PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

HALF YEAR 2021 KEY HIGHLIGHTS

$55.0 million

Record net operating profit after tax

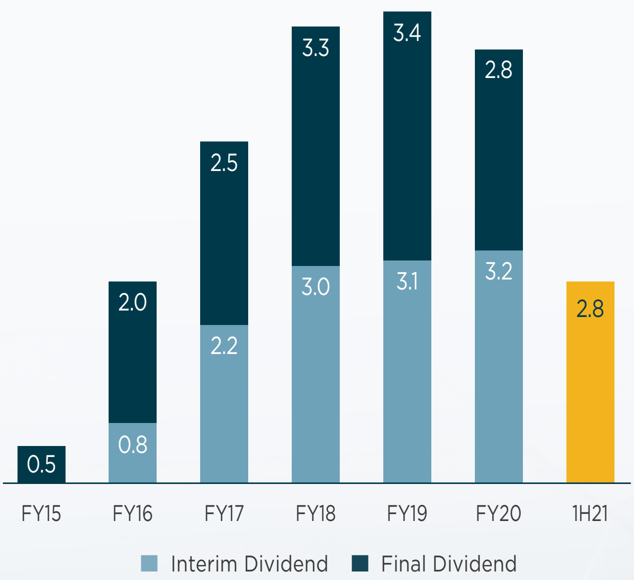
2.8 cents per share

Fully franked interim dividend

6.8%[1]

Grossed up dividend yield

DIVIDENDS IN CENTS PER SHARE (CPS)



Dear Fellow Shareholders,

We live in an environment of ever-changing times and face challenges that are difficult to predict. Hopefully, we are seeing early signs of improvement and recovery with easing restrictions, borders opening and a dramatic share market improvement. Arguably, Australia has fared better than many other countries in managing the COVID-19 pandemic. However, the impact has been significant for many Australians. In that light, we have focused on delivering to our shareholders the certainty we all seek and I am pleased to report that Perpetual Equity Investment Company Limited (PIC) has achieved a record net operating profit after tax of $55.0 million.

PIC has performed well in these volatile market conditions through the Manager's ability to identify opportunities consistent with our investment strategy and act quickly and with conviction. The Manager's performance is driven by active management with a focus on quality and value to deliver investment performance over the long-term. In our view, PIC has delivered exceptional absolute and relative performance over the short and long-term with investment portfolio performance of 60.5%[2], outperforming its benchmark by 22.2% over the 12 months to 31 March 2021. The below update provides some insights into how we achieved this.

Thank you for your continued support and I look forward to sharing our performance with you in the future.

Nancy Fox

Nancy Fox
Chairman

Perpetual

PROVIDING REGULAR INCOME TO SHAREHOLDERS

We believe dividends declared by PIC translate to an attractive dividend yield

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. We understand the value our investors place on income, especially in this current period and we are proud of our established track record of paying fully franked dividends twice a year to investors.

In February, we announced the Company's half year results for financial year 2021. We reported a record net operating profit after tax of $55.0 million and a fully franked interim dividend of 2.8 cents per share. We believe the annual dividend yield of 4.8% and grossed up dividend yield of 6.8%, translates to an attractive yield for our investors[1].

The Board's approach to capital management seeks to strike an appropriate balance of providing income to investors while maintaining profit reserves and franking credits for the payment of future dividends. In doing so, we believe this will continue to grow the capital base of the Company and allow it to pass on the accumulated benefits over time via regular or special dividends.

PORTFOLIO UPDATE

VALUE STOCKS BENEFITING FROM ECONOMIC RECOVERY

PIC investment portfolio performance for 1 year to 31 March 2021 was 60.5%[2], outperforming its benchmark by 22.2%

It has been approximately 12 months since the market bottomed. The broad economic backdrop continues to be a complex mix of opportunities and risks. A dramatic steepening in the yield curve – with both Australian and US 10 year bond yields spiking but official cash rates staying near zero – has sparked a large rotation in equity markets. Expensive growth stocks have struggled while value stocks – like many in the PIC portfolio – that are beneficiaries of economic re-opening, have enjoyed a bounce.

We are excited about the opportunities available and businesses we hold and continue to position the portfolio to benefit from the rotation to recovery and shift to value.

1. Quality at a reasonable price – we are focused on companies we believe are well positioned for realistic future growth and trading at reasonable valuations. For example, our largest positions in the PIC portfolio as at 31 March 2021, Flutter Entertainment Plc (LON: FLTR) and La Francaise Des Jeux (PAR: FDJ). In particular, FLTR continue to prioritise the growth in the business over the long-term through their marketing strategies and unique product innovation. FLTR has been a consistent contributor to absolute performance for the PIC portfolio in recent months. We believe that companies that are willing to invest, rather than cut back, during challenging conditions are the ones that have the greater chance of emerging as long-term winners in their markets.

   While Crown Resorts Limited (ASX: CWN) has faced challenges surrounding their gaming licence in Sydney, we have always considered their underlying assets (entertainment complexes, its hotel business, apartment residences and gaming licences in major cities) to be high quality and well supported by a strong balance sheet. We also note the improvements to CWN's corporate governance of late. The Blackstone bid is vindication of the value we have seen in CWN and the share price soared in March.

2. Cyclicals – companies that are sensitive to the business cycle. We believe a select mix of cyclical value stocks will benefit from the recovery. The banks were early beneficiaries but we think as we get closer to full economic reopening that steel producers like Bluescope Steel Limited (ASX: BSL) and builders such as Boral Limited (ASX: BLD), are amongst many that will benefit. We are also deepening our exposure to miners including OZ Minerals Limited (ASX: OZL), BHP Group Limited (ASX: BHP) and Iluka Resources Limited (ASX: ILU) which are cyclicals and also act as an inflation hedge.

At 31 March 2021, the portfolio is almost fully invested with 1.7% in cash. This is reflective of the numerous opportunities we are seeing in the Australian market and globally. In the past year, our fundamental, bottom-up research has identified companies we have never owned before such as media and entertainment business, HT&E Limited (ASX: HT1). It has also identified companies we have owned in the past that we now consider attractively valued such as Select Harvests Limited (ASX: SHV) and Lloyds Banking Group Plc (LSE: LLOY).

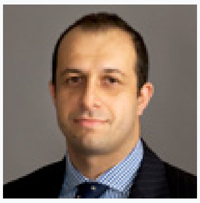
We have always believed active management with a focus on quality and value is critical in making sound investment decisions that will deliver investment performance over the long-term. Staying true to our investment philosophy and employing our proven investment process has, in our view, delivered for our investors with portfolio returns of 60.5%[2], outperforming the benchmark by 22.2% for the 12 months to 31 March 2021.

OUTLOOK

In the short-term, we expect the dramatic shift in equity markets towards value stocks to continue. This has been driven by the prospect of further economic re-opening leading to a new and sustained business cycle. In general, we have observed value stocks tend to do better during the first part of economic expansions. We also believe that value style investing is due for a recovery after expensive growth stocks dominated market returns in the fading years of the last boom.

There are risks that the enormous stimulus delivered by central banks and governments could spill over into higher inflation as cash handouts, factory restarts, disrupted supply chains, labour shortages and ongoing trade wars may all combine to push up prices. However, we are of the view that even if this happens, it tends to favour value stocks in the mining and energy sectors. We have positioned the portfolio to take advantage of these opportunities alongside others we believe are quality companies with solid balance sheets, sound management, predictable earnings and are trading at what we consider to be discounted valuations. For Australian companies, we also remain focused on generating franking credits for the portfolio and therefore are carefully selecting companies that have the potential to continue to pay dividends. Notably, the PIC portfolio has typically generated franking credits through tax paid on realised gains in the portfolio.

We believe Perpetual's investment philosophy has proven to deliver over many market cycles and is the reason we continue to follow a disciplined investment process. We are extremely encouraged by the portfolio's performance over the past year and believe the Company's flexible investment strategy combined with our in-depth research will allow us to continue to adapt swiftly to changing market conditions and benefit investors over the long-term.



Vince Pezzullo
Deputy Head of Equities,
Perpetual Investments

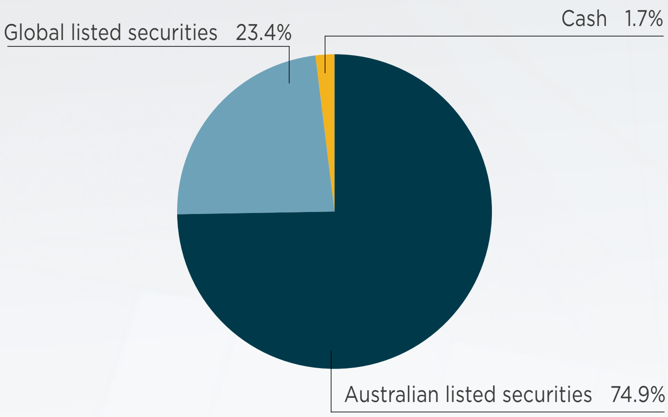
Portfolio Manager, Perpetual Equity Investment Company Limited
(ASX: PIC)

Investment Performance

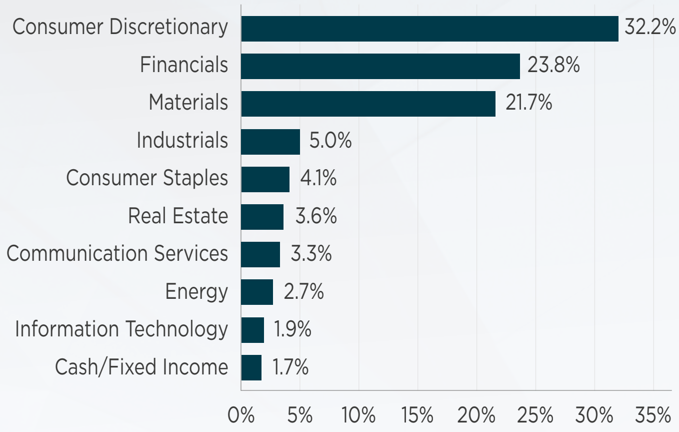
AS AT 31 MARCH 2021	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEPTION P.A.
PIC Investment Portfolio* Net of fees, expenses and before tax paid	4.2%	7.4%	24.0%	60.5%	17.2%	12.7%	12.1%	10.5%
S&P/ASX 300 Accumulation Index	2.3%	4.2%	18.5%	38.3%	8.7%	9.7%	10.3%	8.8%
Excess Returns	1.9%	3.3%	5.5%	22.2%	8.5%	3.0%	1.8%	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 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 returns may not sum to Excess Returns due to rounding.

Allocation of investments as at 31 March 2021^



Portfolio Sectors^



Top holdings in PIC as at 31 March 2021

PWR Performance Products
PERSIMMON
CROWN RESORTS
FDJ
BORAL
SUNCORP
Flutter
BLUESCOPE

FIND OUT MORE INFORMATION

Visit our website www.perpetualequity.com.au to subscribe for the monthly investment update as well as insights from the Manager, dividend history and educational resources.

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1 Yield is calculated based on the total grossed up dividends of 8.0 cents per share (taking franking credits into account) and the closing share price of $1.17 as at 31 December 2020.

2 The benchmark is the S&P/ASX 300 Accumulation Index. Returns have been calculated on the growth of 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.

^ 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.

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