

20 October 2022

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

**Perpetual Equity Investment Company Limited
Annual General Meeting 2022**

The following announcement to the market is provided:

- ✓ Address to Shareholders

Yours faithfully



Sylvie Dimarco
Company Secretary
(Authorising Officer)



PERPETUAL
EQUITY
INVESTMENT
COMPANY
LIMITED

**2022 ANNUAL GENERAL MEETING
ADDRESS TO SHAREHOLDERS**

ACN 601 406 419

Perpetual 

FY22 PIC ANNUAL GENERAL MEETING

Chairman's Address

FY22 Results Overview

Starting with the Results. This year presented many challenges with inflation, central bank activity, geopolitical tensions and the COVID-19 pandemic, all being contributing factors to market volatility. For PIC, these economic conditions impacted investment portfolio performance and resulted in the Company posting a net operating loss after tax of \$17.9 million. Net investment portfolio performance for FY22 was -6.7%¹, though outperformed the benchmark by 0.1%. Over a 5 year period to 30 June 2022, the Company has delivered on its investment objective of providing long-term capital growth and returned 8.9% p.a., outperforming the benchmark by 2.0%².

More so than ever, your Board has maintained a strong focus and commitment to paying dividends to shareholders twice a year, that are fully franked or to the maximum extent possible. For FY22, the total dividend declared was 6.1 cents per share fully franked which comprised of an interim dividend of 2.8 cents per share and a final dividend of 3.3 cents per share inclusive of a 0.5 cents per share special dividend. This represents an annual dividend yield of 5.3% and a grossed-up dividend yield of 7.5%³.

¹ 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 unrealised gains and losses are excluded. Past performance is not indicative of future performance.

² The benchmark is the S&P/ASX300 Accumulation Index.

³ Yield is calculated based on the total grossed up dividends of 6.1 cents per share (taking franking credits into account) and the closing share price of \$1.16 as at 30 June 2022. Grossed up yield takes into account franking credits at a tax rate of 30%.

Capital management and profit reserve

Moving to capital management. Over recent years, we, your Board, have been focused on retaining more capital for investment, building a healthy profit reserve and maintaining an appropriate level of franking credits for future dividend payments. We were mindful of the potential for the volatility in markets to impact the Company's profits and believed this prudent approach reflected the maturity of the Company. We are pleased our execution of this has enabled us to announce ordinary dividends and a special dividend amidst the challenges experienced in FY22.

We know many of our shareholders have been with us since inception in 2014 and have a primary goal to seek income. We are proud to have paid \$125.6 million or 38.5 cents per share in fully franked dividends since listing on the ASX.

In June 2021, the Company issued bonus options on a one-for-one basis at no additional cost to eligible shareholders. It is unfortunate that market volatility impacted the Company's share price and the majority of the options lapsed unexercised last month. We thank the option holders that did exercise their options into shares and continue in our efforts to boost the share price.

Looking ahead, the Board is focused on growing the Company and progressing its strategy to deliver a sustainable income stream to shareholders. As at 30 June 2022 and after taking into account the final

dividend, the Company's profit reserve is \$85.5 million. This equates to 22.7 cents per share and represents over 4 years dividend coverage⁴.

Share price to NTA

Your Board consistently monitors where the share price is trading relative to the net tangible assets of the Company. We are pleased to see the share price discount to NTA narrow over the past year. As at 14 October 2022, PIC's share price is trading at a 4.5% discount to NTA pre-tax.

We typically regard investment performance, dividend yield and shareholder communications as key drivers which support the share price to trade in line with NTA.

Firstly, looking at investment performance. While market volatility continues to persist, the portfolio has outperformed the benchmark over the short term. In particular, the first quarter of FY23 saw investment portfolio performance returning 1.8%, outperforming the benchmark by 1.4%. Notably, the Manager continues to deliver solid returns over the long term.

Your Board has full confidence in the Manager, Perpetual Investment Management Limited, which has a long history of investing across all market cycles. It maintains discipline around its investment approach of investing in companies of quality and value based on its four quality

⁴ Profit reserve of \$85.5 million as at 30 June 2022 after taking into account the estimated payment of the final dividend. This equates to 22.7 cents per share and represents 4.1 years dividend coverage based on a total dividend payment of 5.6 cents per share per annum. This does not take into account any changes to share capital. No representation is made in relation to the payment of future dividends, which will be at the discretion of the Company's Board.

filters: 1) quality business, 2) conservative debt, 3) sound management and 4) recurring earnings. The Portfolio Manager is Vince Pezzullo and he is supported by 17 other portfolio managers, analysts and responsible investment personnel.

Your Board also believes that the Company's flexible investment strategy, our ability to invest up to 35% in global listed securities and active management style, positions the Manager well to seek out the best opportunities.

Your Board actively questions and challenges the Manager on investment performance. The Manager is required to report to the Board on a quarterly basis, or more frequently as required, and provides detailed portfolio updates, industry insights and how environmental, social and governance factors are integrated in its investment approach.

Our next key driver is dividend yield. As noted earlier, we have a strong focus on delivering a sustainable income stream and believe the current dividend yield is attractive for shareholders.

Our last key driver is shareholder communications. During the year, we uplifted our marketing and advertising efforts and also reached new media channels with Vince featuring on nabtrade's and Equitymates podcasts. We have also sponsored conferences hosted by Morningstar, ASX and Australian Shareholders Association. We are always encouraged by the level of engagement from our shareholders and prospective investors and thank you for your participation in events during the year.

We encourage you to stay informed by visiting the Company's website - www.perpetualequity.com.au for a range of resources and insights.

We believe these key drivers will ultimately align the share price and NTA, as investors realise the value the Company offers.

Looking ahead

Looking ahead, we are confident in the Manager's experience, skill and judgement. Their active investment approach and focus on quality and value positions the Company well to invest across multiple market cycles to deliver attractive returns to our shareholders.

We continue to prudently manage capital which includes discussing how the profit reserve is applied when declaring dividends. These are key components to the growth of the Company and the delivery of a sustainable long-term dividend stream to you, our shareholders.

The non-executive Directors of the Board and the Portfolio Manager are all current shareholders in PIC. On behalf of the Board, I would like to thank you for your continued support of PIC.

PERPETUAL
EQUITY
INVESTMENT
COMPANY
LIMITED

Annual General Meeting & Investment Manager Update

20 October 2022

Perpetual 

IMPORTANT NOTE

This information was prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. PIML is the Manager for the Perpetual Equity Investment Company Limited (Company) (ASX: PIC) ACN 601 406 419. This presentation is in summary form and is not necessarily complete. It should be read together with other announcements for the Company lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

The presentation is general information only and is not intended to provide you with financial advice or take into account your objectives, taxation situation, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

References to securities in this presentation 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.

This presentation may contain information that is based on projected and/or estimated expectations, assumptions or outcomes. These forward-looking statements are subject to a range of risk factors. The Company and PIML caution against relying on any forward-looking statements, particularly due to uncertainty and volatility in the market and ongoing disruption caused by COVID-19 and geopolitical tensions.

While PIML has prepared this information based on its current knowledge and understanding and in good faith, there are risks and uncertainties involved which could cause results to differ from the forward-looking statements. Neither the Company or PIML will be liable for the correctness and/or accuracy of the information, nor any differences between the information provided and actual outcomes, and reserves the right to change its projections or other forward-looking statements from time to time. Neither the Company nor PIML undertake to update any forward-looking statement to reflect events or circumstances after the date of this presentation, subject to disclosure obligations under the applicable law and ASX listing rules.

Neither the Company, PIML nor any company in the Perpetual Group guarantees the performance of, or any return on an investment made in, the Company. Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries.

YOUR BOARD OF DIRECTORS



Left to right: Amanda Gillespie (Apted), John Edstein, Nancy Fox (Chairman), Virginia Malley

YOUR PRESENTERS



NANCY FOX AM

Chairman
Perpetual Equity Investment
Company Limited



VINCE PEZZULLO

PIC Portfolio Manager
Deputy Head of Equities
Perpetual Asset Management
Australia



ALEX PATTEN

Equities Analyst
Perpetual Asset Management
Australia

Agenda

- **Chairman's Welcome and Address**
- **Investment Manager Update**
- **Q & A**
- **Formal Voting Proceedings**
 - Resolution 1
 - Resolution 2
- **Closure**

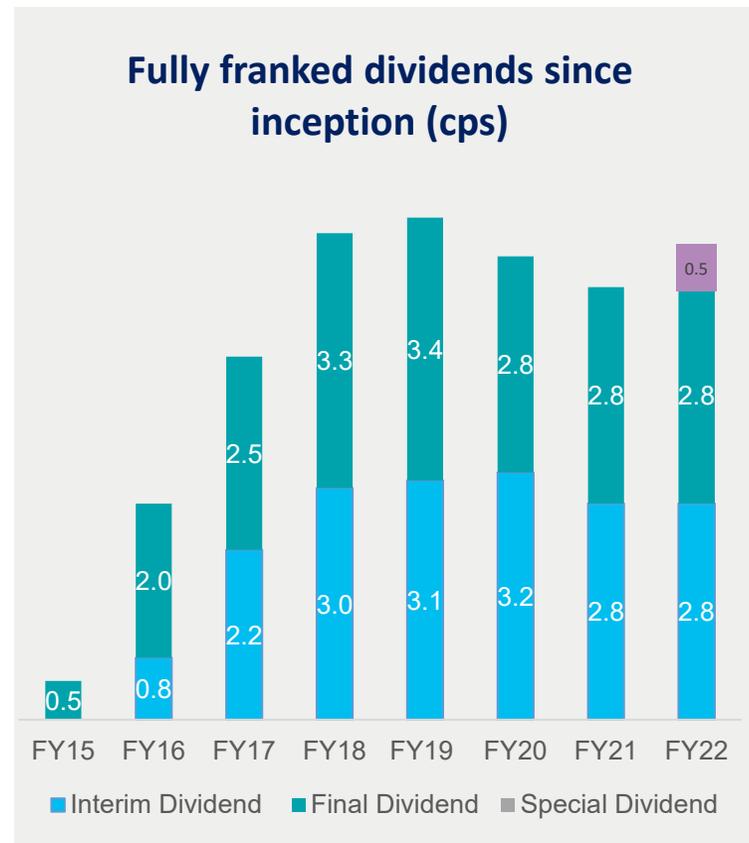
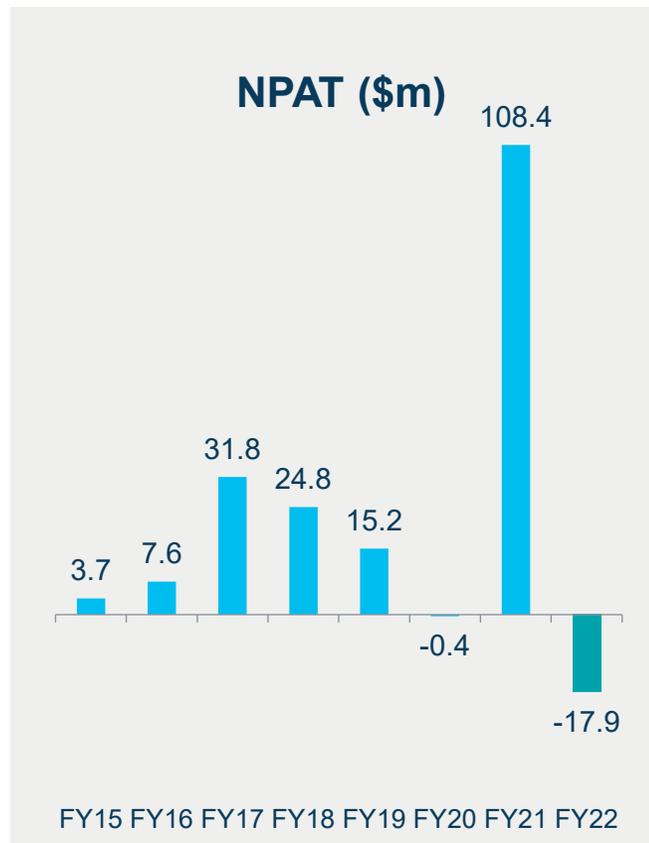


CHAIRMAN'S ADDRESS

Nancy Fox AM

FULL YEAR 2022 RESULTS OVERVIEW

DELIVERING A REGULAR INCOME STREAM



\$85.5m¹

Profit reserve

4.1 years¹

Dividend coverage

5.3%²

Annual dividend yield

7.5%²

Grossed up dividend yield

8.9%³

Investment portfolio performance per annum over 5 years to 30 June 2022

\$1.191⁴

Net tangible assets (NTA) after tax per share as at 30 June 2022

Source: Perpetual Equity Investment Company Limited (PIC) as at 30 June 2022.

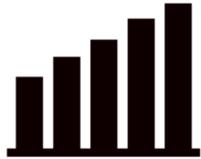
¹ Profit reserve of \$85.5 million as at 30 June 2022 after taking into account the estimated payment of the final dividend. This equates to 22.7 cents per share and represents 4.1 years dividend coverage based on total dividend payments of 5.6 cents per share per annum. This does not take into account any changes to share capital. No representation is made in relation to the payment of future dividends, which will be at the discretion of the Company's Board.

² Yield is calculated based on the total dividend of 6.1 cents per share and the closing share price of \$1.16 as at 30 June 2022. Grossed up yield takes into account franking credits at a tax rate of 30%.

³ 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.

⁴ 'After tax' refers to tax paid and provisions for deferred tax on unrealised gains and losses in the Company's investment portfolio.

SHARE PRICE TO NET TANGIBLE ASSETS (NTA)



Investment performance

Portfolio has outperformed benchmark over the short term*.

Over the 5 years to 30 September 2022, the portfolio has delivered 8.7% p.a**, outperforming the benchmark by 1.9%**



Dividend yield

Regular income to shareholders reinforced by FY22 dividends

Delivering consistent dividend yield of 5.2% and grossed-up of 7.4%***.



Investor communications

- Daily NTA published on ASX
- Monthly Investment Update
- Manager presenting on various media channels, investor days and podcasts
- Insights and educational resources at www.perpetualequity.com.au

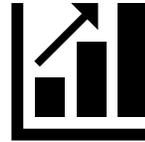
Source: Perpetual Equity Investment Company Limited.

* S&P/ASX 300 Accumulation Index (benchmark); portfolio performance over the short term is regarded as a period of up to 1 year.

** 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 unrealised gains and losses are excluded. Past performance is not indicative of future performance.

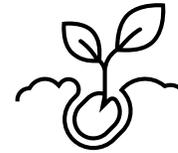
*** As at 30 September 2022. Yield is calculated based on the total dividends of 6.1 cents per share and the closing share price of \$1.175 as at 30 September 2022. Grossed up yield takes into account franking credits at a tax rate of 30%.

LOOKING AHEAD



Investment performance

- Board has full confidence in the Manager's ability to navigate all market conditions.
- Manager's focus on quality and value and the flexible investment strategy positions the Company well to deliver returns in the current environment.

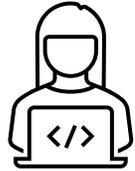


Prudent management of capital to support growth of the company

- Board continues to progress strategy to deliver sustainable long-term dividend payments to shareholders
- Strong profit reserve and healthy franking account balance

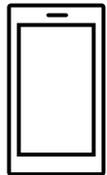
INVESTMENT MANAGER'S UPDATE

How to ask a question as a shareholder



Ask a question via the online portal by:

- Click "Ask a question"
- Select "Investment Manager Update"
- Type in your question
- Click "Submit"



Over the phone – refer to instructions on the right.

How to ask a question as a non-shareholder



Request a PIN

If you haven't requested a pin, you will need to register for a unique PIN by calling 1800 990 363.



Ask a question

- Call 1800 316 941
 - Dial *1 on your keypad
- The moderator will request your unique PIN prior putting your question through to the meeting.



INVESTMENT MANAGER UPDATE

Vince Pezzullo, Portfolio Manager
Deputy Head of Equities, Perpetual Asset Management Australia

LARGE AND EXPERIENCED INVESTMENT TEAM



Vince Pezullo

Deputy Head of Equities

Portfolio Manager - Perpetual Equity Investment Company (PIC), Australian Shares and Geared Australian Share

Portfolio managers

Paul Skamvougeras

Head of Equities

Portfolio Manager – Concentrated Equity, Pure Equity Alpha (Co-PM)

Nathan Hughes

Portfolio Manager – ESG Australian Share, Income Share, Analyst

Jack Collopy

Portfolio Manager - Smaller Companies, Pure Microcap, Analyst

Anthony Aboud

Portfolio Manager - SHARE-PLUS Long-Short, Pure Equity Alpha (Co-PM), Industrial Share, Analyst

James Rutledge

Portfolio Manager – Pure Value, Analyst

Maryanne Drewe

Head of Proprietary Research, Analyst

Analysts

Alex Patten

Deputy Portfolio Manager –Smaller Companies, Analyst

Sean Roger

Deputy Portfolio Manager –Share Plus, Analyst

Guy Bunce

Senior Equities Analyst

Clarke Wilkins

Senior Equities Analyst

Brett Le Mesurier

Senior Equities Analyst

Rosemary Tan

Equities Analyst

Mitchell Hubble

Equities Analyst

Nick Buisman

Equities Analyst

Tom Horn

Analyst, Proprietary Research

PERPETUAL QUALITY FILTERS

STAYING TRUE TO OUR INVESTING PHILOSOPHY



Quality of business

- Products or services the company offers
- Competitive landscape, positioning and market dynamics
- Barriers to entry, monopoly, duopoly, and sources of competitive advantage
- Operational efficiency
- ESG risks and impacts



Conservative debt

- Strong balance sheet to ensure the company is sustainable across various economic cycles
- Quantitative test:
 - Debt to equity should be less than 50% (net debt / equity), but if not
 - Interest cover should be 3x or greater (5x for pre-production)



Sound management

- Track record of a company's management
- Use of shareholder capital
- Corporate governance practices



Recurring earnings

- Track record of generating earnings
- Sustainable businesses for the future

A company must pass all of these filters to be included in the Perpetual Universe and considered for investment.

MARKETS: CONTRASTING LAST YEAR AND NOW

- Last year was focused on conditions normalising post COVID-19 and beneficiaries of economic re-opening (e.g. Qantas, Crown, Dexus).
- This year, beneficiaries from macroeconomic factors are more idiosyncratic and are those that have levers within their control (e.g. Bapcor, Healius, A2 Milk)
- Fiscal stimulus is waning, geopolitical tensions are growing, still seeing supply chain constraints globally and central banks are now walking a tightrope.
- Rates are rising due to inflationary shock, bond market volatility is higher now – we consider companies trading at expensive valuations that had been amplified by previously low interest rates will come under pressure.
- Deglobalisation - moving away from laws of comparative advantage as industries reshore after COVID-19 and the rise of geopolitical tensions.
- Decarbonisation – significant investment to move away from traditional hydrocarbons towards nickel, cobalt and rare earths to reduce carbon emissions and create cleaner energy sources and technology.

MARKETS: CONSEQUENCES AND OPPORTUNITIES

What we believe are consequences

- Higher than expected inflation which impacted ‘transitory price rises’ for longer than expected.
- Potential recession risks
- Market will favour quality and value stocks over expensive growth / technology.
- Realignment of trade, security and strategic alliances due to deglobalisation and geopolitical tensions.
- Increased costs for core commodities impacted by higher inflation



How we are positioned: value stocks

- **Metals**: Investment in decarbonisation continues
 - Iluka Resources Ltd (ASX: ILU)
 - Jervois Global Ltd (ASX: JRV)
 - Deterra Royalties (ASX: DRR)
 - BHP Group (ASX: BHP)
- **Insurance**: benefits from the rising interest rates
 - Insurance Australia Group Ltd (ASX: IAG)
- **Energy**
 - Santos (ASX: STO)
- **Idiosyncratic**: companies with levers within their control to manage through environment
 - A2Milk Company (ASX: A2M)
 - Bapcor Ltd (ASX: BAP)
- **REITs**
 - Mirvac Group (ASX: MGR)
- **Long-term structural growth companies**
 - Flutter Entertainment Plc (LON: FLTR)
 - La Francaise Des Jeux (PAR: FDJ)



STOCK IN FOCUS: BAPCOR LTD (ASX: BAP)

Alex Patten, Equities Analyst,
Perpetual Asset Management Australia

BAPCOR LTD (ASX: BAP)

AUSTRALIAN MID CAP STOCK

COMPANY

- BAP primarily operates in the automotive aftermarket segment, with a large network of stores distributing auto parts on a just in time basis to mechanics throughout Australia and New Zealand.
- BAP spans across the aftermarket supply chain covering trade, commercial vehicles, specialist wholesale and retail (Autobarn store network).
- BAP has over 5,000 team members across 1,100 locations in Australia, New Zealand and Thailand.

PASSING OUR FOUR QUALITY FILTERS

1. **Quality of business** – Strong competitive position in a resilient and growing end market.
2. **Conservative debt** – Net Debt/EBITDA of 1.2x at the end of FY22. EBIT Interest cover of >20x.
3. **Sound management** – Recent change in CEO, replaced by CFO. Longstanding and high calibre Executive team.
4. **Recurring earnings** – Since listing, EPS has increased from 12cps in FY14 to 39cps in FY22, a CAGR of 16%.

BAPCOR LTD (ASX: BAP)

The opportunity we see

- PIC initiated a position in December 2021 following the announcement of the longstanding CEO stepping down and BAP's share price selling off sharply. We viewed the share price move as an overreaction and have since engaged with the BAP management team. We have confidence in their strategy, the company's competitive market position and its underlying business drivers.
- We view BAP as a high quality industrial with a relatively low risk strategy to generate solid earnings growth over the medium term.
- BAP's Core Trade business operates effectively in an oligopoly with a high degree of pricing power and very stable demand. BAP is well placed to navigate a period of higher inflation and economic weakness. BAP estimates that 90% of its revenue is derived from non discretionary spend.

BAPCOR LTD (ASX: BAP)

The opportunity we see

- BAP has grown Earnings Per Share (EPS) at a 16% Compound Annual Growth Rate (CAGR) since listing (between FY14 and FY22) through a combination of organic growth and acquisitions.
- We think BAP can sustain earnings growth over the next 3 - 5 years through its low risk, established strategy:
 - Ongoing store rollout in Trade and Retail
 - Increasing private label penetration
 - Efficiencies from supply chain consolidation
 - Improvements in Retail margins as network transitions from Franchise to Corporate Owned
 - Small, accretive bolt on acquisitions
- Valuation remains attractive with BAP trading on FY23 15x consensus EPS.



INVESTMENT MANAGER UPDATE

Vince Pezzullo, Portfolio Manager
Deputy Head of Equities, Perpetual Asset Management Australia

INVESTMENT PORTFOLIO PERFORMANCE

DELIVERING LONG-TERM PERFORMANCE

AS AT 30 SEPTEMBER 2022	1 MTH	3 MTHS	6 MTHS	1 YR	2 YR P.A	3 YRS P.A.	5 YRS P.A.	7 YRS P.A.	SINCE INCEPTION P.A.
PIC Investment Portfolio ¹ (net of fees, expenses and before tax paid)	-5.6%	1.8%	-10.0%	-9.9%	13.3%	9.9%	8.7%	9.5%	8.9%
S&P/ASX 300 Accumulation Index	-6.3%	0.5%	-11.8%	-8.0%	9.7%	2.7%	6.8%	8.1%	7.3%
Excess Returns	0.7%	1.4%	1.8%	-1.9%	3.6%	7.2%	1.9%	1.5%	1.6%

¹ 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 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

SUMMARY

- Our outlook ahead is cautious as economic conditions continue to evolve.
- We believe **markets will favour quality and value stocks** over expensive growth / technology.

This makes PIC well positioned to benefit as its investment process is focused on identifying quality companies that are trading at attractive valuations.

- **Be willing to pivot – active management** and our **flexible investment strategy** will allow us to seek out the best returns.

This includes global listed companies if the opportunity in Australia is limited and we believe those companies can add value above the Australian equity market return.

