

# Perpetual Limited

## Macquarie Australia Conference

**Geoff Lloyd**

CEO & Managing Director

6 – 8 May 2015

Sydney

ABN 86 000 431 827

Perpetual 

# THE AUSTRALIAN FUNDS MANAGEMENT INDUSTRY IS UNDERPINNED BY A MANDATORY SUPERANNUATION SYSTEM WHICH IS PROJECTED TO GROW TO A\$8.4 TRILLION BY 2040\*

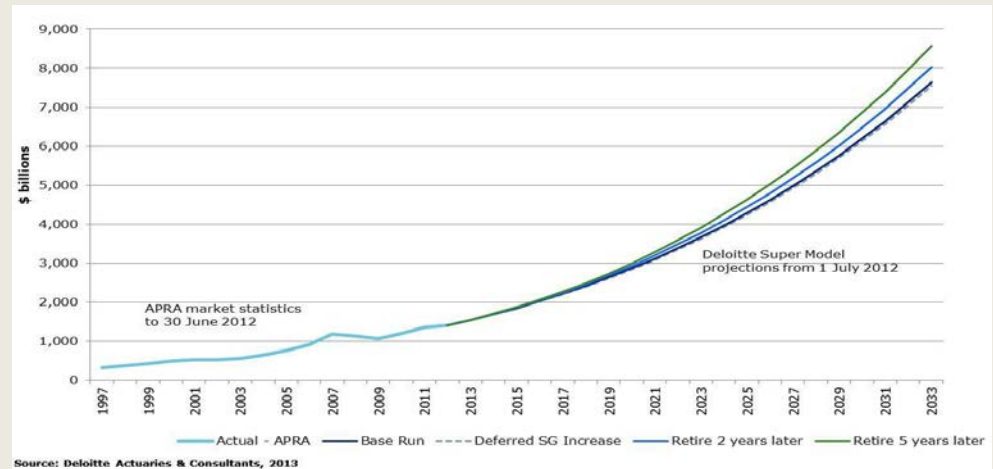
4<sup>th</sup> largest pension market in the world by assets with over A\$1,9b<sup>^</sup>

Pension funds have a high allocation to equities

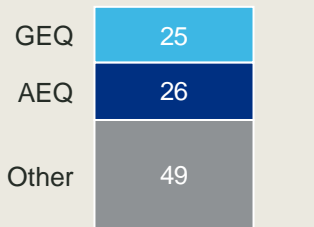
Current low interest rate environment influencing the pursuit of dividend yield

Regulatory and technological changes provide challenges and opportunities

## Impact of superannuation guarantee to 12% on assets

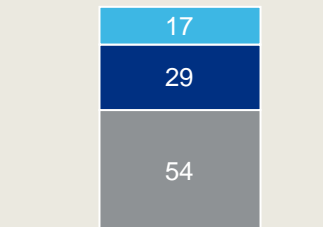


## Default superannuation Fund asset allocation, %



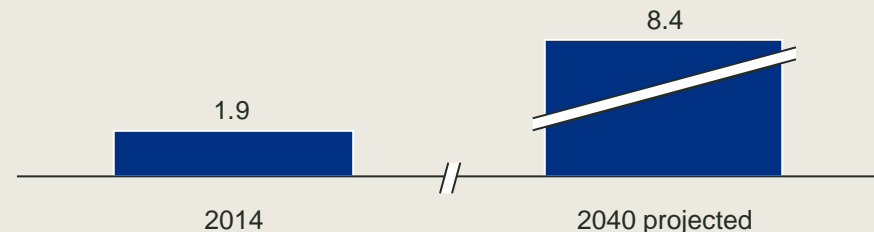
Source: APRA, 2013

## Total superannuation system asset allocation, %



Source: FSC FSI submission, 2014

## Growth in superannuation market, \$tr



Source: APRA, 2014

Source: Treasury FSI submission, 2014

\* Source: Treasury Financial Services Inquiry submission, 2014

<sup>^</sup> APRA superannuation statistics, December 2014

# 1H15 OVERVIEW

## Strategy delivering sustained growth



Strong results with positive flows, net new clients and increased returns to shareholders

Transformation 2015 (T15) strategy will complete with continuing benefits to cost to income ratio

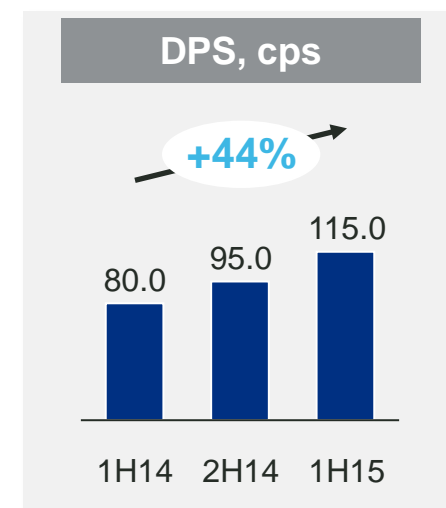
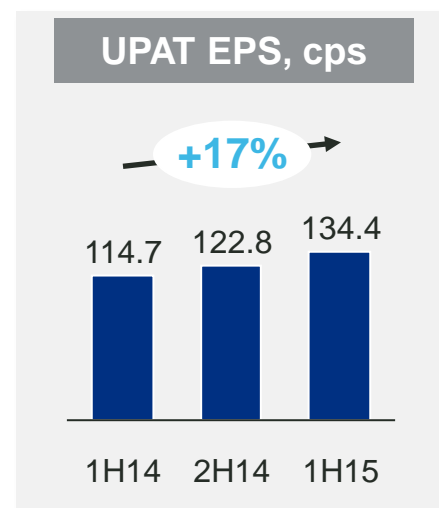
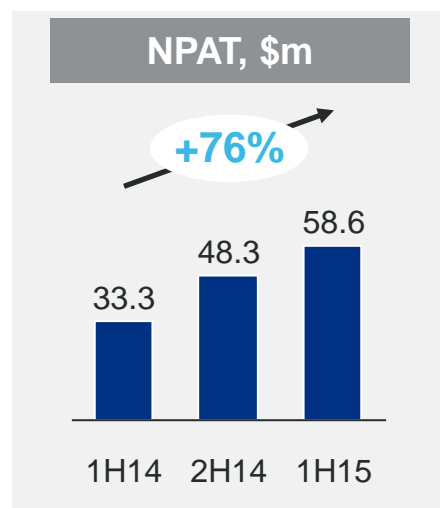
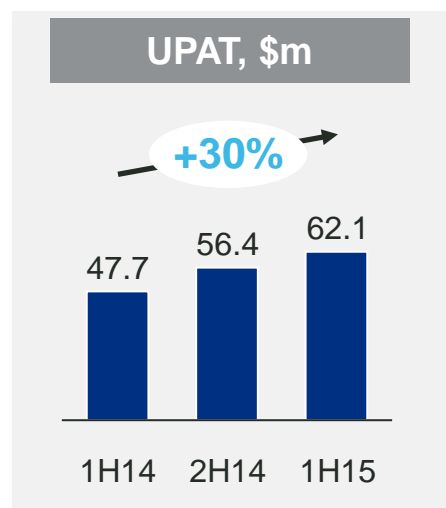
Positive momentum in global equities and successful launch of Perpetual Equity Investment Company

The Trust Company (TrustCo) integration to deliver revised synergies and complete earlier

Revenue momentum in Perpetual Private and Perpetual Corporate Trust

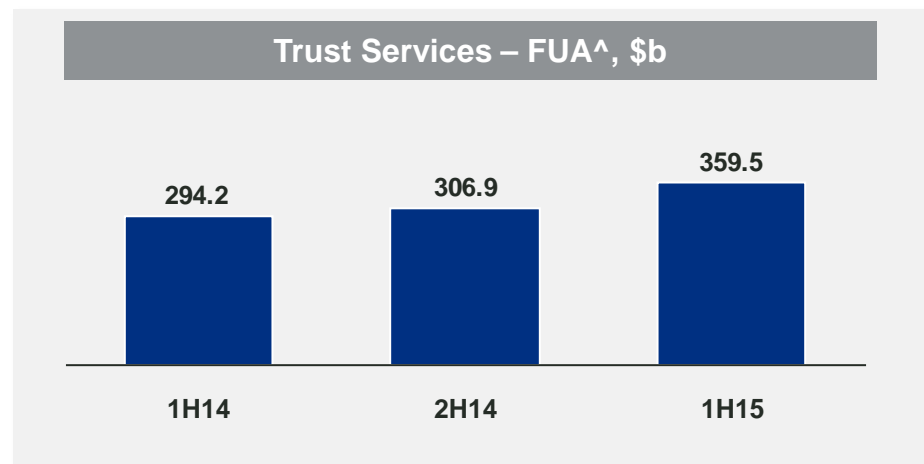
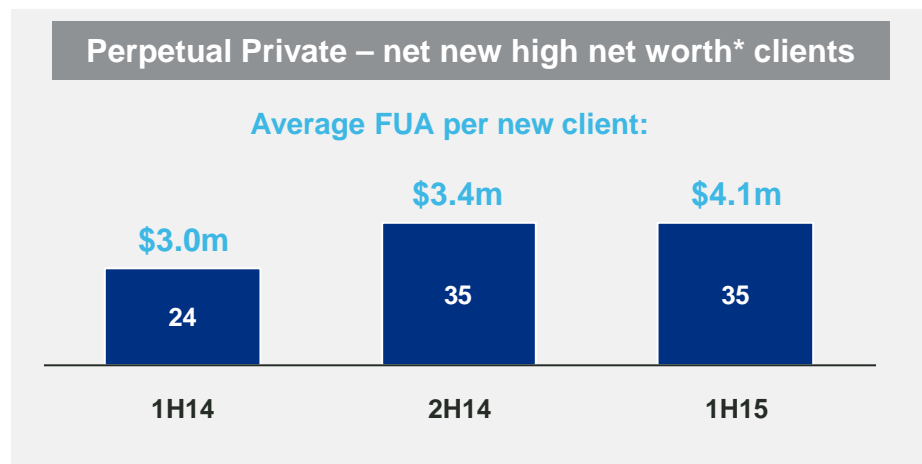
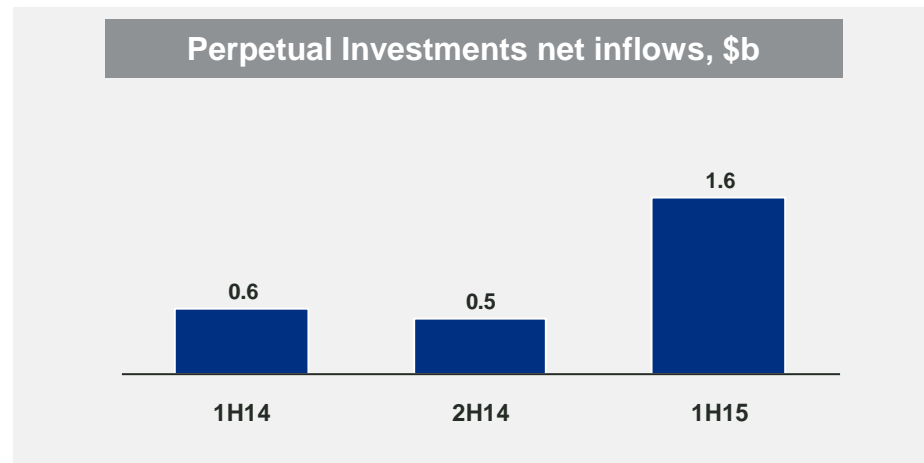
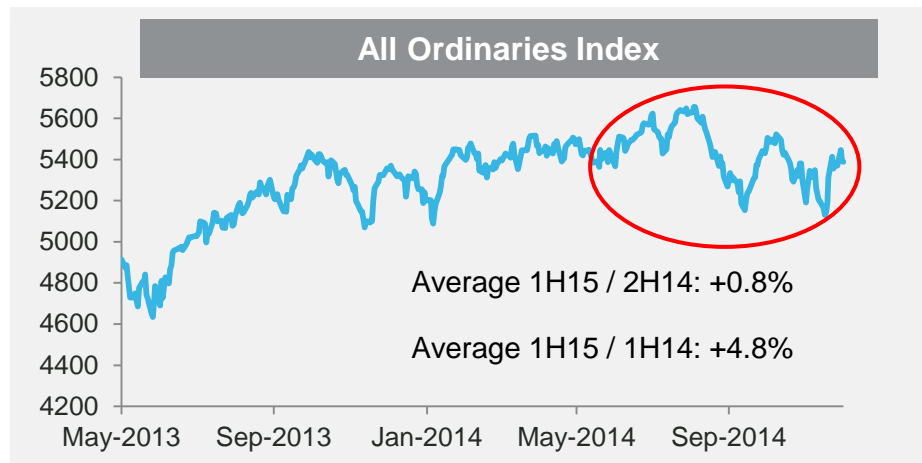
# 1H15

## Strategy delivering strong returns



# 1H15 RESULTS – GROWTH HIGHLIGHTS

Major drivers were acquisition, growth in flows and new clients



\* High net worth clients must have a portfolio balance with Perpetual Private of at least \$1m.

^ FUA is funds under administration.

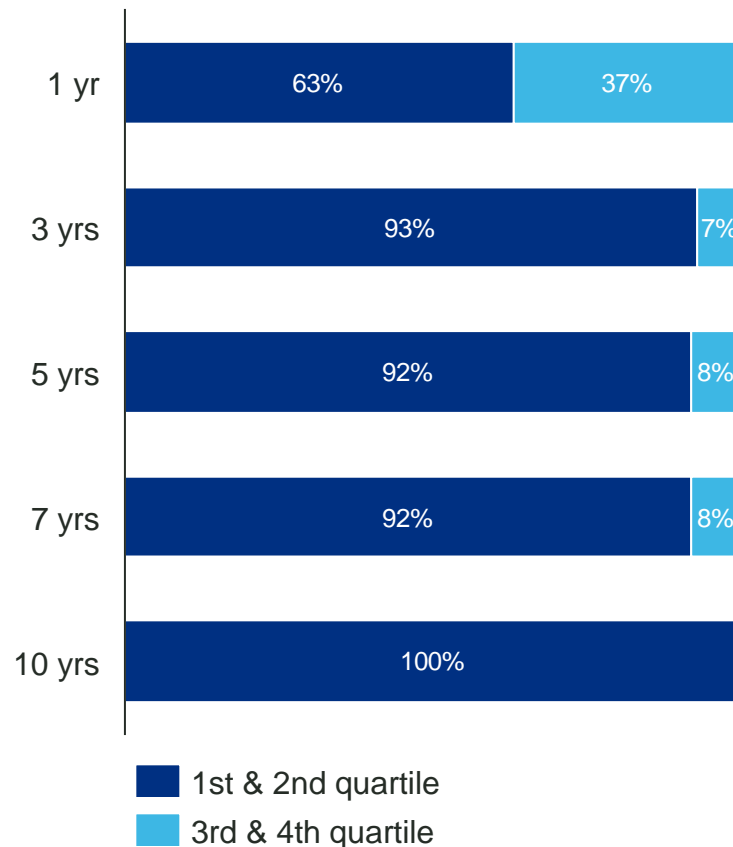
# PERPETUAL INVESTMENTS

## Strong investment performance

### QUARTILE RANKINGS<sup>^</sup> periods ending December 2014

	1Yr	3Yrs	5Yrs	7Yrs	10Yrs
Perpetual W Australian	4	2	1	1	1
Perpetual W Concentrated Equity	2	1	1	1	1
Perpetual W Ethical SRI	1	1	1	1	1
Perpetual W Geared Australian	4	1	1	1	1
Perpetual W Industrial	1	1	1	1	2
Perpetual W SHARE-PLUS Long-Short	1	1	1	1	2
Perpetual W Smaller Companies	2	2	1	1	1
Perpetual W International Share	2	4	4	2	2
Perpetual Global Share Fund	1	1			
Perpetual Pure Equity Alpha	1	-	-	-	-
Perpetual W Balanced Growth	4	2	1	1	2
Perpetual W Conservative Growth	3	2	1	1	1
Perpetual W Diversified Growth	4	2	2	1	2
Perpetual W Diversified Income	2	2	2	3	-
Perpetual Active Fixed Interest	1	1	1	1	-
Perpetual Diversified Real Return	4	1	-	-	-

### FUND WEIGHTED % OF FUNDS OVER 1 – 10 YEARS



<sup>^</sup> Perpetual flagship funds included in the Mercer wholesale surveys – quartile rankings.

# PERPETUAL INVESTMENTS

## Positive net inflows



Total net flows across all strategies in 1H15 of **\$1,633m**

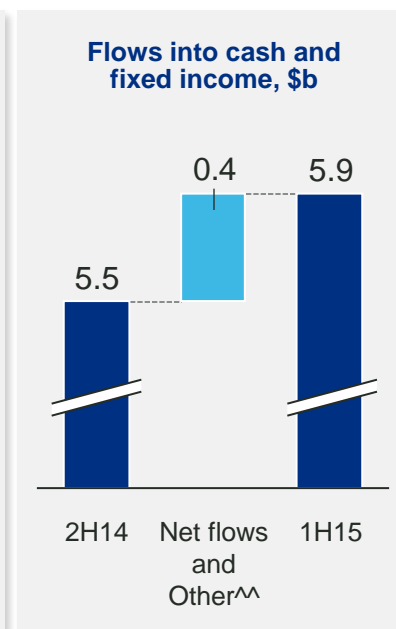
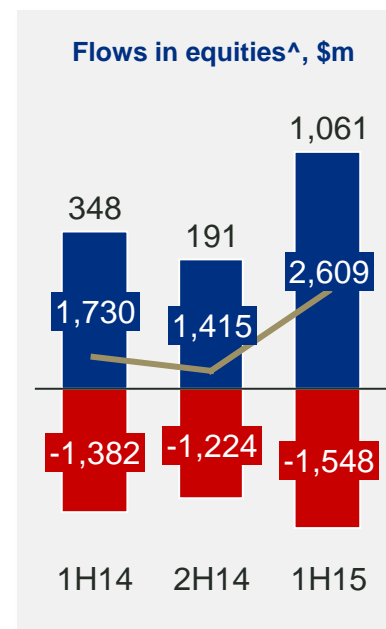
Net flows in equities^ in 1H15 of **\$1,061m**; 3Q15 \$0.3bn

More than **\$250m** from successful launch of Perpetual Equity Investment Company

**More than \$630m of FUM** in Perpetual Global Share Fund following move in mandate from previous manager

**Recommended rating** for the Perpetual Global Share Fund, Zenith, January 2015

**Investment grade rating**, for Perpetual Diversified Strategies, Zenith, January 2015



^ Includes Australian Equities, Global Equities and PEIC.

^^ 'Other' includes changes in asset value, income, reinvestments, distributions and asset class rebalancing within the Group's diversified funds.

# NEW HEAD OF EQUITIES APPOINTED

## Orderly transition plan in place

### Head of Equities

#### Paul Skamvougeras

Head of Equities  
Portfolio Manager – Concentrated Equity, Pure Equity Alpha

### Portfolio Managers

#### Nathan Parkin

Deputy Head of Equities  
Portfolio Manager – Australian Share, Ethical SRI, Geared Australian Share

#### Anthony Aboud

Portfolio Manager – SHARE-PLUS Long-Short

#### Anthony Cay

Portfolio Manager – The Trust Company Income, Industrial Share (30%)

#### Jack Collopy

Portfolio Manager – Smaller Companies, Pure Microcap, Pure Value

#### Vince Pezzullo

Portfolio Manager – Industrial Share (70%), Direct Equity Alpha, Listed Investment Companies

#### Garry Laurence

Portfolio Manager – Global Share

### Analysts

#### Andrew Corbett

Global Resources Analyst

#### Nick Corkill

Equities Analyst

#### Maryanne Drewe

Equities Analyst

#### Joshua Hain

Equities Analyst

#### Nathan Hughes

Equities Analyst

#### Alex Hurrell

Equities Analyst

#### Carly Turner

Equities Analyst

#### Andrew Blakely

Global Energy Analyst

#### Andrew Plummer

Global Analyst

#### Thomas Rice

Global Analyst

#### Rosemary Tan

Global Analyst

Average years in industry = 15

Average years with Perpetual = 7

### Leadership transition plan

Australian Equities portfolio responsibilities

By 31 March

Head of Equities leadership and management responsibilities

By 30 June

Global Equities responsibilities

By 30 September

As at 2/2/2015.



# GLOBAL TEAM PROFILE



## GARRY LAURENCE

### GLOBAL EQUITIES STRATEGY - PORTFOLIO MANAGER



- Senior member of Perpetual's Equity team and key driver of collaborative portfolio management approach at Perpetual
- Over 12 years experience in financial services industry, and seven years experience at Perpetual
- Managing the Perpetual Global Share Fund since inception in January 2011. Prior to this was co-portfolio manager of the Asian Fund from 2009-2011
- Three years with PM Capital as an Analyst covering the financial sector for global



**Andrew Blakely**

- Analyst
- 22 years experience
- 6 years at Perpetual
- Energy, Autos & Resources



**Rosemary Tan**

- Analyst
- 10 years experience
- 5 years at Perpetual
- Consumer & Healthcare



**Andrew Plummer**

- Analyst
- 8 years experience
- Joined Perpetual Aug 2014
- Financials & Industrials



**Thomas Rice**

- Analyst
- 11 years experience
- Joined Perpetual June 2014
- Tech & Consumers & Industrials

# THE EVOLUTION OF PERPETUAL'S GLOBAL EQUITY STRATEGY

## THE LOGICAL STEP FOR OUR TEAM

- Perpetual's Australian equities team has been investing globally for over a decade
- Perpetual has become a global research house as Australian companies expand internationally
- Our cautious approach to global investments began in 2006 when we allowed our flagship Australian Share Fund to invest up to 20% of its portfolio internationally
- In 2008 we started hiring investment professionals with global equities experience – Garry Laurence, Andrew Blakely and Rosemary Tan
- Investors can now access a concentrated global portfolio utilising Perpetual's proven investment process via the Perpetual Global Share Fund or institutional mandates

# GLOBAL SHARE FUND – CLASS A

## NET PERFORMANCE FOR PERIODS ENDING 31 MARCH 2015



	FUND Class A %	FUND Class W % <sup>^</sup>	INDEX %	EXCESS %
<b>1 MONTH</b>	1.3	-	0.9	+0.4
<b>3 MONTHS</b>	9.7	-	9.6	+0.1
<b>1 YEAR</b>	-	28.7	28.6	+0.1
<b>2 YEARS P.A.</b>	-	37.5	31.3	+6.2
<b>3 YEARS P.A.</b>	-	29.6	24.2	+5.5
<b>4 YEARS P.A.</b>	-	21.2	17.7	+3.4
<b>SINCE INCEPTION P.A. (01/01/2011)</b>	-	20.1	17.7	+2.4

Source: Perpetual & RBC. Numbers may not be whole due to rounding. <sup>^</sup> The Perpetual Global Share Fund Class A has been operating since August 2014. The Fund did not have a unit class that included fees from the period 1 January 2011 to 28 August 2014. The return shown for Class W has been calculated using the performance of the W Class less a 1.10% Management Fee and 15% Performance Fee which are the fees applicable to Class A. Class A and Class W have identical investments. Further details on the performance fee calculation is available in the Perpetual Global Share Fund Product Disclosure Statement offering 'Class A units'. The estimated Performance fee accrued as at 27 August 2014 is not carried into actual performance calculations commencing 28 August 2014. Past performance is not indicative of future performance.

# FEES\*

## GLOBAL SHARE FUND

CHARACTERISTIC	
MANAGEMENT FEE	1.10% pa.
PERFORMANCE FEE	15%
HURDLE	MSCI World Net Total Return Index (\$A)
FEE ACCRUAL	Daily and if applicable, accrued in the unit price
FEE PAID AFTER BASE FEE	Yes
PAYMENT FREQUENCY	Semi-annual
HIGH WATER MARK	Yes

There are two conditions for Perpetual to be paid any accrued performance fee at the end of the performance fee period:

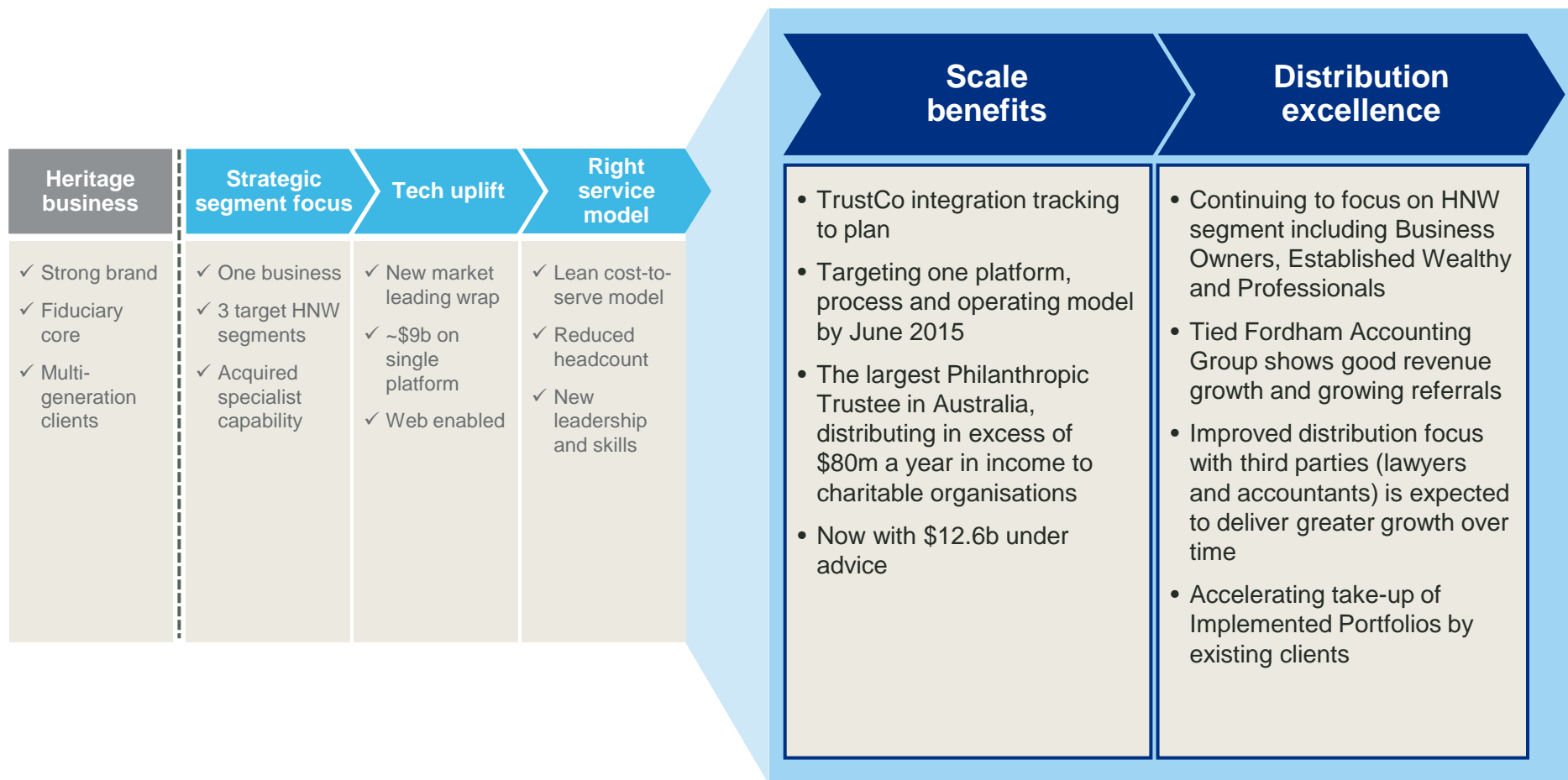
1. The performance fee accrual amount must be positive (after taking into account any negative accruals from prior periods).
2. The Fund's return over the performance fee period must be positive. If it isn't, then any accrued amount carries over to the next period.

\* Please refer to page 6 of the Fund's PDS for further information if required.

# PERPETUAL PRIVATE

## Improving business performance

### VISION: AUSTRALIA'S LEADING INDEPENDENT HNW BUSINESS



# PERPETUAL PRIVATE

## Strategy delivering growth

Delivering on strategy – PBT +257% on 1H14 and +16% on 2H14

Revenue growth continues with accelerated take-up of Implemented Portfolios coupled with growth in Fordham and Estate Administration

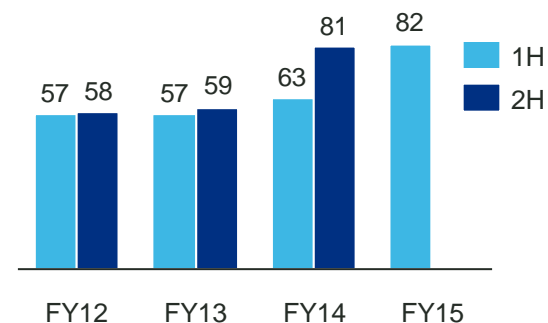
TrustCo integration on track with one platform model expected to complete in June 2015, margins improving as synergies continue to come through

Net client growth continues as the business shifts to focus on improving distribution through key channels

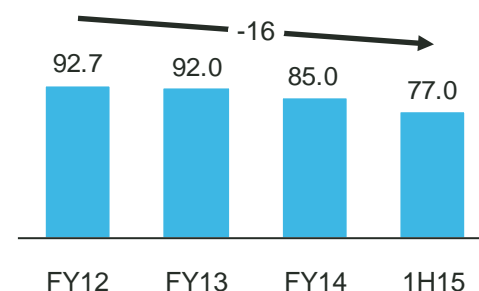
#1 in funds under advice per client, #2 in funds under advice per adviser<sup>^</sup>

FOFA – clearer landscape, plays to Perpetual Private's existing strengths

Revenue, \$m



Cost to income ratio, %



<sup>^</sup> Money Management Top 100 Dealer Group Survey, 2014.

# PERPETUAL CORPORATE TRUST

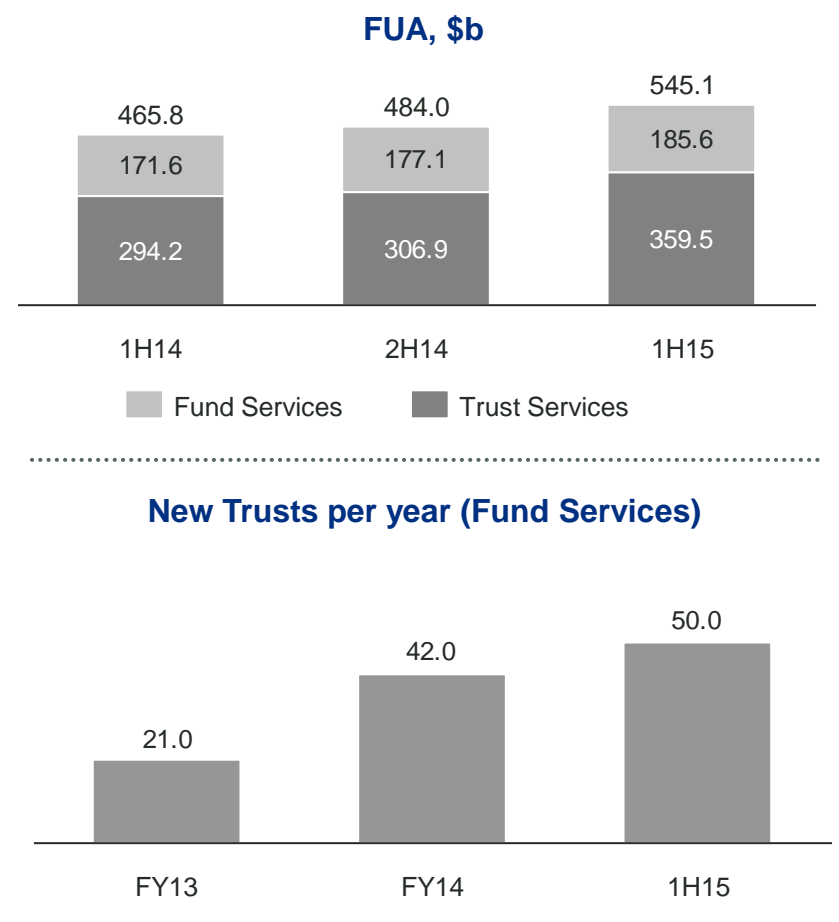
## Diversified business with a leading market position

Integration benefits of TrustCo acquisition evidenced by strong performance in Fund Services – revenue +8% on 2H14

Trust Services supported by strengthening securitisation market although back book run-off continues to be elevated


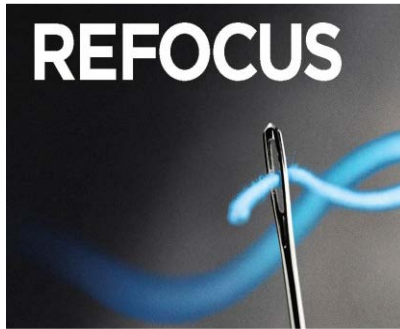

Investments in Trust Management and Data Services providing new revenue in Trust Services

Perpetual Corporate Trust has been able to capitalise on strong international flows into property and infrastructure



# T15 STRATEGY – THE TRUST COMPANY SCORECARD

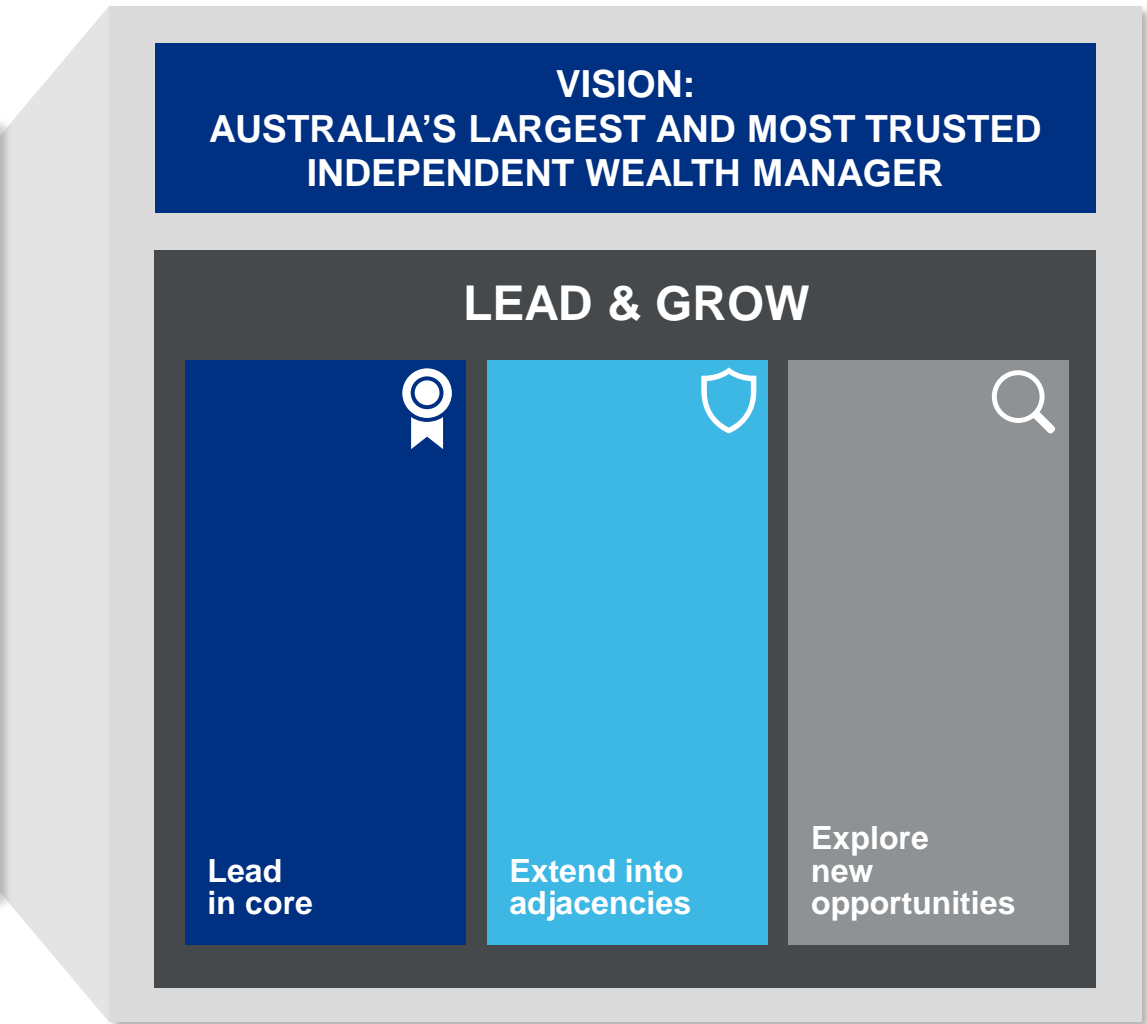
## Program to complete early and on track for target synergies

	FY14	PROTECT	1H15	ALIGN	2015 ONE COMPANY
 <b>SIMPLIFY</b>	<ul style="list-style-type: none"><li>✓ Single Executive Team</li><li>✓ New organisation structure in place</li><li>✓ All staff notified of impact to their role</li><li>✓ Divested EQT holding</li></ul>		<ul style="list-style-type: none"><li>✓ Reduce central cost (HR, Finance, Marketing)</li><li>✓ Combine and simplify core processes and policies for Group functions</li></ul>		<b>On Track:</b> Reduce property footprint <ul style="list-style-type: none"><li>✓ Consolidate and reduce corporate entities and structures</li></ul>
 <b>REFOCUS</b>	<ul style="list-style-type: none"><li>✓ Single client service offering for all <b>new</b> PCT clients</li><li>✓ Design brand strategy and commence execution</li><li>✓ Detailed integration planning complete across all Business Units</li><li>✓ Single product and wrap offering in place for all <b>new</b> PP advice clients</li></ul>		<ul style="list-style-type: none"><li>✓ Migrate IT infrastructure to outsource provider</li><li>✓ Integrated investment / product suite in PP</li><li>✓ Single client service offering for all PCT clients in place</li></ul>		<ul style="list-style-type: none"><li>✓ Consolidate and simplify IT applications</li></ul> <b>On Track:</b> Single platform and client service offering for all clients in PP in place <b>Ongoing:</b> Integrated Personal Trustee and Philanthropy operations <ul style="list-style-type: none"><li>✓ Brand strategy complete</li></ul>
 <b>GROW</b>		<b>Ongoing:</b> Accelerate PCT growth in Singapore	<ul style="list-style-type: none"><li>✓ PI FUM increase through The Trust Company integration via PP</li><li>✓ PCT outsourced RE service compliance frameworks aligned</li><li>✓ PCT Asia product offering finalised</li></ul> <b>Ongoing:</b> Accelerate PCT growth in Singapore		<b>On Track:</b> Increased revenue in PP due to scale benefits of combined FUA <b>On Track:</b> PCT FUA increase through expanded service offering <b>Ongoing:</b> Accelerate PCT growth in Singapore

Note: PCT = Perpetual Corporate Trust; PP = Perpetual Private; PI = Perpetual Investments

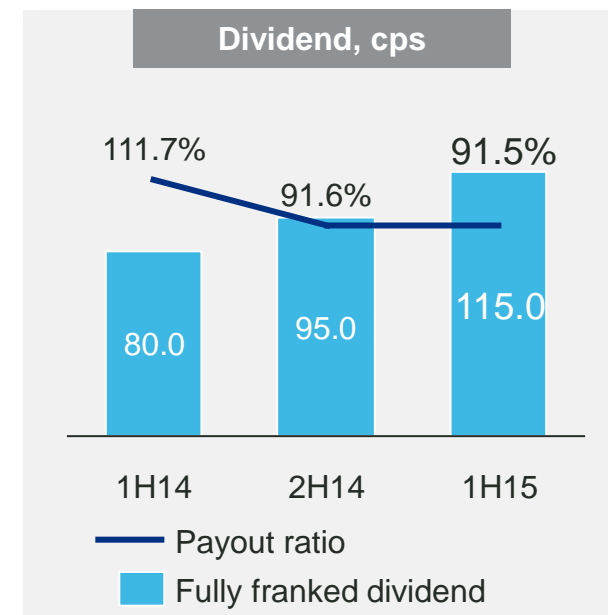
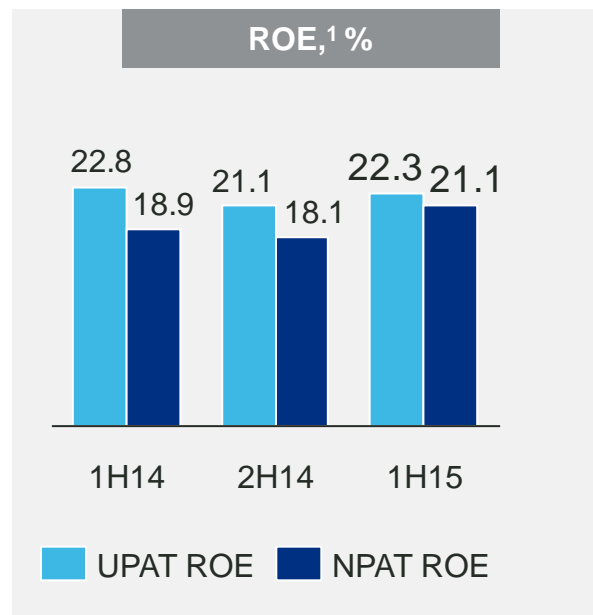
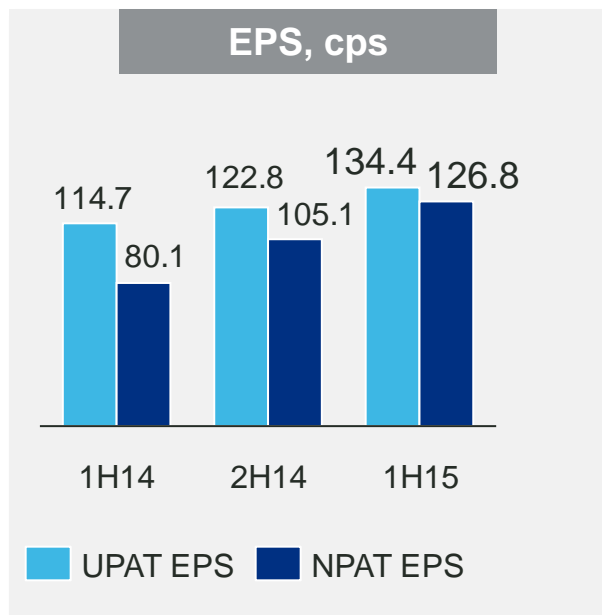


# PERPETUAL – BEYOND T15



# FINANCIAL PERFORMANCE

1H15 dividend up 44% on 1H14 and fully franked



Fully franked dividend of  
**115 cps**

Payout ratio<sup>2</sup> of  
**91.5%**

Dividend paid on  
**27 March**

<sup>1</sup> ROE is calculated using UPAT or NPAT attributable to equity holders of Perpetual Limited for the period divided by average equity attributable to equity holders of Perpetual Limited.

<sup>2</sup> Dividends paid/payable as a proportion of NPAT.

# CONTACTS

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## **About Perpetual**

Perpetual is an independent financial services group operating in funds management, financial advisory and trustee services. Our origin as a trustee company, coupled with our strong track record of investment performance, has created our reputation as one of the strongest brands in financial services in Australia. For further information, go to [www.perpetual.com.au](http://www.perpetual.com.au)

# DISCLAIMER

## Important information

The information in this presentation is general background information about the Perpetual Group and its activities current as at 26 February 2015. It is in summary form and is not necessarily complete. It should be read together with the company's unaudited condensed consolidated financial statements lodged with ASX on 26 February 2015. The information in this presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account your financial objectives, situation or needs. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

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UPAT attributable to equity holders of Perpetual Limited reflects an assessment of the result for the ongoing business of the Group as determined by the Board and management. UPAT has been calculated in accordance with the AICD/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 - Disclosing non-IFRS financial information. UPAT attributable to equity holders of Perpetual Limited has not been reviewed by the Group's external auditors, however the adjustments to NPAT attributable to equity holders of Perpetual Limited have been extracted from the books and records that have been reviewed.

Nothing in this presentation should be construed as either an offer to sell or solicitation of an offer to buy or sell Perpetual Limited securities in any jurisdiction.

All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated. All references to NPAT, UPAT etc. are in relation to Perpetual Limited ordinary shareholders. Certain figures may be subject to rounding differences.

### Note:

- 1H13 refers to the financial reporting period for the six months ended 31 December 2012
- 2H13 refers to the financial reporting period for the six months ended 30 June 2013
- 1H14 refers to the financial reporting period for the six months ended 31 December 2013
- 2H14 refers to the financial reporting period for the six months ended 30 June 2014
- 1H15 refers to the financial reporting period for the six months ended 31 December 2014
- FY13 refers to the financial reporting period for the twelve months ended 30 June 2013,
- FY14 refers to the financial reporting period for the twelve months ended 30 June 2014, with similar abbreviations for previous and subsequent periods