

**PERPETUAL**  
EQUITY  
INVESTMENT  
COMPANY  
LIMITED

Perpetual Equity Investment  
Company Limited  
ABN 68 601 406 419

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14 June 2022

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 31 May 2022 (as attached).

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

Karen Trau  
Investor Relations  
Perpetual Investment Management Limited  
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Yours faithfully



Sylvie Dimarco  
Company Secretary  
(Authorising Officer)

# INVESTMENT UPDATE AND NTA REPORT

May 2022

## PORTFOLIO SNAPSHOT

### NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 MAY 2022	AMOUNT
NTA after tax	\$1.287
NTA before tax	\$1.307

Daily NTA is available at [www.perpetualequity.com.au](http://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 31 MAY 2022

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$474 million
Share Price:	\$1.26
Shares on Issue:	376,007,767
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

\* exclusive of GST

## INVESTMENT PERFORMANCE

AS AT 31 MAY 2022	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS P.A.	3 YRS P.A.	5 YRS P.A.	7 YRS P.A.	SINCE INCEP P.A.
PIC Investment Portfolio	-1.6%	-1.2%	2.7%	5.5%	20.9%	14.4%	11.2%	10.8%	10.6%
Net of fees, expenses and before tax paid									
S&P/ASX 300 Acc Index	-2.8%	3.1%	1.0%	4.7%	16.1%	8.0%	9.0%	7.6%	8.9%
Excess Returns	1.2%	-4.3%	1.7%	0.8%	4.9%	6.4%	2.3%	3.2%	1.7%

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
Santos Limited	9.6%
Insurance Australia Group Limited	6.4%
Iluka Resources Limited	6.2%
BHP Group Ltd	5.5%
Westpac Banking Corporation	5.0%

### TOP 3 GLOBAL LISTED SECURITIES

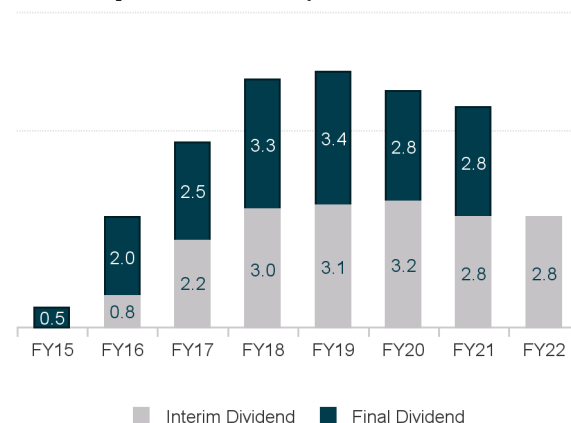
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	6.2%
La Francaise des Jeux SA	5.5%
De'Longhi S.p.A.	2.7%

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

## DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.4%

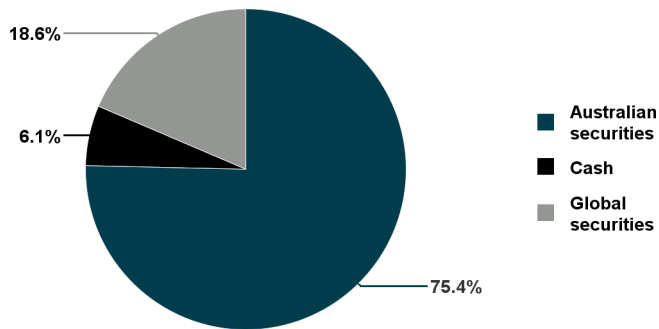
Grossed up annual dividend yield: 6.3%



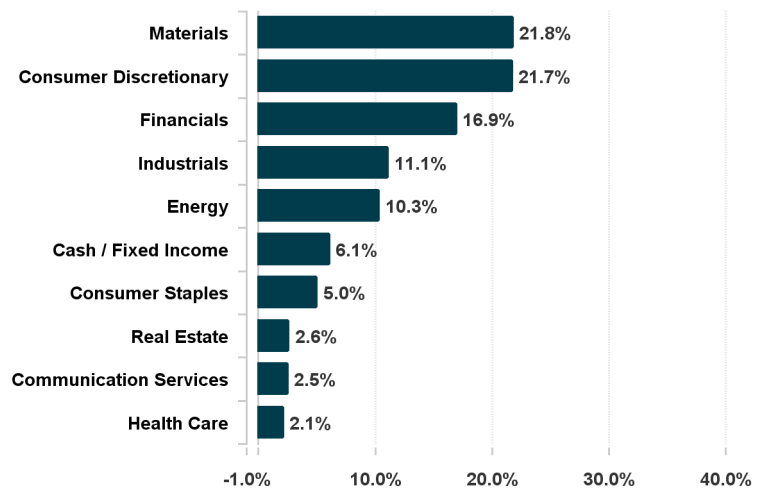
Yield is calculated based on the total dividends of 5.6 cents per share and the closing share price of \$1.260 as at 31 May 2022. Grossed up yield takes into account franking credits at a tax rate of 30%.

## ALLOCATION OF INVESTMENTS ^

93.9% 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

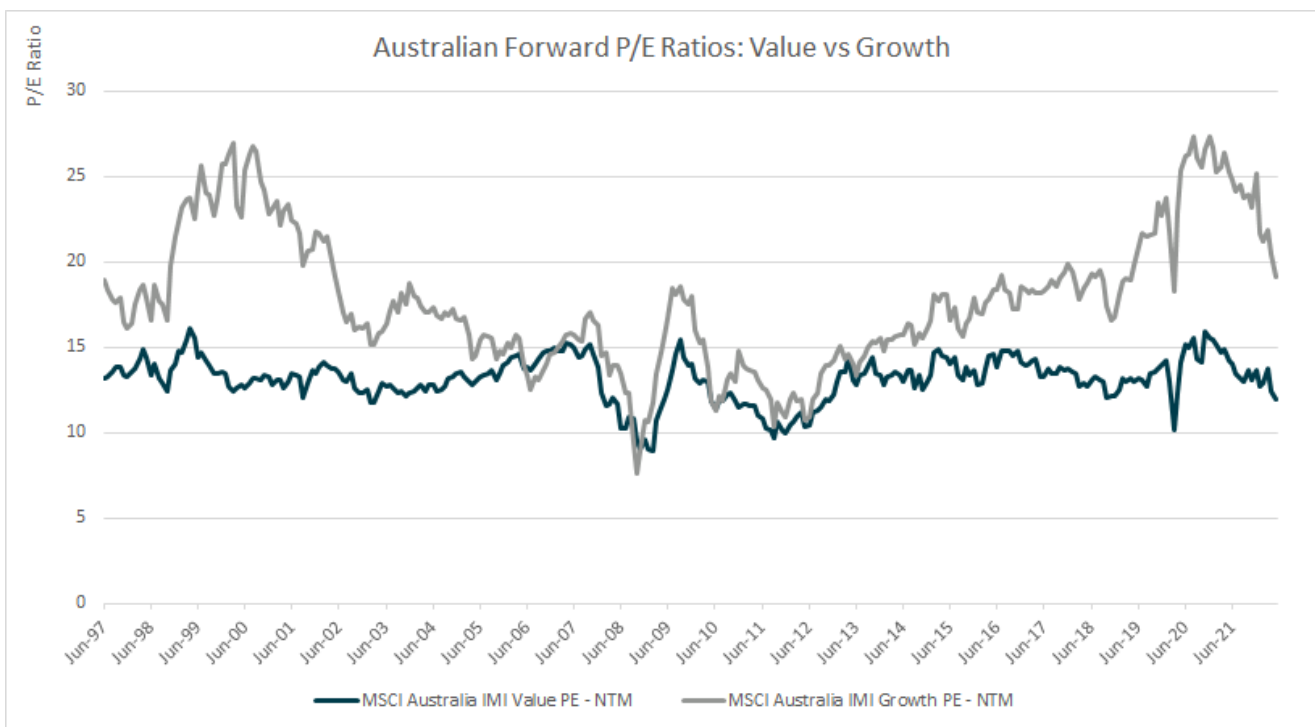
Markets lost ground in May, although in a reversal of recent months the S&P/ASX 300 Accumulation Index (benchmark) returned -2.8%, underperforming the MSCI World Index in AUD which returned -0.9%. It may have been a reflection of higher domestic inflation and more hawkish rhetoric from the Reserve Bank of Australia, which saw the Australian Energy, Financials, IT, Telco and Real Estate sectors all substantially underperform their global peers.

The Manager used May as an opportunity to significantly increase exposure to high quality global businesses that had been swept up in the broader months-long sell-off. Allocation in global listed securities increased from 13.8% in April 2022 to 18.6% in May 2022. The Manager doubled positions in both Flutter Entertainment Plc (LON: FLTR) to 6.2% and Light & Wonder Inc (NASDAQ: LNW) to 2.4%.

The Manager also added to Santos Limited (ASX: STO), which remains undervalued relative to energy prices, and also Healius Limited (ASX: HLS), which the Manager finds attractive as it shifts from COVID-19 to higher margin pathology testing again. The Manager also exited Aristocrat Leisure Limited (ASX: ALL), Premier Investments Limited (ASX: PMV) and ANZ Banking Group (ASX: ANZ) during the month. As a result, the PIC portfolio had zero exposure to Commonwealth Bank of Australia (ASX: CBA), National Australia Bank (ASX: NAB) and ANZ heading into the RBA's shock interest rate hike on 7 June. Collectively those banks made up 15.9% of the benchmark as at 31 May 2022 and this significant active positioning highlights the benchmark unaware nature of our investing style.

More broadly, markets are at an interesting juncture. The sell-off in growth stocks has been substantial as demonstrated in the chart below, but it may not be over. Growth price to earning ratios (P/Es) are still a way off their previous lows. Many stocks in the tech complex, especially in the US, have rallied off recent bottoms, but whether this marks a new bull market or another bear rally is in dispute. Whilst small cap growth has been hit hard, we believe large cap growth still looks expensive, both in Australia and overseas. Much hangs on how the central banks manage the interest rate cycle from here. The US Federal Reserve (Fed) continues to focus on engineering a soft landing, even as it aggressively hikes rates 50 bps per meeting and has implemented Quantitative Tightening. The hope is that the Fed will loosen policy again should the labour market turn. But the history of the Fed is not good on this front with tightening cycles leading to recession more often than not. It requires exquisite timing and no room for mistakes. Yet arguably central banks have already erred by not treating inflation seriously for most of the past 2 years and tightening too late in the cycle.

The PIC portfolio returned -1.6%<sup>^</sup> in May, outperforming the -2.8% return of the benchmark by +1.2%. By far the biggest contributor was Flutter, with the doubling of the portfolio's exposure coinciding with a bottoming and re-rating of the company, which rose +18.3% over the month. Flutter is a dominant player in multiple gaming markets and the Manager finds they are literally years ahead of its competitors. The strong performance of Flutter, Santos and Brambles Limited (ASX: BXB) helped offset a retracement of other cyclical holdings including Jervois Global Limited (ASX: JRV), HT&E Limited (ASX: HT1), Ferguson Plc (which recently re-domiciled from London Stock Exchange to New York Stock Exchange) and Select Harvest Limited (ASX: SHV). It also highlights the benefits of a quality and value investing approach in a range of market conditions. The Manager has also been building a position in Bapcor Limited (ASX: BAP), taking advantage of a recent sell-off to re-establish the portfolio in a business that the Manager believes has strong potential to improve its performance.



Source: Factset

## SANTOS LIMITED (ASX: STO) (SENIOR EQUITIES ANALYST: CLARKE WILKINS)

Santos is an oil and gas producer with assets in Australia and Papua New Guinea (PNG) and they have a development project in Alaska that was acquired as part of the merger with Oil Search Limited in late-2021. A key part of our investment thesis is the leverage that Santos has to domestic gas and export liquefied natural gas (LNG) markets as we believe these forms of energy are key to facilitating Australia and the world to transition to a lower carbon future.

The company has a strong balance sheet with a gearing ratio of 26% as at 31 March 2022 and is expected to deliver significant synergies, valued at US \$90-\$115 million from the Oil Search merger. Santos is also expected to significantly reduce its carbon footprint through the Moomba carbon capture and storage facility that is expected to be replicated at Bayu-Udan and Darwin LNG facility in the future.

A key driver of Santos's share price is global energy markets and we have seen these tighten of late and oil and gas prices rallying. This follows the recovery from the COVID-19 demand shock that saw oil demand edge back towards the previous level of approximately 100 million barrels per day (mbpd). This was also combined with constrained investment in new capacity due to greater capital discipline from the industry, lack of new discoveries and ESG pressures. The disruption to supply from Russia's invasion of Ukraine has tightened oil markets even further as countries and companies sanction Russian supply which makes up approximately 10% of global supply. Europe is also looking to diversify its sources of gas to decrease their heavy reliance on Russia. One of the ways it is looking to do this is through increasing LNG imports and Santos is a key global producer through its stake in the PNG LNG, Gladstone LNG, and Darwin LNG assets.

Another reason we view Santos as a compelling opportunity is the asset sell-downs to improve the balance sheet even further and management minimising the risk of stretching the balance sheet through over committing to projects in an inflationary environment when capital expenditure budgets are likely to come under pressure. Santos currently has a 42.5% stake in PNG LNG, which is higher than the operator of the project, ExxonMobil who has 33%. It is expected that Santos will sell down its stake in PNG LNG to approximately 30%. Part of the rationale for the sell-down is to potentially bring in Total, another operator, into PNG LNG to align the interests of the parties in the Papua LNG project which is managed by Total and Santos who has a diluted interest of 17.7%. Santos is also looking to sell down its 80% stake in the Dorado, WA project around the time of the final investment decision for the project in late-2022. Another material asset sell-down decision is the Pikka project in Alaska. Santos currently has a 51% stake and they have previously targeted to reduce the equity interest to approximately 30% ahead of final investment decision in late-2022. Successful execution of all these sell-downs would see the company significantly exceed its target of US\$2 – 3 billion in asset sales in 2022, although we do expect the timeline to slip into 2023 given the complexities of negotiations with various stakeholders and counter parties. We would welcome these sales as it would significantly cut Santos' capital expenditure, improve its cashflow and potentially lead to a re-rating of the stock.

As at 31 May 2022, Santos was the top holding in the portfolio and comprised 9.6%.

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## COMPANY NEWS

### BONUS ISSUE OF OPTIONS

Shareholders are reminded that in June 2021, the Company [announced](#) a one-for-one issue of bonus options which provides 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 are trading on the ASX under the ASX code PICOA.

The options provide shareholders with the opportunity to purchase additional shares and participate in the potential growth of the Company without incurring brokerage or transaction costs. Option holders that elect to exercise some or all of their PIC options before the ex-date will also be entitled to the dividend for that respective period.

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. You can also elect to receive electronic communications by logging into the Link investor portal [here](#).

### 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

### INVESTOR RELATIONS

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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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