



PERPETUAL
EQUITY
INVESTMENT
COMPANY
LIMITED

1H18 RESULTS INVESTOR UPDATE

SIX MONTHS TO 31 DECEMBER 2017

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IMPORTANT NOTE

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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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YOUR PRESENTERS



DAVID LANE

Group Executive, Perpetual
Investments and
Executive Director, PIC



VINCE PEZZULLO

Deputy Head of Equities,
Perpetual Investments and
Portfolio Manager, PIC

AGENDA

- | Company Update
- | Markets, Process And Performance
- | Questions



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COMPANY UPDATE

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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



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



Benchmark
and sector
unaware

INVESTMENT OBJECTIVES

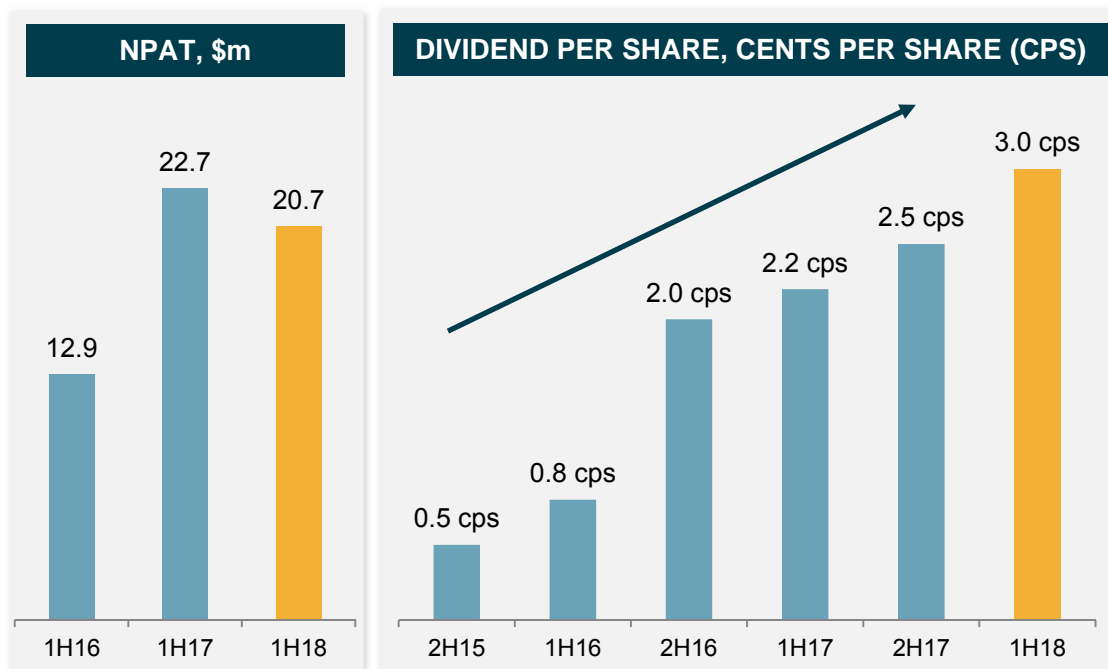
- Deliver a growing income stream
- Provide long term capital growth
- Exceed its benchmark

PORTFOLIO MANAGER – VINCE PEZZULLO

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

1H18 RESULT OVERVIEW

STRONG RESULTS AND INCREASED DIVIDEND



\$20.7m Operating profit after tax

3.0 cents Per share fully franked dividend

\$1.153* Net tangible assets after tax per share as at 31 Dec 2017

10.4%^ Investment performance 6 months to 31 Dec 2017

Source: Perpetual Equity Investment Company Limited (PIC) as at 31 December 2017.

*'After tax' refers to after tax paid and provisions for deferred tax on set-up costs and on unrealised gains and losses in the company's investment portfolio.

^ 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. The benchmark is the S&P/ASX 300 Accumulation Index.

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 Investments 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



Perpetual Investments **\$32.9bn** funds under management (at 31 December 2017)



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



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

Source: Perpetual Investment Management Limited



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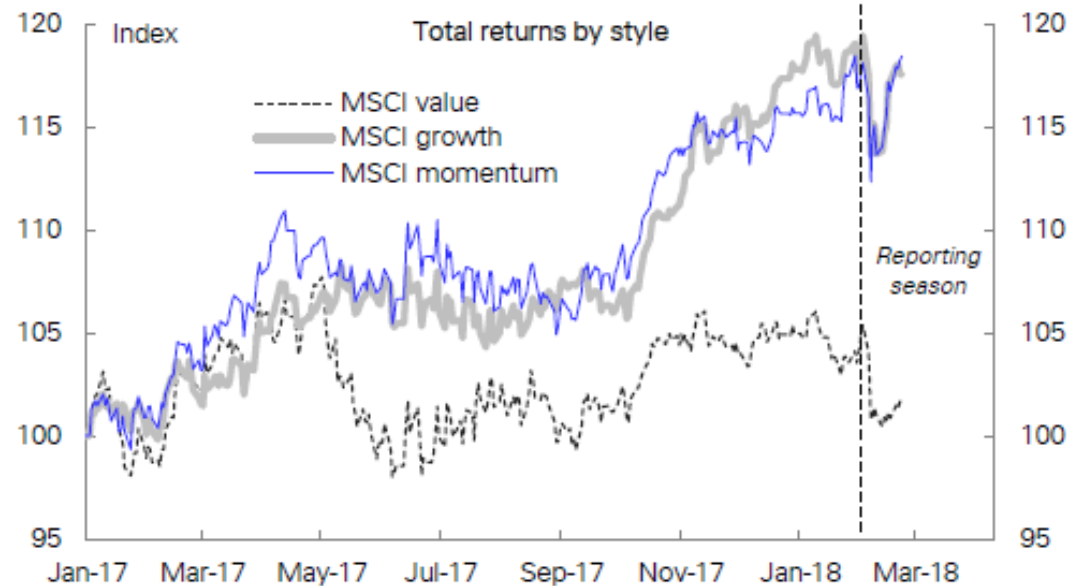
MARKETS, PROCESS & PERFORMANCE

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WHERE ARE WE AT TODAY?

MARKETS DRIVEN BY MOMENTUM RATHER THAN VALUATION CONSIDERATIONS

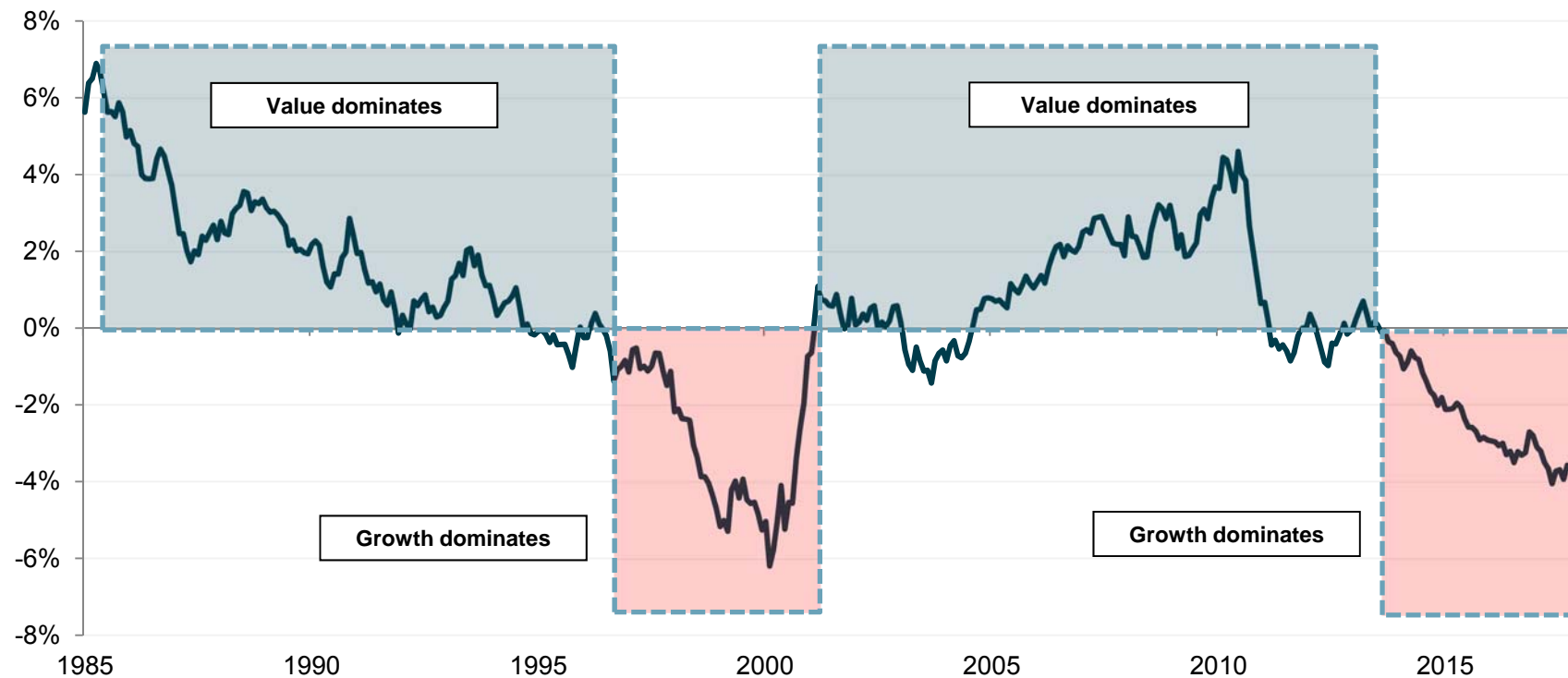
- Growth and momentum stocks have recouped all their losses from the global sell-off, while value stocks have lagged.
- What happened on February 2 may prove to be an early warning for investors.



Source: MSCI, Datastream, Deutsche Bank

BECAUSE VALUE DOMINATES IN THE END..... ...AND VALUE TRADITIONALLY TAKES OVER NOW

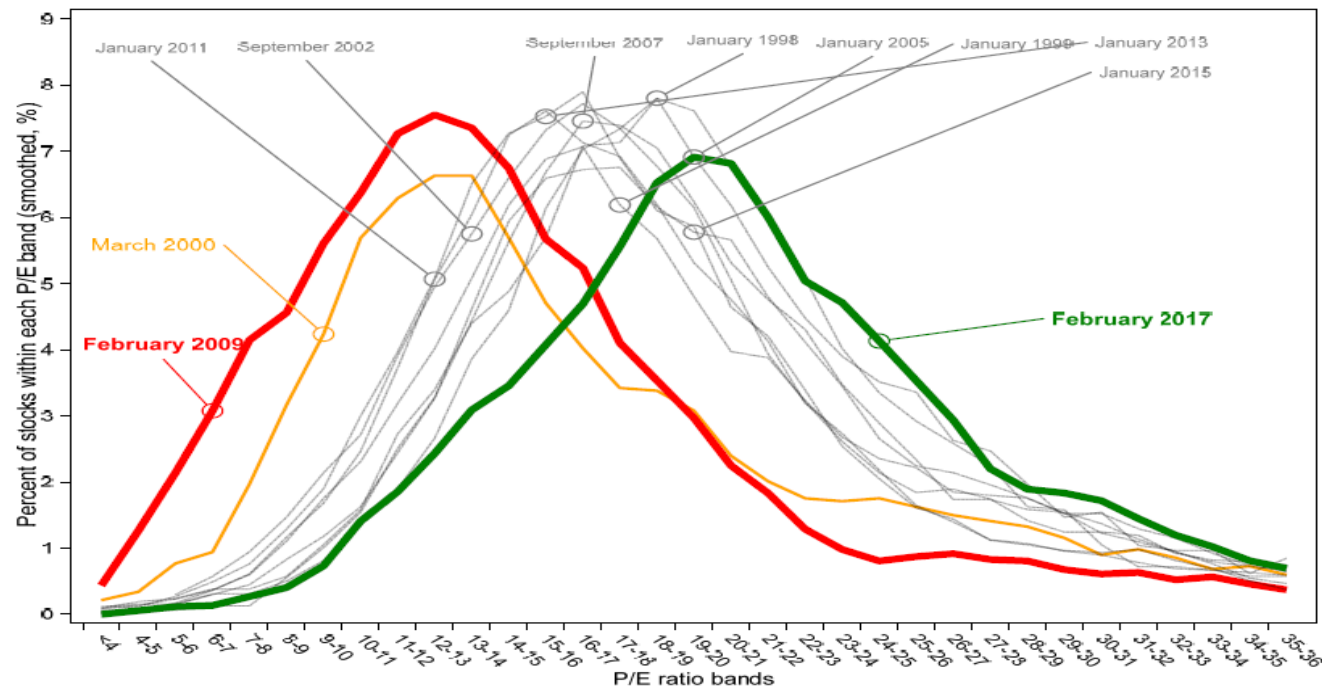
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Source: FactSet

FEWER POCKETS OF OPPORTUNITY IN A INDISCRIMINATE WORLD

Distribution of US stock valuations within the US stock market⁽⁹ⁱⁱ⁾ – at various key points in time



Source: Longview Economics, Macrobond

(9ii) Using data drawn from the component stocks of the S&P500 & NASDAQ Composite indices. Available data ranges from approx. 500 single stocks (at the start – i.e. late 1999) through to 1,300 (latest data points). The percentage of each stock in each PE ratio band is then sized by the sample size at the relevant point in time.

OUR INVESTMENT PHILOSOPHY

QUALITY & VALUE FOCUS

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OUR FOCUS

1

Quality business

3

Sound management

2

Conservative debt

4

Recurring earnings

THIS MEANS:



We seek quality companies
at attractive valuations

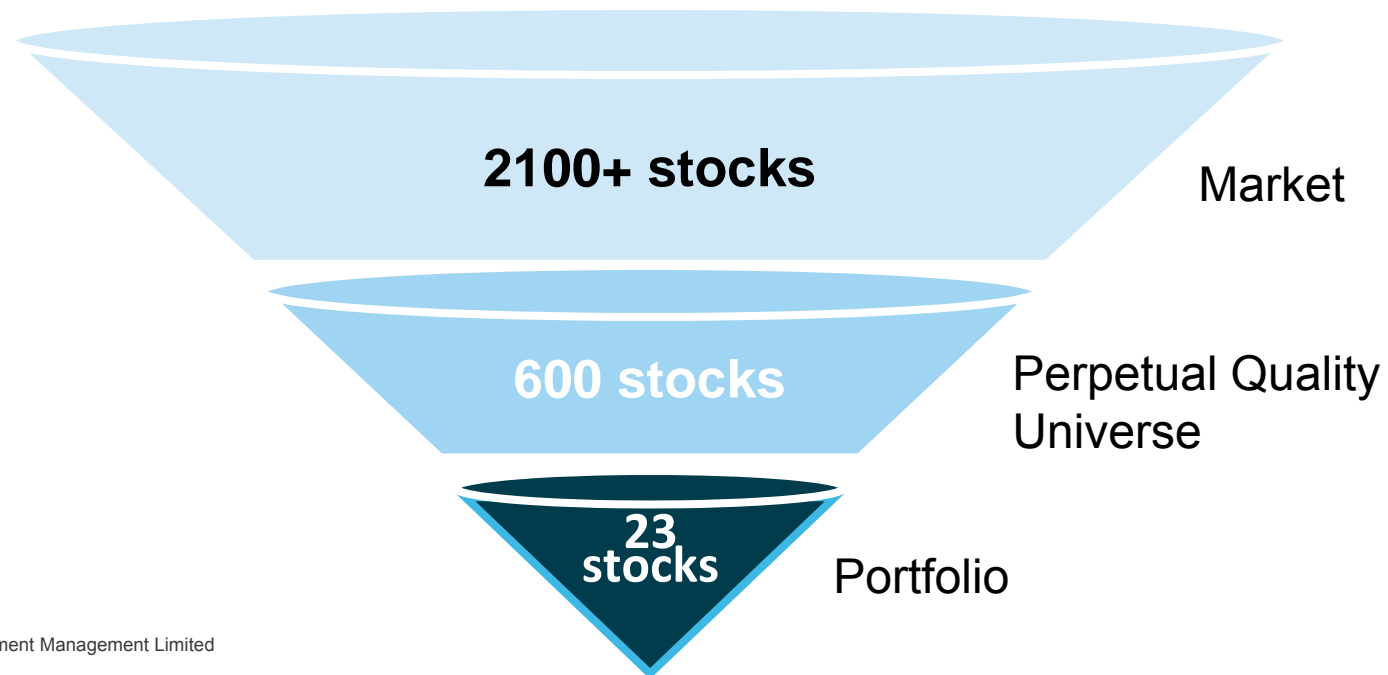


We cautiously
deploy your capital

PROCESS IN ACTION

STOCK SELECTION AS AT 31 JANUARY 2018

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Source: Perpetual Investment Management Limited

PORTFOLIO POSITIONING

KEY STOCKS WE OWN

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COMPANY	RATIONALE	MULTIPLE
	Reduced interest only investor exposure, low credit growth and benign credit cost environment should lead to capital returns. Strong retail and business franchise, strong capital position.	P/E 12.6x, 1.68x P/B, DY 6.19%
	Completed Star Gold Coast investment benefits to be seen in second half, growth in hotel assets via partnership model. Strong balance sheet and improvement.	P/E 17.5x, 1.51x P/B, DY 3.2%
	Rare disease drug company, One of the leading Global Bioplasma Companies, significant free cash flow (FCF) generation.	P/E 8.8x, FCF Yield 11% EPS Growth 7-10%.
	Leveraging data and scale to manage claims inflation & raise profit margins. Opportunities in vertical integration. All underpinned by a very solid net cash balance sheet.	P/E 18.8x, DY 3.9%, 11.7x EV/EBITDA

Source: Perpetual Investment Management Limited

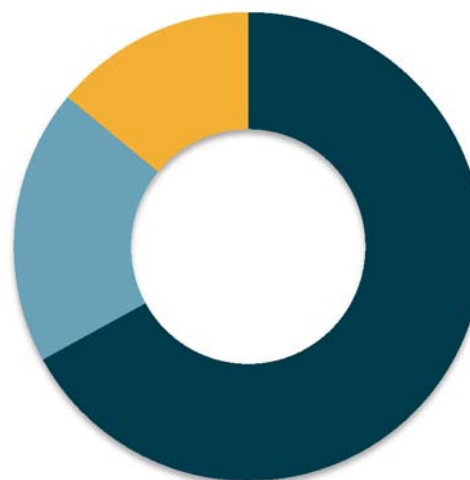
ALLOCATION OF INVESTMENTS AS AT 31 JANUARY 2018

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86% 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 - 67%
- Global securities - 19%
- Cash - 14%

Source: Perpetual Equity Investment Company Limited

INVESTMENT PERFORMANCE

AS AT 31 JANUARY 2018

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31 JANUARY 2018	1 MTH	6 MTHS	1 YR P.A.	3 YRS P.A.	SINCE INCEPTION P.A.
PIC Investment Portfolio ¹ Net of fees, expenses and <u>before tax paid</u>	-1.4%	8.9%	13.2%	10.4%	10.1%
S&P/ASX 300 Accumulation Index	-0.4%	8.2%	12.4%	7.5%	9.6%
Excess Returns	-1.0%	+0.7%	+0.8%	+2.9%	+0.5%

¹Returns 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.

Source: Perpetual Equity Investment Company Limited



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QUESTIONS?

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