

2017

SHAREHOLDER UPDATE

CHAIRMAN'S REPORT

A FOCUS ON LONG-TERM PERFORMANCE



Dear Shareholder

In May this year when I took over the Chair at Perpetual, I said I was honoured to be joining an Australian company with a rich history and strongly-held values based on fulfilling the trust placed in us by our clients.

In FY17, Perpetual continued to live up to those promises.

YOUR DIVIDEND

This financial year we lifted the full year dividend 4% on last year, with the total dividend for the 12 months rising to 265 cents. This payout represents 90% of our FY17 net profit after tax (NPAT) and is in keeping with our long-term goal of a payout within the range of 80% to 100% of statutory NPAT on an annualised basis.

Once again – and in keeping with our longer term goal of maximising fully franked dividends to shareholders – the dividend was fully franked, delivering tax-effective income for shareholders.

Our diluted earnings per share (on NPAT) rose 3% from FY16.

We have been able to maintain our dividend policy, and our financial position remains robust, with substantial cash on our balance sheet and a level of debt that is low for a company of our size and well within our stated risk appetite limit.

LONG-TERM INVESTMENT PERFORMANCE

Your CEO, Geoff Lloyd, has noted the challenging investment conditions facing Perpetual Investments in FY17. Interestingly, Morningstar research released in April noted that over a ten year period, five of the top ten performing Australian Equity funds in the market were Perpetual funds. I have been working in financial services for many years and always focus on long-term performance – because that is what makes a real difference for investors.

PERPETUAL AND ITS PEOPLE

In the short time I've been at Perpetual, one of the big things I've noticed is the focus on getting the best out of our people, and the importance we place on

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Perpetual 

diversity and flexibility in the workplace. We have rigorous workplace diversity policies in place and are constantly working to improve them. During FY17, our outstanding workplace flexibility program was recognised in the Australian HR Awards.

Our efforts in all areas of employee engagement strengthen our business by improving the quality of our thinking and the commitment of our team. We have built a team of people who set ambitious goals, and who stretch themselves in the pursuit of the best outcomes for clients. That is important to shareholders in the short term and the long run.

One other important feature of Perpetual is our commitment to the philanthropic sector – to the philanthropists and not-for-profit (NFP) organisations that do so much good in our society. I'm proud to be part of a company that is one of Australia's largest managers of philanthropic funds. We distribute more than \$80 million to NFPs on behalf of our clients in a typical year.

PETER SCOTT

I was fortunate to work with Peter Scott during the early months of my time at Perpetual. He did an outstanding job as a Director for over 12 years, and during his six years as Chairman, he steered the Perpetual ship through challenging and exciting times – and did it with a rare mix of professionalism and real warmth. I speak for Board members past and present, and for everyone at Perpetual, in thanking Peter for his commitment to growing this great business.

PEOPLE, CLIENTS AND SHAREHOLDERS

It is a pleasure to sum up the financial year by thanking our CEO, Geoff Lloyd, the Executive Leadership Team and our team of more than 900 financial services professionals for their dedication and efforts. The spirit you bring to your work with the wide variety of clients we serve is deeply appreciated by the Board.

Finally, let me thank our business partners, clients and you, our shareholders. Without your support, Perpetual would not have prospered for over 130 years – nor be as strongly positioned for the future as it is today.



Tony D'Aloisio

Chairman

CEO'S REPORT

AN INCREASINGLY DIVERSIFIED BUSINESS WITH STRONG MARKET POSITIONS

Dear Shareholder

I will surprise no-one by noting that the past financial year has been one of significant uncertainty and even surprise – in economics, in politics and in financial markets. We saw events like Brexit and the election of President Trump shrugged off by investors, followed by asset prices trending significantly higher – perhaps unsustainably so.

Meanwhile, as Matt Sherwood, Head of Investment Strategy in our Multi Asset investment team has frequently noted, industries are being reshaped – and rapidly – by digital disruption, demographics and other forces.

As a company with a long heritage, Perpetual has proven its ability to deal with change. We've persisted and prospered by focusing on one goal – protecting and growing the wealth of our clients.

I believe we've stuck to that mission again this year – and by meeting the needs of our clients, we've been able to grow the business across and within divisions, develop new areas of growth and invest sustainably in the future of Perpetual.

PERPETUAL PRIVATE

Perpetual Private had a strong year, with profit before tax up 18% on last financial year. In itself a very diverse business, offering financial advice, trustee services and the investment management of philanthropic and native title assets, among other services, Perpetual Private grew both market and non-market revenue. We continued to grow this business by investing in the expansion of Fordham, Perpetual's specialist accounting, business and financial advice offering for business owners.

PERPETUAL CORPORATE TRUST

Perpetual Corporate Trust had another solid year, with profit before tax up 8% on last financial year. This reflects continuing strength in its core securitisation business and good performance in our growing Managed Funds Services area. Data Services is an area where we have made significant investments in the past two years and its mortgage market analytics platform is a new revenue stream that provides further growth opportunities.

PERPETUAL INVESTMENTS

For the second successive year, Perpetual Investments faced into the headwinds of a market cycle that makes life challenging for active (non-index) managers and especially for value managers.

This part of the cycle does not always suit our rigorous, value investment style – yet we know clients have made a specific choice to include us in their portfolio and that our approach outperforms for clients over the medium to long term. We will always be true to label and remain committed to our proven investment philosophy. Over five years, 88% of our flagship funds are in the top or second quartile of performance charts, and this ticks up to 100% over seven years and 83% over ten years.

BUILT ON PEOPLE

Despite some testing conditions, Perpetual can deliver for shareholders because our three businesses have strong market positions in attractive industry segments. At a yet deeper level, our success is built on people – on how we treat our clients, shareholders, investors and employees. We treasure these relationships; measure them and tend them carefully and constantly.



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We use the Net Promoter Score (NPS), a client advocacy measure, to assess the strength of our relationships with clients and to better understand what clients expect of us. It drives real changes in our business, and we take it very seriously.

An independent research house surveyed over 1,200 clients this year – and proudly, our Perpetual-wide NPS score lifted 5 points to 38. This positions us amongst the best performers in Australian financial services. Fordham notched an extraordinary outcome of 72, placing it amongst the best client advocacy ratings scores in financial services around the world.

HAPPY PEOPLE, HAPPY CLIENTS

Our relationship with our people is as important. We independently measure staff engagement annually – and we act on those results. If our team is engaged and motivated, it translates into a better experience for clients, and therefore our shareholders.

We consider continuous improvement to be an investment in people as much as process. In the past two years, we have trained 66% of employees and run 88 initiatives focused on improving client experience, business results and work practices. This investment is about giving everyone the ability to drive positive change through the Company.

As an organisation we play a part in a wide range of communities, including the philanthropy community. I was delighted to re-engage with the team from Stanford University’s Center on Philanthropy and Civil Society as they toured with Perpetual, inspiring and challenging philanthropists and the NFP sector with big questions around philanthropy, democracy and the digital age.

A BUSINESS WITH A PROUD HISTORY THAT’S READY FOR THE FUTURE

These are uncertain and unpredictable times – yet with low volatility. Perpetual managed these conditions well this year – though not without some hard decisions along the way.

No doubt, the next few years will throw up new challenges. I believe we will face into rising interest rates soon, which will unsettle more people than it should. Other trends are less easy to pick – but they are just as likely to present rich opportunities as geopolitical shocks.

Whatever unfolds, I believe the business strengths, culture and market position we have built at Perpetual will see us rise to the challenge – and continue to protect and grow the capital of our clients and our shareholders.

Geoff Lloyd

Chief Executive Officer
and Managing Director

265 cents

PERPETUAL'S TOTAL FULLY FRANKED
DIVIDEND FOR FY17 WAS UP 4%

\$13.5bn

PERPETUAL PRIVATE FUNDS UNDER
ADVICE, UP 6%

\$657.9bn

PERPETUAL CORPORATE TRUST FUNDS
UNDER ADMINISTRATION, UP 6%

\$31.4bn

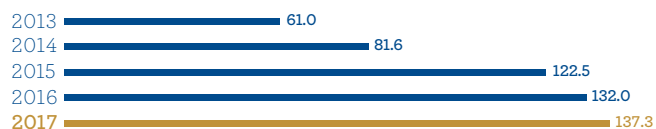
PERPETUAL INVESTMENTS FUNDS UNDER
MANAGEMENT, UP 7%

2017

GROUP RESULTS

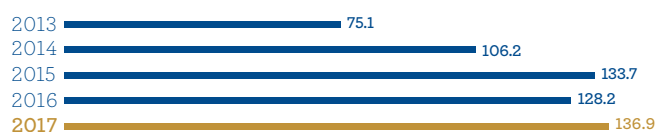
NET PROFIT AFTER TAX (NPAT)

Year ended 30 June (\$m)



UNDERLYING PROFIT AFTER TAX

Year ended 30 June (\$m)



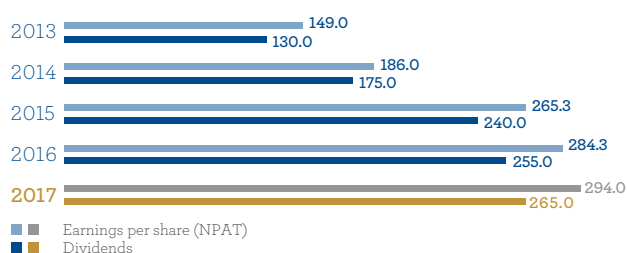
RETURN ON EQUITY ON NPAT

Year ended 30 June (%)



EARNINGS PER SHARE ON NPAT VERSUS DIVIDENDS

Year ended 30 June (cents per share)



Perpetual delivered a solid result in FY17. Benefiting from an increasingly diversified business, we delivered operating revenue growth in each of the three core divisions in challenging market conditions.

Perpetual's statutory net profit after tax for the year ended 30 June 2017 was \$137.3 million, 4% higher than in FY16. Underlying profit after tax was \$136.9 million, an increase of 7% on FY16.

Perpetual businesses generated \$515.4 million in operating revenue, an increase of \$21.2 million or 4% on FY16.

The growth in revenue resulted from both the higher average funds under management and advice, supported by the higher equity markets and, the stronger non-market revenues within Perpetual Private. A strong contribution was made by Perpetual Corporate Trust, with notable growth in Managed Funds Services. Revenue was partially offset by lower performance fees earned, prior period distributions and net outflows in Perpetual Investments.

FINAL DIVIDEND

The Board determined a fully franked final dividend for FY17 of 135 cents per share, bringing total fully franked dividends for the 12 months to 265 cents per share. Reinforcing the benefits of diversification of revenue streams across the Group, this dividend represents an increase of 5 cents per share or 4% on FY16 and is a dividend payout ratio of 90% of FY17 NPAT.

Want to read about Perpetual's market views and insights?

Visit the Perpetual website at



WWW.PERPETUAL.COM.AU/INSIGHTS

CONTACT DETAILS

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SHAREHOLDER CALENDAR*

FINAL DIVIDEND PAYMENT

29 September 2017

ANNUAL GENERAL MEETING

2 November 2017

INTERIM PROFIT AND DIVIDEND ANNOUNCEMENT

22 February 2018

*Please note these dates are subject to change

AGM DETAILS

2 November 2017
10am AEDT
Perpetual
Level 18, 123 Pitt Street
Sydney NSW 2000
Australia