



PERPETUAL'S 2008 ANNUAL GENERAL MEETING

The Westin
Sydney
28 October 2008

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Chairman's address to shareholders

Mr Robert Savage

Chairman – Perpetual Limited

Introduction

Ladies and gentlemen

On behalf of Perpetual's board and management team and Mr David Deverall, Perpetual's Chief Executive Officer and Managing Director, I welcome you, our fellow shareholders, to the 2008 Annual General Meeting.

Before we start the addresses, I will briefly outline today's agenda.

I will appraise the current operating environment and discuss what it means for our industry and more specifically for our business. I will then review Perpetual's key results for the 2008 financial year.

At the conclusion of my address, David will provide detail on the status of each of our businesses over the past financial year. He will then outline at a business level Perpetual's response to the challenges of the current environment.

We will then proceed to shareholder questions on the Financial Report. This will be followed by the re-election of directors.

In my final address, I will review Perpetual's Remuneration Report, which will be followed by shareholder questions and a vote on the Report.

2008 operating environment

It has almost become a cliché to say these are difficult times.

But to put this statement into context, I would like to go back to September when I first began thinking about my address to you today.

We had just reported our results for the 2008 financial year, a year in which we saw our operating environment change dramatically.

In the space of some nine months, we had seen the rapid and widespread deterioration of the domestic and global markets, which simultaneously impacted multiple asset classes including equities, credit and property.

We were able to attribute the downturn in the markets to a series of key factors: the US sub-prime and ensuing global credit crises, reduced access to capital markets funding, increased cost of debt, rising domestic interest rates, increasing global inflation and record high oil prices.

Each of these factors had a very negative bearing on the overall performance of the Australian share market in 2008, which delivered the worst performance since 1982. The global share markets had fared even worse in Australia dollar terms.

In our wider operating environment, the securitisation market was virtually shut to new issuances.

The 'perfect storm' of the 2008 financial year culminated in the worst returns to investors in more than two decades and understandably eroded investor confidence.

But that was early September. It is now the end of October and the world has changed yet again.

On 29 September, the Dow Jones Industrial Average Index had its largest one day point loss in history. This was followed by its third largest one-day point gain in history the very next day.

In the first seven trading days of October, the Index lost more than 20 per cent and set multiple volatility records. A record 800 point intra-day tumble occurred on 6 October. Although the Index lost only 128 points on 10 October, its intra-day range spanned more than 1,000 points for the first time in history.

On 13 October, known as 'Manic Monday', the Dow rebounded to nearly double the largest daily point gain in history and recorded the first gain of more than 10 per cent since 1933.

All these movements took place over the space of two weeks. They may be just statistics but they are symptomatic of the massive erosion of investor confidence we are seeing in markets around the globe.

More importantly, the absolute impact this is having on the world's economies has become even more apparent in the past few weeks: the governments of the United States and a number of European nations have between them approved multi-trillion dollar rescue packages for their respective financial systems; and there have been unprecedented co-ordinated central bank rate cuts and the introduction of bank guarantees for deposits in Australia and around the world.

'Difficult times' - a cliché maybe, but a reputable fact it is.

Does this mean the worst is over? And what does this all mean for our industry and, more importantly, for Perpetual?

Our success as a company has delivered total shareholder returns in excess of 30 per cent per annum in the decade up to 2007.

The fundamental impetus for that success has been driven largely by virtue of the industries we have elected to operate in, our 'chosen patch' so to speak, and their inherent relationship with the financial markets.

Perpetual always has, and always will, be subjected to the cyclical nature of the market. As shareholders, we must be cognisant of its ongoing and defining influence, both positive and negative, on the performance of our business.

The Australian financial services sector has obviously not been spared in this crisis. Overall, the wealth management industry alone has seen a material decline in its revenue pool.

As part of the industry, Perpetual has also not been immune to these market forces, which adversely impacted our key short-term drivers of profitability, in particular the amount of funds we have under management, advice and administration in our core businesses.

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Investors typically seek what they perceive to be safe havens in cash and other defensive assets when markets decline and the current environment has been no exception, particularly given the introduction of the Government guarantee on bank deposits.

Regrettably last week, as a flow on effect of the guarantee, we saw a significant increase in redemptions in our mortgage funds and had to take the unprecedented step of changing withdrawals from our Monthly Income and Mortgage Funds to a quarterly basis. David will speak about this important issue more fully in his Address.

However, there are some facts of which we are certain: that is, the core of Perpetual's business is robust and the long-term fundamentals of our industry are strong.

As markets continue to evolve in 2009, low debt and a strong balance sheet will be seen as essential hallmarks of sustainable, quality companies not only in Australia but also around the world.

In the past, Perpetual's conservative stance on debt has been noted by the market and with some criticism by certain elements. But today, because of our prudence, we find ourselves in a position of comparative strength.

We have net assets of \$314 million of which cash holdings represent \$183 million and liquid assets of \$260 million. Even more importantly, we have a debt to equity ratio of 12.5 per cent and an interest cover of 69 times.

We clearly have a robust balance sheet and almost no debt and this will provide us with the basis to weather the period and position us well to capitalise on opportunities which may evolve once this current crisis abates.

From an industry perspective, we must remember the underlying driver of growth for our industry, and therefore of Perpetual's business, is Australia's compulsory superannuation regime. Retirement savings in Australia are conservatively forecast to grow at low double digit rates over the next decade, which will see the Australian funds management industry responsible for more than \$3 trillion by around 2020. There are few industries in Australia or even in the world that can factor in growth drivers of these proportions.

As always, the overall decline in the domestic and global markets has led investors to reassess and re-price risk and place greater value on performance.

Our conservative investment style typically outperforms in a 'bear' market and this market has been no exception.

One area I would specifically like to make reference to here is our global equities business. Questions about this particular business have been raised at every annual general meeting I have chaired for Perpetual. At each of these meetings, I have consistently stated that in order to get flows, we had to get broad based support for the business and that support would only come with positive track record over a sustained period of time.

I am very pleased to report that our International Share Fund now sits in the top performance quartile of global equities funds in Australia over one and three year periods. This augurs well for the future growth prospects of this business.

Since 2003, we have focused on growing our core businesses, expanding into adjacent businesses using our key competencies and creating leadership positions in a broader portfolio underpinned by superannuation.

To date, we have seen some successes arising from the execution of our strategy. Amongst these are our changing sources of profit.

A good example is the growing profitability of Perpetual Private Wealth. Five years ago, this business contributed approximately 8 per cent to group profit before tax; today, it contributes around 21 per cent.

We have also learnt some valuable lessons during the implementation of our strategy. One lesson we have learned is the importance of staying focussed on what we do well and not deviating too far from our core capabilities. Our exits from Direct Property and Infrastructure in 2008 are points in case.

Our faith in our strategy is resolute and we are excited at the prospect of seeing more of these initiatives, like our global equities strategy, come to fruition.

Key group financials

I would like to now outline some of the key financial results of the 2008 financial year.

Our operating profit after tax of \$133.5 million for year to 30 June 2008 represented an 8 per cent decrease over the 2007 result of \$145.3 million.

Net profit after tax for the year to 30 June 2008, which included profit on sale of investments and losses related to the Exact Market Cash Fund (EMCF), decreased 29 per cent to \$128.8 million.

At our end of year results, the board announced the payment of a final dividend of \$1.41 per share. Total ordinary dividends paid to shareholders for the year to 30 June 2008 were \$3.30 per share, an 8 per cent decrease on the previous year.

The yield calculation based on our 2008 dividend and our share price at 30 June 2008 was 7.7 per cent. This yield compares very favourably to those of our peer group.

Outlook

At the beginning of my address, I sought to provide some insight into the unprecedented volatility of the markets in the financial year to date and its impact on our key drivers of profitability.

This volatility has caused us to be even more vigilant in reviewing the factors that influence our business operations. It has required us to continually focus on our revenue sources and adjust our cost base; to monitor our capital requirements and review our dividend policy; and to react to the constantly changing market forces, including external influences such as the introduction of the Australian Government guarantee on deposits.

We have traditionally used the opportunity of the Annual General Meeting to give guidance on our profit for the six months to 31 December. The aim of this exercise is to provide the market with a clear understanding of the near-term future profits of Perpetual.

The prolonged and volatile nature of this crisis is making the task of providing guidance even more difficult this financial year. As such, any guidance on our profit must be very closely considered in the context of these difficult and rapidly changing market conditions and the implementation of our current productivity initiatives.

Based on our most recent announcements to the market at the end of September, analyst reports on Perpetual in the past few weeks were forecasting an EBITDA range of between \$174 – 205 million and an OPAT range of between \$97– 118 million for the full year to 30 June 2009.

This consensus is based on market conditions and funds under management as at the end of September.

Whilst we are of the view that our outlook is in line current consensus, I must once again caution that conditions are changing rapidly and we expect that the volatility of the market in the near-term could affect both market consensus and our outlook prior to the end of the first half at 31 December.

As always, should our outlook diverge materially from consensus, we will advise the market.

Board developments

As outlined in the Notice of Annual General Meeting, it is with pleasure that I announced the appointment of Mr Alexander Stevens to your board of directors on 24 June 2008. As required by our constitution and the ASX Listing Rules, his appointment will be put to the vote of our shareholders later in this Meeting.

We will also be putting forward three other directors for re-election: Ms Meredith Brooks, Mr Peter Scott and Mr Philip Twyman.

The structure of a board is fundamental to its effectiveness. It is therefore very important that the board's members have an appropriate mix of credentials to guide our business.

Each director you will be voting on today brings a broad range of skills and experience to the company: Mr Stevens has a unique range of competencies in the areas of innovation, strategy and marketing; Ms Brooks has more than 20 years experience in funds management; Mr Scott has more than two decades of in depth senior management experience in publicly-listed companies, specifically in the wealth management sector; and Mr Twyman has considerable practical experience in financial services in Australia and overseas and brings this experience to the Chair of the Audit and Risk Committee.

In their addresses to you later today, each of these directors will talk about how they have used their skills in their roles as non-executive directors of Perpetual.

Conclusion

I would like to thank our fellow shareholders for your support in 2008. Most of us representing Perpetual here today are also shareholders in the company. As fellow shareholders, we share your disappointment that Perpetual's 2008 results were not consistent with our results over the past decade. However, while we share your concerns for the current situation, we also hope you share our optimism for Perpetual's return to future prosperity.

Last but not least, I must also mention my colleagues at Perpetual. Perpetual is basically a people business that relies on the experience, knowledge and ideas of its people to excel in business.

Your board of directors has the absolute confidence that we have the right people, right skills and right leaders to guide Perpetual through this crisis. The fact that our investment performance is way ahead of our competitors in this period is a proof point to this statement.

Our people are committed and focused on delivering the best outcomes for the business and for our stakeholders. I would like to thank them for their efforts during what are and what will continue to be difficult times.

I now invite David to present his address.

Chief Executive Officer and Managing Director address to shareholders

Mr David Deverall

Chief Executive Officer and Managing Director – Perpetual Limited

Introduction

Thank you, Bob.

Welcome fellow shareholders and thank you for joining us here today.

Today, I will provide you with an overview of our results by business division for the 2008 financial year. The order in which I will discuss our business divisions will be firstly, Perpetual Investments, followed by Perpetual Private Wealth and then Perpetual Corporate Trust.

Perpetual Investments

Perpetual Investments profit before tax decreased 3 per cent to \$147.0 million at 30 June 2008.

Revenues increased 4 per cent to \$294.5 million over the same period.

Operating expenses increased 14 per cent from \$110.8 million to \$126.6 million. The increase in expenses reflected additional investment in our distribution capabilities and in incentive payments relating to investment out-performance.

Funds under management

Funds under management in Perpetual Investments were \$30.3 billion, a decrease of \$8.8 billion on the previous financial year.

Similar to other fund managers, this was due to declines in both the Australian and global equity markets and the debt markets, and their negative impact on funds under management.

Industry flows into equities and fixed interest declined during the year as investors withdrew from the equity and credit markets and reallocated funds into more defensive liquid asset classes like cash and bank term deposits.

Investment performance

On a positive note, our Australian Share Fund, Industrial Share Fund and Concentrated Equities Fund outperformed the benchmark by 5.2 per cent, 2.6 per cent and 7.7 per cent respectively in the 12 months to 30 September 2008.

Of particular note, our Smaller Companies Fund out-performed the benchmark by more than 11 per cent over the same period.

As you can see from the slide, not only did all of these funds outperform relative to their benchmark, but they have also shown substantially improved performance, compared with the previous year.

Our Chairman also made special mention of our International Share Fund.

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The performance of this fund has improved substantially and as at 30 September was outperforming the benchmark by 8.7 per cent over a one year period, 3.3 per cent over a two year period and 3.2 per cent over a three year period.

We are very enthusiastic about this business and have taken on additional sales capabilities to ensure we are properly positioned to take advantage of opportunities flowing through from our improved performance.

The deterioration in global credit markets and the rapid expansion of credit spreads placed significant stress on our credit portfolios in the 2008 financial year, including our Exact Market Cash Fund.

The Fund incurred 'mark-to-market' losses arising from the revaluation of the securities in the portfolio. These unrealised losses became material in November 2007 when credit spreads increased sharply.

As at 30 June 2008, the 'mark-to market' position of the portfolio was \$19.5 million loss after tax; write downs and hedging costs were \$6.3 million after tax.

In our last announcement to the market for the quarter ended 30 September 2008, we reported a 'mark-to-market' position of \$4.8 million loss after tax. The majority of the losses mirrored the decline in valuations of credit securities related to off-shore financial institutions and banks.

We also had a small exposure of \$2.0 million after tax to securities issued by investment bank Lehman Brothers in the United States, which resulted in a realised loss.

Since 30 September, these losses have been stable despite further deteriorations in the global credit markets.

Widening credit spreads in the past 12 months have led to attractive valuations, which re-enforces our investment philosophy of focussing on a highly diversified portfolio of quality securities. The fund continues to receive strong inflows from institutional and retail investors and stood at approximately \$2.3 billion at 30 September 2008.

We have continued to manage downside risk and limited the impact of the unprecedented volatility in the market on the EMCF by hedging parts of the portfolio that relate to banks in the United States and Europe.

With the exception of the sub-prime and Lehman related securities, we expect to recover the vast majority of the mark-to-market or unrealised losses as the balance of the securities held in the EMCF mature over a period of between 12 and 24 months.

Strategic developments

We recently relaunched our WealthFocus platform to the market together with our unique Investment Advantage product, which offers superior capital gains tax advantages relative to other retail master trusts.

Self-managed superannuation funds are the fastest growing segment of the superannuation market and now represent approximately 25 per cent of superannuation funds. This is still a highly fragmented industry and our acquisition of self-managed super funds administrator, *smartsuper*, in late September has given us a leadership position in this rapidly growing sector.

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Perpetual Private Wealth

Business financial results

Perpetual Private Wealth's operating profit before tax increased 8 per cent to \$46.4 million at 30 June 2008.

Revenue growth remained positive, increasing 6 per cent from \$98.8 million in the previous financial year to \$104.9 million.

Perpetual Private Wealth experienced operating expense growth of 2 per cent. This is despite continued investment in our strategy and a 14 per cent rise in the number of client facing employees.

Funds under advice

Perpetual Private Wealth's funds under advice were \$7.7 billion at 30 June 2008, a decrease of \$0.7 billion on 2007. This amount comprised \$0.4 billion of net inflows, which was offset by \$1.1 billion of asset erosion (net of distributions) associated with the decline in equity markets.

Net inflows were attributed to strong new client growth, increased demand for our unique service offering and the favourable long-term fundamentals of Australia's superannuation regime.

Strategic developments

During the year, we embarked on an accelerated growth strategy focussed on increasing the capacity, quality and efficiency of our client service.

We increased the total number of client facing employees by 14 per cent in the past financial year. Current conditions are presenting some excellent opportunities to recruit advisers with outstanding experience and skills from what is usually a very competitive segment of the employment market.

We also expanded our operations in the South Australian high net worth market with the addition of the Adelaide-based Argosy Wealth Consultants, which has approximately \$75 million in funds under advice and more than 100 clients.

Perpetual Corporate Trust

Business financial results

Perpetual Corporate Trust's operating profit before tax decreased 17 per cent to \$29.5 million at 30 June 2008.

This result comprised revenue growth of \$15 million or 22 per cent and operating expense growth, including restructuring costs, of \$21 million or 67 per cent.

The increase in operating expenses took into account operating costs associated with Wignalls and National Lending Solutions acquired in February and July 2007 respectively.

Funds under administration

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Funds under administration are traditionally the main source of profitability in Perpetual Corporate Trust and are driven by issuance of debt securities in the Australian and global markets. As a result of the credit crisis, new issuances fell from \$57 billion in the 2007 financial year to \$9 billion in the 2008 financial year.

Due to the decline in issuances of new securities, staff numbers in Perpetual Corporate Trust were reduced by 20 per cent from their peak in October 2007 and, in so doing, we incurred approximately \$3.9 million in integration and restructuring costs.

As a result of the review, we reduced costs and discretionary spending and created greater efficiencies across the business. Savings from this review will be realised in the current financial year.

Our funds under administration at 30 June 2008 were \$222.9 billion, an increase of \$12.8 billion.

Strategic developments

We completed the integration of Wignalls and NLS in 2008 and now have the capabilities to service large lending institutions as a key strategic outsource partner in mortgage processing. Our mortgage processing volumes increased 138 per cent from 40,000 in 2007 to 95,000 in 2008.

The year ahead: managing the short-term, planning for the long-term

In his address, our Chairman was quite explicit in his description of the changes to our market in recent times.

All in all, we can expect the remainder of this calendar year and the 2009 calendar year to be difficult.

We will almost certainly see a recession in the United States and Europe and also a sharp slowing in economic growth in Australia. There will also be slowing growth in emerging economies like China and this will have obvious implications for our export-based industries. As a consequence, we can expect this to impact employment in Australia.

The flow on effect of the crisis is having profound structural and regulatory implications for the financial services industry, specifically higher capital adequacy requirements for market participants, more prescriptive guidelines around products offered to the retail market, closer scrutiny of executive remuneration and a more pervasive role of government in general.

From our perspective as a wealth manager, we are likely to see more focus on fees, conflicts of interest, product disclosure, liquidity management and valuations of infrequently traded assets.

The ongoing decline in the market has had important bearings on our profitability and we will again see pressure exerted on our profitability for the remainder of the 2009 financial year.

Firstly, our revenues and profitability will be impacted by declining valuations on the stock market. As an indicator, every one per cent decrease or increase in the All Ordinaries Accumulation Index approximately translates into a \$2.5 million decrease or increase in revenue for Perpetual.

Secondly, while redemptions from our funds are holding, applications have slowed considerably. We expect this trend to reverse but not until cash rates reduce and/or equity markets stabilise.

Thirdly, in the Chairman's Address we made reference to the virtual closure of the securitisation market. This situation is unlikely to improve in the near term.

So the question is where to from here?

As Bob stated very clearly, our commitment to our strategy remains unchanged. We are indeed fortunate to be part of an industry that is underpinned by the Government's mandated superannuation regime and this is the impetus for the medium to long-term growth of our business.

In the meantime, our aim is to maintain appropriate levels of profitability without jeopardising our ability to achieve our objectives, which are to grow long-term value for our shareholders by continuing to invest in our strategic priorities; protect and sustain our business in the current market; and maintain appropriate internal risk controls.

We will achieve these outcomes by continuing to prudently manage the business. For example by introducing salary freezes for our senior executive staff and director's board fees.

Conclusion

We are always reluctant to make predictions about the direction of the stock market. However, the current environment is clearly one of increased uncertainty and warrants some comment.

The financial climate is without precedent in recent times with the scale of financial rescues and government intervention surpassing even the most pessimistic forecasts six months ago. Whilst we do not want to be complacent given the magnitude of events we feel the environment is becoming increasingly attractive for investing in equities on a three to five year view. This view is supported by our Australian Equities team who are finding opportunities to buy high quality companies at prices not seen in years.

The restoration of investor confidence in the markets and in our industry will happen but it will take time. To do this, we must increase our level of engagement with all our stakeholders.

Our message to them is very simple.

Market volatility is part of wealth creation over the longer-term, and if we are to deliver the standards of living we desire in our retirement, we must equip ourselves to manage all aspects of the full investment cycle: that is both 'bull' and 'bear' markets.

While defensive assets like cash are more immune to market volatility, they are not as effective in delivering the long-term growth necessary to build adequate retirement savings. This was the specific purpose of the Government's mandated superannuation regime introduced just over 15 years ago.

Our industry has been entrusted with the responsibility of maximising the retirement wealth of all Australians and it is therefore incumbent on us to engage our stakeholders and to demonstrate to investors the value we bring to the table.

As an industry we need to be proactive in engaging with government to ensure the right balance is struck.

Some of the recent government initiatives in financial markets have been welcome and necessary to stabilise the economy and the financial services markets. Unfortunately, others have had unintentional consequences.

Many of you would have undoubtedly seen the recent announcement that we have suspended applications and will now only allow quarterly redemptions based on maturing assets from our Monthly Income and Mortgage Funds. A number of other fund managers who operate mortgage funds have taken similar actions.

The move was prompted by a sudden spike in redemptions in the Funds. These Funds compete with bank term deposits which offer attractive rates of return and now receive a guarantee from the Australian Government.

Our Monthly Income Fund was established in 1966 and is one of the oldest and most highly-awarded funds in Australia with more than \$2 billion in funds under management and approximately 80,000 investors.

Its primary aim of the Funds is to provide a monthly income stream for investors, many of whom are retirees.

The Mortgage and Monthly Income Funds were suspended because they invest in both liquid credit securities and relatively illiquid loans over income producing commercial property. With the sudden increase in redemptions unit holders faced the risk of inequitable outcomes if a fire-sale of the illiquid loans was required in order to raise sufficient liquidity to meet these redemptions. This was something we were not prepared to allow happen to investors. In this context, we took the view we had to act prudently to protect the interests of these investors in the Funds.

Our decision to make this change was not taken lightly, nor was it in any way reflective of the quality of our Funds, which are invested in a conservative and high quality mortgage portfolio and which have represented a very secure option for investors for over 40 years.

Conservative fund managers like Perpetual have never had any need to seek Government support. All funds we manage follow a prudent investment philosophy that emphasises the preservation of capital and almost all have no debt.

By changing withdrawals in our Monthly Income and Mortgage Funds to a quarterly basis based on cash available, we are confident that we have been able to protect the income of our investors and also allow sufficient time for our industry to work with the Government on necessary solutions.

As the Chief Executive Officer of Perpetual and also as the Chairman of our peak industry body, the Investment and Financial Services Association of Australia (IFSA), I am working closely with Government to ensure a satisfactory policy outcome is formulated to this issue relating to mortgage funds.

It is important to note the distinction between the Monthly Income and Mortgages Fund and the vast majority of our managed funds which invest in highly liquid securities whether they are cash, fixed income or equities. For that reason, it is virtually inconceivable that we would suspend redemptions on our other funds.

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Before I hand back to Bob, I would like to thank my colleagues at Perpetual and my fellow board members. The past year has been extremely difficult for me and I am truly appreciative of their support and commitment.

Thank you

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Chairman's address to shareholders on the Remuneration Report

Mr Robert Savage

Chairman – Perpetual Limited

Introduction

Ladies and gentlemen

This section of the Annual General Meeting is devoted to remuneration matters.

As advised in the Notice of the Annual General Meeting, you will be asked during the course of this meeting to cast a non-binding vote on the Remuneration Report.

In preparation for this vote, I hope you have taken the opportunity to review Perpetual's 2008 Remuneration Report which is available on page 17 of 'Part Two: Statutory Financial Statements' of the '2008 Annual Report'.

Prior to taking that vote, I would like to take some time to outline the basic principles of our remuneration policy and its objectives.

Non-binding vote on the Remuneration Report

The most fundamental task of a publicly-listed company is to create sustainable and long-term shareholder value.

Perpetual's success over many years has almost exclusively been achieved by the talent of the people it employs. Our ability to generate superior returns for our investors and to provide innovative and industry leading products and solutions is nothing more than the collective output of the skills and expertise of our people.

For Perpetual, therefore, the task of creating sustainable and long-term shareholder value is inextricably linked to our ability to attract, motivate and retain the most talented people in the financial services market.

By employing talented people and creating an environment that enables them to perform and thrive, we create a strong and lasting bond between our people and the company. This bond is called 'employee engagement'; the optimisation of 'employee engagement' is rightfully one of the three key objectives of our strategy.

Engagement is driven by a series of factors: corporate brand and reputation, cultural values, the ability to provide interesting and challenging career opportunities, recognition and ultimately reward.

Aside from the high cost of replacing key staff, which is estimated to be as much as double a staff member's annual salary, we most importantly lose their v knowledge, experience and ideas. For Perpetual, these attributes are fundamental to the ongoing success of our business.

I am pleased to again note that our employees as a single group continue to be Perpetual's largest shareholders. Importantly, this has been achieved without compromising the growth of shareholder wealth.

As a member of Perpetual's People and Remuneration Committee, I have been personally involved in the development and approval of a remuneration policy for our employees.

The Remuneration Committee is responsible for making recommendations to the Board on the company's remuneration policy. As a committee, we regularly review the competitiveness of our remuneration structure and its effectiveness in incentivising our employees over the longer-term, using the following five key principles:

1. variable or 'at risk' pay should be a feature of all employee remuneration. For more senior employees, variable pay forms a significant part of overall remuneration. Fixed remuneration should be competitive
2. variable or 'at risk' pay is linked to shareholder wealth creation and individuals are clear on performance criteria
3. short-term incentive payments are based on yearly performance and uncapped to allow for recognition of performance
4. short-term incentive payments should be made out of the realised profits of the organisation
5. equity participation within the organisation should be increased to encourage a sense of ownership, be appropriately tied to challenging hurdles and encourage retention of key individuals

Remuneration structure for all staff including executives (excluding asset managers)

The remuneration structure for our employees, excluding our asset managers, comprises the following:

- a fixed salary which is set around a median market range
- a variable short-term performance based incentive paid from the profits and not budgeted as fixed costs
- a component related to longer-term performance which, for the vast majority of participants, are share-based schemes

Fixed remuneration

Base salaries are determined by the appropriate benchmark information for companies of a similar size and complexity to Perpetual, and also by taking into account individual roles and responsibilities, external market trends and business and personal performance.

Fixed salaries are reviewed on an annual basis. All salary increases must be justified on the basis of performance and are not automatic.

In the 2008 financial report, you will note there were some increases in fixed remuneration, particularly at the Group Executive level. These increases were granted in June 2007 when market conditions were very different to what they are today. This included David Deverall's salary, which was approved by shareholders at the 2007 Annual General Meeting.

We did not grant additional increases to fixed remuneration for this financial year except in exceptional circumstances where the responsibilities of an employee's role had increased substantially during the year.

Variable or 'at risk' remuneration

All cash bonuses or short-term incentives at Perpetual are determined on the basis of a formal review of annual performance against pre-determined financial targets based on profit.

These targets are subject to detailed assessment of individual, business unit and group achievements against strategic objectives.

A Profit Participation Pool is used to fund short-term incentives for the vast majority of Perpetual employees. An increase in profits for shareholders funds a larger profit pool for our employees; similarly, lower profits, like in 2008, creates a substantially smaller pool.

This graph shows the strong correlation between operating profits and short-term incentives at Perpetual over the last five years. The five columns on this graph represent the operating profit after tax for each of the last five financial years. The line that runs across the columns represents the short-term incentive payments we have made to our employees for each of the last five financial years. The maximum rate of accumulation of the Pools is capped at one third of incremental operating profit after tax.

Consistent with this remuneration policy and the impact of our changing operating environment on the group's profitability, the profit participation pool used to fund short-term incentive payments was down 28 per cent in 2008.

Please note the short-term incentive payments for our executive staff were cut back substantially. As an example, David Deverall's short-term incentive was reduced by almost 60 per cent in the last financial year.

Long-term incentives are share-based and represent an important and growing proportion of senior executive remuneration across all industries, not only in Australia but around the world.

The most important aspect of long-term incentives is the issuance of the shares is subject to performance hurdles and vesting restrictions, meaning they will only vest if the recipient meets arduous performance barriers which are tied to growth in shareholder value.

Each grant of performance shares is divided into two equal portions: the first portion vests based on the company's total shareholder return; and the second portion vests based on the growth in the company's earnings per share above 10 per cent per annum.

To qualify for their long-term incentives, our people must exceed their performance hurdles and also deliver returns to shareholders over a three year period before they are rewarded for their efforts.

We allow for the re-testing of these hurdles after four years on the basis that three years are not always sufficient for the benefits of our strategic initiatives to flow through to the business. The current market and its impact on earnings per share and total shareholder returns are a case in point.

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Accordingly, we re-test the hurdles after the fourth year to give our people appropriate time and opportunity to achieve the goals that have been set for them. If their three year targets are not met, key management must meet equally demanding four year targets of 10 per cent compound earnings per share growth over the period and equally difficult total shareholder return hurdles.

We believe this practice strengthens the bond between employees and shareholders in that, if the targets are achieved at the end of the fourth year, both shareholders and employees will benefit.

You may have noted that David Deverall's allocation of long-term incentives has increased compared with the 2007 financial year. This increase is a reflection of his long-term incentive plan, which was approved by vote at last year's Meeting.

We are obliged to provision for long-term incentives under international accounting standards even though these incentives have not been paid and will not be paid unless David exceeds his performance hurdles and grows earnings per share and total shareholder returns over a pre-determined period of time.

This rule applies to all long-term incentive payments at Perpetual.

As is evident from the graph, David's combined fixed salary and short-term incentives have decreased by more than 25 per cent over the past year.

In the bar on the right, his actual remuneration in 2008 financial year was as follows: his base salary was \$1 million, his short-term incentive was \$530,000 and his long-term incentive was \$1.6 million. Again, the long-term incentive component was provisioned but not paid to David and will only be paid if he meets his performance hurdles over the three year period.

In 2008, our senior management did not meet hurdles tied to earnings per share or total shareholder. Accordingly, their long-term incentives did not vest. Given current market conditions, it is most unlikely that long-term incentives scheduled to mature in the 2009 financial year will vest.

Asset manager remuneration

I will now outline the remuneration structures and the Deferred Share Plan for our Australian asset managers and the Global Employee Share Trust for our Dublin-based global equities managers.

Both plans were established in 2005 to deliver long-term incentives and retention arrangements for a number of key employees in the company's asset management team.

The key features of these plans are as follows:

- they are multi-year – that is, shares vest over many years
- the shares in both plans vest based on performance that is, poor performance, no shares
- they have substantial non-compete clauses – that is they represent a career commitment by the asset managers to Perpetual

I would like to briefly talk about our investment team. At a time in the industry when staff turnover and team changes have been at their highest levels ever, our investment team has stayed together at Perpetual for more than 14 years.

As outlined in my earlier address and in David's address, the performance differentials between our teams and those of our competitors are clearly evident. Despite the climate, competition for 'good' people has not abated; in fact, it has only served to intensify the competition for talented individuals and teams.

We do not disclose any additional information in relation to the packages of our asset management teams. This is a competitive industry and further disclosure of their remuneration could potentially create a risk to our business.

I trust I have provided sufficient information for you to make an informed vote on this important item.

Thank you.

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Chairman's concluding remarks to shareholders

Mr Robert Savage

Chairman – Perpetual Limited

Before we conclude the Meeting today, I would like to leave you with a few final remarks.

Since 1886, Perpetual has been privileged to be entrusted with administering and managing the assets of generations of Australians. Over these 122 years, we have protected and built the wealth of our clients through bull markets and bear markets, through economic prosperity and uncertainty.

We have one of the most enduring and reputable brands in the Australian financial services industry.

The basis of our success is simple: we have some of the longest serving, experienced and most awarded fund management teams in Australia who are also fully engaged owners of the business; we have a level of professionalism, integrity and approach to risk management which is consistent with our trustee heritage; we have a clear commitment to building long-term wealth rather than driving short-term speculation; we have a prudent investment philosophy; and we have a proven track record of excellent long-term returns over multiple market cycles. Most importantly, we have a strong business that has high levels of governance, healthy levels of profitability and a strong balance sheet with no net debt.

Thank you.

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