

INVESTMENT UPDATE AND NTA REPORT

March 2018

PORTFOLIO SNAPSHOT

NET TANGIBLE ASSET (NTA) BACKING PER SHARE¹

AS AT 31 MARCH 2018	AMOUNT
NTA before tax ²	\$1.089
NTA after tax ²	\$1.090

Daily NTA is available at www.perpetualequity.com.au

¹All figures are unaudited and approximate.

²The before and after tax numbers relate to provisions for deferred tax on set-up costs and on unrealised gains and losses in the Company's investment portfolio. The figures are reduced by a provision for the 3.0 cents per share interim dividend that was declared on 19 February 2018. The ex date for the interim dividend was 20 March 2018 and payment date was 11 April 2018.

KEY ASX INFORMATION

AS AT 31 MARCH 2018

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$280 million

Share price: \$1.105

Shares on issue: 253,845,980

INVESTMENT PERFORMANCE

AS AT 31 MARCH 2018	1 MTH	3 MTHS	6 MTHS	1 YR P.A.	2 YRS P.A.	3 YRS P.A.	SINCE INCEP P.A.
PIC Investment Portfolio ³ Net of fees, expenses and before tax paid	-0.8%	-4.5%	2.4%	7.6%	11.3%	8.6%	8.6%
S&P/ASX 300 Acc Index	-3.7%	-3.8%	3.7%	2.9%	11.2%	3.9%	8.0%
Excess Returns	+3.0%	-0.7%	-1.2%	+4.7%	0.0%	+4.7%	+0.6%

³Returns 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 return may not sum to Excess Return due to rounding.

TOP SECURITIES

TOP 5 AUSTRALIAN LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
Westpac Banking Corp	8.8%
Woolworths Ltd	7.0%
Star Entertainment Group Ltd	5.8%
Suncorp Group Ltd	4.8%
Oil Search Ltd	4.3%

TOP 3 GLOBAL LISTED SECURITIES

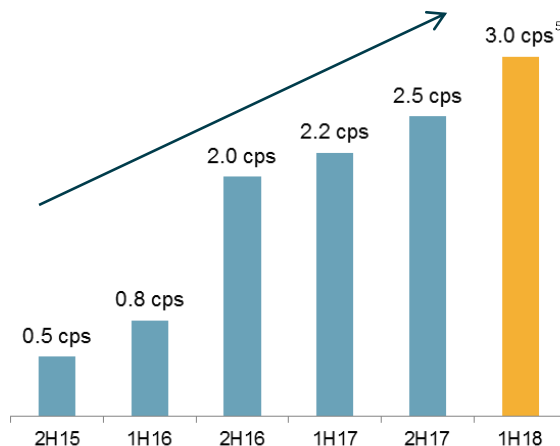
COMPANY	PORTFOLIO WEIGHT
Shire PLC	12.3%
AXA SA	0.9%
Unicredit Spa	0.7%

DIVIDEND PER SHARE, CPS

1H18 interim dividend: 3.0 cents per share

Annual dividend yield: 5.0%⁴

Grossed up annual dividend yield: 7.1%⁴

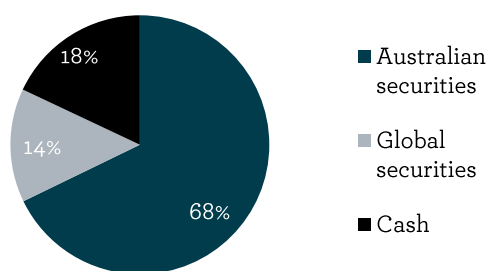


⁴ Yield is calculated using the 2H17 dividend, the 1H18 dividend and the 31 March 2018 share price of \$1.105. Grossed up yield takes franking credits into account.

⁵ Record date for the 1H18 dividend was 21 March 2018 and payment date was 11 April 2018.

ALLOCATION OF INVESTMENTS

82% of capital invested in securities.



PORTFOLIO COMMENTARY

The portfolio performance net of fees and expenses was -0.8% in March outperforming the benchmark S&P/ASX300 Accumulation Index by 3.0%. Since listing, the Perpetual Equity Investment Company Limited's (PIC) portfolio has returned 8.6% per annum net of fees and expenses.

Portfolio holdings in Shire PLC and Alumina contributed positively to performance this month. Shire's share price rallied strongly towards the end of the month on the announcement by Takeda Pharmaceutical Company Limited that it is considering making an approach to Shire regarding a possible offer for the company. In accordance with UK regulation, Takeda now has until the 25 April 2018 to announce a firm intention to make, or not make an offer.

Conversely, the portfolio's positions in Westpac, AXA and Incitec Pivot detracted from returns.

STOCK NEWS

Dulux Group is a leading manufacturer of premium products that are used to enhance and protect a range of environments including homes and work places. As at 31 March 2018 the portfolio allocation to Dulux was 1.11%.

Dulux group owns key brands including Dulux, Selleys and Yates, either globally or in key Asia Pacific markets. These brands are highly recognised and trusted by both retail and trade customers, resulting in low levels of price sensitivity.

The business is relatively defensive with the majority of earnings exposed to the more resilient maintenance and home improvement markets in Australia and New Zealand. There is a strong focus on innovation and the large research and development team ensures sector leading products, further enhancing retailer relationships.

The management team have delivered strong shareholder returns over many years, while continuing to invest in the business. Alignment between shareholders and staff is strong, with an impressive 70% of employees in Australia and New Zealand owning shares.

The balance sheet is solid and the Manager believes that debt levels should fall over time as the recent completion of major capital projects results in improved free cash flow.

MARKET COMMENTARY

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, fell 3.7% during March to post its worst monthly loss since January 2016. The market slumped over escalating concerns of an impending trade war between the US and China triggered by the Trump Government's proposed import tariffs of 25% on steel, 10% on aluminium as well as a 25% tariff on US\$50 billion of Chinese imports.

All sectors ended in the red, with REITS declining the least. The materials sector reversed prior-month gains with commodity prices faltering on a slump in iron ore prices, falling 17.8% amidst declining Chinese steel prices and fears of the global trade war. Coal prices dropped 16.9% and aluminium also lost 7.7%. Energy stocks, however, were moderately supported by rebounding oil prices, with Brent and WTI crude rallying 7.6% and 5.6%, respectively, on an unexpected decline in US inventories and better-than-expected compliance with OPEC production cuts. The banks sold off during March as the Hayne Royal Commission into the banking, superannuation and financial services industry commenced.

In economic news, the Reserve Bank of Australia kept interest rates on hold at 1.50%, citing faster economic growth in 2018 than in 2017. The Australian dollar fell against most of its major trading partners, dropping 1.1% against the USD, 2.0% against the Euro and 2.0% on a trade weighted basis, driven by a sell-off in commodities and in part due to a broader risk-off move in asset markets. Retail sales figures released during March showed a 0.1% increase on January, further unwinding the spike seen in November and placing further downwards pressure on retail stocks. Global markets disappointed as the MSCI World Net Total Return index declined 0.6% in Australian dollar terms. The decline was in part due to the impending US-China trade war and from the divestment in global tech stocks triggered by privacy concerns involving a Facebook data leak.

The best performing sectors for the month, as measured from the S&P/ASX 300 Accumulation Index, were Real Estate (-0.1%), Utilities (-0.8%) and Industrials (-1.1%). The worst performers were Telecommunication Services (-6.2%), Financials (-5.8%) and Materials (-4.2%). As a whole, industrial stocks (-3.6%) outperformed resource stocks (-4.3%) and large cap stocks (-4.1%) underperformed small cap stocks (-2.3%). Value stocks (-5.4%) underperformed growth stocks (-2.8%) as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

COMPANY NEWS

AUSTRALIAN SHAREHOLDERS ASSOCIATION

One of Australia's largest and most highly regarded conferences for individual investors, the Australian Shareholders Association **Your Money, Your Future Conference**, is fast approaching.

We are pleased to announce that Vince Pezzullo, Perpetual Investments Deputy Head of Equities and PIC Portfolio Manager, will be presenting at a breakout session on Tuesday, 22 May at 1pm. Take a look at the full [program](#).

You can register online at the [ASA website](#) or call the ASA office on 1300 368 448.



INVESTMENT PHILOSOPHY

INVESTMENT OBJECTIVE

The investment objective of the Company is to provide investors with a growing 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 provide investors with the opportunity to invest in an actively managed portfolio and to gain access to the investment management experience and expertise of the Manager.

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 Investments
Vince has over 20 years' experience in the financial services industry, has outperformed consistently and has prior global experience as both an analyst and a portfolio manager. Vince leverages the expertise of the Perpetual Investments' Equity team, one of the largest investment teams in Australia.

PERPETUAL KEY CONTACTS

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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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