ASX Announcement

AGM 2009:

- Perpetual emerges from GFC with a lower cost base, stronger balance sheet and enhanced competitive position
- Expecting strong improvement in earnings for 6 months to December 2009 over 6 months to June 2009

22 October 2009

Shareholders attending Perpetual Limited's (Perpetual) Annual General Meeting in Sydney today will be told that the Company has come through one of the most difficult years in the history of financial markets with a lower cost base, a stronger balance sheet and in an overall enhanced competitive position.

Summarising the presentations to be given to the meeting, Chairman, Robert Savage, said while the Company's revenues and earnings had been impacted by the steep decline in equity markets and the outflows of funds experienced across the investment management industry, Perpetual had focused on substantially reducing costs, sticking to its proven investment strategies and close communication with customers as investor confidence was being rocked by the market turmoil.

"We focused on managing the things that were within our control to protect the business and our clients' interests and as a result, have emerged stronger, more focused and more efficient."

"To address falling revenues and bolster Perpetual's capital position, we reduced underlying cash operating expenses by $40 million before tax, or 15 per cent, for the year. The majority of the fixed costs savings achieved in 2009 is expected to flow through to 2010, contributing to earnings growth.

"During the year we revised our dividend policy and introduced a dividend reinvestment plan, improved the overall credit quality of our risk assets, and reduced exposure to capital intensive products.

"To further strengthen capital management, we introduced a risk-based model that requires capital to be set aside for operational, credit and market risk, and known capital commitments. As at 30 June 2009 Perpetual held more than double the amount of regulatory capital required by the regulators.

"This approach has served our shareholders well over the years and particularly during the past year.

"We were not forced to refinance our debt, nor did we need to raise further capital from shareholders, unlike many other companies that faced an urgent need to repair their balance sheets.

"The Company delivered relative investment outperformance for its customers across its core equity funds and enjoyed net institutional funds inflow while the industry suffered substantial outflows.

"Perpetual's competitive position has been enhanced by this investment performance, along with our increased focus on customer engagement during the recent market turmoil. It was pleasing to see the Company's leadership position recognised through a number of industry awards during the year," he said.

Mr Savage cautioned that despite the positive impact of Government interventions and stimulus initiatives in stabilising the economy and financial system in Australia during the height of the Global Financial Crisis, the Government and regulators face the challenge of returning to more normal policy settings and finalising the myriad Government inquiries into various aspects of the financial system that are underway.

"Perpetual will work with our industry bodies with the aim of ensuring any changes are consistent with good public policy and in the best interests of our shareholders, customers and investors," he said.

Outlook

Mr Savage noted that since March this year, share markets have staged their biggest rallies in years out of relief that the worst fears haven't come to pass. However, he cautioned that it would be naive to believe that there will be no residual problems from the global financial crisis or that markets are already well into a smooth global recovery.

"Based on the equity markets averaging around their current levels, we expect the underlying profit after tax (UPAT) for the six months to December 2009 to be in the range of $30 to $40 million, which will be a strong improvement on the $24.1 million achieved for the six months to June this year," Mr Savage said.

The Exact Market Cash Fund has continued to benefit from more stable conditions, and in the three months to 30 September 2009 the Company has booked a profit of $7 million before tax ($4.9million after tax) on the Fund.

"Assuming no impairments within EMCF or other significant items, we expect net profit after tax for the December 2009 half to be in the range of $40 to $50 million[1]. This will also be a significant improvement on the $23.5 million net profit after tax result for the June 2009 half year," Mr Savage said.

The Company expects that the 2010 interim dividend is likely to be well in excess of the recent 2009 final dividend of 60 cents per share.

Managing Director and CEO, David Deverell, said: "In cutting expenses we were careful to ensure we maintained our operational capacity and continued to invest in improving administration and client service systems to take advantage of the inevitable market recovery," Mr Deverall said.

"Despite the improvement in markets over recent months, investors are much more wary of whom they deal with and more careful about who they entrust with the management of their money. Essentially they are looking for what Perpetual has always stood for – integrity, quality and experience.

"We are ideally placed, in terms of balance sheet flexibility, service offer and brand reputation, to capitalise on this fundamental mood shift," Mr Deverall said.

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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

[1] Based on UPAT and EMCF gains in December 2009 quarter in line with September 2009 quarter, and assumes no other significant items