

12 January 2024

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

## Perpetual Equity Investment Company Limited Monthly Investment Update and NTA Report

Perpetual Equity Investment Company Limited (the Company) (ASX: PIC) advises that it has released the Monthly Investment Update and NTA Report (the Report) for the period ending 31 December 2023 (as attached).

If shareholders or other interested parties have any queries regarding the Report, they can contact:

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Yours faithfully



Sylvie Dimarco

Company Secretary  
(Authorising Officer)

# INVESTMENT UPDATE AND NTA REPORT

## DECEMBER 2023

### PORTFOLIO SNAPSHOT

#### NET TANGIBLE ASSET (NTA) BACKING PER SHARE

AS AT 31 DECEMBER 2023	AMOUNT
NTA after tax	\$1.226
NTA before tax	\$1.241

Daily NTA is available at [www.perpetualequity.com.au](http://www.perpetualequity.com.au)

All figures are unaudited and approximate.

The before and after tax numbers relate to provisions for deferred tax on unrealised gains and losses of the Company's investment portfolio.

NTA figures are calculated as at the end of day on the last business day of the month.

### KEY ASX INFORMATION

#### AS AT 31 DECEMBER 2023

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$427 million
Share Price:	\$1.125
Shares on Issue:	379,548,351
Dividends:	Half-yearly
Management Fee:	1.00% p.a.*
Manager:	Perpetual Investment Management Limited

\* exclusive of GST

### INVESTMENT PERFORMANCE

AS AT 31 DECEMBER 2023	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS p.a.	3 YRS p.a.	5 YRS p.a.	7 YRS p.a.	SINCE INCEP p.a.
PIC Investment Portfolio <small>Net of fees, expenses and before tax paid</small>	5.0%	2.9%	-1.4%	4.3%	0.7%	7.7%	10.9%	9.1%	9.0%
S&P/ASX 300 Acc Index	7.2%	8.4%	7.5%	12.1%	5.0%	9.0%	10.3%	8.5%	8.6%
Excess Returns	-2.2%	-5.5%	-8.9%	-7.9%	-4.3%	-1.2%	0.6%	0.6%	0.4%

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.

#### TOP 10 STOCK HOLDINGS

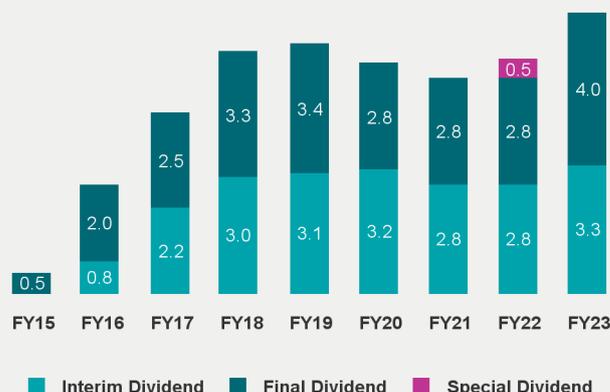
COMPANY	PORTFOLIO WEIGHT
BHP Group Ltd	12.1%
Commonwealth Bank of Australia	7.1%
Goodman Group	6.1%
National Australia Bank Limited	5.7%
Santos Limited	5.2%
Flutter Entertainment Plc	5.1%
Whitehaven Coal Limited	4.2%
La Francaise des Jeux SA	3.8%
Origin Energy Limited	3.7%
GWA Group Limited	2.9%

Portfolio weight based on direct investments in securities and does not include any derivative exposure

#### DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 6.5%

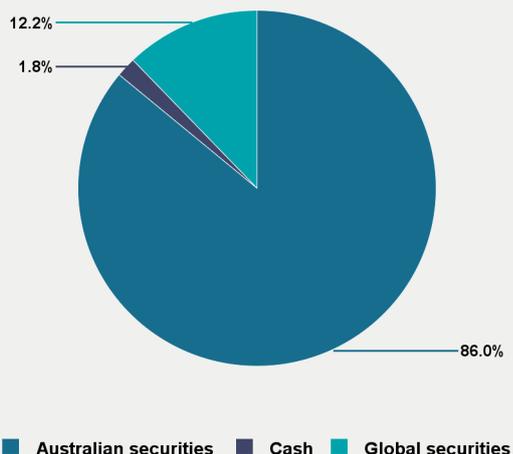
Grossed up annual dividend yield: 9.3%



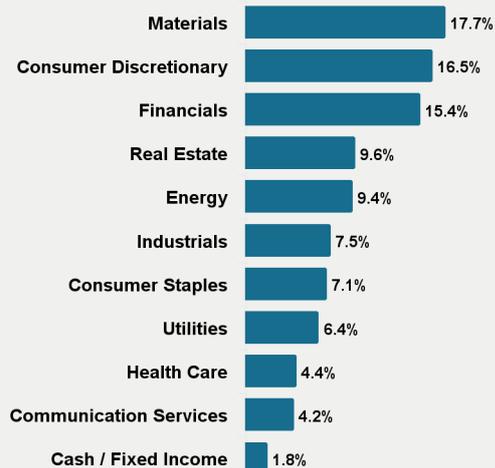
Yield is calculated based on the total dividends of 7.3 cents per share and the closing share price of \$1.125 as at 31 December 2023. Grossed up yield takes into account franking credits at a tax rate of 30%.

## ALLOCATION OF INVESTMENTS<sup>^</sup>

98.2% of capital invested in securities



## PORTFOLIO SECTORS<sup>^</sup>



<sup>^</sup>Weightings calculated based on direct investments in securities and any indirect exposure via S&P /ASX 200 related derivatives. All figures are unaudited and approximate. Allocations may not sum to 100% due to rounding.

## PORTFOLIO COMMENTARY

### Market Review

The S&P/ASX300 Accumulation Index (benchmark) finished the year strongly, delivering a +7.2% return for the month and taking the 12 month return to +12.1%. The “Santa rally” was driven by hopes that moderating inflation would lead to the end of the Fed rate hike cycle. This, plus speculation of rate cuts in 2024, put a rocket under the market through the month. The Fed’s dramatic pivot to a dovish policy outlook on 13 December all but confirmed this. All GICS sectors rose, but yield proxies and growth outperformed with the A-REIT sector rising +11.2% and Healthcare surging +9.1%. Materials also firmed +8.7% with resource bellwether BHP rising more than \$4 to close at \$50.41.

### Portfolio

The PIC portfolio rose a solid +5.0% in December but could not keep full pace with a frothy market which lifted all boats, regardless of their investment merit and risk. The portfolio had modest overweights to BHP and NAB as well as a substantial position in CBA, which we feel are best positioned from a value and quality point of view to handle any cyclical challenges in 2024. However, with PIC being a benchmark-unaware portfolio of high conviction ideas, we held no positions in CSL, Fortescue, Westpac and Macquarie, although they all rose in sympathy with the broader market.

Not holding Woodside Energy Group contributed to relative performance over the month as the stock failed to keep up with the rallying market. Falls in energy prices during the quarter were large, with both crude and LNG falling more than 10%. Woodside’s obvious leverage to these commodities saw its share price marked to market. In addition, Woodside’s investor day underwhelmed with consensus downgrading key cash flow forecasts as a result.

Goodman Group continued to contribute to returns as the stock gained in December (+11.9%). We took the opportunity to establish a position in Goodman Group late last year when the market was generally worried about large property groups’ performance in a rising rate environment. Goodman Group’s first quarter update for FY24 was largely uneventful however highlighted data centre development to start in late FY24. Additionally, management noted an uptick in acquisition opportunities as certain overly geared property owners have come under pressure. This presents an opportunity for well capitalised asset owners and operators such as Goodman Group.

Our overweight position in IAG detracted from performance in December as it fell -4.7% but comes after a solid recovery in recent months. The stock has been a beneficiary of rising insurance premiums. Rising interest rates are also a tailwind for the business as it translates into higher investment returns on their balance sheet. Whilst insurance margins have been improving, we believe there is more upside here. We have compared IAG to Suncorp (which we do not hold in the PIC portfolio) and Suncorp’s focus on cost efficiencies has delivered superior profitability. We think there is some more upside to IAG if it was able to target a similar level of operating efficiency. IAG’s renewed focus on capital management, re-instating the share buyback at the end of May, has also helped bolster the share price.

The overweight position in Iluka Resources detracted from performance over the month as the stock continued to derate in December (-4.5%), although this comes after an exceptional rise in the share price over the past few years. Iluka is a major producer of rutile and synthetic rutile that is used to produce pigment (paint) and the largest producer of zircon that is used to produce ceramics (tiles etc). These minerals generate the earnings and cashflow for the company currently, and the company has responded to soft near-term demand by idling some production to avoid inventory and working capital build. Iluka has a very strong balance sheet (net cash) and also owns a valuable stake in Deterra Royalties, which was spun-off in an IPO, so is able to buffer these periods of demand distortion that is a feature of these markets. Risk of a capital expenditure increase for the fully integrated

rare earths refinery being built in WA to break China's stronghold on these markets also dominated market attention, although we would highlight that construction is funded from a non-recourse loan of more than \$1 billion from the Federal Government that has a \$200m overrun facility.

### **Outlook**

Expectations continue to vary in 2024, although hopes of a soft landing for the US and Australian economies persist. Whilst it would be statistically difficult for Australia to experience an outright recession given rapid population growth, there remains significant risks of a cyclical downturn that would feel like a recession. In the US whilst the 1995-7 soft landing remains the idealised outcome that investors always seek, 1995 was unique in that bank lending did not tighten significantly, unlike all other downturns including the current cycle. Additionally, conditions outside the US are poor with Europe likely entering recession and China's economy in the doldrums.

## HALF YEAR RESULTS 2024

The Company's half year results for financial year 2024, including any dividend announcement, will be announced on Tuesday 20 February 2024. Indicative key dates for 2024 are now available on the [PIC website](#).

## REMINDER: TAX CERTIFICATION COMPLETION

Under the Australian Government's participation in Automatic Exchange of Information (AEOI) regimes, PIC is required to collect CRS certification information and an investor's tax residency from shareholders. The information in certain circumstances may be reported to the Australian Taxation Office (ATO) which in turn reports to various global tax authorities.

Please check that you have completed your CRS certification by logging into the Link investor portal [here](#).

From there, under the Payments & Tax tab you will find 'CRS', where you can fill in the Self Certification. Completing this information online is straightforward as the questions will guide you, and in some instances, it is only a couple of steps.

If you do not certify, PIC may be required to provide information about your account to the ATO. For more information on the self-certification process via Link please click [here](#). For further information on FATCA and CRS, please visit [here](#).

## WHY CHOOSE THE PERPETUAL EQUITY INVESTMENT COMPANY?

- Designed to deliver investors an income stream of **fully franked dividends**.
- **Active management** to vary the portfolio's exposure to equity market risk, and to enhance the value of the portfolio when opportunities arise both domestically and globally.
- **Flexibility** to invest up to 35% in global securities and up to 25% in cash for diversification with the intention to add returns above the benchmark, or to manage downside risk.
- Access to Perpetual's tried and tested **quality and value** investment process that assesses companies on 4 key quality criteria: quality of business, conservative debt, sound management and recurring earnings.
- **Depth and breadth** of Perpetual's investment team enables it to conduct extensive company visits each year and make decisions to invest in high quality and attractively valued securities based on fundamental, in-depth, bottom-up research.
- **Ease of access** as you can buy and sell PIC on the ASX.
- **Daily NTA published on the ASX** to provide transparency of the portfolio.

## KEY FEATURES

### INVESTMENT OBJECTIVE

The investment objective of the Company is to provide investors with an 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 typically hold 20 to 40 securities.

50% - 100%	Australian listed securities
0% - 35%	Global listed securities
0% - 25%	Cash

The Manager typically expects that the portfolio will be unhedged. Currency exposures may be hedged defensively where the Manager sees significant risk of currency weakness, but no attempt is made to add value to the portfolio by actively managing currency. Derivatives are permitted.

### ABOUT THE MANAGER

The Company's investment portfolio is managed by Perpetual Investment Management Limited, part of the Perpetual Group, whose has a longstanding commitment to deliver superior outcomes over the long-term for clients. This is underpinned by its proven investment process that focuses on value and quality.

### PORTFOLIO MANAGER

Vince Pezzullo  
Perpetual Asset Management Australia  
Vince has over 25 years' experience in the financial services industry, and has prior global experience as both an analyst and a portfolio manager. Vince is Head of Equities and leverages the expertise of Perpetual Asset Management Australia's Equity team, one of the largest investment teams in Australia.

All investments are subject to risk which means the value of investments may rise or fall, which means that you may receive back less than your original investment or you may not receive income over a given time frame. Refer to announcements and other information for the Company lodged with the ASX, which is available at [www.asx.com.au](http://www.asx.com.au). A financial adviser can assist you in determining whether an investment in the Company is suited to your objectives, financial situation or needs.

## CONTACT DETAILS

### For queries regarding investor relations:

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### For queries regarding investor shareholdings:

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Mailing Address: Link Market Services,  
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Email: [pic@linkmarketservices.com.au](mailto:pic@linkmarketservices.com.au)

## FIND OUT MORE

Visit our website [www.perpetual.com.au/equity](http://www.perpetual.com.au/equity) to access a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources.

This report 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 report is in summary form and is not necessarily complete. It should be read together with other announcements for the Company lodged with the ASX, which are available at [www.asx.com.au](http://www.asx.com.au).

The report is general information and is not intended to provide you with financial advice or take into account your objectives, 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 report 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 report 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. 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 nor 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 report, 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.