

14 August 2023

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

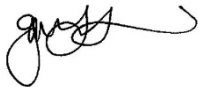
## Perpetual Equity Investment Company Limited Monthly Investment Update and NTA Report

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 July 2023 (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  
P: 02 9229 3138  
E: [karen.trau@perpetual.com.au](mailto:karen.trau@perpetual.com.au)

Yours faithfully



Gananatha Minithantri

Company Secretary  
(Authorising Officer)

# INVESTMENT UPDATE AND NTA REPORT

## JULY 2023

### PORTFOLIO SNAPSHOT

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

AS AT 31 JULY 2023	AMOUNT
NTA after tax	\$1.291
NTA before tax	\$1.313

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 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 JULY 2023

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$456 million
Share Price:	\$1.205
Shares on Issue:	378,388,340
Dividends:	Half-yearly
Management Fee:	1.00% p.a.*
Manager:	Perpetual Investment Management Limited

\* exclusive of GST

### INVESTMENT PERFORMANCE

AS AT 31 JULY 2023	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 <small>Net of fees, expenses and before tax paid</small>	1.8%	0.8%	3.1%	15.4%	5.1%	16.0%	9.8%	10.5%	9.9%
S&P/ASX 300 Acc Index	2.9%	2.0%	1.0%	11.1%	4.2%	11.9%	7.5%	8.4%	8.5%
Excess Returns	-1.1%	-1.2%	2.0%	4.3%	0.9%	4.1%	2.4%	2.1%	1.3%

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 5 AUSTRALIAN LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Insurance Australia Group Ltd	7.3%
National Australia Bank Limited	7.1%
Commonwealth Bank of Australia	6.4%
BHP Group Ltd	5.6%
Santos Limited	4.1%

#### TOP 3 GLOBAL LISTED SECURITIES

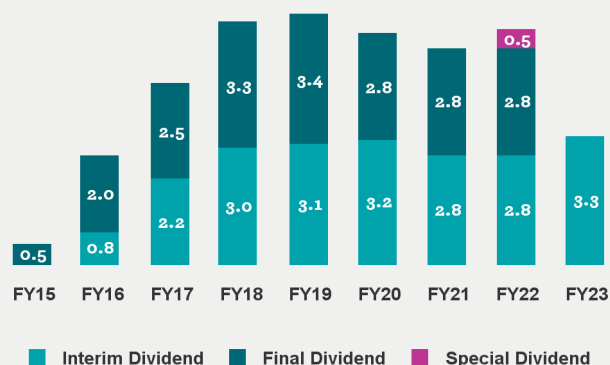
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	5.6%
La Francaise des Jeux SA	3.2%
Light & Wonder, Inc.	0.9%

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

#### DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 5.5%

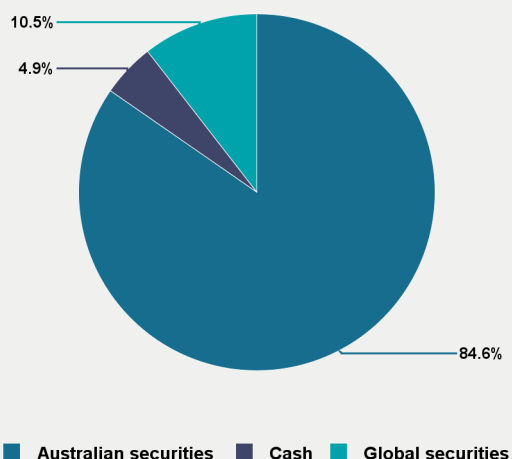
Grossed up annual dividend yield: 7.8%



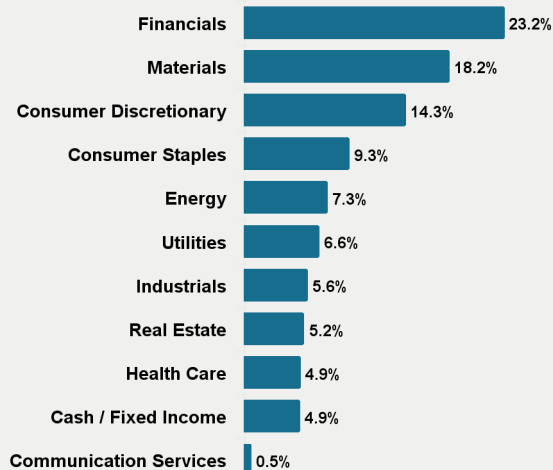
Yield is calculated based on the total dividends of 6.6 cents per share and the closing share price of \$1.205 as at 31 July 2023. Grossed up yield takes into account franking credits at a tax rate of 30%.

## ALLOCATION OF INVESTMENTS<sup>^</sup>

95.1% of capital invested in securities



## PORTFOLIO SECTORS<sup>^</sup>



<sup>^</sup>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

### MARKET COMMENTARY

The S&P/ASX300 Accumulation Index rose 2.9% in July despite the month starting off badly for equities. Australia reported strong building approvals and housing finance for May and the RBA decided not to raise interest rates on the 4th of July. Despite this, the market was hit with a wave of selling in the first week as markets fretted over indebted Chinese property developers and their impact on mainland banks. Hotter than expected Institute of Supply Management (ISM) and jobs data in the US also created fears of drawn-out central bank tightening. Higher bond yields sparked a sell-off in interest rate sensitive stocks. In Australia, a Moody's report showed mortgage delinquencies on the rise.

From the middle of the month however equities rallied again. July Westpac consumer sentiment and NAB business conditions both rose. Markets embraced signs of lower inflation in the US and hopes for a "soft landing" in the economy began to emerge. Chinese policymakers ended a multi year crackdown on the tech sector. The Federal Government announced that Deputy RBA Governor Michelle Bullock would replace incumbent Governor Phil Lowe in September. Another 32,600 jobs were created in June, above the consensus of 15,000, although Q2 inflation came in at 0.8%, below consensus of 1.0%. Headline inflation rose 6.0% in the 12 months to the June quarter versus 6.2% expected. Whilst there was some concern about services inflation running at the highest rate since 2001, overall markets tempered expectations of rate hikes towards the end of the month, with equities finishing the month relatively strongly.

#### Market outlook

A number of challenges loom for markets. In the near term we are focused on the August reporting season and the outlook for corporate earnings. We are also mindful of the ongoing inflation challenge, with services inflation running at the highest level since 2001. Expectations of rising energy prices and strong award wage growth are creating fears that inflation could be stickier in Australia than the US. Unemployment remains just 3.5%, a long way below the 4.5% level that the RBA believes is the NAIRU (non accelerating inflation rate of unemployment) required to keep inflation under control. It may be 3 more years before inflation falls into the RBA's band, during which the risk of inflation expectations embedding into consumer consciousness remains.

Bond markets are also presenting challenges for investors. Whilst equity markets, led by the NASDAQ, have been exuberant about a soft landing, bond markets have been much more cautious, with yields remaining at elevated levels. This may partly reflect scepticism about whether inflation is fully under control. But bond markets may also be becoming more concerned about unsustainable fiscal positions. Just last year bond market vigilantes made short work of Liz Truss' Prime Ministership when she and her Chancellor of the Exchequer delivered unfunded tax cuts. The US 10 Year bond yield has risen back over 4% as the budget deficit expands again. The end of Yield Curve control in Japan will also prove tricky to navigate. A bigger than expected jump in yields could easily hit equities, especially more expensive stocks that have rallied hard.

## PORTFOLIO COMMENTARY

The PIC portfolio participated in the strong market rally in July but did not fully keep pace with the index.

Our position in AGL Energy was the single biggest overweight contributor to performance during July rising +12.8%. The company is in the process of a long-term transformation. This will occur in three distinct phases, with near term strength in wholesale prices, due to mistimed industry closure of fossil fuel, driving a significant boost in cashflow over the next three to four years. In the following decade or so, AGL is expected to contract for and invest significant capital in batteries, solar and wind which will lay the foundations for its transition from a fossil fuel energy generator and retailer into a renewables and firming based company, primarily in battery storage of energy. AGL's oligopolistic position in customer markets provides an essential and valuable hedge during this process which should then allow the company to harvest from its evolved and strong ESG profile. The balance sheet has also improved with debt to equity falling below 40%. While some of the valuation opportunity has been priced, we believe AGL's unique integrated position provides further optionality and margin.

The portfolio does not hold CSL which contributed to the portfolio's relative performance as the stock fell -3.2% during the month. CSL continued to sell off following a profit downgrade and emerging concerns about performance of Argenx's product Vygart Hytrulo (which has proven to be an effective competitor to CSL's IVIG for the treatment of chronic inflammatory demyelinating polyneuropathy (CIDP)). Amongst other things an injection of Vygart Hytrulo takes just 30-90 seconds vs a 1 hour infusion of IVIG. Clients are already voting with their feet and prefer Vygart Hytrulo where available. With CIDP making up 25% of IVIG sales for CSL we think this presents some risk to the company's earnings.

Healius was the largest detractor to portfolio performance in July, falling -9.8% as the market speculated that the bid by smaller rival ACL could be blocked by the ACCC. Healius' assets have attracted interest from private equity and there are activist investors on the register. With the combined value of Healius' radiology and pathology businesses estimated to be around \$2.6 billion this represents a substantial uplift from the current market capitalisation of \$1.7 billion.

Iluka Resources fell -8% during July, although this comes after an exceptional rise in the share price over the past few years. Iluka is the world's largest producer of rutile and zircon. These minerals generate the cashflow underpinning the bulk of the current valuation of the company. Iluka also owns a valuable stake in Deterra Royalties, which was spun-off in an IPO, as well as a substantial amount of cash. Iluka is also the recipient of a non-recourse loan of more than \$1 billion from the federal government to develop a fully integrated rare earths refinery, making it one of only two outside of China. We believe that this will be the key driver of future value for the company in the decade ahead.

While the economic and market outlook remain uncertain, our broad investment universe across Australian equities, global equities and cash, and our investment philosophy of quality and value continue to point us towards a range of reasonably priced businesses with solid balance sheets and good prospects able to deliver long term returns.

^ 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.

## COMPANY NEWS

### ANNUAL RESULTS

The Company's full year results for financial year 2023, including any dividend declaration, will be announced on 23 August 2023.

### REMINDER: TAX CERTIFICATION COMPLETION

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

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

## WHY CHOOSE THE PERPETUAL EQUITY INVESTMENT COMPANY?

- Designed to deliver investors an income stream of **fully franked dividends**.
- **Active management** to vary the portfolio's exposure to equity market risk, and to enhance the value of the portfolio when opportunities arise both domestically and globally.
- **Flexibility** to invest up to 35% in global securities and up to 25% in cash for diversification with the intention to add returns above the benchmark, or to manage downside risk.
- Access to Perpetual's tried and tested **quality and value** investment process that assesses companies on 4 key quality criteria: quality of business, conservative debt, sound management and recurring earnings.
- **Depth and breadth** of Perpetual's investment team enables it to conduct extensive company visits each year and make decisions to invest in high quality and attractively valued securities based on fundamental, in-depth, bottom-up research.
- **Ease of access** as you can buy and sell PIC on the ASX.
- **Daily NTA published on the ASX** to provide transparency of the portfolio.

## KEY FEATURES

**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.

**ABOUT THE MANAGER** The Company's investment portfolio is managed by Perpetual Investment Management Limited, part of the Perpetual Group, whose has a longstanding commitment to deliver superior outcomes over the long-term for clients. This 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 is Head of Equities and leverages the expertise of Perpetual Asset Management Australia's Equity team, one of the largest investment teams in Australia.

All investments are subject to risk which means the value of investments may rise or fall, which means that you may receive back less than your original investment or you may not receive income over a given time frame. Refer to announcements and other information for the Company lodged with the ASX, which is available at [www.asx.com.au](http://www.asx.com.au). A financial adviser can assist you in determining whether an investment in the Company is suited to your objectives, financial situation or needs.

## CONTACT DETAILS

### For queries regarding investor relations:

**Karen Trau**  
P: 02 9229 3138  
E: [karen.trau@perpetual.com.au](mailto:karen.trau@perpetual.com.au)

### For queries regarding investor shareholdings:

**Link Market Services**  
Investor queries:  
Telephone: +61 1800 421 712  
Mailing Address: Link Market Services,  
Locked Bag A14, Sydney South, NSW 1235  
Email: [pic@linkmarketservices.com.au](mailto:pic@linkmarketservices.com.au)

## FIND OUT MORE

Visit our website [www.perpetual.com.au/equity](http://www.perpetual.com.au/equity) to access a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources.

This publication 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. Neither the Company, PIML, nor any company in the Perpetual Group guarantees the performance of or any return on an investment in the Company. Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries.

