

PERPETUAL
EQUITY
INVESTMENT
COMPANY
LIMITED

Perpetual Equity Investment
Company Limited
ABN 68 601 406 419

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14 December 2021

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

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 30 November 2021 (as attached).

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

Karen Davis
Investor Relations
Perpetual Investment Management Limited
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Yours faithfully



Sylvie Dimarco
Company Secretary
(Authorising Officer)

INVESTMENT UPDATE AND NTA REPORT

November 2021

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 30 NOVEMBER 2021	AMOUNT
NTA after tax	\$1.286
NTA before tax	\$1.333

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 capital raising costs and 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 NOVEMBER 2021

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$483 million
Share Price:	\$1.29
Shares on Issue:	374,314,954
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

* exclusive of GST

INVESTMENT PERFORMANCE

AS AT 30 NOVEMBER 2021	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PIC Investment Portfolio	-4.4%	-3.4%	2.7%	20.5%	16.5%	16.3%	12.4%	11.0%
Net of fees, expenses and before tax paid								
S&P/ASX 300 Acc Index	-0.5%	-2.3%	3.6%	16.0%	6.8%	12.9%	10.3%	9.4%
Excess Returns	-3.8%	-1.1%	-0.9%	4.5%	9.7%	3.4%	2.1%	1.5%

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
ANZ Banking Group Ltd.	7.4%
Crown Resorts Limited	7.1%
BHP Group Ltd	6.8%
Oil Search Limited	6.2%
a2 Milk Company Ltd.	4.4%

TOP 3 GLOBAL LISTED SECURITIES

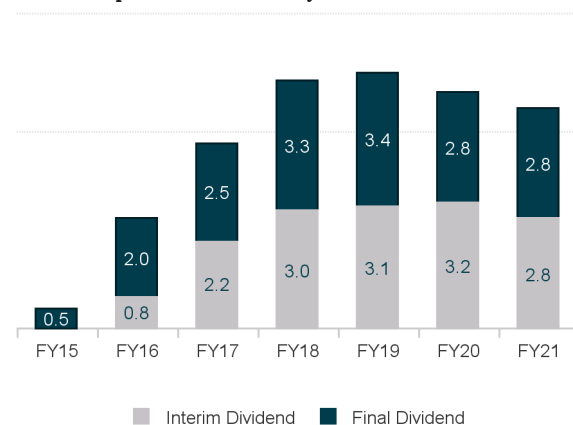
COMPANY	PORTFOLIO WEIGHT
Ferguson Plc	4.1%
La Francaise des Jeux SA	3.7%
Flutter Entertainment Plc	3.5%

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

DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.3%

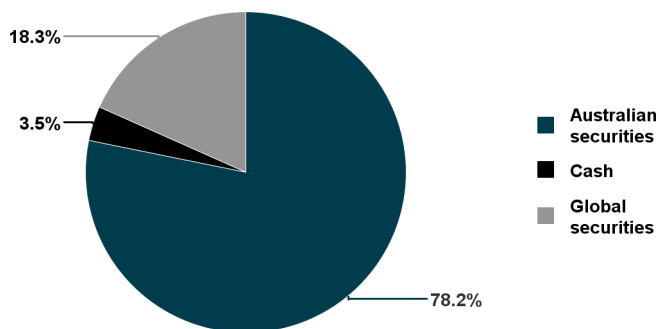
Grossed up annual dividend yield: 6.2%



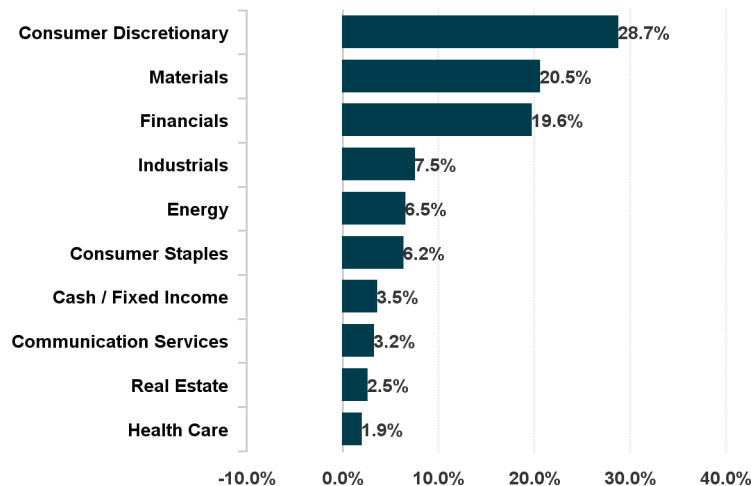
Yield is calculated based on the total dividends of 5.6 cents per share and the closing share price of \$1.290 as at 30 November 2021. Grossed up yield takes into account franking credits at a tax rate of 30%.

ALLOCATION OF INVESTMENTS[^]

96.5% 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. Allocations may not sum to 100% due to rounding.

PORTFOLIO COMMENTARY

Markets began well in November, buoyed by a range of strong economic data and affirmation from the Reserve Bank of Australia (RBA) that there would be no hikes in interest rates until 2023 or 2024; this is despite the futures markets appearing to price in inflation pressure which may force them to raise rates next year. The ANZ Australian Job Advertisement Series released in November¹ showed an increase in job advertisements of +6.2% in October compared to -2.8% in September². In addition, retail sales were up +4.9% in October compared to +1.3% in September and -1.7% in August³.

The reopening of Sydney and Melbourne positively impacted business conditions and consumer confidence, however the closing days of November were dominated by new COVID fears. First, a surge in cases ahead of the northern winter began gripping Europe and the US and then news of a new variant, Omicron, sent markets into a tailspin. Whilst details of the new variant were mixed, investors decided to panic first and ask questions later.

Pro cyclical value stocks, including consumer discretionary stocks such as travel and retail generally sold down aggressively, leading them to underperform relative to growth stocks by month close. For the 1 month to 30 November 2021, the PIC portfolio underperformed the S&P/ASX 300 Accumulation Index (the benchmark) by -3.8%. Over the 12 months to 30 November, the portfolio outperformed the benchmark by 4.5%.⁴ The top contributors to absolute portfolio performance in November were Crown Resorts Limited (ASX: CWN), BHP Group Ltd (ASX: BHP), Ferguson PLC (LON: FERG) and Step One Clothing Limited (ASX: STP). On the domestic front, the share price for CWN, which is currently subject to a takeover bid from Blackstone, proved resilient, increasing 11% over the month to close at \$11.02 on 30 November 2021. Globally, FERG continued its positive momentum, delivering strong profit growth over the quarter while navigating supply chain pressures. FERG along with CWN were top contributors to absolute performance for the 3 months to 30 November 2021.

For the month of November, the largest detractors to the portfolio's absolute performance were Flutter Entertainment (LON: FLTR), Oil Search (ASX: OSH) and Scientific Games Corporation (NAS: SGMS).

¹ Source: ANZ Research.

https://media.anz.com/content/dam/mediacentre/pdfs/jobads/2021/ANZ_Australian_Job_Ads_lockdown_losses_recovered.pdf

² Source: https://media.anz.com/content/dam/mediacentre/pdfs/jobads/2021/ANZ_Australian_Job_Ads.pdf

³ Source: Factset

⁴ 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.

Below, we hear from members of the Manager's broader equities team. Equities Dealer, Nick Buisman provides insights on the portfolio's recent acquisition of De'Longhi S.p.A (MIL: DLG), and Senior Equities Analyst, Clarke Wilkins, discusses Oil Search (ASX: OSH) and the approved merger with Santos Limited (ASX: STO). They outline the investment thesis and the research undertaken by the broader equities team to support PIC Portfolio Manager Vince Pezzullo's stock selection.

DE'LONGHI S.P.A (MIL: DLG) (EQUITIES DEALER, EQUITIES – NICK BUISMAN)

De'Longhi SpA (MIL: DLG) is a globally recognised brand and leading manufacturer of small domestic appliances, headquartered and listed in Italy. DLG design and manufacture household appliances including coffee machines, cooking and food preparation, home care and air conditioning. Their products are synonymous with quality, innovation, and design. DLG operate under the De'Longhi, Kenwood, Braun, Ariete, and Nutribullet brands and their products are sold in more than 120 markets globally, generating revenue in excess of €2.3 billion in financial year 2020. By selling across a variety of household appliance categories through numerous retailers and channels globally, DLG has been able to diversify and reduce their dependence on any specific product, end market or distribution partner.

In pursuing quality global exposures, we recently initiated a position in DLG for the PIC portfolio. We are attracted to the company due to their strong balance sheet, dominant market position (35% share of European coffee machine market) and premium pricing power. We view their ongoing product development and innovation as a competitive advantage. Furthermore, DLG are vertically integrated, manufacturing out of three facilities in Europe and two facilities in China which they own and operate, allowing them to better control not only quality but also costs.

It is our view that the U.S. represents a significant growth opportunity for DLG over the medium-to-long term. The U.S. coffee machine market is estimated to be worth €1.8 billion annually and espresso machines are significantly underpenetrated, making up approximately 5-10% market share by volume versus filtered (drip) machines with 90-95% share. For reference, this split in Europe is closer to 50%/50%, where espresso has grown at 11% compound annual growth rate between 2005 to 2020. We believe DLG is well positioned to benefit from this, with a sound balance sheet providing optionality and investment for growth.

OIL SEARCH LIMITED (ASX: OSH) (SENIOR EQUITIES ANALYST, EQUITIES – CLARKE WILKINS)

The scheme of arrangement merger with Santos Limited (ASX: STO) was approved by shareholders on 7 December, and the final Papua New Guinea (PNG) court approval was received on 9 December 2021. As a result, OSH ceased to trade on the ASX after 10 December 2021.

Shareholders received 0.6275 STO shares for every OSH share and will end up owning 38.5% of the combined company. We believe there are significant synergies and opportunities that can be unlocked from the merged company. The balance sheet of STO has the financial flexibility to advance the key growth projects, that as a standalone company, OSH would have been unable to do due to the lack of a credit rating (a result of being domiciled in PNG), and the dwindling pool of funds available to finance oil & gas projects. We also see the potential for the merged company to sell down a stake in PNG Liquefied Natural Gas (LNG) existing producing assets to create greater alignment of the Joint Venture Partners in the Papua LNG project. The potential sell down of the combined 42.5% stake in PNG LNG would increase balance sheet capacity, which could be further boosted by a sell down of the 51% stake in the Pikka project in Alaska. STO also has its own growth projects and is progressing a carbon capture and storage project at Moomba, South Australia, that could be an enabler for future hydrogen production. Although oil prices are likely to have ongoing volatility on COVID mutations, demand is still revering and latent supply from The Organization of the Petroleum Exporting Countries and other producers will be absorbed in 2022. Despite the decarbonisation of global transportation and energy generation, oil demand is still expected to increase over the next few years to above the pre-COVID level of ~100 million barrels per day. We believe that with a lack of investment in new capacity to offset natural field decline, and the challenges in financing new projects, STO is well placed to benefit from a period of robust oil prices before demand ultimately declines beyond 2030. LNG prices have maintained ongoing strength as Europe looks to build sufficient stockpiles for winter, with increased interest in contracting long-term supply de-risking the LNG growth of STO.

COMPANY NEWS

HALF YEAR RESULTS 2022

The Company's half year results for financial year 2022, including any dividend announcement, will be announced on 23 February 2022.

BONUS ISSUE OF OPTIONS

On 29 June 2021, all eligible shareholders received their allotment of the one-for-one issue of bonus Options which the Company had [announced](#) on 2 June 2021. The Options are trading on the ASX, under the ASX code PICOA.

PIC Options provide holders with the opportunity to acquire a PIC ordinary share for \$1.35 (exercise price) per Option before the expiry date of 2 September 2022. The Options [Prospectus](#) should be read carefully and in its entirety before you decide whether to deal in or exercise the Options. Further information on the Options, including the Prospectus and Options Exercise Form is available [here](#).

SHAREHOLDER COMMUNICATIONS

The [PIC website](#) hosts a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources. The [News and Insights section](#) of the website also includes the ability for you to subscribe to receive regular updates via email.

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 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 (see Section 3.7 of the Replacement Prospectus dated 14 October 2014)

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 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 leverages the expertise of Perpetual Asset Management Australia's 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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