

Perpetual Limited  
ABN 86 000 431 827

# 2014 ANNUAL GENERAL MEETING

Addresses to Shareholders

Perpetual 



## **FY14 ANNUAL GENERAL MEETING**

### **CHAIRMAN'S SPEECH**

On 24 June this year we celebrated the 50<sup>th</sup> anniversary of Perpetual being listed on the ASX. Of course, our history is much longer than 50 years, but it's a timely opportunity to reflect on the business.

Looking through that first Annual Report it struck me how over Perpetual's 128 year history, our reputation for integrity, independence and high quality trustee and fiduciary services has remained at our core.

#### **The focus on growth**

The 2014 financial year has seen us complete two major phases of the Transformation 2015 strategy. The hard yards we walked in the early days of the program mean we are now concentrating on driving growth through the business for the benefit of all shareholders, our clients and our people.

The continuing improvement of the business is evident in the 2014 results we released on 28 August.

We delivered net profit after tax of \$81.6 million which was up 34% on last year and the underlying profit after tax of \$104 million was up 37% on the previous year.

Pleasingly, as I walk around Perpetual I see all three businesses focussed on key and different growth initiatives.

Perhaps most tangibly is the integration of The Trust Company which commenced in late December 2013.

I'd like to welcome today the former shareholders of The Trust Company to their first Perpetual AGM as shareholders in Perpetual Limited.

The integration is progressing very well; we are successfully managing the new capabilities and simplifying the combined businesses. For example, we have sold two of The Trust Company's businesses which were not consistent with Perpetual's strategy.

Throughout it all, our team has remained focused on the best interests of our clients and our shareholders.

Perpetual has been a significant part of the Australian financial services landscape for many decades because we've always sought to anticipate the needs of our clients.



Two great examples are the recent launches of the Global Share Fund and the Perpetual Equity Investment Company – which has the potential to be our first Listed Investment Company

The offer for this investment closes on 28 November. Geoff will provide further details in his address on these two exciting initiatives.

Both of these initiatives were identified by listening to our clients, anticipating their investment needs and then creating solutions using the proven in-house capabilities we have. In this way we continue to serve the needs of our clients while sustaining our growth.

### **Strong foundations**

I'd like to take a few moments to remind you of the journey we have been on over the past few years.

In Perpetual Investments, we have successfully strengthened our distribution capability. Since June 2012, we have been added to 15 additional distribution platforms and 14 additional adviser approved product lists of third party organisations, hence increasing the breadth and depth of our sales and distribution capability.

Our investment team is stronger than ever. It's not one individual that creates our superior investment performance, but rather a proven process involving the combined intellect and energy of the entire team. Their record speaks for itself; 92% of the funds managed by Perpetual Investments were ranked in either the first or second quartile over 10 years and over one year it's 100%.

That's an outstanding investment performance record through many different market cycles.

In Perpetual Private we have undertaken a significant and focused investment program. This was to ensure we have a contemporary range of advice solutions to service our HNW clients.

At the heart of this business is a team of experienced financial advisors. They have excellent relationships with their clients, some spanning generations and that remains an enduring strength of the Perpetual Private business.

Due to the work we have undertaken, we are today in a much stronger position to provide our high quality advice solutions and improve the productivity of our professional team. This will enable us to grow the number of clients we serve.



The Trust Company acquisition further strengthens our position in philanthropic and trustee services.

We now service more than 960 charitable trusts, foundations and endowment funds, providing sustainable long-term giving and we are a conduit between people who want to do good things with their money and those who need that money to do good things.

We are now far and away the largest philanthropic adviser and investment manager in the sector; distributing, on behalf of our clients, \$83 million this year alone to hundreds of charitable organisations, both large and small supporting their excellent endeavours.

For example, The Ramaciotti Foundation supporting biomedical research: since 1970 we have distributed close to \$55 million to research projects on behalf of that Foundation.

Another regular recipient is the Australian Indigenous Education Foundation empowering Indigenous children in financial need to build a future through quality education. This is funded through the Fred P. Archer Charitable Trust which we manage.

Perpetual Corporate Trust, with the addition of The Trust Company, is a market leader in Trust Services and Fund Services. We are excited by the opportunities in this area of the business including our strong position in the real estate investment trust market and the opportunity to leverage our new foothold in Singapore.

Elsewhere, we are enhancing our data services offering called ABSPerpetual.com to meet our clients' requirements in complying with the new RBA Reporting Criteria.

In summary, we have created a clear and competitive position; we are a focused, ethical and most importantly, independent organisation.

Whether you're investing in assets, establishing a trust or seeking financial advice you can turn to Perpetual knowing that there is a clear commitment from every person within the organisation to act in the best interests of our clients and for the benefit of our shareholders.

### **Remuneration, Dividend**

Before asking Geoff to provide his review of the performance of the Company for the 2014 financial year, I want to make a few comments on dividends and remuneration.

We understand one of the reasons that many individuals and institutions invest in Perpetual is because we aim to deliver a sustainable dividend over the long term. Perpetual's policy is to pay dividends within a range of 80 to 100% of statutory net profit after tax on an annualised basis with a view to maximise fully franked dividends to shareholders.



A fully franked final dividend for 2014 of 95 cents per share was paid on 3 October 2014. This takes the full year dividends to 175 cents per share which is up 35% on the previous financial year. This represents a dividend payout of 99.8% of the 2014 net profit after tax.

While delivering the significantly increased dividends, the Company has maintained a strong balance sheet: it continues to be well capitalised and has low levels of debt.

## **Remuneration**

When we move to the formal business of the meeting, you will be asked to vote on the Company's Remuneration Report. Before the vote is taken, you will have the opportunity to ask questions about the report and the Company's approach to remuneration.

However, I would like to make a few observations on that topic now.

To be competitive in the Australian financial services market we have to be able to adequately attract, recognise and reward our people.

It is pleasing this year that with net profit after tax and dividends both increasing by more than 30% year on year - which is a significantly improved return to shareholders - we have also been able to reward our staff for their achievements.

For example, this year the performance based short term incentive payments have increased by 23% for the senior team. To create further alignment with the shareholders, 40% of these payments are made up of Perpetual shares which are deferred over a two-year period.

This shows a clear alignment between shareholders returns and staff remuneration.

## **Summary**

I thank you, our shareholders, for your continued support. I would also like to thank my Board colleagues, Geoff and the Executive Leadership Team and every member of the Perpetual team for their contribution in what has been an incredibly busy, and importantly, successful year at Perpetual.

We forge ahead together – a simpler and more focused team, with our priority clearly on the growth agenda.

I thank those shareholders who have submitted questions prior to the AGM. I trust most of these will be addressed in our presentations to you this morning.

We will, of course, be inviting shareholders in attendance to ask any questions they may have when we get to the formal business items.



I now invite Geoff to present his report on the performance of your Company and to expand on our plans for the future. I look forward to catching up with you at the end of the formal part of the meeting.

Thank you.



## **FY14 ANNUAL GENERAL MEETING**

### **CEO'S SPEECH**

Good morning and thank you Mr. Chairman.

As we announced on 28 August, in FY14 we delivered strong results across all of Perpetual's businesses – Perpetual Investments, Perpetual Private and Perpetual Corporate Trust.

Our Transformation 2015 (T15) strategy which was launched in June 2012 has been executed in a very disciplined manner and two years into the three year strategy we have completed in full the simplify and refocus phases. Our attention is now 100% on growth.

Importantly, T15 has ensured we are positioned to deliver growth both organically and inorganically.

A highlight of the year was the successful acquisition of The Trust Company. I too would like to welcome any former shareholders of The Trust Company here today.

As Peter said, that integration has progressed very well and I was delighted at our full year results to upgrade our estimate of synergies before tax from \$15 million to a range of \$18- \$20 million.

Including these synergies and the proceeds of two the sale of two businesses the earnings before interest and tax multiple that we paid for The Trust Company is 6.8 times. We believe this is a good price and good financially for our shareholders.

To further our growth agenda, we have launched the Perpetual Global Share Fund announced at our recent results and a new investment vehicle, the Perpetual Equity Investment Company, which is currently open for investment.

These are two very exciting initiatives and logical extensions of our highly regarded equities investment business.

Let me turn now to the specific details of our 2014 results. Each of our businesses had 12 months of strong underlying growth in addition to growth that came with the acquisition of The Trust Company.

With strong momentum in all core activities, all businesses delivered double digit growth in funds under management, funds under advice and funds under administration.

We have good momentum and while today I want to focus on that growth, I first want to reflect on the hard work and great results that were achieved in 2014.

### **Perpetual Investments**

Turning firstly to Perpetual Investments (PI), PI's excellent business growth is underpinned by the consistent investment performance we delivered for clients, with strong results across Australian share, credit and diversified funds. We don't take those outcomes for granted. As part of T15 we refocused the distribution strategy resulting in improved sales through discretionary platforms, financial planner approved product lists and model portfolios. This is vital to growing funds under management moving forward.

We've had a positive start to FY15 with net inflows of \$1.1 billion. This is the fifth consecutive quarter of net inflows.



PI is a strong business and we look forward to offering clients access to global equities leveraging Perpetual's proven, value-oriented investment philosophy, process and team.

### **Perpetual Private**

The FY14 results show our investment in the Perpetual Private (PP) business model since 2008 was the right course of action.

The targeted acquisitions of Fordham and Grosvenor in particular ensure we now have the capability and scale to benefit from the new business model.

We invested in the right technology, focused on specific and targeted segments of the high net worth market and we partnered with others to offer quality services to our clients.

The Trust Company acquisition also delivered additional scale benefits – with a shared history and a strong fiduciary culture. The Trust Company is a great fit and we're pleased with the progress on that integration. We have an engaged and focused team and our clients remain happy.

PP has also achieved growth in the core business and delivered significant targeted cost savings through T15 while importantly maintaining strong client support.

PP is now set for both organic and strategic growth I am confident that the business will continue on this positive trajectory through FY15.

### **Perpetual Corporate Trust**

Turning to Perpetual Corporate Trust (PCT) where The Trust Company acquisition has also diversified and strengthened this business.

We now have two leading market offerings in Trust Services and Fund Services, both with scale, strong capital backing and a clear market position.

There is good growth potential in Fund Services particularly in property and infrastructure where we are well placed to benefit from the Federal Government's policy to increase infrastructure investment.

T15 has instilled a clear strategic discipline in PCT. Following the divestment of three non-core businesses in 2013, PCT also exited two non-core Trust Company businesses this year.

Overall, the business has good momentum and continues to deliver strong profitable growth with further benefits expected from The Trust Company integration.

### **Transformation 2015**

As shareholders will appreciate, over the past three years we have been focused on transforming Perpetual through the T15 strategy that was designed to simplify, refocus and grow the business.

I am very pleased with the progress across all teams. I am delighted that this year we have completed the simplify and refocus phases. It's really satisfying to see our huge effort lead to such convincing results.

Since the start of T15:

- underlying profit after tax is up 59%;
- net profit after tax is up over 200%;
- underlying profit after tax on an earnings per share basis is up over 50%; and
- Dividends are up over 90%.



It hasn't been an easy journey and we have significantly reduced staff numbers along the way. So I'd like to personally thank the entire team, both past and present, who contributed to this result.

Today we're a different business; we are more disciplined and with a real clarity about what our strengths are and where our opportunities lie.

Businesses cannot stand still and Perpetual will therefore continue to evolve to meet our clients' needs and the changing regulatory landscape.

We are mindful that within our industry there will always be new legislation and regulation and we need to ensure we are a nimble and agile organisation ready to adapt to those changes.

We look forward to seeing the final report from the Financial System Inquiry and believe we are well placed to meet its challenges and opportunities.

Our early initiatives to resize the business and focus on areas of core expertise and sustainable advantage have put us in a position to confidently seek new growth opportunities.

We do so while maintaining the focus and discipline that comes from the T15 strategy.

## **Growth**

Before I close today, I want to turn specifically to growth.

Since we launched T15, our growth agenda has always had three elements: to grow the underlying business – this can be evidenced in our strong results for this financial year.

To grow through extensions – I have talked in detail about these initiatives in previous AGMs and we are pleased with the progress across these targeted extensions to our core business.

And lastly, to grow through new initiatives. Both Peter and I have spoken about The Trust Company integration and the scale and benefits it is adding to each of our three businesses units.

I feel very good about our progress. Using our proven T15 model, I am confident integration will be completed as predicted and we will deliver the expected financial benefits for our shareholders.

I am also personally very excited to talk to you today about two new growth initiatives at Perpetual.

At our results this year, we launched a new global share fund. This move is a logical extension of Perpetual's existing equities investment philosophy, process and team into global equities. We are confident the market conditions are right with the superannuation market predicted to be worth over \$3 trillion by 2020 and just as importantly, our clients have indicated that they want us to offer this capability from Australia.

This new fund – the Perpetual Global Share Fund – has been successfully incubated for over three years and the results prove our ability to compete in this strategy.

The team has delivered almost 23% returns over the past three years, outperforming the benchmark by over 6 percentage points per annum as at 30 June 2014.



Our vision for global equities is ambitious and simple within three years we want to be managing a billion dollars in global equities on behalf of our clients. I look forward to updating you on progress at our next AGM.

Finally, to our most recent new growth initiative: we've launched our first listed investment company – Perpetual Equity Investment Company Limited and the offer closes on 28 November.

It will give investors access to Perpetual's proven investment philosophy and process through a new channel.

Again, like the Global Share Fund we are responding to the changing behaviours and needs of Australian investors.

### **Conclusion**

In concluding today, I wanted to reflect on our vision. The T15 Strategy is delivering and has moved us further towards achieving our vision: to become Australia's largest independent wealth manager of choice and we remain very committed to that.

It unites our people across all teams to keep delivering great results for shareholders and meaningful outcomes for clients whilst making Perpetual a great place to work.

I am confident we can maintain and build on the successes of FY14 while protecting and growing our clients' wealth and investments.

I'd like to thank the Board, the Executive Leadership Team and all of our people at Perpetual for their support and commitment to delivering these 2014 results.



# 2014 Annual General Meeting

**Geoff Lloyd**  
Chief Executive Officer and Managing Director

30 October 2014  
Sydney

ABN 86 000 431 827

Perpetual 



# FY14 SUMMARY

## Strong results, delivering returns

Perpetual 

Strong results across all businesses

Simplify and refocus phases of Transformation 2015 strategy completed

Delivering growth organically and with The Trust Company acquisition

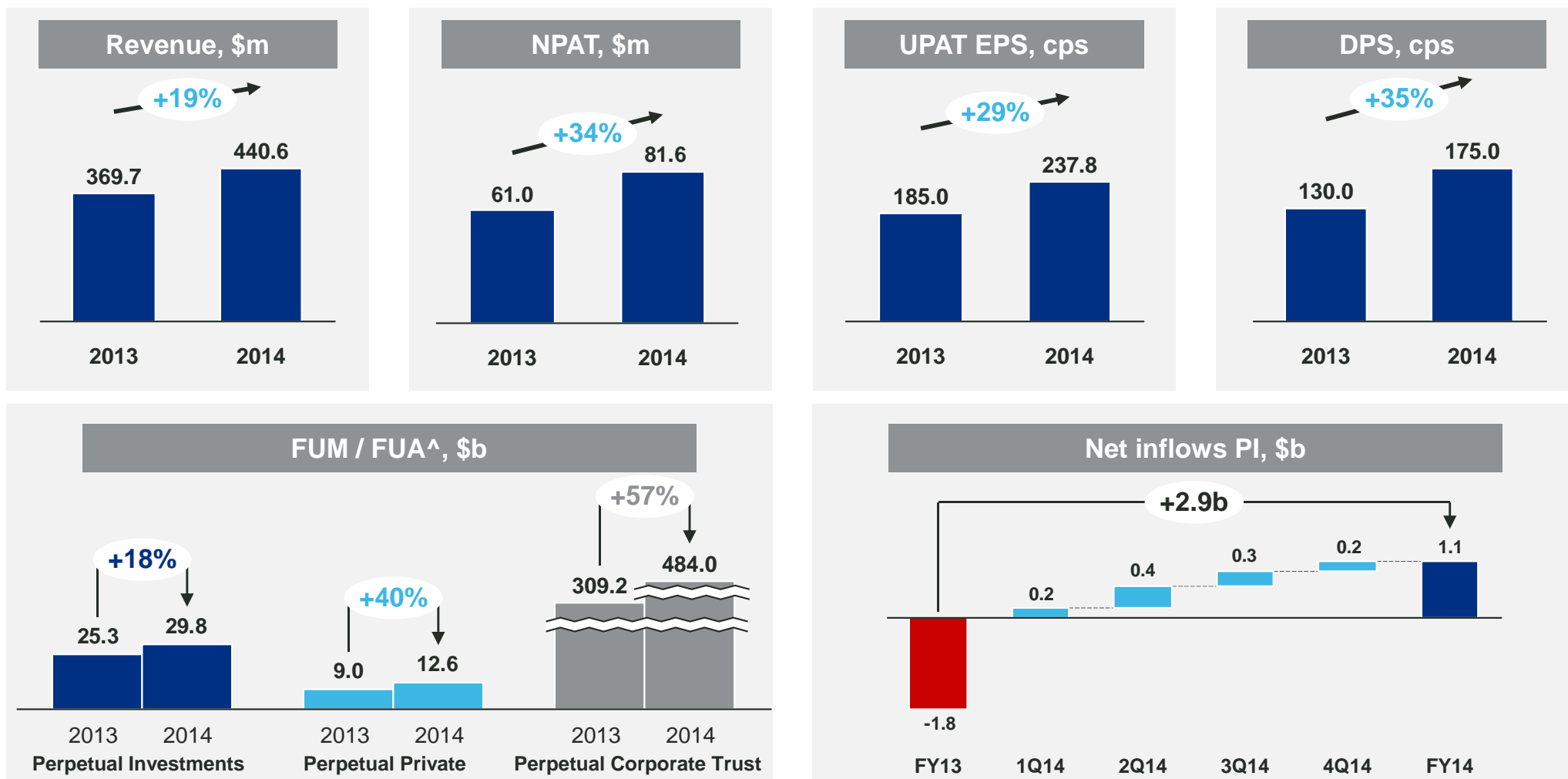
Upgraded forecast integration synergies

Launched Perpetual Global Share Fund and Perpetual Equity Investment Company



# 2014 FULL YEAR RESULTS - HIGHLIGHTS

Strong results driven by markets, flows and The Trust Company



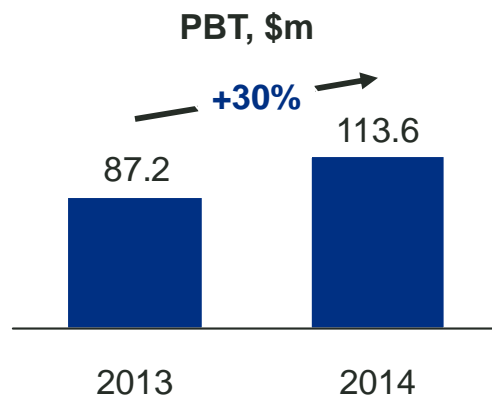
<sup>^</sup> FUA is defined as funds under advice or funds under administration.



# 2014 FULL YEAR RESULTS

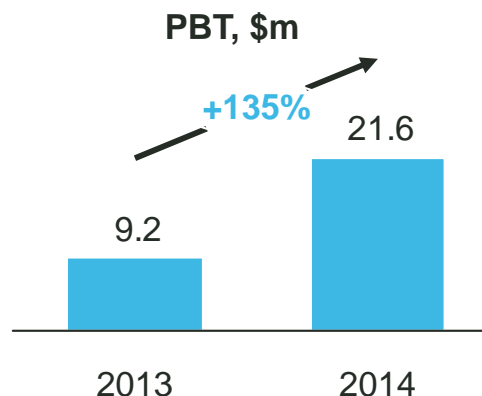
## All 3 businesses delivering growth

### Perpetual Investments



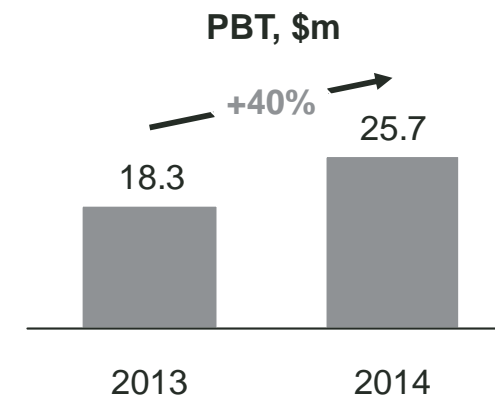
- ✓ Positive net flows
- ✓ Strong profit margins
- ✓ Strong investment outperformance

### Perpetual Private



- ✓ Delivery on growth strategy
- ✓ Trust Co accelerates growth and delivers scale
- ✓ Margins improved

### Perpetual Corporate Trust



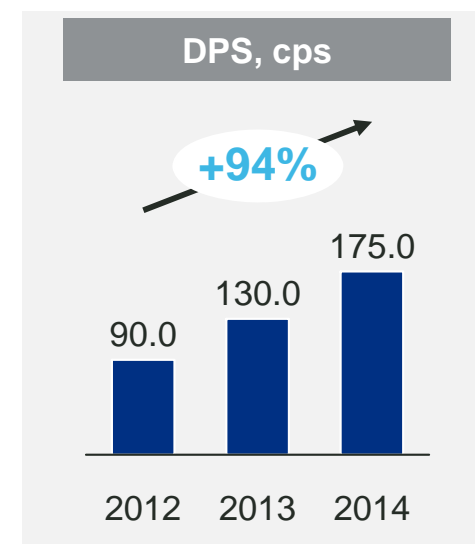
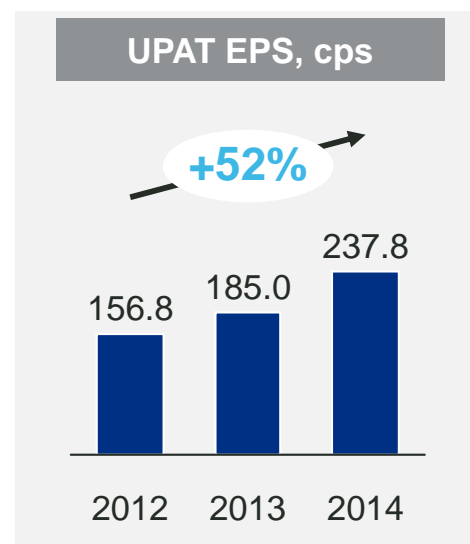
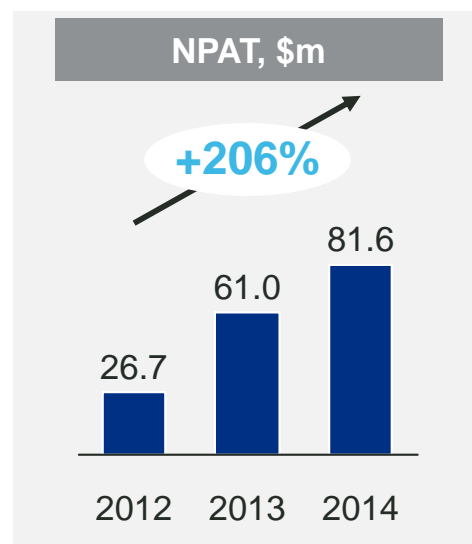
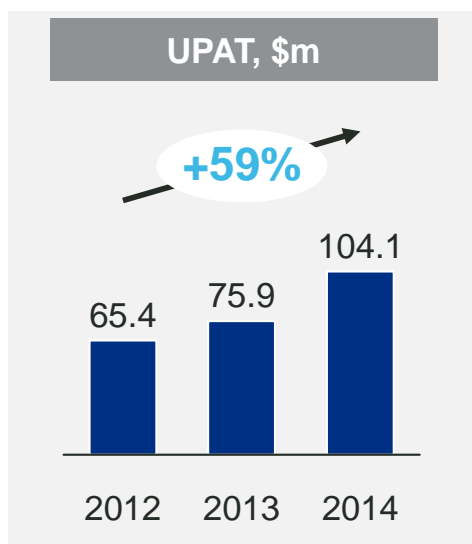
- ✓ Securitisation markets improved
- ✓ Trust Co accelerates diversification and scale
- ✓ Market leader

**Cost discipline maintained**



# TRANSFORMATION 2015


## Strong results, strategy delivering returns





# T15 STRATEGY – GROW

## Strong momentum with growth initiatives

 <h1>GROW</h1> <ul style="list-style-type: none"> <li>• Portfolio momentum</li> <li>• Market share gain</li> <li>• Innovation</li> <li>• Distribution excellence</li> <li>• Acquisitions and partnering</li> </ul>	Existing	<ul style="list-style-type: none"> <li>✓ Growth in FUM/FUA: PI +32%, PP +58%, PCT +41%^</li> <li>✓ Strong earnings growth: UPAT EPS +52%^</li> <li>✓ Maintained strong client advocacy</li> <li>✓ Growth in revenue of Pure Equity Alpha Fund</li> </ul>
	Extensions	<ul style="list-style-type: none"> <li>✓ Super Wrap and Investment Platform</li> <li>✓ ABSPerpetual (data services)</li> <li>✓ Pure Microcap Fund</li> <li>✓ Dedicated Native Title team</li> <li>✓ MARQ (JV interest)</li> </ul>
	New	<ul style="list-style-type: none"> <li>✓ Strategic accounts team – additions to model portfolios, APLs and platforms</li> <li>✓ Trust Co acquisition accelerates growth</li> <li>✓ Launch of Perpetual Global Share Fund</li> <li>✓ Launch of Perpetual Equity Investment Company</li> </ul>

^ Growth from FY12 to FY14. PCT is growth in securitisation balances only.

^^ FY12 to FY14.

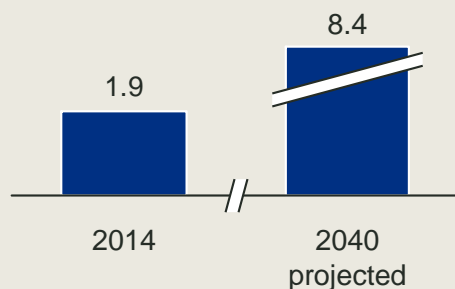


# T15 STRATEGY – GROW

## Launch of new Perpetual Global Share Fund

### Opportunity

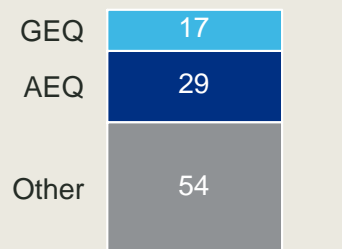
Growth in superannuation market, \$t



Source: APRA, 2014

Source: Treasury FSI submission, 2014

Total superannuation system asset allocation, %



Source: FSC FSI submission, 2014

### Performance

As at 30 June 2014	1 year	2 years pa	3 years pa
<b>Perpetual Global Seed Fund</b>	<b>35.3%</b>	<b>37.7%</b>	<b>22.9%</b>
Benchmark^	20.3%	26.4%	16.6%
<b>Excess</b>	<b>15.0%</b>	<b>11.3%</b>	<b>6.3%</b>

^MSCI World Net Total Return Index (A\$)

### Rationale

- ✓ Strong demand for independent domestic manager
- ✓ Strong growth in allocation to global equities
- ✓ Leverages our successful equities investment process and philosophy
- ✓ Leverages strong brand and relationships
- ✓ Asset class with attractive margins
- ✓ Strong performance in incubation fund over 3.5 years



# GROWTH – PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

The logo for Perpetual Equity Investment Company is located on the left side of the slide. It features a dark blue square with the company name in white, bold, sans-serif capital letters. The background of the slide is a light blue geometric pattern of triangles and lines.

## PERPETUAL EQUITY INVESTMENT COMPANY

Prospectus lodged with ASIC; offer closes end of November 2014

Objective: grow income and capital gain in excess of benchmark<sup>^</sup> over minimum 5 years

Fund: 50-100% in Australian equities, 0-25% in global equities, 0-25% in cash, deposits and debt

Fees: 1.00% per annum (plus GST) of net asset value

Size: minimum target of \$150m

<sup>^</sup> Benchmark is S&P/ASX 300 Accumulation Index.



# PERPETUAL'S VISION

## AUSTRALIA'S LARGEST INDEPENDENT WEALTH MANAGER OF CHOICE

### ONE PERPETUAL

SPECIALISED ASSET  
MANAGEMENT

PERSONAL ADVISORY TO  
TARGETED HIGH NET  
WORTH SEGMENTS

CORPORATE  
FIDUCIARY SERVICES

### FOUNDATIONS

- Heritage of 128 years
- Perpetual brand
- Independence
- Fiduciary culture and client focus
- Multi-generational clients
- Leading client advocacy
- Proven investment process
- Depth of money management talent
- Leading long-term investment performance