PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

KEY ASX INFORMATION

As at 31 July 2016

ASX code: PIC

Listing date: 18 December 2014

Market capitalisation: $240.986 million

Share price: $0.955

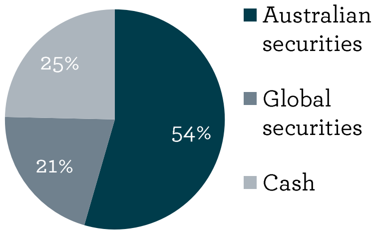
Shares on issue: 252,341,662

JULY 2016
MONTHLY INVESTMENT UPDATE AND NTA REPORT

PORTFOLIO PROFILE

ALLOCATION OF INVESTMENTS

75% of capital invested in securities.



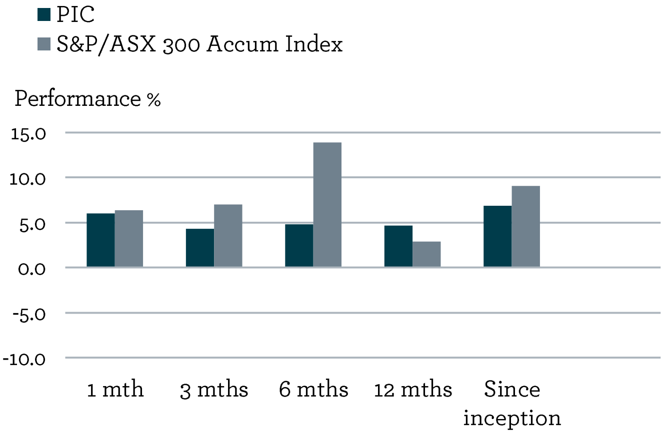
PERFORMANCE

Net of fees, expenses and tax paid

AS AT 31 JULY 2016	1 MTH	3 MTHS	6 MTHS	12 MTHS P.A.	SINCE INCEP P.A.
PIC	6.0%	4.3%	4.8%	4.7%	6.9%
S&P/ASX 300 Acc Index	6.4%	7.0%	13.9%	2.9%	9.1%
Performance Relative to benchmark	-0.4%	-2.7%	-9.1%	1.8%	-2.2%

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

PORTFOLIO COMMENTARY

The Portfolio performance, as measured by the growth of the net assets per share, was 6.0% in July. The portfolio slightly underperformed the benchmark S&P/ASX300, which rose by 6.4%. Since listing, the Perpetual Equity Investment Company Limited (PIC) has returned 6.9% per annum.

July was a very strong month for share markets as they rebounded strongly following the surprise Brexit result sell-off in June. BlueScope Steel continued to add value to the portfolio and an announcement by Woolworths' management regarding the progress of their strategic review was well received by the market. (For a detailed update on the Woolworths' announcement click here or refer to our website).

Two of the securities that detracted from the portfolio during July were GrainCorp (ASX code: GNC) and SKY Network Television (ASX Code: SKT). Founded in 1916 GrainCorp is an agribusiness that engages in the storage, handling and marketing of grains and related commodities. To facilitate these services, GrainCorp utilises an extensive infrastructure network that they have established over many years which spans ports, rail, storage silos and other facilities along the east coast of Australia and in rural areas. This network is a high quality asset, which acts as an economic moat for GrainCorp protecting them from competitive threats.

In weeks just passed the share price of GrainCorp has been sold off on the back of an unsuccessful equity sale by major shareholder Archer Daniels Midlands (NYSE code: ADM) who own a 19.9% stake. ADM, who bought its initial stake at $11.75 a share and failed to acquire the company at $13.20 a share in 2013, pulled their latest offer from market after receiving undervalued bids from potential suitors. The Manager does not believe this latest undertaking reflects the true demand for GrainCorp in the market, but does think that an exit by ADM from the share register will be favourable for GrainCorp.

In recent years, GrainCorp's earnings have been negatively impacted by ongoing drought, during which the volumes of grain that they handle has fallen substantially. Compounding this, the resulting effect is that GrainCorp's infrastructure is underutilised, which weighs on their operating margin. Prudently, the business has been diversifying its revenue base into Malt and Oils; shifting the business mix significantly towards less cyclical businesses, which provide a solid earnings base when the Storage & Logistics business is going through a weak grain cycle.

SKY Network Television is a monopoly pay television operator in New Zealand with over 830,000 subscribers and a suite of

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premium content. SKY has maintained a disciplined approach to bidding for content & sports broadcast rights, as well as remaining focused on costs.

Earlier this year SKY Networks and Vodafone Group (LSE code: VOD) announced an agreement to combine SKY and Vodafone NZ to form a leading media & telecommunications group in New Zealand. Vodafone NZ is the leading mobile service and number two broadband provider, with more than 2.35 million mobile connections and over 500,000 fixed-line connections. This will enable significant cross-sell opportunities with the group able to deliver a "triple play" solution of content, broadband and mobile across all platforms and devices. The Manager views this merger very positively, particularly given the structure of the New Zealand market and in the context of the rapidly evolving media and telecom spaces more broadly.

On face value SKY is attractively priced trading on 11.5x forecast FY17 earnings and paying a dividend yielding more than 6%. When compared to peers abroad executing similar triple play strategies, who trade on P/E multiples closer to 18x, in the Manager's opinion SKY's valuation looks even more compelling. With the assets now in place, it appears most of the risk lies in executing the strategy, and the Manager remains confident given SKY management's know-how and track record.

The Manager has been increasing the weighting to cash in the portfolio and is currently at the maximum allocation of 25%. The Manager is concerned that valuations are currently unsustainable and has been taking profit into this rally. At the same time, the Manager has identified a number of quality companies and is awaiting a market pull back to invest at more attractive levels. Shareholders may remember that last year the Manager held a high allocation to cash in the portfolio, and the Manager's patience was a benefit to the portfolio. The Manager's strict value process seeks to minimise downside risk, and protect the portfolio when markets are volatile.

MARKET REVIEW

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, rose 6.4% during July. Global markets delivered positive returns over the month as fears over the immediate impact of Brexit subsided. Strong US payrolls data and better than expected US company earnings lifted markets early in the month. Data from China was also largely positive, assisting positive returns in iron ore and base metals. Meanwhile Brent crude fell heavily on renewed fears of oversupply. Following his re-election, Japanese Prime Minister Shinzo Abe announced additional monetary stimulus measures, albeit less than had been anticipated by the market. European data was mixed and following the Brexit vote Theresa May was declared the new leader of the Conservative Party and the Prime Minister of the UK. In Australia the Liberal-National Coalition emerged from the federal election with a slender single seat victory. Headline inflation continued to decline with the annualised rate of headline inflation falling to 1.0%. The RBA kept the cash rate on hold at 1.75% and the Aussie dollar gained 2.07% against the USD.

The best performing sectors for the month were consumer discretionary (+8.9%), consumer staples (+8.5%) and materials (+7.8%). The worst performers were energy (+0.2%), information technology (+3.9%) and telecommunication services (+4.2%). As a whole, industrial stocks (+6.3%) performed in line with resource stocks (+6.5%) and large cap stocks (+5.8%) underperformed small cap stocks (+8.6%).

INSIGHTS: WHY INVESTING IN THE BANKS FOR THEIR DIVIDENDS COULD BE RISKY

There is a lot to like about the big four Australian banks, and with their, on average, 6% fully franked dividend yield, it's therefore no surprise that investors have turned to bank shares for income. But is this approach risky? In Perpetual's latest article, Portfolio Manager, Anthony Aboud discusses why the banks' dividend policies are eating into their capital bases, why the banks' policies could be too high at this end of the cycle and how potential regulatory headwinds could represent potential risk for investors over the medium term. PIC does not hold any of the major four Australian banks in the portfolio. Click here to read, or visit www.perpetual.com.au

TOP SECURITIES

TOP 5 AUSTRALIAN SECURITIES AS AT 31 JULY 2016

COMPANY	PORTFOLIO WEIGHT
Woolworths Ltd	11.1%
BlueScope Steel Ltd	7.3%
Suncorp Group Ltd	6.0%
Sky Network Television Ltd	5.8%
GrainCorp Ltd	5.3%

TOP 3 GLOBAL SECURITIES AS AT 31 JULY 2016

COMPANY	PORTFOLIO WEIGHT
Royal Philips	7.0%
Icon Plc	6.2%
Bank of America Corp	4.8%

NET TANGIBLE ASSET (NTA) BACKING PER ORDINARY SHARE [1]

AS AT 31 JULY 2016	AMOUNT
NTA before tax [2]	$1.069
NTA after tax	$1.056

Daily NTA is available on the website.

[1]All figures are unaudited and approximate.

[2]The 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.

DIVIDEND REINVESTMENT PLAN

The Company has a Dividend Reinvestment Plan (DRP) in operation. The DRP provides you the choice to receive some or all of your future dividends as ordinary shares in the Company instead of cash, which is an efficient way of increasing your investment in the Company. For more information on the DRP or to **access an application form**, please visit our website, **click here** or contact LINK Market Services Telephone: +61 1800 421.712.

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ANNUAL RESULTS

The Company will announce its annual results for the financial year to 30 June 2016 on Friday 19 August 2016.

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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