

9 March 2017

PERPETUAL
EQUITY
INVESTMENT
COMPANY

1H17 RESULTS INVESTOR UPDATE

SIX MONTHS TO 31 DECEMBER 2016

Perpetual 

IMPORTANT NOTE

This information was prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426 and issued by Perpetual Trustee Company Limited (PTCL) ABN 42 000 001 007, AFSL 236643. PIML is the Manager for the Perpetual Equity Investment Company Limited (Company) ACN 601 406 419.

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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.

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PRESENTERS



GEOFF LLOYD

CEO and
Managing Director, Perpetual
Executive Director, PIC



VINCE PEZZULLO

Portfolio Manager,
Perpetual Investments

AGENDA

- Company Update
- Markets, Process And Performance
- Shareholder Services
- Questions

COMPANY UPDATE

Perpetual 

INVESTING FOR REGULAR INCOME AND LONG-TERM CAPITAL GROWTH

PIC: MANAGER WITH PROVEN TRACK RECORD



Actively managed by
Perpetual investment
professionals



Concentrated
20 – 40 stock
portfolio



Access to high quality
Australian and global listed
securities (typically mid-cap)



Benchmark
and sector
unaware

INVESTMENT OBJECTIVES

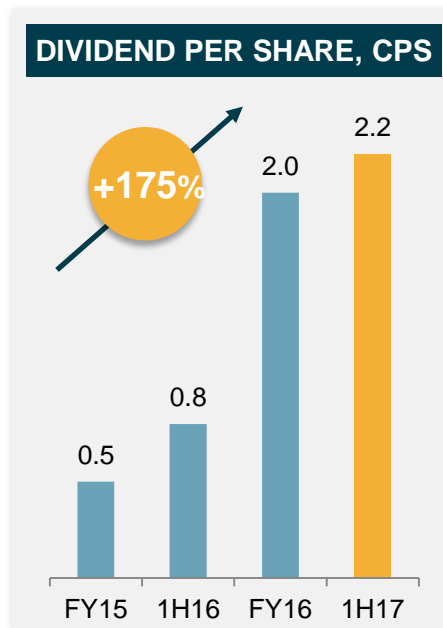
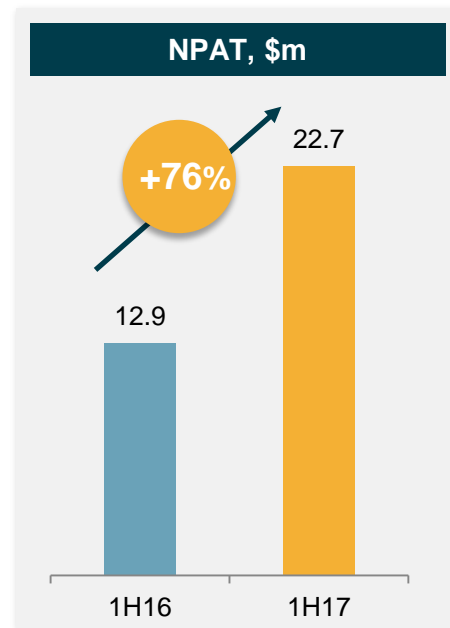
- Deliver a growing income stream
- Provide long term capital growth
- Exceed its benchmark

PORTFOLIO MANAGER – VINCE PEZZULLO

- 20+ years in financial services industry
- Extensive domestic and global equity experience

1H17 OVERVIEW

STRONG RESULTS AND INCREASED DIVIDEND



\$22.7m

Operating profit
after tax

2.2 cents

Fully franked
interim dividend

\$1.083*

Net tangible assets
per share

11.2%^

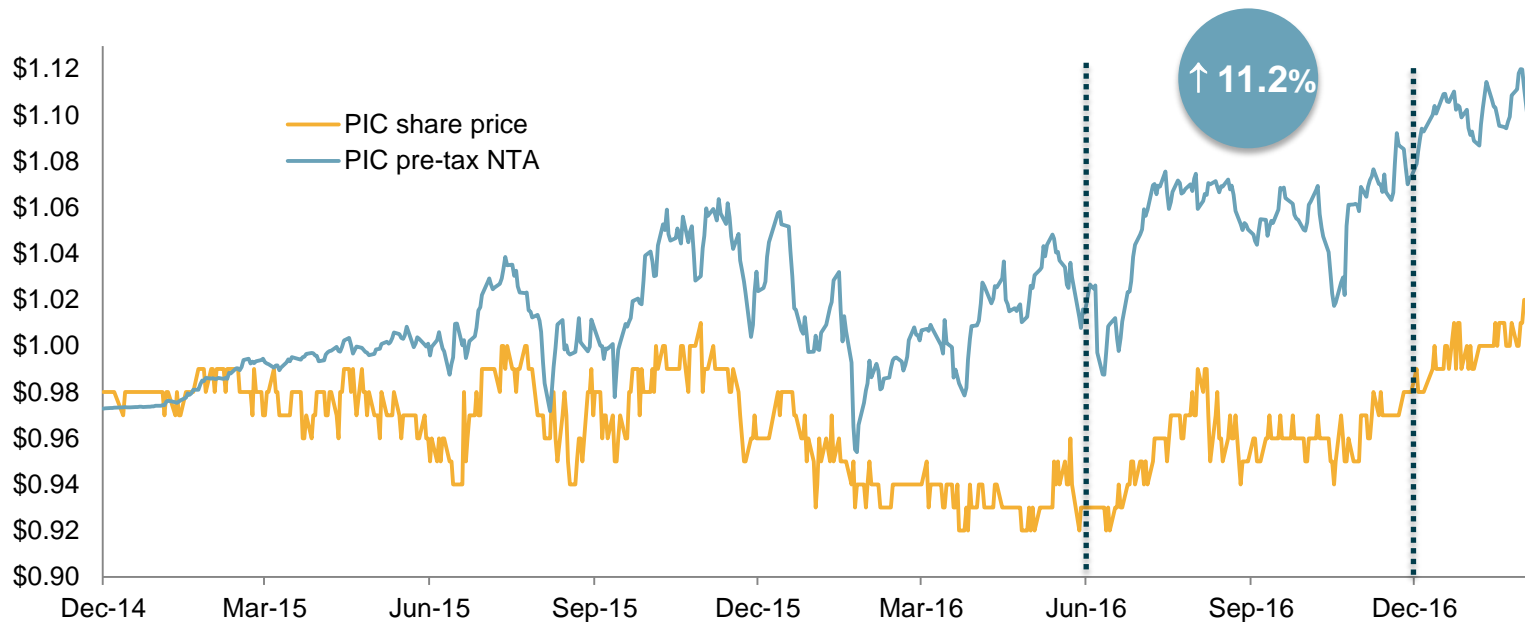
Portfolio performance
6 months to 31 Dec 16

Source: Perpetual Equity Investment Company Limited (PIC) as at 31 December 2016.

^ Returns shown for PIC have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees and any income tax on realised gains) and assuming reinvestment of dividends. Any provisions for deferred tax on set up costs and on unrealised gains and losses are excluded. The benchmark is the S&P/ASX 300 Accumulation Index. Past performance is not indicative of future performance. *All figures are unaudited and approximate

PORTFOLIO NTA GREW 11.2% IN 1H17

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Source: FactSet, RBC – as at 24 Feb '17

Pre tax NTA returns shown for the Company have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees and any income tax on realised gains) and assuming reinvestment of dividends. 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.

PROVEN TRACK RECORD



Established in 1886, Perpetual is one of Australia's **most respected** fund managers, with a passion for **protecting** and **growing** our clients' wealth



Perpetual is an **active, value** manager, with a bottom-up investment process



One of the largest investment teams in Australia that conducts **more than 1,000 company meetings** each year



A\$31.9bn funds under management (at 31 December 2016)



Perpetual Investments is part of Perpetual Limited (ASX:PPT)



Provider of **market-leading** equities, fixed income, cash and multi asset solutions

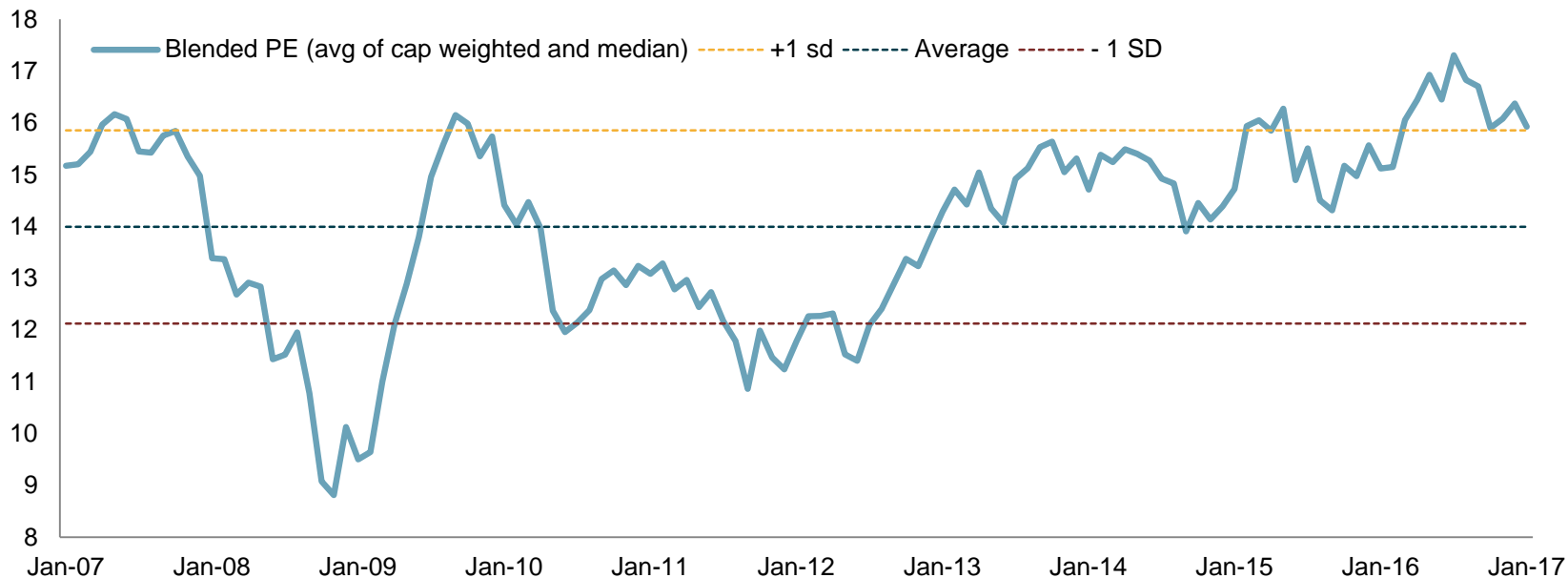


MARKETS, PROCESS AND PERFORMANCE

Perpetual 

MARKET CONDITIONS AND OUTLOOK

S&P/ASX 200 1YR FORWARD PRICE EARNINGS RATIO



Source: FactSet, as at 27 Feb '17

SD – Standard Deviation.

OUR INVESTMENT PHILOSOPHY

QUALITY & VALUE FOCUS

OUR FOCUS

1

Quality business

2

Conservative debt

3

Sound management

4

Recurring earnings

THIS MEANS:



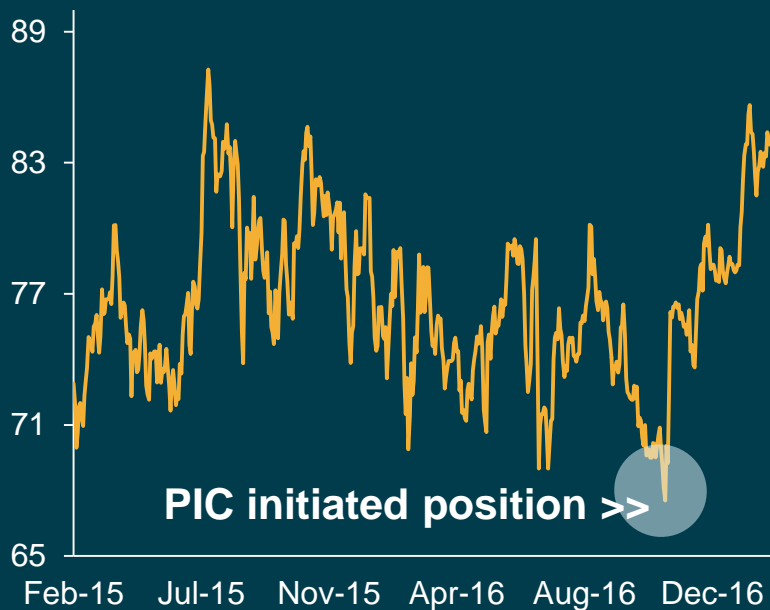
We seek quality companies
at attractive valuations



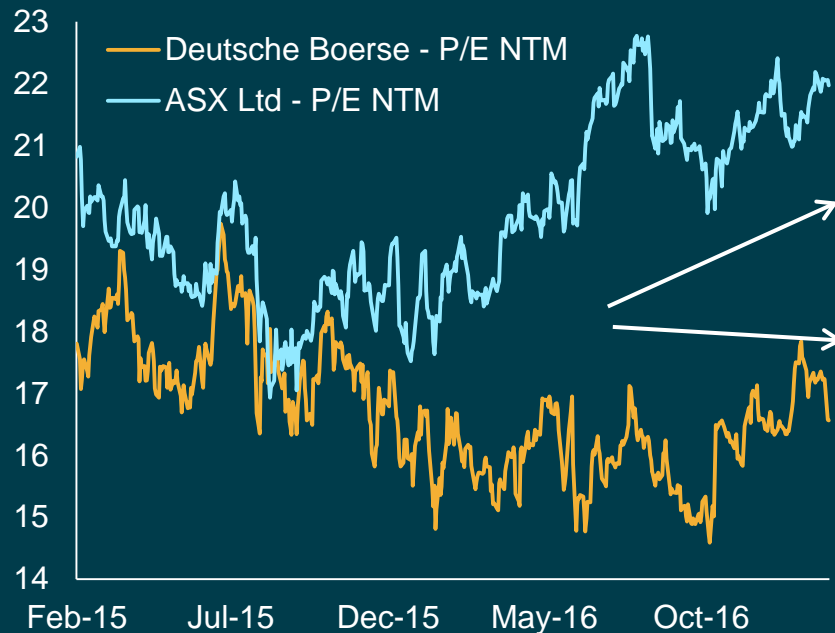
We cautiously
deploy your capital

THE PROCESS IN ACTION: DEUTSCHE BOERSE AG

DEUTSCHE BOERSE - SHARE PRICE (EUR)



FORWARD P/E MULTIPLES



THE PROCESS IN ACTION:

DEUTSCHE
BOERSE AG



IDEA IDENTIFICATION

OPPORTUNITY

- Share price weakness stemming from depressed operating environment and European stability concerns

SCREENING

- Compared well quantitatively with market and peers
- Initially ticked a lot of boxes:
 - **Understandable business** – Operates pre-through post- trade securities services
 - **Great long term track record** – Fundamental operations yielding stable/growing dividends for >15 years
 - **Barriers to entry** – Very stable, incumbent positions in key markets through collateral positioning, scale and capital efficiencies
 - **Generating free cash** – capex needs are low
 - **Growing sales and fixed cost base** – steady, growing revenues and fixed costs provide operating leverage
 - **Improving operating environment** – Cyclically difficult environment showing the first signs of improvement

THE PROCESS IN ACTION: DEUTSCHE BOERSE AG



IN-DEPTH, FUNDAMENTAL RESEARCH

MAJOR CONCERNS

- i. Permanent “lower for longer” interest rate environment
- ii. New European regulatory environment a headwind
- iii. Weak cash equities volumes

WORK

- US economic data supporting beginning of upward interest rate cycle – combined with economic improvement and inflation will have similar EU impact sooner than priced
- Regulation provides tailwinds – pushing volumes on exchange from OTC as well as unappreciated resilience to certain MiFID II changes through collateral management and market positioning
- Cash equities cyclically depressed, contribute <10% of revenues – not going to be a significant future driver



CONCLUSIONS

- Trading significantly below global peers
- Liked the business (leading, defensible market positions) and potential improvement from cyclically depressed market dynamics (rising interest rates and cyclical volatility improvement) – wavering “lower for longer” causes return of speculation and hedging
- Attractive yield
- PIC started buying in Oct '16 below €70/share, on a P/E ~14.5x, EV/EBIT 10x

CONTRIBUTORS & DETRACTORS

SIX MONTHS TO 31 DECEMBER 2016



WHAT HAS WORKED

COMPANY

BlueScope

Bank of America Corp

Royal Philips

SAI Global Ltd

Woolworths Ltd



WHAT HASN'T WORKED

COMPANY

Henderson Group Plc

Sky Network Television Ltd

Star

PORTFOLIO POSITIONING



TOP 5 AUSTRALIAN SECURITIES

| COMPANY | PORTFOLIO WEIGHT % |
|----------------------------|-----------------------|
| Woolworths Ltd | 12.0 |
| CYBG Plc | 5.4 |
| Medibank Private Ltd | 5.3 |
| Sky Network Television Ltd | 5.1 |
| Suncorp Group Ltd | 4.7 |



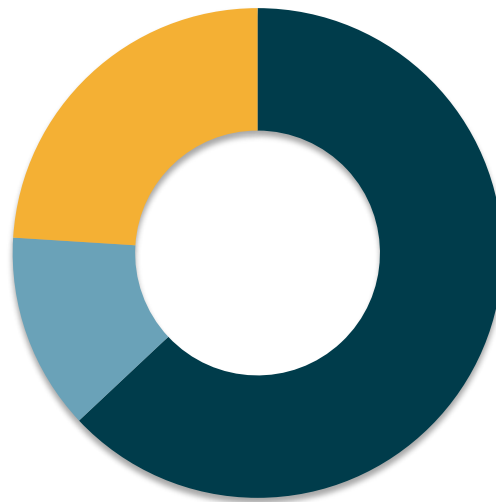
TOP 3 GLOBAL SECURITIES

| COMPANY | PORTFOLIO WEIGHT % |
|----------------------|-----------------------|
| Deutsche Boerse AG | 5.7 |
| Icon PLC | 5.3 |
| Bank of America Corp | 2.1 |

Source: Perpetual Equity Investment Company Limited
As at 31 January 2017

ALLOCATION OF INVESTMENTS

- At 31 January, 77% of the Portfolio's capital invested in securities
- Cash is used to protect the portfolio and take advantage of attractive opportunities
- Patient and prudent investment style has rewarded shareholders



- Australian securities - 63%
- Global securities - 13%
- Cash - 24%

COMPANY PERFORMANCE

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| AS AT 31 JANUARY 2017 | 1 MTH | 3 MTHS | 6 MTHS | 1 YR P.A. | 2 YRS P.A. | SINCE INCEPTION P.A. |
|---|-------|--------|--------|-----------|------------|-------------------------|
| PIC | 0.3% | 6.1% | 5.2% | 10.2% | 8.0% | 7.7% |
| S&P/ASX 300 Accumulation Index | -0.8% | 6.4% | 3.0% | 17.3% | 5.1% | 8.4% |
| Performance Relative to Benchmark | +1.1% | -0.3% | +2.2% | -7.1% | +2.9 | -0.7% |

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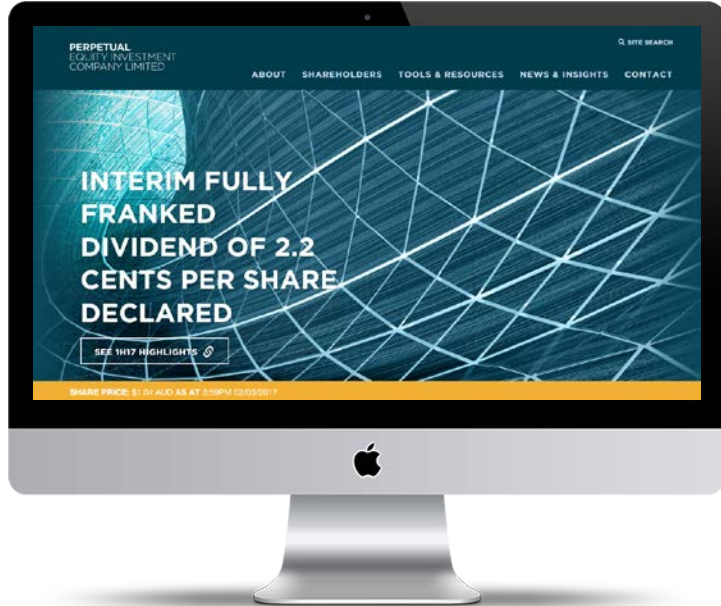
Source: Perpetual Equity Investment Company Limited

SHAREHOLDER SERVICES

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KEEPING YOU INFORMED WITH EXCELLENT SERVICE

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NEW LOOK WEBSITE
www.perpetualequity.com.au



Monthly emails
including market updates



Daily NTA
announcement



Half year and
full year
financial results



Half yearly national
investor presentations
and broker roundtables

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ABOUT SHAREHOLDERS TOOLS & RESOURCES NEWS & INSIGHTS CONTACT

INTERIM FULLY FRANKED DIVIDEND OF 2.2 CENTS PER SHARE DECLARED

[SEE 2017 HIGHLIGHTS](#)

SHARE PRICE: \$1.05 ASX AS AT 20/04/2017

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PERPETUAL EQUITY INVESTMENT COMPANY LIMITED (ASX:PIC)

Perpetual Equity Investment Company Limited is a listed investment company managed by Perpetual Investment Management Limited, one of Australia's most experienced fund managers. Offering investors the opportunity to invest in a concentrated portfolio of high quality (typically mid-cap) Australian and global listed securities.

HOW TO INVEST WITH US

Shares in the Perpetual Equity Investment Company (PIC) are listed and traded on the Australian Securities Exchange (ASX). To become a shareholder, simply buy shares through a stockbroker, financial adviser, web or platform.

[Download a copy of the Perpetual Equity Investment Company Limited Prospectus here.](#)

Features and Benefits

FLEXIBLE INVESTMENT STRATEGY

With the ability to invest up to 80% of the portfolio in both global equities and fixed income products and derivatives, the Company's investment strategy, from the ability to generate returns from global markets and better manage market risk.

TRANSPARENCY, SIMPLICITY, VISIBILITY

Investing in a listed investment that can be bought and sold easily on the ASX and offer you extensive liquidity and control. There's no application form and it's easy to check the latest share market results.

ONE OF AUSTRALIA'S MOST EXPERIENCED FUND MANAGERS

The Company is managed by Perpetual Investment - one of Australia's leading fund managers with a long track record and an experienced and well-resourced investment team.

RIGOROUS COMPANY ANALYSIS AND RESEARCH

The Company's Investment team conducts extensive domestic and global company meetings and calls each year. Its rigorous security selection process is focused on quality and value.

INVESTOR TELECONFERENCE - 2017 RESULTS

Thursday 9 March at 10am (AEST)

[REGISTER NOW](#)

MONTHLY INVESTMENT UPDATE AND NTA REPORT

January Investment Update and NTA Report.

[READ MORE](#)

SHAREHOLDER SERVICES

www.perpetualequity.com.au

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1

Subscribe to email alerts

2

View monthly portfolio holdings and reports (released on the 14th of each month)

3

Daily NTA Reports keep you informed by disclosing the net asset backing per share each day

FOR ALL SHAREHOLDER REGISTRY QUERIES

Contact Link Market Services

Phone 1300 554 474

Email pic@linkmarketservices.com.au

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SUMMARY

- Access a concentrated portfolio of high quality (typically mid-cap) Australian and global listed securities, managed by one of Australia's most respected fund managers, Perpetual Investments
- Perpetual Investments are an award-winning, active, bottom-up, quality and value manager, with a large investment team who complete an extensive number of company visits every year
- The Company aims to deliver long-term capital growth and regular income for investors, and pay regular fully-franked dividends
- PIC is the **only** listed investment company to provide Daily NTA reports, highlighting our transparency and commitment to keeping you informed.

QUESTIONS?

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