

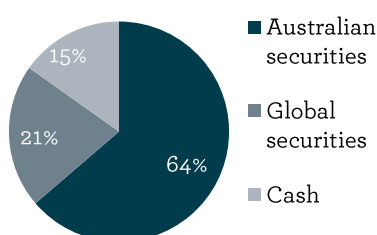
PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

JANUARY 2016 MONTHLY INVESTMENT UPDATE AND NTA REPORT

PORTFOLIO PROFILE ALLOCATION OF INVESTMENTS

85% of capital invested in securities.



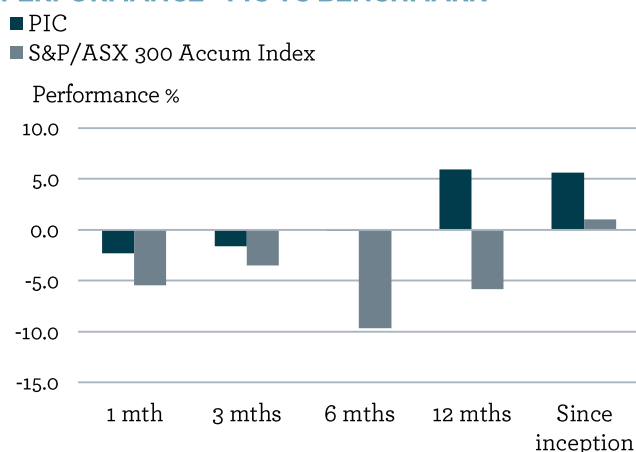
PERFORMANCE

Net of fees, expenses and tax paid

AS AT 31 JANUARY 2016	1 MTH	3 MTHS	6 MTHS	12 MTHS P.A.	SINCE INCEP P.A.
PIC	-2.3%	-1.6%	-0.1%	5.9%	5.6%
S&P/ASX 300 Acc Index	-5.5%	-3.5%	-9.7%	-5.8%	1.0%
Performance Relative to benchmark	3.2%	1.9%	9.6%	11.7%	4.6%

Inception date is 18 December 2014.

PERFORMANCE - PIC VS BENCHMARK



Returns shown for the Company have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees and any income tax on realised gains) and assuming reinvestment of dividends. 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

KEY ASX INFORMATION

As at 31 January 2016

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: \$238.595 million

Share price: \$0.95

Shares on issue: 251,152,874

Options on issue: 249,712,777

Options ASX Code: PICO

Options expiry date: 10 June 2016

Options Share price: \$0.008

PORTFOLIO COMMENTARY

The Portfolio performance was -2.3% in January, outperforming the benchmark by 3.2%. Since listing, the Perpetual Equity Investment Company Limited (PIC) has returned 5.6% per annum exceeding the benchmark return by 4.6%.

The sustainability of earnings is becoming increasingly important in the current market environment. Profit margins have expanded over the last few years as companies have cut costs to support earnings while delivering relatively anaemic revenue growth. Valuation multiples have also increased during this time as low interest rates have seen capital move into higher yielding riskier assets, including shares. Those companies that are unable to deliver sustainable top line growth going forward will see their earnings and valuations suffer as their pools of 'cost saving opportunities' run dry.

Markets are currently experiencing heightened volatility and whilst this can be unnerving, it can present opportunities. The Manager is finding some excellent opportunities in large, high quality franchises that have underperformed due to bad strategy or poor management but have now put in place the building blocks to return to growth. There are also high quality companies that are experiencing short-term earnings headwinds whose long-term earnings power has not changed, and the Manager is seeing some opportunity to buy at discounted prices.

The Manager believes that stock selection and entry price decisions are paramount to protect shareholder's capital as already evidenced in the patient deployment of capital. This now becomes even more critical in volatile markets. All the companies in the portfolio are high quality with low debt levels, possessing a clear competitive advantage, recurring earnings and sound management. The Manager believes these characteristics will act to protect the portfolio on the downside.

The largest holding in the portfolio is Woolworths, a prime example of a high quality franchise that is taking action to return to growth. Woolworths have a commanding market

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position but the company has suffered from poor management over recent years. Woolworths has many levers at its disposal to increase revenue, with the announcement of the closure of its Masters hardware business already resulting in an immediate and substantial upgrade to earnings. Woolworths is trading in line with the market multiples, yet it holds a leading market position with duopoly/oligopoly status and its supermarket business is 40% larger than Coles. The new management team has embarked on structural change within the company and the Manager believes that re-focusing on its core business of Food and Liquor should result in a significant uplift to earnings.

Eighty five percent of PIC's capital is invested in equity securities with 64% in Australian securities and 21% in global securities. Fifteen percent of the portfolio is in Cash.

Shareholders are reminded that PIC Options expire on 10 June 2016. If you would like to exercise your Options please contact LINK on +61 1800 421 712 for an Option exercise form.

MARKET REVIEW AND OUTLOOK

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, fell 5.5% during January. Global markets fell heavily during the month on the back of softening US economic data, further weakening of the Chinese economy and plunging oil prices.

Falling core retail sales and industrial production in the face of the high US dollar, weak oil prices and soft inflation led markets to question the ongoing strength of the US recovery. Weak Chinese manufacturing data and another surprise devaluation of the Yuan also impacted markets, with the Shanghai Composite Index falling 25% over the month. This was despite market circuit breakers triggering two separate trading halts in an attempt to reduce volatility. Oil prices tumbled to twelve year lows as fears around oversupply and weakening global growth saw crude briefly falling below US\$30 before recovering slightly to end the month down 9.3%.

Local data was mixed with commodity prices pushing down Australia's terms of trade while inflation numbers and home loan approvals came in higher than expected. The Aussie dollar lost ground during the first half of the month, falling below US70c before recovering slightly to close the month down 2.78% at 0.7074.

The best performing sectors for the month were property trusts (+0.9%), utilities (+0.7%) and telecommunication services (+0.7%). The worst performers were materials (-9.1%), financials ex-property (-8.9%) and energy (-6.5%). As a whole, industrial stocks (-5.0%) outperformed resource

stocks (-9.0%) and large cap stocks (-5.8%) underperformed small cap stocks (-5.1%).

TOP SECURITIES

TOP 5 AUSTRALIAN SECURITIES AS AT 31 JANUARY 2016

COMPANY	PORTFOLIO WEIGHT
Woolworths Ltd	10.7%
Caltex Australia Ltd	7.2%
Sky Network Television Ltd	6.8%
BlueScope Steel Ltd	6.4%
Suncorp Group Ltd	6.1%

TOP 3 GLOBAL SECURITIES AS AT 31 JANUARY 2016

COMPANY	PORTFOLIO WEIGHT
Royal Philips	7.5%
Bank of America Corp	5.5%
Viacom Inc	5.5%

NET TANGIBLE ASSET (NTA) BACKING PER ORDINARY SHARE¹

AS AT 31 JAN 2016	AMOUNT
NTA before tax ²	\$1.028
NTA after tax	\$1.026

Daily NTA is available on the website.

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.

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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.

This monthly report has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. It is general information only 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. No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of the Company or the return of an investor's capital.

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