Perpetual

## ASX ANNOUNCEMENT

19 August 2009

# Perpetual Limited: Full Year Result in line with guidance

Well-positioned for market recovery

Perpetual Limited (Perpetual) today announced that underlying profit after tax (UPAT) for the year to 30 June 2009 was $65.7 million. The result was in line with guidance and market consensus and represents a decrease of 51 per cent on the 2008 result of $133.5 million.

The decline in UPAT was driven by the massive fall in equity markets during the past financial year.

Perpetual's Chairman, Mr Bob Savage, said the declining markets had created the worst year on record for the attractiveness of equities. This deeply impacted investor sentiment, leading to investment outflows across the industry in 2009.

"The Group's revenue fell 24 per cent to $375.1 million. Perpetual's revenues are highly correlated to the market: approximately 70 per cent of the decline in our revenue was attributed almost exclusively to the lower equity markets and the virtual closure of the debt markets."

"In the face of those challenges, we are very pleased with Perpetual's continuing investment out performance in key funds, which helped maintain net inflow of funds from our institutional clients even though overall funds flow was negative for the year."

"Management was also successful at mitigating the impact of revenue falls by restructuring operations, which delivered material fixed cost savings while maintaining and enhancing critical customer facing services."

Mr Savage said while Perpetual Investments and Perpetual Private Wealth had experienced declines in profitability in line with the market, Perpetual Corporate Trust's profit before tax had risen 22 per cent.

"The traditional driver of profit in our corporate trustee business is the securitisation market, particularly the higher margin, non-bank segment. Despite the virtual cessation of this market, the business delivered improved profit for the year through cost improvements and by securing new banking clients."

"In addition, the investment in our mortgage processing capabilities has diversified our earnings stream and lessened the impact of virtually no non-bank RMBS issuances during the year."

| For year ended 30 June | 2009 $M | 2008 $M | Change % |
|---|---|---|---|
| Underlying profit before tax | 98.2 | 193.6 | (49) |
| **Underlying profit after tax** | **65.7** | **133.5** | **(51)** |
| Gain / (loss) on sale of investments | (6.1) | 21.1 | ~ |
| EMCF losses | (13.8) | (25.8) | ~ |
| Restructuring | (8.1) | - | ~ |
| **Net profit after tax** | **37.7** | **128.8** | (71) |

Net profit after tax (NPAT) for the 12 months to 30 June 2009 was $37.7 million. Market conditions also drove a number of one-off losses or charges including $6.1 million after tax from losses on Perpetual's investment portfolio, $13.8 million after tax relating to the Exact Market Cash Fund (EMCF) and $8.1 million after tax in restructuring charges.

Mr Savage said the decline in Group earnings had a corresponding impact on dividends.

"Directors have declared a fully-franked final dividend of 60 cents per share to be paid on 30 September 2009 (record date 2 September 2009), bringing a total ordinary dividend paid to shareholders of 100 cents per share for the year ended 30 June 2009," Mr Savage said.

The dividend payment represents 108 per cent of net profit after tax for the second half of the 2009 financial year as Perpetual continues its transition to its revised dividend policy of paying out between 80-100 per cent of NPAT.

## Positively influenced what could be controlled

Chief Executive Officer, Mr David Deverall, said Perpetual had been successful in positively influencing what it could control within its environment by:

- delivering strong investment performance against benchmark: this equated to $800 million of additional funds under management for our customers
- focusing on customer service through increased client engagement and enhanced front and back office systems
- strengthening Perpetual's brand equity by staying committed to our quality investment philosophy
- strengthening Perpetual's capital by revising Perpetual's dividend policy and introducing a Dividend Reinvestment Plan; Perpetual's liquid funds are well in excess of regulatory capital requirements
- cutting underlying cash operating expenses by $40 million or 15 per cent through capped board and executive remuneration, reduced head count and a significant reduction in short-term incentives
- de-risking the business by reducing Perpetual's exposure to structured products, making acquisitions to diversify revenue streams and exiting some products

Mr Deverall said Perpetual's client and investor base had remained stable during the course of the downturn and the company had continued to grow market share, despite being impacted by the overall funds outflow experienced across the industry.

"We attribute our market share gain to Perpetual remaining 'true to label' and the strength of our brand," he said.

## Well-positioned for market recovery

Mr Deverall said Perpetual's vision was to be the leading provider of wealth management services to financially successful investors and their advisers and the leading Corporate Trustee.

"Our brand equity positions us well to achieve this vision. With market conditions stabilising in recent months, we are seeing improving investor confidence."

"While we remain cautious about the market outlook, we are comfortable that Perpetual's enhanced competitive position makes it well-positioned for market recovery and to capture further market share," Mr Deverall said.

Copies of Perpetual's Key Summary, Management Discussion & Analysis and Analysts' and Media Presentation are available on-line on Perpetual's Shareholder Centre.

For further information, please contact:
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## Review of Operations

### Perpetual Investments

Funds under management in Perpetual Investments were $26.2 billion at 30 June 2009, a decrease of 14 per cent since 30 June 2008. The average funds under management were down 28 per cent.

Underlying profit before tax was $59.0 million for the 12 months to 30 June 2009, a decline of 60 per cent, driven predominantly by lower revenues.

Australian Equities

- Increased market share
  - net institutional inflows
  - maintained pricing
  - retained ratings
- Stable and committed team

Global Equities

- Consistent healthy inflows in second half
  - continued good investment performance
  - improved ratings from key research houses
  - inflows from retail clients
  - institutional mandates totalling $150 million

Income & Multi-sector

- Strong investment performance relative to competitors
- Mortgage Fund outflows of $0.4 billion: prudently managed in extremely difficult environment

Superannuation & Investment Solutions

- Launched WealthFocus Investment Advantage
  - industry first tax efficient retail master trust
  - Investment Trends December 2008 Platform Report: 'Best New Technical Functionality'
- Acquired leading SMSF administrator smartsuper

### Perpetual Private Wealth

Funds under advice in Perpetual Private Wealth were $6.8 billion at 30 June 2009, a decrease of 12 per cent since 30 June 2008.

Underlying profit before tax was $29.1 million for the 12 months to 30 June 2009, a decline of 37 per cent, driven predominantly by lower revenues.

Improved adviser productivity tools

- Introduced myClient
  - market-leading client management system
  - further enhancements in 2010

Pursued inorganic growth opportunities

- Acquired Financial Pursuit in April 2009
  - $170 million in funds under advice
- Market consolidation presenting opportunities not available 18 months ago
- Currently engaged with a number of potential small acquisitions

### Perpetual Corporate Trust

Funds under administration in Perpetual Corporate Trust were $241.4 billion, an increase of 8 per cent from 30 June 2008.

Underlying profit before tax was $36.1 million for the 12 months to 30 June 2009, an increase of 22 per cent, the result of the flow through effect of strategic acquisitions to enhance mortgage processing capabilities in the past 18 months and a cost management review of the business aimed to enhance capabilities and productivity.

Trust and Fund Services

- New sources of business
  - new private and Government deals
  - active intervention in high profile scheme collapses on behalf of unit holders
  - strong reputation has created demand from banks and insolvency experts

Mortgage processing

- Secured new banking clients
  - increased banking versus non-banking clients from 43% to 59%
  - Mortgage & Finance Industry Association: 'Support Services Provider of Year'