PERPETUAL
EQUITY
INVESTMENT
COMPANY
LIMITED

Perpetual Equity Investment
Company Limited
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4 November 2020

ASX Limited
ASX Market Announcements Office
Exchange Centre
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SYDNEY NSW 2000

Perpetual Equity Investment Company Limited
Investment Manager Update Presentation

Perpetual Equity Investment Company Limited (the Company) (ASX: PIC) advises that it has released the Investment Manager Update presentation (as attached).

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

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Yours faithfully

Sylvie Dimarco

Sylvie Dimarco
Company Secretary
(Authorising Officer)

PERPETUAL
EQUITY
INVESTMENT
COMPANY

INVESTMENT MANAGER UPDATE

4 November 2020

Perpetual

IMPORTANT NOTE

This information was prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. PIML is the Manager for the Perpetual Equity Investment Company Limited (Company or PIC) ACN 601 406 419. The information in this presentation is current as at 28 October 2020. The presentation is general information only and is not intended to provide you with financial advice or take into account your objectives, taxation situation, 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.

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PERPETUAL EQUITY INVESTMENT COMPANY LIMITED (ASX: PIC)

THE INVESTMENT OPPORTUNITY

Delivered a **consistent income stream** via fully franked dividends since inception in 2014

Access to an **actively managed portfolio** of predominantly Australian listed securities with typically a mid-cap bias

Opportunistic allocation of up to 35% in global listed securities

Access to a **diversified portfolio** across industry sectors and offshore investments through a single trade on the ASX

One of Australia's most experienced fund managers with a **long-standing investment philosophy of value and quality** that has defined its approach to investing for the past 50 years through all market cycles.

INVESTMENT PHILOSOPHY – QUALITY AND VALUE FOCUS

HOW WE INVEST

- Key to our process is the use of four quality filters:
  1. Quality of business – this test looks at the industry in which the company operates, its market share and barriers to entry, its products and their positioning and any issues such as social and environmental impacts
  2. Conservative debt – involves strict balance sheet scrutiny to avoid overleveraged companies
  3. Sound management – based on our assessment of the track record of a company's management. We are looking for management with a history of using shareholders' capital sensibly, a clear focus on maximising shareholder value and strong governance practices
  4. Recurring earnings – we look for companies that have at least a three year track record of generating earnings and cash flows

- We focus on buying high quality companies at prices below what we perceive as fair value, based on company fundamentals and prevailing market conditions

PORTFOLIO POSITIONING

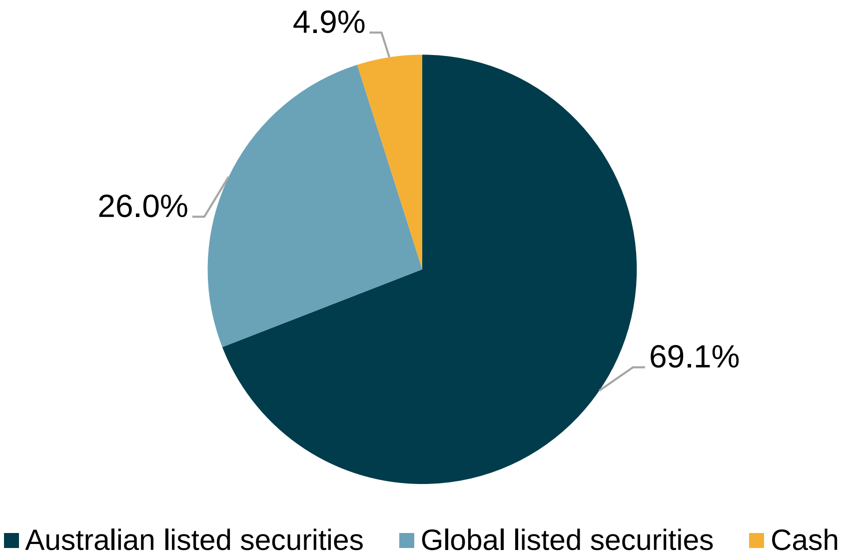
A HIGH CONVICTION APPROACH TO INVESTING

We remain focused on seeking companies that we believe exhibit the following characteristics:

1. Companies which provide structural advantages, are well positioned for future growth and are trading at reasonable valuations.

2. Cyclical companies that rise and fall with the business cycle. We believe many cyclical companies are trading at steep discounts to mid-cycle valuation despite being high quality, well managed market leaders in a good financial position.

Allocation of investments as at 30 September 2020^

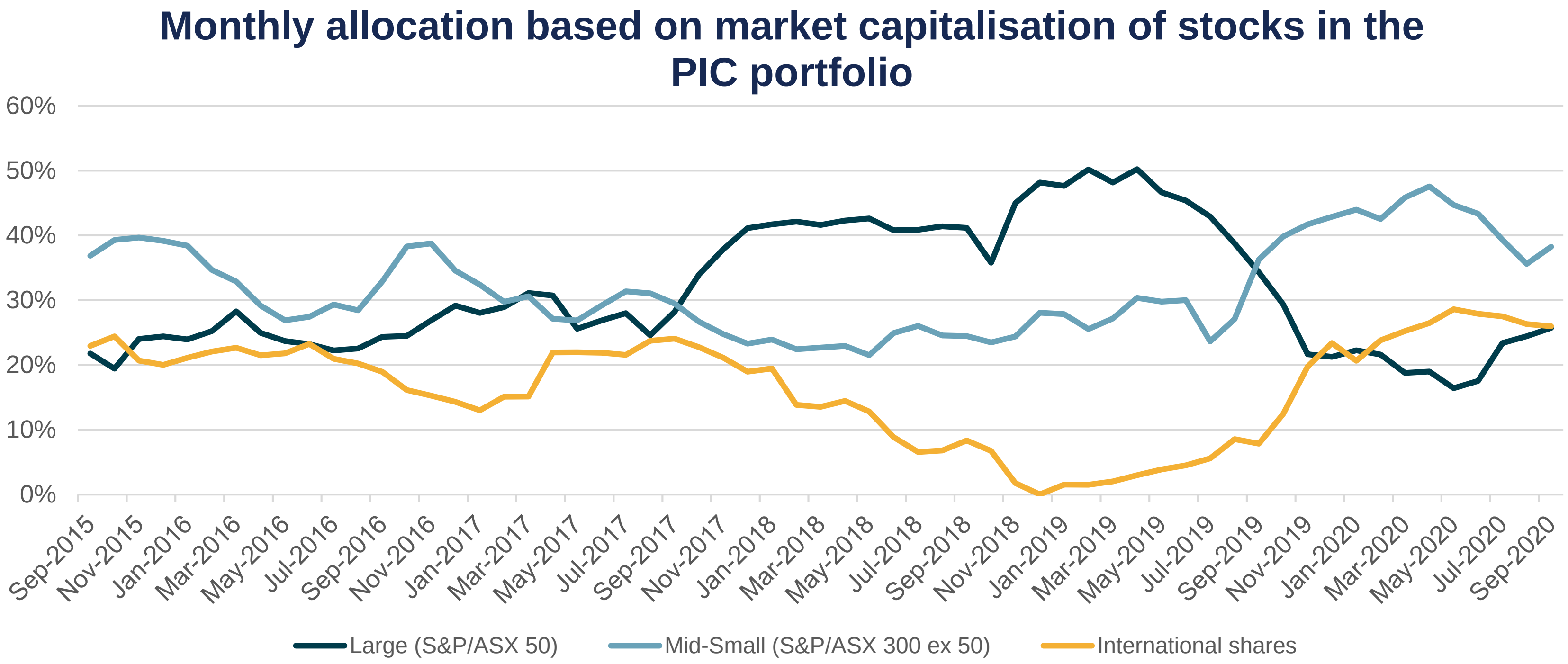


^ Weightings calculated based on direct investments in securities and any indirect exposure via S&P/ASX 200 related derivatives. All figures are unaudited and approximate.

Source: Perpetual Equity Investment Company Limited.

PORTFOLIO POSITIONING

EMPLOYING AN ACTIVE INVESTMENT APPROACH BASED ON OPPORTUNITIES IDENTIFIED THROUGH RESEARCH



Source: Perpetual Equity Investment Company Limited

STOCKS IN FOCUS

A SELECTION OF STOCKS IN THE PIC PORTFOLIO AS AT 30 SEPTEMBER 2020

Australian listed securities

PWR
ADVANCED COOLING TECHNOLOGY
ENGINEERING THE UNFAIR ADVANTAGE

WESTERN AREAS LTD

Global listed securities

FDJ

PERSIMMON

PWR HOLDINGS LIMITED (ASX: PWH)

AUSTRALIAN MID-CAP STOCK

ADVANCED COOLING TECHNOLOGY

ENGINEERING THE UNFAIR ADVANTAGE

COMPANY

- Designs and manufactures high performance cooling systems for the automotive and aerospace industries.
- PWR is primarily focused on the production of aluminium radiators, intercoolers and cold plates for elite motorsport teams with growing applications in electric vehicles, autonomous vehicles and the military.

PASSING OUR FOUR QUALITY FILTERS

1. **Quality of business** – PWR's products represent vital components in motorsport supply chains and we believe this results in loyal customers and a sticky revenue base. This provides for a highly attractive 20% net profit margin and a 25% return on equity.
2. **Conservative debt** – The business has no debt and is a reliable generator of free cash flow.
3. **Sound management** – Kees Weel is the Founder CEO and has more than 30 years of experience in the industry. He owns just under 30% of the company and runs it with the passion and focus of a family business.
4. **Recurring earnings** – PWR has been profitable for many years with a track record of delivering consistent double-digit earnings per share growth.

Source: Perpetual Equity Investment Company Limited

PWR HOLDINGS LIMITED (ASX: PWH)

WHAT WE SEE – DOMINANT MARKET POSITION AND POTENTIAL FOR GROWTH

- We believe PWR has a dominant competitive position in niche cooling solutions and is loved by its customers.
- Motorsport events have resumed with a packed schedule for the rest of 2020 while management have highlighted its pipeline of work being its strongest in years.
- Our assessment indicates the company has highly attractive financial characteristics and a large reinvestment opportunity as it expands into new markets such as electric vehicles and military applications. For example, PWR's products are used to cool complex batteries and electronics which can become overheated during use.
- As at 30 September 2020, PWR comprised 2.3% of the PIC portfolio.

Source: Perpetual Equity Investment Company Limited

WESTERN AREAS LIMITED (ASX: WSA)

AUSTRALIAN SMALL CAP STOCK

WESTERN AREAS LTD

COMPANY

- WSA operates a portfolio of low-cost, high-grade nickel mines in Western Australia.
- The main asset is the 100% owned Forrestania nickel projects where WSA currently produces ~22kt of nickel from the Flying Fox and Spotted Quoll mine.
- WSA is also developing the Odysseus mine at the Cosmos Nickel Operation.

PASSING OUR FOUR QUALITY FILTERS

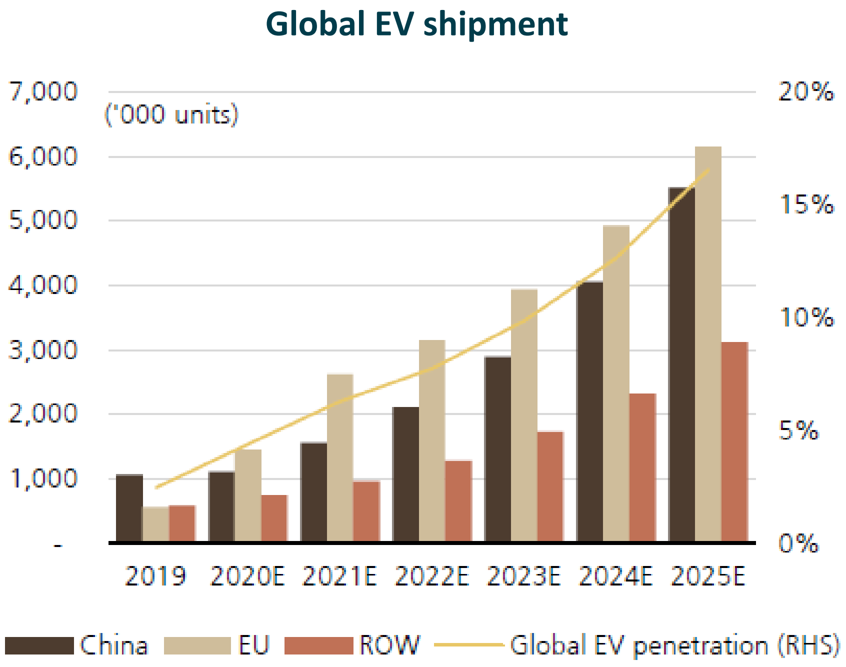
1. **Quality of business** – low cost nickel producer with a 10+ year mine life from Odysseus.
2. **Conservative debt** – at the end of FY20, strong balance sheet with cash of $145m and no debt. Increased EBITDA of 51% and improved EBITDA margin of 39%.
3. **Sound management** – we consider Management have a demonstrated operational track record.
4. **Recurring earnings** – WSA has generated earnings for the last 3 years.

Source: Perpetual Equity Investment Company Limited

WESTERN AREAS LIMITED (ASX: WSA)

THE OPPORTUNITY – GROWING DEMAND OF ELECTRIC VEHICLES (EVs)

- Current market share of EVs in the global automotive market is ~2%. This is expected to grow to 20-60% by 2030 depending on model roll-outs, government incentives and reaching cost/performance parity with internal combustion engines.
- Increased market share for EVs is expected to drive a massive increase in battery production over this decade, and the raw materials (e.g. nickel) that are required to make batteries.
- Tesla alone is targeting 3TWhr[1] of battery production by 2030, from a target for 2022 of 100GWhr[2], which IF achieved would represent ~30% of the global automotive sales by 2030.



Source: UBS
[1] Terawatt Hour (energy unit)
[2] Gigawatt hour (energy unit)

WESTERN AREAS LIMITED (ASX: WSA)

WHAT WE SEE – NICKEL PRODUCTION CONSTRAINT

- Based on current production, we consider nickel to be the most geologically constrained battery material with the shortest reserve life of ~33 years. There are a lot of lithium projects globally that can fill the demand growth, but very few major nickel projects.

- Nickel is currently primarily used in stainless steel production. >50% of current nickel production is in the form of Ferro Nickel or Nickel Pig Iron (NPI). This source of nickel production is not suitable for use in battery production without incurring significant costs.

- We believe this creates an inherent advantage for nickel sulphate producers (~40% of nickel supply) like WSA. This benefit not only comes from higher prices and premia, but also through the "payability", or the percentage of the nickel price paid to the mining company for the concentrate. The payability used to be ~70%, but appears to be approaching 80%, which may drive higher revenue.

LA FRANCAISE DES JEUX SA (PAR: FDJ)

GLOBAL STOCK

COMPANY

- French listed lottery and sports betting operator that has, up until the IPO, been owned and operated by the French Government.
- We participated in the IPO in November 2019 when it listed on Paris Stock Exchange.

PASSING OUR FOUR QUALITY FILTERS

1. **Quality of business** – FDJ holds a 25 year monopoly licence to operate the French lotteries – 4th largest lottery in the world. It also has 45% market share in the French sports-betting market including the exclusive license to operate off-line sports-betting.
2. **Conservative debt** – The company has a net cash balance sheet.
3. **Sound management** – Longstanding CEO/COO (10/13 year tenure) with demonstrated capability.
4. **Recurring earnings** – Long track record of consistent earnings growth at attractive margins. The 2010-2019 EBITDA CAGR was 10%.

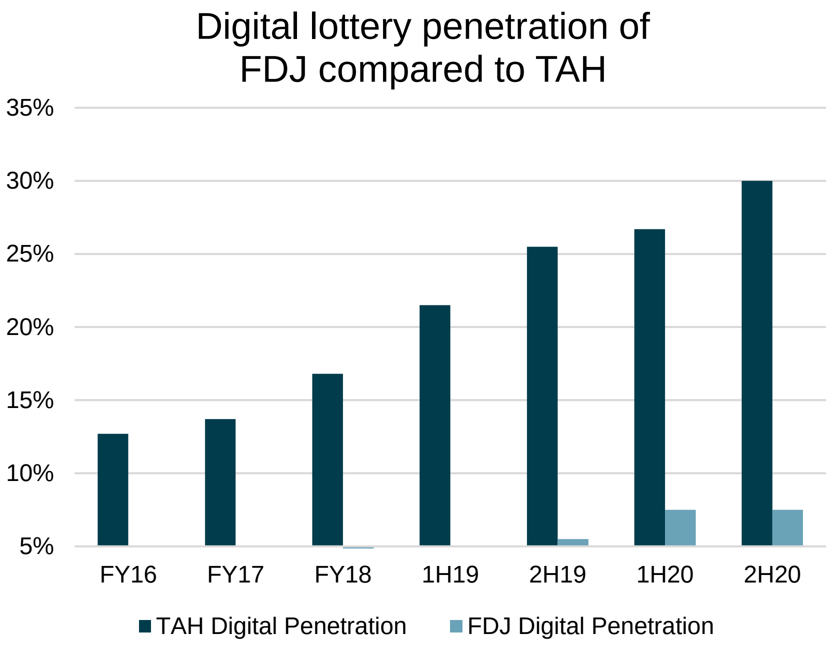
Source: Perpetual Equity Investment Company Limited

LA FRANCAISE DES JEUX SA (PAR: FDJ)

THE OPPORTUNITY – INCREASE IN DIGITAL PENETRATION OF LOTTERIES

- One of the major attractions for FDJ is the potential for earnings growth through the expected increase in digital penetration of lotteries.

- We have observed this dynamic in our analysis of Tabcorp Holdings Limited (ASX: TAH) and other global lotteries.
  - FDJ is still in the early stages of this journey with approximately 8% digital penetration in lotteries compared to TAH at 30%.



Source: Tabcorp Holdings Limited; La Francaise Des Jeux

LA FRANCAISE DES JEUX SA (PAR: FDJ)

THE OPPORTUNITY – INCREASE IN DIGITAL PENETRATION OF LOTTERIES

- Digital channel sales are at a higher margin – we estimate EBITDA margins of 18% in the digital channel vs 9% in offline channels (e.g. retail sales) for FDJ.
- 3 - 5% staking growth (in line with historical trends) per annum with shift to digital channel. This translates to a strong forecast of free cash flow growth in a monopoly environment.
- We estimate that FDJ is priced at an attractive 20x price to earnings multiple (P/E) and >5% free cash flow yield for financial year 2022. FDJ also has a net cash balance sheet.
- Therefore, our view is that FDJ is undervalued compared to companies with similar characteristics given the infrastructure like qualities of the asset and the upside opportunity from improving digital penetration.
- As at 30 September 2020, FDJ comprised 6.3% of the PIC portfolio.

PERSIMMON PLC (LON: PSN)

GLOBAL STOCK

COMPANY

- Leading UK homebuilder that targets the low to mid-end market across the UK.
- Operates Persimmon Homes, Charles Church and Westbury Partnerships which all aim to build quality homes across the UK, though with a skew to the north.

PASSING OUR FOUR QUALITY FILTERS

1. **Quality of business** – the company generates industry leading margins and invests strategically through the cycle.
2. **Conservative debt** – net cash balance sheet with about 10% of its market capitalisation in cash. Strong balance sheet allowed PSN to make the decision not to access any form of government support during the COVID-19 shutdown period.
3. **Sound management** – PSN’s new CEO started only last month, though industry feedback has been positive around his prior role as CEO of National Express Plc, Britain’s leading transport group.
4. **Recurring earnings** – our assessment indicates that PSN has sustainably delivered strong returns and its strategic land base sets it up for sustainable returns in future years.

Source: Perpetual Equity Investment Company Limited

PERSIMMON PLC (LON: PSN)

THE OPPORTUNITY

- As COVID-19 has impacted economies globally, residential housing has been a bright spot in the UK. Low mortgage rates, supportive government policy and a shift to more spacious living has led to a boom in housing demand.
- As PSN did not access government support during the COVID-19 shutdown period, they resumed operations swiftly in April/May compared to many other UK businesses.
- PSN has significant land holdings – we estimate that the value of its strategic land holding combined with current land bank supports 2x the current value of the company.
- Likely to benefit from government stimulus policy to homeowners in the short-term compared to other homebuilders as PSN is overweight low-end housing.
- In mid-August 2020, the company indicated that it had seen an approximately 49% year on year increase in average weekly private sales rates per site since the start of July and its forward order book was 21% higher than last year.
- As at 30 September 2020, PSN represented 2.8% of the PIC portfolio.

INVESTMENT PORTFOLIO PERFORMANCE

POSITIVE PERFORMANCE COMPARED TO THE BENCHMARK

AS AT 30 SEPTEMBER 2020	1 MTH	3 MTHS	6 MTHS	1 YR	2 YR P.A	3 YRS P.A.	5 YRS P.A.	SINCE INCEPTION P.A.
PIC Investment Portfolio[1] Net of fees, expenses and before tax paid	-0.8%	5.5%	29.5%	3.5%	3.6%	5.7%	8.1%	7.4%
S&P/ASX 300 Accumulation Index	-3.6%	-0.1%	16.7%	-10.0%	0.7%	4.9%	7.4%	6.5%
Excess Returns	**2.8%**	**5.5%**	**12.8%**	**13.4%**	**2.9%**	**0.8%**	**0.7%**	**1.0%**

1. 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.

Source: Perpetual Equity Investment Company Limited; as at 30 September 2020

SUMMARY

ACTIVE MANAGEMENT CAN PROVE BENEFICIAL IN TIMES OF MARKET VOLATILITY

- PIC's flexible investment strategy combined with our in-depth research means we can quickly take advantage of opportunities to add to our existing positions or invest in new companies.
- PIC can provide diversification to your portfolio through our typically mid-cap bias and ability to invest offshore.
- We believe our highly active approach has contributed to strong investment performance with the portfolio returning 3.5% in the 12 months to 30 September 2020, outperforming the benchmark by 13.4%[1].
- We actively manage the franking credit balance throughout the year and aim to deliver investors with a fully franked dividend and a dividend yield that compare favourably to the market.

Source: Perpetual Equity Investment Company Limited

[1.] 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.

PERPETUAL EQUITY INVESTMENT COMPANY

QUESTIONS

Perpetual