Perpetual AGM 2009

Mr Robert Savage
Chairman – Perpetual Limited

I am very pleased to see so many interested shareholders in attendance to hear us report on Perpetual's performance during arguably the most extraordinary year in financial markets since the Great Depression, and quite probably, in the 123 year history of this company.

Operating environment
When we met last year, what was to become universally known as the Global Financial Crisis, was unleashing turmoil on financial markets.

At its worst point, following the collapse of US investment bank Lehman Brothers, it became a crisis of confidence that affected every part of the global financial system.

These were extraordinary times that required extraordinary measures. And I think we are all relieved that the actions of Governments and regulators appear to have worked in supporting the global financial system and economic activity through the crisis.

Fortunately, Australian financial institutions and indeed the Australian economy, through a combination of good management, good regulation and some good fortune, avoided the worst of the global crisis.

I think Australians can take much comfort in the strength of our major financial institutions and the fundamental effectiveness of our regulatory system.

How Perpetual responded to the challenges
Perpetual confronted the challenges of the past year as we have always done – responsibly, prudently and diligently – to protect the business and the interests of our shareholders and clients.

While we could do little about the turbulent market conditions that impacted our gross revenues, we made sure we managed what was within our control.

We strengthened the balance sheet to ensure we could withstand even worse conditions, should they eventuate. We maintained a tight reign on costs to ease the effect of reduced revenues. And most importantly, we got on with fulfilling our responsibilities as an investment manager and adviser, trustee and business services provider.

We continued to invest our clients' money according to our ingrained philosophy of investing for the long term with a focus on quality, value and risk. And we maintained vigilant watch over the money and entities entrusted to our care.

And we continued to pursue our strategic initiatives. These included:

- investing in our Private Wealth premium advice business through both the acquisition of high quality advisers and the roll-out of our market-leading, client administration system
- the further expansion of our mortgage administration services as part of our diversification strategy for the Corporate Trust business.
- and the acquisition of the smartsuper administration service to secure a strong position in the rapidly growing self-managed super funds sector.

Market impact on business revenues
There is no doubt that the conditions we faced this year dramatically affected our business revenue. Our investment management, advice and trustee fees are directly aligned to the value of the assets we manage. Of course, we mustn't lose sight of the fact that dealing with the impact of market cycles is part and parcel of being a funds manager.

The sharemarket downturn, in particular, reduced the revenue we derived from our flagship equity funds.

In addition, the turmoil in equity and debt markets during the year led to the wholesale collapse of investor confidence, driving a flight to 'cash-based' products which typically generate less revenue than our share funds.

The introduction of the Government guarantee on bank savings deposits led to further outflows from all asset classes in the funds management industry, including from Perpetual funds.

Likewise our Corporate Trust business had to contend with the virtual closure of the market for new issuances of residential mortgage backed securities which have been the key contributor to its profit.

Strong balance sheet
One of our key priorities this year was to effectively manage our capital, and given the conditions, it is very pleasing that we finished the year with such a strong and flexible balance sheet.

Our prudent approach to capital management aims to ensure:

- we maintain sufficient surplus capital to provide for uncertainty and operational risk
- have adequate liquidity and financial flexibility so we don't have to rely on debt
- and maintain sufficient capital resources to take advantage of market opportunities as they arise.

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 were we forced to raise further capital from shareholders, unlike many other companies which faced an urgent need to repair their balance sheets.

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 our 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 we held more than double the amount of regulatory capital required by both the Australian and Irish regulators.

Revenue and profit results
Our revenue and profitability is strongly correlated to the equity markets and our results for the 2009 financial year reflected the market movements during the period.

Overall group revenue fell 24 per cent to $375 million. Approximately 70 per cent of the decline was caused by the lower equity markets reducing our funds management revenue, and the virtual closure of the primary debt securitisation markets impacting our Corporate Trust business.

We believe underlying profit after tax (UPAT) provides the clearest picture of the performance of the company, because it excludes significant items and gains and losses on investments, which had a particularly distorting effect on net profit.

Underlying profit after tax for the 2009 financial year was $65.7 million, a decrease of 51 per cent on the prior year. The result was in line with our May forecast of between $60 and $70 million.

While Perpetual Investments and Perpetual Private Wealth experienced profit declines, Perpetual Corporate Trust's profit before tax rose 22 per cent, an outstanding result considering the state of its core securitisation market.

The growth in Corporate Trust's profit from less cyclical revenue streams partly offset the lower profits from Perpetual Investments and Private Wealth and demonstrates the benefit of our diversification strategy.

Group net profit after tax (NPAT) for the 2009 financial year was $37.7 million, a decrease of 71 per cent on the previous year.

In addition to the effect of market movements on our revenue and profit margins, the lower net profit was accounted for by a number of significant items which arose during the year.

Specifically, these were after tax losses of $6.1 million on the sale of investments, $8.1 million in restructuring costs, and $13.8 million for losses arising from the Exact Market Cash Fund (EMCF).

The EMCF provides investors with returns linked to the Australian Bank Bill index by investing in a diversified portfolio of fixed income securities.

The credit market turmoil reduced the market value of many of the EMCF investments which required us to set aside provisions even though we remained confident that overall they would continue to provide the income and capital security for which they were purchased.

To mitigate the risks through this period of extreme market volatility and reduce the impact on shareholders, we hedged parts of the portfolio and adopted a hold to maturity valuation approach to reflect the way the Fund is now managed.

We have consistently stated that we expect to recover most of the unrealised losses as the majority of the Fund's investments mature over the next two years. This should have a positive effect on our profit in the 2010 and 2011 years.

We are now benefiting from more stable conditions with a profit after tax of $4.9 million from EMCF gains posted for the September 2009 quarter.

Expense management

To address falling revenues and bolster our capital position during the year we reduced our underlying cash operating expenses by $40 million before tax, or 15 per cent, for the year. The majority of the fixed cost savings are expected to flow through to 2010 and contribute to earnings growth.

The reductions were achieved by reducing staff numbers, in many cases through natural attrition and by limiting the hiring of new staff, as well as a reduction in short-term incentives, in line with our lower profit.

These cost savings were partially offset by investment in client administration systems, rectifying some operational issues, and acquisitions made during the year to diversify the business.

Of course, if we achieve underlying profit growth (UPAT) and we continue to recover losses from EMCF, the staff profit pool will grow in line with the increased profit.

Dividends

The decline in earnings had a corresponding impact on dividends. We declared a final fully-franked dividend of 60 cents per share. This resulted in total ordinary fully franked dividends of 100 cents per share for the year ended 30 June 2009.

The final dividend payment of 60 cents per share was 108 per cent of second half net profit after tax and was a transitionary step towards our revised dividend policy of paying out between 80-100 per cent of net profit after tax.

In May we announced the establishment of a dividend reinvestment plan which has been designed to be flexible by allowing a discretionary discount, initially set at 2.5 per cent. Existing shares can be sourced on market for the dividend reinvestment plan, when we have no need for extra capital.

It was pleasing to see shareholders representing around 13 per cent of the company's issued capital participate in the plan. This year we satisfied this demand by issuing new shares.

Your Board intends to maximise fully franked dividends for shareholders. We believe a more conservative dividend payout approach to support a strong balance sheet is in the interests of shareholders, most of whom are long term investors.

Profit and dividend outlook

I will now make some comments about Perpetual's financial outlook.

Following the extraordinary roller-coaster year we have just endured, and given our revenues are closely linked to the markets, it would be reckless to forecast profit ranges beyond the short term.

In March, just a little over six months ago, the world was still caught in the grip of the worst financial insecurity seen for generations and an economic outlook as bad as anyone could imagine.

But since then, the apparent effectiveness of support for the global financial system and economic stimulus, has greatly improved business and consumer confidence, especially in Australia.

Sharemarkets have staged their biggest rallies in years out of relief that the worst fears haven't come to pass. But it would be naive to believe that there will be no residual problems from the global financial crisis or that we are already well into a smooth global recovery.

At Perpetual we have seen enough cycles and market shocks over the years to never take anything for granted in the business of managing and investing our clients' money. So we will continue to be cautious and make no assumptions about the continued recovery of the global economy and markets.

Last year was a tale of two halves with first half underlying profit after tax of $41.6 million compared to $24.1 million for the second half.

Given the rise in equity markets since March this year, we expect the December 2009 underlying profit after tax to increase on the second half of last year. Based on the equity markets averaging around their current levels, we expect underlying profit after tax for the six months to December 2009 to be in the range of $30 to $40 million.

As I have noted earlier the EMCF has returned profits to date this year and we expect that trend to continue. Assuming no impairments within EMCF and no other significant items, we expect net profit after tax for the December 2009 half to be in the range of $40 to $50 million.

From a dividend perspective this means the forthcoming interim dividend is likely to be well in excess of the recent 2009 final dividend of 60 cents per share.

Regulatory environment

We operate in sectors that we believe require sound legal foundations, and an effective regulatory framework so I'd like to make some comments about this.

Federal Government intervention has been a major feature of the operating environment over the past year and this has not just related to the financial crisis.

In many ways the GFC has been a real-life stress test for the Australian financial system, and I believe we have come through it remarkably well, as has Perpetual.

While Australia is vastly better placed than most other developed western countries with the strength of our financial system, the economy, and government finances, the Australian Government and regulators still face the challenge of returning to more normal policy settings.

This includes the need to withdraw the deposit guarantee which will continue to skew our financial system if left in place.

Currently there is a myriad of Government inquiries into many aspects of the financial system, including superannuation, financial advice, consumer protection and of course, a sweeping review of the tax system.

The super system is a key pillar of the nation's retirement funding plan and the Government is rightly concerned about the policy settings, in terms of adequacy, equity and efficiency. We encourage them to ensure it is focused on addressing consumer needs. This means promoting effective competition and choice to meet the diversity of people's circumstances and preferences in providing for their future.

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

Most of all, business and investors require clarity, certainty and consistency. Whatever changes resulting from the various policy inquires, we are very confident that Perpetual's enduring reputation and proven business model mean we will continue to be a premium wealth manager for financially successful Australians. This market will continue to grow, irrespective of the specific policy settings and regulatory arrangements.

There has also been, understandably, a lot of focus by the community and government on executive remuneration. Elizabeth Proust will present our remuneration report later, but let me just make one comment:

Shareholders are the owners of the company and have every right to understand, question and vote on a company's remuneration policy and practice. The current Productivity Commission review on remuneration contains many suggestions which we fully support. However, the idea mooted in its report that Boards should have to resign if 25 per cent of shareholders twice vote against their remuneration report is fundamentally undemocratic and not in the interests of the company or the majority of shareholders.

Summary

So in conclusion:

We have endured one of the most difficult years in the history of financial markets, our industry and our company. And we are very conscious of the impact this has had on our shareholders, investors and staff.

Certainly, the market conditions have directly impacted our profits and returns to shareholders, but I think the way we responded demonstrated the quality of our business and our people.

We have prudently managed what was within our control to protect the business and our clients' interests – and have emerged stronger, more focussed and more efficient.

We have strengthened our financial foundations, maintained our reputation as a provider of premium financial services, and enhanced our competitive position in line with our ongoing growth strategy.

We have delivered above-average investment performance in extreme market conditions and delivered sound advice to our clients.

And we are well positioned to grow, as our core business strengths and strategy match the most attractive market opportunities in serving high net worth clients and their advisers, and providing specialist services to financial market participants.

Given the times we live in Perpetual has no reason to be complacent, but we have every reason to be confident in the strength of the company, our strategy and our future.

On behalf of the Board I thank you for your continued support and confidence in this great Australian company.

I also thank our employees for their perseverance and dedication throughout a very tough year.

I would now like to welcome David Deverall to report on our business operations and initiatives.

Thank you.

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Mr David Deverall
Chief Executive Officer and Managing Director – Perpetual Limited

Thank you Bob and good morning ladies and gentlemen.

Before I commence my address I would like to draw shareholders' attention to a new initiative to help our shareholders develop a deeper understanding of the performance of the company.

It is called Management's Discussion and Analysis, or MD&A for short, and it provides a comprehensive review of the business. It is eighteen pages long and you will find it on Page 42 of this year's Annual Report.

Of course, for those who do not wish to wade through a long document, a summary has been included in our Annual Review.

We welcome your feedback to help us make it an even more relevant document for shareholders in the years ahead.

Perpetual operates through three major business units in three key market sectors and the profitability of each business unit is heavily influenced by its key revenue drivers:
– funds under management for Perpetual Investments, the majority in equities
– funds under advice for Private Wealth, roughly half of which is in equities
– and funds under administration for Corporate Trust, most of which is in residential mortgage backed securities

The substantial decline in equity markets this year greatly reduced the market value of assets under our management, and therefore our fee revenue. The majority of our costs are fixed costs and therefore the reduction in revenue caused an even larger percentage fall in profits.

We actively managed what was within our control
While we could do little about market conditions and their impact on our revenues, we positively influenced what we could control to ease the effect of declining earnings.

For example, we reduced cash operating expenses by $40 million before tax, or 15 per cent, and we expect a large proportion of these savings to be maintained in future years.

In cutting expenses we were careful to ensure we maintained our operational capacity to take advantage of the inevitable market recovery. Staff reductions were achieved through targeted redundancies and natural attrition across the company.

Now I'd like to report on the performance of each of the three business units.

Perpetual Investments
Perpetual Investments is one of Australia's most highly regarded investment fund managers.

Perpetual Investments' profit before tax for the year fell by 60 per cent to $59 million. This was mainly due to a 31 per cent fall in revenue as a result of a 34 per cent average fall in the Australian All Ordinaries Index. Notwithstanding the tough year, profit margins on most of our funds remain healthy and given our largely fixed cost base, the recent recovery in markets should largely flow through to profits.

While very few investments were immune from the financial crisis, our fund managers generated investment performance well above benchmarks across the majority of our funds, including the Industrial Share Fund, the Australian Share Fund and the International Share Fund. The

International Share Fund, in particular, has caught the attention of institutions, advisers and clients, who are now supporting it with healthy monthly inflows.

Our broad investment capability across all asset classes was again recognised by being awarded the Australian Financial Review SmartInvestor 'Fund Manager of the Year'.

You may be aware of executive changes announced yesterday for our global equities business. We expect the momentum established in that business to continue.

According to a study of accredited financial advisers by industry research specialist, Wealth Insights, Perpetual continues to be the most highly regarded of all fund managers in Australia. On a net basis 72 per cent of advisers rated Perpetual as either 'one of the best' or 'above average' – our nearest competitor scored 66 per cent.

Following the introduction of the government deposit guarantee in October 2008 a flight of investment funds to the banking sector commenced, with investors favouring guaranteed deposits with the major banks instead of cash management and mortgage funds.

This adversely impacted the whole mortgage fund sector, including Perpetual's mortgage funds. In response we moved to a quarterly redemption process. This has worked well in providing clients with access to their money while managing the assets in the interests of all unitholders.

For our major retail mortgage fund, withdrawal requests received for the September 2009 quarter were down to 8 per cent of units, and investors wishing to withdraw would by now have received 91 per cent of their money over the past year.

Our WealthFocus platform was reinvigorated with the launch of the Investment Advantage product with its unique tax features. This was recognised by an award from industry market researcher Investment Trends as the best new technical functionality.

Private Wealth
Private Wealth provides tailored financial advice and solutions for financially successful Australians and also services retail customers who invest directly with us.

Private Wealth's profit before tax decreased by 37 per cent to $29.1 million for the year. Revenue for the year decreased by $19.2 million, or 18 per cent, to $85.7 million, largely as a result of lower funds under advice.

Private Wealth's strategy is to be the adviser of choice for high net worth clients, and we have continued to invest in improving the quality of service to clients through better systems and processes. This also makes us more efficient to support our growth plans.

With increasing compliance requirements and investor preference for strong corporate backing, we have the opportunity to bring on board more high-end advisers with compatible values to our own.

For example, in March we acquired Financial Pursuit, a Sydney-based high net worth financial advice business with $170 million under advice at the time. In September this year we also acquired Grosvenor Financial Services, another Sydney-based high net worth financial advisory business. We continue to consider potential acquisitions of other boutique advice firms that fit well in terms of the quality of their advisers and client base.

Corporate Trust
Corporate Trust is the market leading provider of corporate trustee, securitisation and transaction services to the financial services industry.

Corporate Trust profit before tax increased 22 per cent to $36.1 million while revenue declined 5 per cent to $80.3 million for the year. This was a very good result given general market conditions and the fact that new issues of mortgage-backed securities effectively dried up during the year.

Our mortgage processing business, Perpetual Lenders Mortgage Services (PLMS), performed very well in maintaining its overall revenue for the year despite the fall in demand from its non-bank clients. To address this they shifted attention to the banking sector which has much higher volume growth. PLMS was able to attract several new banking clients including one of the big four banks.

It was pleasing that the Mortgage & Finance Industry Association recognised the PLMS business as 'Support Services Provider of the Year'.

I would also like to recognise the Corporate Trust business generally for the way they stood up and fulfilled their trustee responsibilities by actively intervening to protect investors' interests in a number of high profile schemes under their care.

Vision and Strategy

I would now like to talk about Perpetual's strategy. Much of the focus among commentators in the financial services industry over recent times has been about current events rather than the future. This is understandable, but as shareholders, you want to hear not just about Perpetual's past but also about our future.

As a starting point, 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 investment track record, has created our reputation as one of the strongest financial services brands in Australia.

Our vision is to be the leading provider of wealth management services to financially successful investors and their advisers, and the leading provider of trustee services to the corporate market.

Our strategy to achieve this vision has four key components, namely:

Firstly, we aim to create the best wealth management products and services in our chosen segments. For example:

- We are widely regarded as one of the best fund managers in Australia.
- WealthFocus Investment Advantage mastertrust has unique tax features
- smartsuper, is a market leader in DIY superannuation services
- We are the largest private trustee of philanthropic services in Australia
- We are the clear leader in trust management and estate planning in Australia.

Secondly, we strive to be the supplier of choice for financial advisers targeting mass affluent and high net worth investors. That is, we offer our market leading wealth management products and services to the financial planning community so that they can best serve the complex financial needs of their clients.

We believe the current scrutiny by government inquiries such as Cooper and Ripoll regarding the quality of advice and conflicts of interests serves Perpetual well in this regard. Why? Because advisers will need to offer their clients the best products and services rather than the in-house offering demanded by head office or the one that pays the most commission.

Thirdly, we aim to be the leading adviser to high net worth Australian investors. That is, those Australians with more than $1 million of investable assets. The market for the provision of advisory services to high net worth investors is very competitive and highly fragmented. Our advice business, Perpetual Private Wealth, is currently the number three advice business in the high net worth market. We have a clear plan to become number one through a combination of organic growth and acquisitions. The acquisitions of Argosy, Financial Pursuit, and Grosvenor Financial Services in recent times demonstrate our intent in this regard.

Finally, we will retain our market-leading position in corporate trustee services and expand the range of services we offer our corporate clients including mortgage processing services through Perpetual Lenders Mortgage Services.

The thread that runs through each of these four strategies is our four sources of competitive advantage. These are our strengths that enable us to deliver great outcomes for our clients and help us beat our opposition no matter how big or global they might be. Our four sources of competitive advantage include:

1. our excellence in funds management
2. our strong reputation and relationships with financial planners
3. our trusted brand, and
4. our heritage and excellence in trustee services

Summary

The past two years have been troubling times for our clients and you, my fellow shareholders, as we witnessed the incredible events of what is now known as the Global Financial Crisis.

I can assure you that, as a company that has managed and invested our clients' money for generations, we always retained faith in our enduring investment principles, the quality of our people and the rigour of our processes.

Despite the improvement in markets over recent months, investors are wary of with whom they deal and careful about to whom they entrust to manage their money. Essentially, they will be looking for what Perpetual has always stood for - integrity, quality, and experience.

Our strategy captures the essence of that opportunity.

The continued improvement in financial markets since March this year coupled with the ongoing execution of our strategy is having a positive impact on our revenue, profits, and dividends in the 2010 financial year. I look forward to sharing this more positive news with you as the year progresses.

On behalf of the senior leadership team I thank our employees for their perseverance and dedication throughout a year of extreme pressures.

To our shareholders I thank you for your continued support and confidence and look forward to better times ahead.

Perpetual AGM 2009

Ms Elizabeth Proust, Director – Perpetual Limited and Chairman, People and Remuneration Committee

Remuneration report

Good morning ladies and gentlemen, fellow shareholders.

Today I will provide a summary of the key aspects of Perpetual's remuneration policy, before moving to a vote on the adoption of the remuneration report contained in the Annual Report.

We have endeavoured to provide you with a report that clearly explains our remuneration policies and processes, and specifically explains the link between company performance, shareholder value and executive remuneration.

We hope it shows our commitment to fairly balancing employee reward and shareholder value. We understand that shareholders have suffered reduced returns over the past two difficult years and in line with our long-standing remuneration principles we believe that senior management remuneration should reflect this performance.

At the same time, we should not lose sight of the fact that our business which delivers premium financial services and investment performance is driven by our ability to retain and attract some of the best talent in the industry.

During the year the People and Remuneration Committee undertook an extensive review of our executive remuneration policy and arrangements. This review confirmed our belief that Perpetual strikes an appropriate risk/reward balance that treats our staff, shareholders and clients fairly.

We reaffirmed our key remuneration principles as follows:

1. variable pay should be a feature of all employees' remuneration. For more senior employees variable pay forms a significant part of overall remuneration. Fixed remuneration should be competitive with comparable roles in comparative organisations

2. variable pay is linked to shareholder wealth creation and individuals are clear on their performance criteria

3. short-term incentive (STI) payments are based on yearly performance and uncapped to allow for recognition of superior performance

4. STI payments should be made out of the operating profits of the organisation

5. equity participation should be increased to encourage a sense of employee ownership, be appropriately tied to stretch targets and encourage retention of key individuals.

This review of remuneration showed that we have a robust policy and structure in place. It also provides a solid base for implementing any changes that may flow from the current Federal Government initiatives, such as the Productivity Commission's review of executive remuneration and the changes to employee share plans, while still staying true to our underlying philosophy of reward for performance.

We are confident therefore that whatever changes we might need to implement will be accommodated within our current policy and structure.

In line with these principles key outcomes for the year were as follows:

1. There were no increases in directors' fees. These have now not increased since 1 July 2007.

2. There was no increase in fixed remuneration for the Managing Director and the only increases for senior executives were a result of them being promoted.

3. The short term incentive profit pool for all staff, which excludes some asset managers, was reduced by over 50 per cent in line with reduced profit. We had some shareholders ask whether the staff profit pool was impacted by both the EMCF losses and the restructuring costs incurred during the year. I can confirm that the EMCF losses and the restructuring costs both served to reduce the size of the profit pool.

It is also worth noting that the Perpetual Profit Pool is used, not just to reward senior executives, but also to reward the majority of permanent employees. This is vital to reward staff and provide a sense of ownership and commitment to the company's success.

4. Annual long term incentive grants for senior executives made in 2004 and 2005 have been forfeited as the stretch targets set at the time of the grants were not met. The targets are based on total shareholder return (TSR) and earnings per share (EPS) which are widely accepted as the best measures of shareholder value. The only long term incentive grants that were vested this year had been granted in earlier years.

I would like to highlight that the long term incentive grants made this year provide no reward for past performance and no financial benefit this year. They are incentives to perform and create shareholder value over the next three years and will only vest then if the stringent performance hurdles are met.

To qualify for their long-term incentives, our people must exceed their performance hurdles and also deliver target returns to shareholders over a three year period. In the case of the Managing Director and Group Executives, if the target is not met, it is retested in the fourth year against a proportionately increased four year hurdle. If at that point the targets have not been met, the LTI lapses and is forfeited.

For example, the 2006 long term incentives to be retested next year would need to meet another 10 per cent increase in the earnings per share above this year's target. To meet this target would require an increase in adjusted earnings per share from 123 cents this year to 430 cents in 2010, an increase of 250 per cent. If the executive team can deliver this I'm sure most shareholders would be happy to reward them for it.

This retesting provides the incentive to meet strategic targets that can't always be adequately assessed in a given three year period in such a market-sensitive business as ours. However, we still want to provide the incentive to create shareholder value by meeting key strategic objectives.

Some key asset managers are rewarded outside the profit pool for outperforming investment benchmark indices. This adds value for clients and therefore shareholders – because that is what drives funds under management and therefore group revenues. It is a highly competitive market and the long-standing stability and performance of our investment team is one of Perpetual's key competitive strengths.

These arrangements consist of fixed and variable components, with the variable components primarily driven by investment performance over short and long-term periods. They are paid in a mixture of cash and shares and expensed as part of Perpetual's profit and loss. Where paid as shares, these shares vest progressively over many years, which rewards both long-term performance and retention.

While executive compensation is a critical issue for us, the People and Remuneration Committee also focuses on broader people issues including executive development, talent and succession planning, and occupational health and safety.

By focusing on these areas we aim to ensure that Perpetual's current and future leaders are well equipped to manage the organisation at all levels. The success of this strategy has been clearly evident this year with three Group Executive positions having been filled through internal succession.

Today you are also being asked to approve the granting of shares and options to the value of $1.025 million per annum to David Deverall under Perpetual's long-term incentive plan by 22 October 2010, in accordance with his contract. This amount has not been increased since 2006.

David's long term incentive is subject to a number of performance hurdles associated with total shareholder return and earnings per share. This is an onerous hurdle, which only rewards exceptional performance. The TSR hurdle was chosen as it is widely recognised as one of the best indicators of shareholder value creation.

David's hurdles tied to earnings per share are also very challenging. The EPS measure was chosen as it provides evidence of Perpetual's growth in earnings.

Overall, I believe our remuneration policy, processes and outcomes have served to attract and keep talented staff who add value for customers and shareholders.

On behalf of the People and Remuneration Committee I commend the report for your adoption.

Thank you.