

**PERPETUAL**  
EQUITY  
INVESTMENT  
COMPANY  
LIMITED

Perpetual Equity Investment  
Company Limited  
ABN 68 601 406 419

Angel Place,  
Level 18, 123 Pitt Street  
Sydney NSW 2000  
Australia  
GPO Box 4172  
SYDNEY NSW 2001  
Australia

Phone 02 9229 9000  
Fax 02 9229 9009  
[www.perpetualequity.com.au](http://www.perpetualequity.com.au)

14 April 2021

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 March 2021 (as attached).

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

Karen Davis  
Senior Manager, Listed Products and Projects  
Perpetual Investment Management Limited  
P: 02 9229 9114  
E: [karen.davis@perpetual.com.au](mailto:karen.davis@perpetual.com.au)

Yours faithfully



Sylvie Dimarco  
Company Secretary  
(Authorising Officer)

# PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

## INVESTMENT UPDATE AND NTA REPORT

March 2021

### PORTFOLIO SNAPSHOT

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

AS AT 31 MARCH 2021	AMOUNT
NTA after tax (cum dividend)	\$1.241
NTA before tax (cum dividend)	\$1.315

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. As at 31 March 2021, the NTA after tax (ex dividend) was \$1.213 and the NTA before tax (ex dividend) was \$1.287. The ex dividend NTA figures are reduced by a provision for the 2.8 cents per share interim dividend that was declared on 17 February 2021. The ex date for the interim dividend is 6 April 2021 and the payment date is 26 April 2021.

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

### KEY ASX INFORMATION

#### AS AT 31 MARCH 2021

ASX Code:	PIC
Structure:	Listed Investment Company
Listing Date:	18 December 2014
Market Capitalisation:	\$438 million
Share Price:	\$1.255
Shares on Issue:	348,685,708
Dividends:	Half-yearly
Management Fee	1.00% p.a.*
Manager	Perpetual Investment Management Limited

\* exclusive of GST

### INVESTMENT PERFORMANCE

AS AT 31 MARCH 2021	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS P.A.	3 YRS P.A.	5 YRS P.A.	SINCE INCEP P.A.
PIC Investment Portfolio	4.2%	7.4%	24.0%	60.5%	17.2%	12.7%	12.1%	10.5%
Net of fees, expenses and before tax paid								
S&P/ASX 300 Acc Index	2.3%	4.2%	18.5%	38.3%	8.7%	9.7%	10.3%	8.8%
Excess Returns	1.9%	3.3%	5.5%	22.2%	8.5%	3.0%	1.8%	1.7%

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 SECURITIES

#### TOP 5 AUSTRALIAN LISTED SECURITIES

COMPANY	PORTFOLIO WEIGHT
PWR Holdings Ltd.	5.2%
Bluescope Steel Limited	4.7%
Crown Resorts Limited	4.6%
Suncorp Group Limited	4.0%
Boral Limited	3.9%

#### TOP 3 GLOBAL LISTED SECURITIES

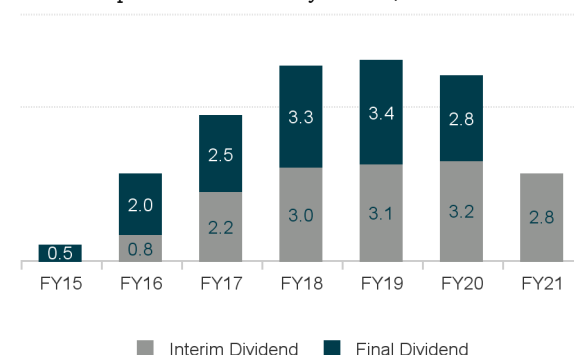
COMPANY	PORTFOLIO WEIGHT
Flutter Entertainment Plc	7.5%
La Francaise des Jeux SA	6.7%
Persimmon Plc	3.2%

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

### DIVIDENDS IN CENTS PER SHARE

Annual dividend yield: 4.5%

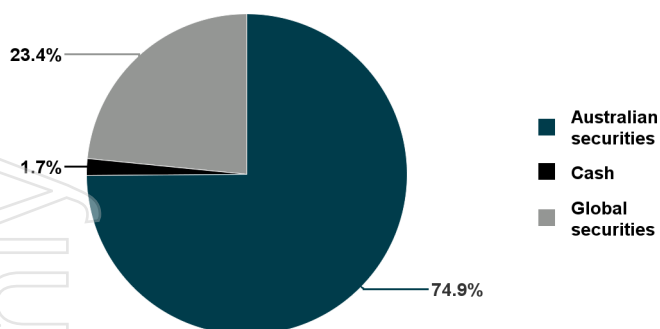
Grossed up annual dividend yield: 6.4%



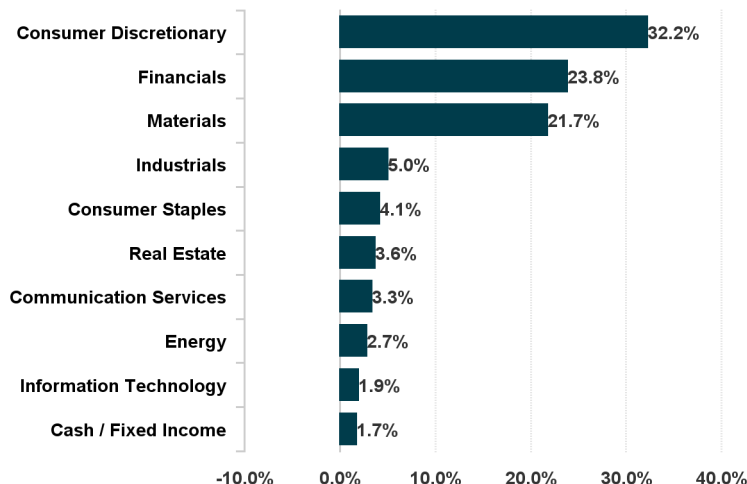
Yield is calculated based on the total dividends of 5.6 cents per share and the closing share price of \$1.255 as at 31 March 2021. Grossed up yield takes into account franking credits at a tax rate of 30%.

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

98.3% 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.

## PORTFOLIO COMMENTARY

### Rotation to value continues

Twelve months on from the COVID-19 led market correction, the rotation to value stocks has continued as further economic re-opening beckons. Locally, Consumer Discretionary and Financial stocks took the lead alongside Resources. The US 10-year bond yield continued its solid rally, rising to 1.7% by the end of the month as the US passed its mammoth \$1.9 trillion stimulus package. For now at least, ongoing concern about the size of the stimulus has been offset by ongoing economic expansion and the continued rollout of COVID-19 vaccinations around the world.

There were some signs of market stress though. The first was the bankruptcy of Greensill Capital, an apparent global success story built around supply chain financing. The withdrawal of insurance coverage and then finance for Greensill's activities sparked a dramatic collapse in the business in a few short days. It also raised the prospect of financial difficulties for some of Greensill's creditors, including GFG Alliance, owner of steel mills including at Whyalla in South Australia. At the end of March, the market also saw the sudden collapse of US hedge fund Archegos Capital, managed by Bill Hwang, an erstwhile Tiger Cub protégé. Both collapses, bookending the month, highlighted the fragility of seemingly successful financial entities and also beg the question of how many other financially risky entities are yet to face a reckoning. As always, a critical first step in PIC's investment process is to screen companies for quality, including the robustness of their balance sheet and financial resources to survive the ups and downs of the economic cycle.

In regard to PIC's portfolio performance in March, the top absolute contributors to performance were Flutter Entertainment Plc (LON: FLTR), Crown Resorts Limited (ASX: CWN) and Bluescope Steel Limited (ASX: BSL). In March, FLTR reported its results for the period ending 31 December 2020 with its core business exceeding market expectations by 6%. Importantly, the Manager believes FLTR has demonstrated a willingness to take COVID-19 windfalls and prioritise the growth in the business over the long-term. This includes increased marketing in the core Paddy Power brand in the UK and the PokerStars business. The Manager continues to believe that companies that are willing to invest, rather than cut back, during challenging conditions are the ones that have a greater chance of emerging as long term winners in their markets.

The portfolio's position in Crown Resorts Limited (ASX: CWN) soared in March as The Blackstone Group Inc (Blackstone) launched a bid to acquire all the shares in CWN by way of a scheme of arrangement. Blackstone first purchased a 9.99% stake in CWN in April 2020. Despite the troubles surrounding the CWN's gaming licence in Sydney, the Manager has always considered Crown's underlying assets (entertainment complexes, its hotel business, apartment residences and gaming licences in major cities) to be high quality and well supported by a strong balance sheet. The Manager also notes the improvements to CWN's corporate governance of late. The Blackstone bid is vindication of the value the Manager has seen in the stock.

Bluescope Steel Limited (ASX: BSL) also delivered for the portfolio in March with the market pricing in the surge in steel prices as stimulus has accelerated economic recovery. In 2015, BSL acquired the remaining 50% of North Star Bluescope Steel from Cargill Inc to move to full ownership of the business. BSL is now hurrying to finish the expansion of its American North Star business in Delta, Ohio. The number of US steelmakers have consolidated dramatically in the past 20 years in the US but North Star has continued to grow its market share even as some of the larger players fade or leave. The completion of the North Star expansion would enable it to deliver additional steel into the market which is expected to remain strong for years to come as the new US government focuses on infrastructure spending in the years ahead.

## LLOYDS BANKING GROUP PLC (LON: LLOY) (ANALYST - TARIQ CHOTANI)

The Manager re-initiated a position in Lloyds Banking Group Plc (LON: LLOY) in early February 2021 following its exit in LLOY as a result of COVID-19 led volatility last year.

With Brexit largely out of the way (although finer details are still to be agreed upon) and the UK Vaccination program gaining traction, the Manager believes the economic outlook in the UK has been improving. Anticipation of better economic conditions have resulted in higher inflation expectations and steeper government bond curves. The Manager believes that LLOY is the UK's premium domestic banking retail franchise and will be a key beneficiary of the improving economic environment in the UK. With that backdrop, the Manager re-initiated a position in LLOY based on its view that LLOY was trading well below book value while offering considerable margin of safety on account of its strong capital position and level of provisioning.

The Manager considered LLOY's results for the 4th quarter for financial year 2020 to be very good with net interest margins (NIMs) surprising on the upside and credit costs trending towards mid-cycle levels. In the Manager's view, LLOY has been very proactive in managing its NIMs and one of the biggest headwinds to Net Interest Income (NII), its hedge book, will benefit from the increasing bond yields and steeper curves. LLOY is currently trading below book value while its Australian counterparts are trading above book value and offering similar through-the-cycle return profiles. The Manager believes that LLOY offers value on an absolute and relative basis compared to the Australian banks and should significantly benefit from the improving economic conditions in the UK. The Manager believes that the business has been setup well and while there is some risk of a new CEO reset later in the calendar year, the overall macro improvement should trump any of these headwinds.

As at 31 March 2021, LLOY comprised 2.7% of the PIC portfolio.

## SELECT HARVESTS LIMITED (ASX: SHV) (ANALYST - SEAN ROGER)

Over the past two months, the Manager has re-established a position in Select Harvests Limited (ASX: SHV) for the PIC portfolio. SHV is an Australian based grower, processor and marketer of almonds and almond based value-added products. The business owns and leases over 9,200 hectares of almond orchards across New South Wales, Victoria and South Australia and has two processing facilities located in Victoria. The PIC portfolio previously held SHV in 2018 and 2019 before fully exiting the position in early 2020 as the share price reached the Manager's valuation.

2020 was a tough year for SHV. The global almond price fell to its lowest level in 9 years due to a combination of COVID-19 related demand shortfalls and a record crop out of the key Californian market. SHV exports most of its almonds and therefore the price it realises for the sale of its crop is highly leveraged to global almond prices. As a result, SHV's FY20 Net Profit After Tax (NPAT) fell 53% during the period as the realised almond price fell from \$8.60 per kg in 2019 to \$7.50 per kg. Whilst an ugly headline result, SHV pleasingly delivered production yields well above industry standards and disciplined cost control across both farming and processing.

The weak almond pricing environment has seen the SHV share price fall from approximately \$9 in late 2019 to a low of approximately \$5 in early 2021. The Manager values SHV based on an assumption of mid-cycle almond pricing and believes the stock has recently been trading at a material discount to fair value. Whilst the short-term pricing outlook remains challenging, the Manager is closely monitoring the intensifying Californian drought and 2021 Californian crop which early indications suggest will be smaller than the 2020 crop. The Manager has seen in past cycles that almond pricing conditions can change very quickly.

Putting short-term price movements aside, the Manager has a constructive view of long-term almond prices underpinned by favourable demand and supply dynamics. Global consumption has grown approximately 6-8% over the past 5 years (excluding the impact of COVID-19) as consumer focus continues to shift towards plant-based diets. We also see pressure on global supply, particularly in California as increased regulation on water usage increases the cash cost of production. The combination of slower supply growth with the possibility of supply reductions is supportive of higher almond prices moving forward.

As at 31 March 2021, SHV comprised 1.9% of the PIC portfolio.

## COMPANY NEWS

### SHAREHOLDER COMMUNICATIONS

The PIC website hosts a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources. The [News and Insights](#) section of the website also includes the ability for you to subscribe to receive regular updates via email.

### REMINDER: TAX CERTIFICATION COMPLETION

Under the Australian Government's participation in Automatic Exchange of Information (AEOI) regimes, PIC is required to collect FATCA/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 FATCA/CRS certification by logging into the Link investor portal [here](#).

From there, under the Payments & Tax tab you will find 'FATCA/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](#).



## INVESTMENT PHILOSOPHY

### 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 (see Section 3.7 of the Replacement Prospectus dated 14 October 2014)

### 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 25 years' experience in the financial services industry, and has prior global experience as both an analyst and a portfolio manager. Vince leverages the expertise of Perpetual Investments' Equity team, one of the largest investment teams in Australia.

## PERPETUAL KEY CONTACTS

### INVESTOR RELATIONS

Karen Davis  
P: 02 9229 9114  
E: karen.davis@perpetual.com.au

### NSW

Mark Williams  
Key Account Manager, Perpetual Investments  
P: 0405 385 960  
E: mark.williams@perpetual.com.au

### VIC/SA/NT/TAS

Daniel Moore  
Regional Manager, Perpetual Investments  
P: 0400 032 819  
E: daniel.moore@perpetual.com.au

### QLD

Tony Harte  
Regional Manager, Perpetual Investments  
P: 0407 708 109  
E: tony.harte@perpetual.com.au

### WA

Tim McCallum  
Regional Manager, Perpetual Investments  
P: 0411 209 403  
E: tim.mccallum@perpetual.com.au

[www.perpetualequity.com.au](http://www.perpetualequity.com.au)

This monthly report has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. PIML is the investment manager of the Perpetual Equity Investment Company Limited (Company) ACN 601 406 419. 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. This information does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of the Company's securities. 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 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. This information is believed to be accurate at the time of compilation and is provided in good faith. No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) nor the Company guarantees the performance of the Company or the return of an investor's capital.

### CONTACT DETAILS

Investor queries: Telephone: +61 1800 421 712  
Mailing address: Link Market Services,  
Locked Bag A14, Sydney South, NSW 1235  
Email: [pic@linkmarketservices.com.au](mailto:pic@linkmarketservices.com.au)

