

Shareholder Update 2014

# SIMPLIFIED REFOCUSED GROWING



## CHAIRMAN'S UPDATE

**"As always envisaged, the hard yards we walked early in the Transformation 2015 program mean we can now concentrate on driving growth through the business for the benefit of all stakeholders."**

PETER SCOTT

### Dear Shareholder

I have the pleasure of enclosing your 2014 final dividend statement with this Shareholder Update. The Board determined to pay a fully franked final dividend of 95 cents per share, taking the FY14 fully franked dividend to 175 cents per share, up 35% on last year.

This year we completed two major phases of our Transformation 2015 strategy and our sharp initial focus on simplifying and refocusing the business is now bearing fruit. As always envisaged, the hard yards we walked early in the Transformation 2015 program mean we can now concentrate on driving growth through the business for the benefit of all stakeholders.

### GROWTH

I see growth in many areas as I walk around Perpetual. The most obvious area in the last year was our purchase of The Trust Company in December 2013. That business – which shares so much history and a fiduciary culture with Perpetual – is already making a big difference.

The Trust Company acquisition has progressed almost seamlessly. The smooth transition says a lot about the people at The Trust Company. In the face of uncertainty about their own careers the question most on their minds was, 'What can I do for my clients?' They did an incredible job.

### GLOBAL EQUITIES

The Perpetual business has survived for 125 years because we've always sought to anticipate the needs of our clients. This process has been at play again recently as we unveiled our move into managing global equities in-house. We've created a global investment offering, managed for Australian investors, with the same value-biased, bottom-up investment process that has driven our success in Australian shares over many years.

I believe this is a logical, rigorously thought through move. It is one we have been developing for over three years and is set to be a long-term growth engine for Perpetual.

### STRONG FOUNDATIONS

We can take these bold steps towards growth – and there are many other growth initiatives across the business – because the foundations are now strong. In Perpetual Investments, our investment team now looks stronger than ever. Many of our current team have worked here for more than a decade, learning the business from the ground up at Perpetual. It's not one individual, but the model and the combined intellect and energy of the team that creates our superior investment performance.

Perpetual 

In Perpetual Private, we have a small team of around 50 financial planners. They are professionals who have deep relationships with their clients, some spanning generations. Our advisers are fee-for-service and their clients' best interests have always come first – Perpetual planners don't need regulation to put their client first. In the current environment, these strengths explain both the growth in Perpetual Private over the past year and why that business will continue to grow.

#### TRUSTS AND TRUST

Some months ago I was speaking to an investment client who had been with Perpetual for over 20 years. He told me he had a son with special needs and was getting to that age where he was worried about who would look after his son in the future. 'I didn't realise that Perpetual did that sort of thing,' he said.

In fact, we are specialists in this area. We service more than 960 charitable trusts, foundations and endowment funds, acting as a conduit between people who want to do good things with their money and those who need that money to do good things.

#### RELIABLE, INDEPENDENT, GROWING

A few years ago I received a letter from an elderly shareholder who told me that she bought her first Perpetual shares as a young woman and now lives off the dividends. At Perpetual we understand that individuals and companies buy our stock because of our approach to delivering a sustainable dividend over the long term. This year's fully franked dividend is up around 35% on the FY13 dividend. It won't always

grow so quickly, but it is our aim to deliver steady improvement by taking a long-term, disciplined and strategic approach to the business and investing in our core strengths.

#### OUR PLACE AND POSITIONING

Our strategic approach means that in a world full of vertically integrated financial services businesses we have carved out a clear position – nimble, ethical and most importantly, independent. Whether you're running a platform, establishing a trust or seeking financial advice, you can turn to Perpetual knowing that there is a clear commitment through every level of the business to serve the best interests of the client. That deep sense of a fiduciary duty has driven this business for more than 125 years. It has been crucial to the strategy we have rolled out successfully over the past three years and will underpin our growth ambitions over the next three years and beyond.

I thank you, our shareholders, for your continued support. I also thank the Board, my management colleagues and every member of the Perpetual team for their contribution in what has been a milestone year for Perpetual. We are ready for a new stage in our long history of growth and service.



**PETER SCOTT**  
Chairman

Perpetual Investments won the 2014 Morningstar Australian Fund Manager of the Year for the second consecutive year.



## 2014 HIGHLIGHTS

Perpetual Investments launches the Perpetual Pure Microcap Fund, to offer clients access to a portfolio of quality Australian microcap companies.

Perpetual reports the first quarter of net inflows for more than four years, reflecting strong investment performance and reinvigorated sales and distribution functions.

The Trust Company shareholders vote in favour of Perpetual's acquisition proposal.

### The Trust Company

Perpetual acquires The Trust Company, accelerating the Transformation 2015 growth strategy by bringing together two companies that deliver greater scale and capabilities across each of Perpetual's three business units.

SEPTEMBER

**2013**

OCTOBER

NOVEMBER

DECEMBER



## CHIEF EXECUTIVE OFFICER'S UPDATE

**"Today we're a different business, still powerfully independent but more disciplined and with a real clarity about our strengths and where our opportunities lie."**

**GEOFF LLOYD**

### Dear Shareholder

Over the past three years we have been focused on our Transformation 2015 strategy that was designed to simplify, refocus and grow Perpetual.

Today we're a different business, still powerfully independent but more disciplined and with a real clarity about what our strengths are and where our opportunities lie.

I am very pleased with our progress and delighted that this year we have completed the simplify and refocus phases. Our emphasis is now on growth – whilst maintaining our focus and discipline.

### PERPETUAL INVESTMENTS

In Perpetual Investments, Funds Under Management (FUM) was up to \$29.8 billion at the end of the financial year. That's an increase of \$4.5 billion on last financial year.

The majority of the core funds we manage are in the first or second quartile of performance rankings over three, five and ten year periods. That's the kind of investment performance that saw Perpetual awarded the Morningstar Fund Manager of the Year Award for 2014.

### PERPETUAL PRIVATE

The Perpetual Private business grew its Funds Under Advice (FUA) at the end of FY14 by 40% on FY13.

Some \$2.9 billion of that FUA growth is the product of the acquisition of The Trust Company and reflects the way we have been able to bring those clients across to Perpetual and deliver the level of service and expertise they had come to expect. Our results also reflect our

decision to invest in a new platform back in 2012. We also invested heavily in technology and targeted our marketing, capability mix and services at specific client groups within the high net worth segment. We've also managed our cost to income ratio so that it fell this year and will fall again next year.

### PERPETUAL CORPORATE TRUST

In Perpetual Corporate Trust, we have achieved exceptional deal flow in the past 12 months, winning 76 new deals. The smoothness of The Trust Company integration can be seen in the fact that 36 of those deals were completed in the second half of 2014.

Perpetual Corporate Trust now has two strong businesses, both with scale, solid capital backing and clear positioning. In securitisation our book is increasing and would have grown even faster except for cautious consumers who continue to pay down their mortgages at an elevated rate in this low interest rate environment.

In Fund Services in the Property and Infrastructure sector, the Fraser Trusts deal highlighted a number of interesting aspects of our offering. Firstly it is a Real Estate Investment Trust deal, an area where the Trust Company brings us significant strength. Secondly, it involves the Singapore business that we acquired with The Trust Company acquisition. That office now has a seven-year history and excellent client relationships that give us the ability to generate revenues in Australia from clients in Asia. This is an exciting growth avenue for our business.

The Euromoney Private Banking and Wealth Management Survey for 2014 gives top billing in Australia to Perpetual Private for its Range of Advisory Services.

Announcing strong results for the first half of FY14 – including a 37% increase in underlying profit after tax on the same period last year – the Perpetual Board resolves to pay a fully franked interim dividend of 80 cents per share, an increase of 30 cents per share on the same period last year.

Perpetual announces that total net flows for the first half of FY14 have increased 17% on the same period last year.

Perpetual's newly sponsored yacht Perpetual LOYAL participates in the Sydney to Hobart race. It takes second place and helps to build awareness of the Perpetual brand.

## A\$64.3m

Perpetual announces the sale of New Zealand Guardian Trust Company to Complectus Limited for A\$64.3 million. The business was considered non-core to Perpetual's future strategy.

In line with its disciplined focus on core businesses, Perpetual enters into an agreement to sell The Trust Company's Retirement Services business. The transaction was completed in September 2014.

**JANUARY**

# 2014

**FEBRUARY**

**APRIL**

**JUNE**

## GROWTH – GLOBAL EQUITIES

In FY15, we are launching the Perpetual Global Share Fund. This move is a logical extension of Perpetual's equities investment philosophy, process and team.

We're making this move because we know we have the capability to be successful. Our investment management team has never been stronger. Just as importantly, clients were asking us for a product in this space. When you consider the continued growth of our superannuation system – expected to be worth \$3 trillion by 2020 – global equities becomes a compelling opportunity.

This new fund has been successfully incubated over more than three years. My vision for Perpetual's place in global equities is ambitious but simple. Within three years I want us to be managing a billion dollars in global equities on behalf of our clients.

## GROWTH – THE TRUST COMPANY ACQUISITION

The Trust Company, which we acquired, is already a serious growth generator across the business and especially in Perpetual Private and Perpetual Corporate Trust where it added combined revenue of over \$35 million in the past financial year.

Thanks to the dedication and expertise of many people across both businesses we added that growth to Perpetual while achieving greater synergies than expected. We now expect to deliver synergy benefits of \$18-\$20 million before tax per annum as compared to \$15 million per annum before tax we anticipated when we acquired The Trust Company.

## POSITIONING, PEOPLE, CULTURE

As a business, we now look very different to many of the companies we compete with. That works for us because Perpetual is now an attractive, independent alternative for clients across the funds management, financial planning and trust markets.

In the next year we aim to maintain and build on our recent success, using the clarity and discipline that have driven us for the past three years and the client focus that has underpinned Perpetual for more than 125 years.

I look forward to speaking with you at our Annual General Meeting on 30 October 2014.



**GEOFF LLOYD**  
Chief Executive Officer  
and Managing Director

## UNDERLYING PROFIT AFTER TAX

### YEAR ENDED 30 JUNE (\$M)

2010	72.8
2011	70.2
2012	65.4
2013	75.9
2014	104.1

## ROE ON NPAT

### YEAR ENDED 30 JUNE (%)

2010	27.9
2011	17.1
2012	8.4
2013	20.9
2014	19.0

## NET PROFIT AFTER TAX

### YEAR ENDED 30 JUNE (\$M)

2010	90.5
2011	62.0
2012	26.7
2013	61.0
2014	81.6

## EPS ON NPAT VS. DIVIDENDS

### YEAR ENDED 30 JUNE (CENTS PER SHARE)

■ EPS ■ DIVIDENDS

2010	211	210
2011	141	185
2012	64	90
2013	149	130
2014	186	175

## CONTACT DETAILS

### PERPETUAL SHAREHOLDER INFORMATION LINE

1300 732 806 or +61 2 8280 7620  
Fax +61 2 9287 0303

### PRINCIPAL REGISTERED OFFICE

Level 12, 123 Pitt Street  
Sydney NSW 2000  
Australia

Phone +61 2 9229 9000  
Fax +61 2 8256 1461  
www.perpetual.com.au

ABN 86 000 431 827

## SHAREHOLDER CALENDAR

### FINAL DIVIDEND PAYMENT

3 October 2014

### ANNUAL GENERAL MEETING

30 October 2014

### INTERIM PROFIT AND DIVIDEND ANNOUNCEMENT

26 February 2015

Please note that dates are subject to change.

## AGM DETAILS

Thursday, 30 October 2014  
10:00 am AEDT  
Perpetual  
Level 12, 123 Pitt Street  
Sydney NSW 2000  
Australia

Perpetual