for PWR investors who were worried about future product sales to racing teams. Motorsport events have since resumed with many series looking to "catch up" on the lost races with a packed schedule through the rest of 2020. As a result, PWR's pipeline is looking its strongest in years with the stock having rallied 75% from its March lows to the end of July. As at 31 July 2020, PWH represents 1.6% of the PIC portfolio.

COMPANY NEWS

ANNUAL RESULTS

The Company's full year results for financial year 2020, including any dividend announcement, will be released on 26 August 2020.

SHAREHOLDER COMMUNICATIONS

The Company website hosts a range of information aimed at keeping shareholders and other interested parties up to date with the latest Company news. Via the website, you can also update your communication preferences to receive various Company alerts via email at <https://www.perpetualequity.com.au/tools-and-resources/email-alerts>. We encourage to ensure your communication preferences are up to date so that you have access to all the information you need.

REMINDER: TAX CERTIFICATION COMPLETION

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

From there, under the Payments & Tax tab you will find 'FATCA/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](#).

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 25 years' experience in the financial services industry, 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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This monthly report has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. PIML is the investment manager of the Perpetual Equity Investment Company Limited (Company) ACN 601 406 419. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. This information does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of the Company's securities. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. References to securities in this publication are for illustrative purposes only and are not recommendations and the securities may or may not be currently held by the Company. Past performance is not indicative of future performance. This information is believed to be accurate at the time of compilation and is provided in good faith. No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) nor the Company guarantees the performance of the Company or the return of an investor's capital.

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