



**PERPETUAL**  
EQUITY  
INVESTMENT  
COMPANY  
LIMITED

# INVESTOR UPDATE

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September 2018

# IMPORTANT TO NOTE

This investor presentation (Presentation) has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426 and issued by Perpetual Trustee Company Limited (PTCo) ABN 42 000 001 007, AFSL 236643. PIML is the Manager for the Perpetual Equity Investment Company Limited (PIC) ACN 601 406 419. This Presentation has been prepared in connection with the offer of new PIC ordinary shares (New Shares) via a non-renounceable pro rata entitlement offer to eligible shareholders, an offer of the shortfall under the Entitlement Offer to eligible shareholders who wish to subscribe for New Shares in excess of their entitlement and to eligible investors and a general offer to eligible investors (collectively, the Offer).

This Presentation contains summary information about the current activities of PIC as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete. 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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## IMPORTANT TO NOTE (CONTINUED)

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**PAST PERFORMANCE:** Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

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# COMPANY UPDATE

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FULL YEAR 2018 RESULT HIGHLIGHTS

## INVESTING FOR REGULAR INCOME AND LONG-TERM CAPITAL GROWTH MANAGER WITH PROVEN TRACK RECORD



Immediate exposure  
to an actively  
managed portfolio of  
stocks



Flexibility to invest  
25% in global listed  
securities and  
25% in cash



A regular fully  
franked  
dividend stream and long  
term capital growth



Committed to  
transparency and  
keeping investors  
informed

### INVESTMENT OBJECTIVES

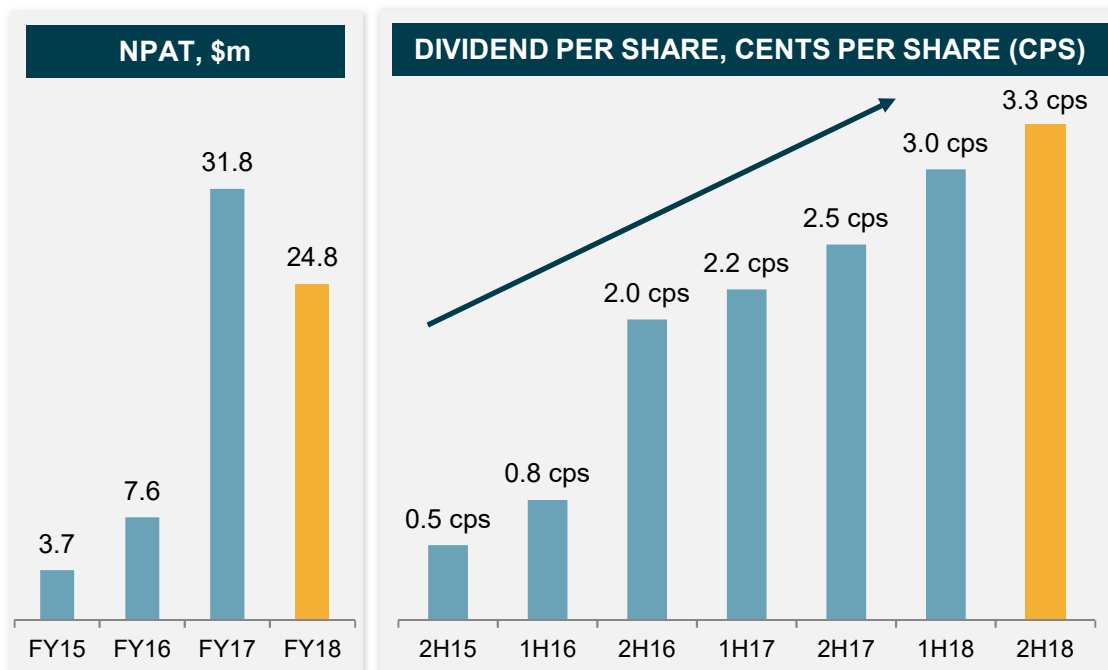
- Deliver a growing income stream
- Provide long term capital growth
- Exceed its benchmark

### PORTFOLIO MANAGER – VINCE PEZZULLO

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

## FULL YEAR 2018 OVERVIEW

### STRONG RESULTS AND INCREASED DIVIDEND



**\$24.8m** **6.3 cents**

Operating profit  
after tax

Per share fully  
franked dividend

**18.8%^**

Total shareholder return  
(dividends and share price  
appreciation)  
1 year to 30 June 2018

**7.55%\***

Gross dividend yield  
taking franking credits  
into account

Source: Perpetual Equity Investment Company Limited (PIC) as at 30 June 2018.

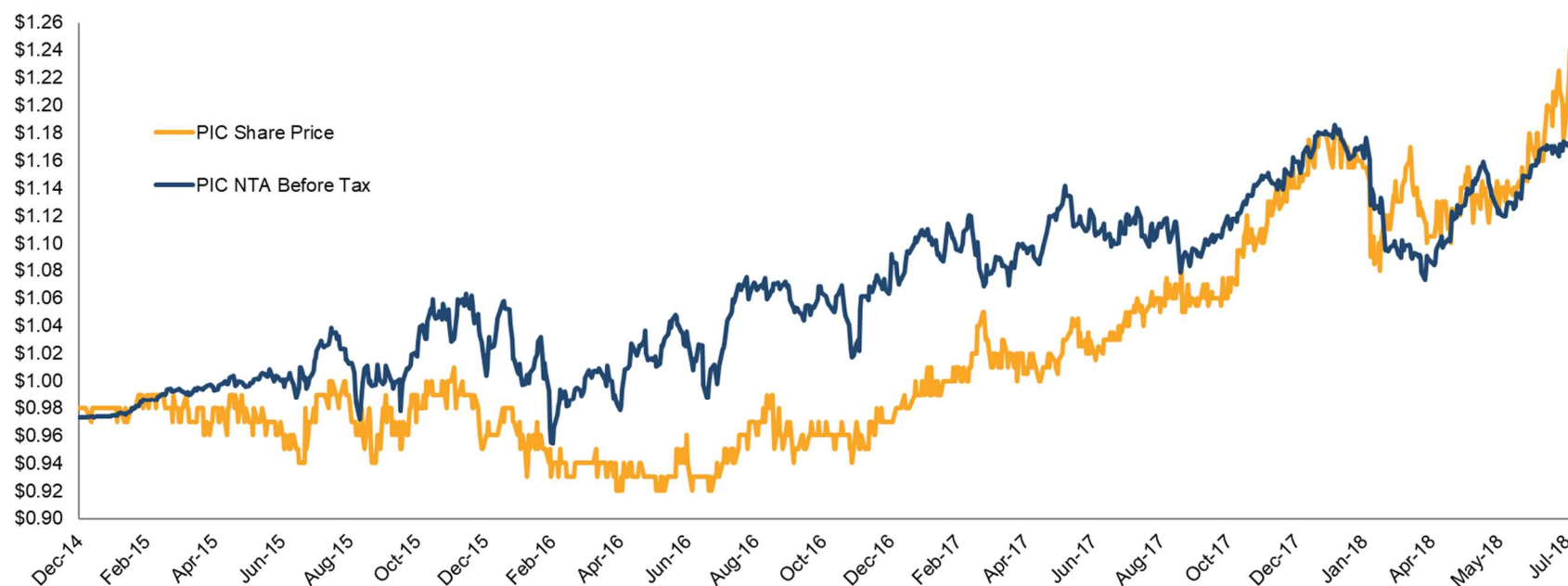
\*Based on a grossed up dividend of 8.8 cents per share, and the closing share price of \$1.17 on 30 June 2018.

^ Total shareholder return assumes reinvestment of dividends.

Past performance is not indicative of future performance.

## HISTORY AND TRACK RECORD

### SHARE PRICE VERSUS NTA BEFORE TAX



Source: FactSet and Perpetual Equity Investment Company Limited as at 15 August 2018.  
Past performance is not indicative of future performance. Inception date is 18 December 2014.



## KEEPING YOU INFORMED WITH EXCELLENT SERVICE



[www.perpetualequity.com.au](http://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 INVESTMENT MANAGEMENT LIMITED

### 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

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

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

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**\$30.8bn** funds under management (at 30 June 2018)

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

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



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# **MARKETS, PROCESS & PERFORMANCE**

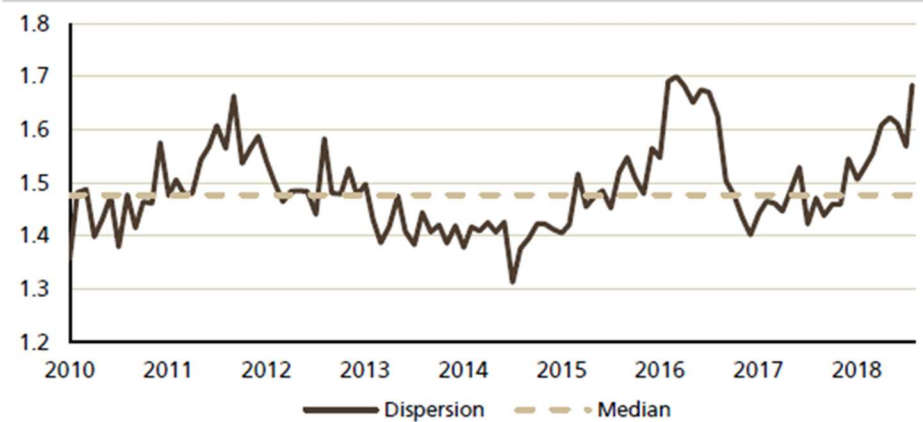
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## REPORTING SEASON INSIGHTS

### MOMENTUM DRIVING THE MARKET

- The market's most expensive names have got more expensive.
- Investors are chancing their hands on hot stocks like Afterpay Touch and WiseTech Global.
- In favour stocks are becoming increasingly creative in how they present their financial state.
- Not wanting to disappoint the market has seen many stocks reaching for results.
- **End of the cycle behaviour?**





Figure 4: P/E Dispersion of ASX100 ex-resources – 80<sup>th</sup> percentile PE divided by 20<sup>th</sup> percentile PE



Source: FactSet, UBS

## POSITIVE CONTRIBUTORS TO PERFORMANCE

### WHAT WORKED

COMPANY	RATIONALE	WHATS HAPPENED?
 <b>Oil Search</b>	Expandable resource at low cost	LNG glut overstated
 <b>ALUMINA</b> LIMITED	Lowest cost operator, supply rationalisation	Supply rationalised, demand up
 <b>CYBG</b>	Undervalued British bank, biggest challenger versus the Big 4 Banks	Merger with Virgin Money, quality business, largest challenger
 <b>Shire</b>	Extremely undervalued and out of favour	Takeda validated appeal with takeover bid

## DETRACTORS FROM PERFORMANCE

### STAR ENTERTAINMENT GROUP (ASX:SGR)

- SGR underperformed the market by 12.6% as a result of operational underperformance.

#### THE OPPORTUNITY

- SGR is completing a multi-year capital investment program that will result in them having 3 high quality casinos in attractive locations that are exposed to the ongoing growth of in-bound tourism
- The business has a very strong balance sheet and generates stable cash-flows
- The drivers of underperformance are short term in nature
- Maintained our positive long-term view on the business
- We used the share price weakness to add to the position.

#### TODAY

- Capital investments beginning to pay dividends
- The performance of the Gold Coast property has been a highlight as SGR begin to leverage the recently completed 6-star hotel and expanded gaming area
- We expect ongoing earnings growth from this asset and the other properties as the capital investments complete.

THE STAR  
ENTERTAINMENT GROUP



Source: Perpetual Investment Management Limited

## OUR INVESTMENT PHILOSOPHY

### QUALITY & VALUE FOCUS

#### 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

## SOLID EARNINGS: TABCORP (ASX:TAH)

### DIVERSIFIED, HIGH QUALITY BUSINESS WITH A STRONG GROWTH OUTLOOK

#### THE OPPORTUNITY

- TAH completed a merger with lotteries and wagering provider Tattersalls in December 2017 to create a diversified and high quality business:
  - the monopoly lottery licenses in all AUS states ex WA
  - the largest wagering provider in the country
  - owns the monopoly Keno licenses in AUS states ex NT/WA and a large gaming services business.

#### WHAT WE SAW

- Stable cash-flows with a strong growth outlook driven by:
  - Realisation of merger synergies
  - Digital growth – potential margin uplift
  - Regulatory changes to benefit TAH as the incumbent operator.

#### TODAY

- Strong FY18 result supports our investment thesis
- Synergy targets maintained
- Digital growth strong across the business with digital wagering and lotteries +28%.



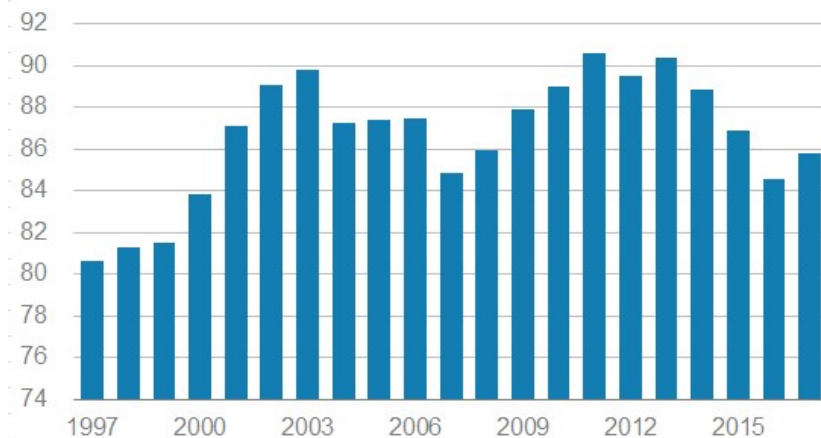


## BOTTOM OF THE CYCLE: CAPEX

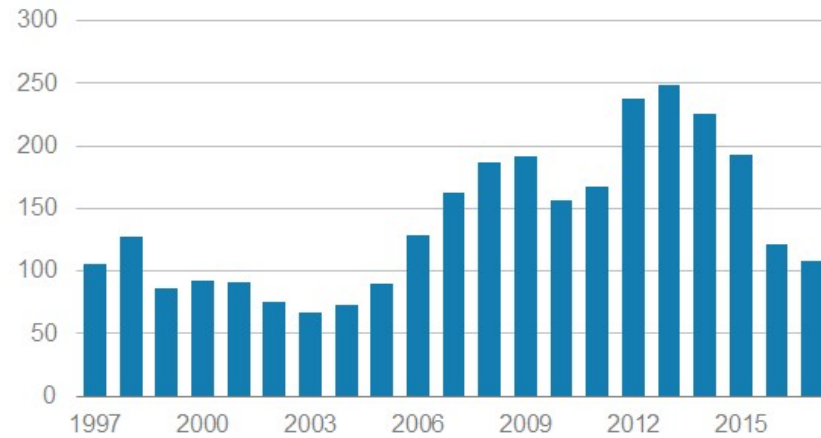
### DEMAND ROLLS ON BUT SUPPLY CONSTRAINED

- The lack of investment in exploration has notably reduced conventional oil reserves to cyclical lows.
- This will be supportive of higher oil prices.

Oil and Gas reserves (Bln boe)



Exploration spending over reserves (\$ per kboe)



Source: Wood Mackenzie, Rystad Energy

## OPEN BANKING IS COMING

### A REVOLUTION IN THE MAKING?

- It's coming to Australia in 2018/19 phased roll out
- Data-transferring regime to give consumers greater access to, and control over, their data
- The Big 4 Banks (ANZ, CBA, Westpac & NAB) are well positioned
- Smaller regional operators will be more exposed
- Westpac is our preferred Big 4 Bank play.

The products to be included in the open banking regime and the dates banks will be required to provide them.

<b>Jul 1, 2019</b>	Credit and debit card, deposit and transaction account data
<b>Feb 1, 2020</b>	Mortgages
<b>Jul 1, 2020</b>	Personal loans and all other data



*“open banking will give banking customers greater access to the data their banks hold on them and the ability to direct that it be safely transferred to trusted and accredited service providers of their choice”.*

## **MATURING THESIS: WOOLWORTHS & SHIRE PLC**

### HAVE REALISED MOST OF OUR GAINS

#### **WOOLWORTHS (ASX:WOW)**

- Turnaround well underway
- Held for 3 years
- Appreciated to levels we wanted
- Exercised sell disciplines and halved position.



#### **SHIRE PLC (LON:SHP)**

- Traded significantly below global peers
- Market overestimated earnings headwinds
- Successful bid by Takeda vindicates value we saw.



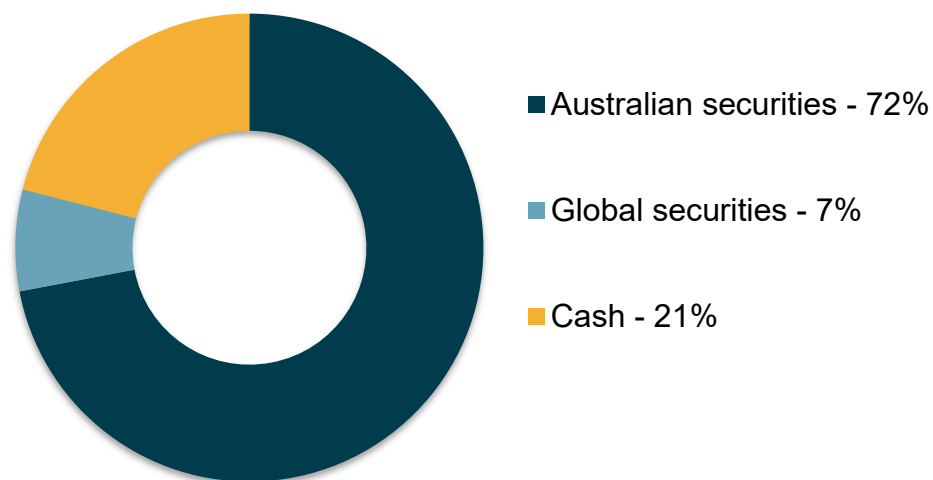
## ALLOCATION OF INVESTMENTS

### AS AT 31 JULY 2018

79% 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



Source: Perpetual Equity Investment Company Limited

## PORTFOLIO POSITIONING

TOP 10 STOCKS AS AT 31 JULY 2018

				
ASX:WBC	ASX:WOW	B2QKY05	ASX:SUN	ASX:NAB
				
ASX:BHP	ASX:IPL	ASX:SGR	ASX:OSH	ASX:MPL

## INVESTMENT PERFORMANCE

### AS AT 31 JULY 2018

	1 MTH	3 MTHS	1 YR P.A.	2 YRS P.A	3 YRS P.A	SINCE INCEPTION P.A.
PIC Investment Portfolio <sup>1</sup> Net of fees, expenses and before tax paid	1.4%	4.0%	13.7%	12.2%	9.8%	10.0%
S&P/ASX 300 Accumulation Index	1.3%	5.8%	14.7%	10.8%	8.1%	10.0%
Excess Returns	+0.1%	-1.8%	-1.0%	+1.4%	+1.7%	-0.1%

<sup>1</sup>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.

Source: Perpetual Equity Investment Company Limited



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# CAPITAL RAISING

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A NEW OPPORTUNITY TO INVEST



## AN EXCLUSIVE OFFER

Raising up to approximately

**\$101.24M**

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### ENTITLEMENT OFFER

To raise up to

**\$71.24M**

+

### GENERAL OFFER

To raise up to

**\$30M**

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Issue Price

**\$1.12**

per share

### ENTITLEMENT OFFER

Shareholders in the Company are entitled to acquire: 1 New Share for every 4 Existing Shares owned

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### GENERAL OFFER

The general public to subscribe for New Shares. An offer of the shortfall to existing Shareholders and general public

### KEY DATES

Entitlement Offer to close

**26 SEPTEMBER 2018**

General Offer and  
Shortfall Offer to close

**28 SEPTEMBER 2018**

The Company will not accept oversubscriptions.  
The costs of the Offer will be paid by the Manager

**APPLY ONLINE AT [WWW.PERPETUALEQUITY.COM.AU](http://WWW.PERPETUALEQUITY.COM.AU)**

## BENEFITS OF THE OFFER

### A NEW OPPORTUNITY TO INVEST



Managed by Perpetual Investment Management Limited, one of Australia's most experienced fund managers.



Access to a high quality portfolio of Australian and global securities selected by the Manager.



The Manager is paying the costs of the Offer.



No brokerage is incurred.



A track record of paying a regular fully franked dividend (Annual dividend yield is 5.38%, grossed up to 7.55%)<sup>1</sup>. All New Shares are eligible for the final dividend payment of 3.3 cents per share.

<sup>1</sup> Based on a grossed up dividend of 8.8 cents per share (grossed up to take franking credits into account), and the closing share price of \$1.17 on 30 June 2018.

## FOR FURTHER INFORMATION

The Offer will be made in a Prospectus issued by the Company and you should obtain and read a copy of the Prospectus in its entirety when considering whether to participate in the Offer.

To request a paper copy of the Prospectus and the application form, call the Offer Information Line on (+61) 1800 421 712 (8.30am – 5.30pm AEST Monday to Friday) or download an electronic copy of the Prospectus and apply online [www.perpetualequity.com.au](http://www.perpetualequity.com.au)

If you have any questions in relation to the Offer please call the **Offer Information Line on (+61) 1800 421 712** between 8.30am and 5.30pm (AEST) Monday to Friday or visit [www.perpetualequity.com.au](http://www.perpetualequity.com.au)

If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.



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**QUESTIONS**

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