

## **ASX ANNOUNCEMENT**

26 May 2009

### **2009 Chairman's letter to shareholders**

Dear fellow shareholders

The global downturn, which commenced in late 2007, has continued to impact Perpetual and our industry in the current financial year.

It has also been a very tough year for shareholders, investors and employees and the downturn has understandably brought their confidence under pressure in the past 18 months. The restoration of that confidence will be determined partly by factors outside our control such as market volatility, the actions of governments and the solvency of some global financial institutions. At Perpetual, we have been mainly focused on factors within our control. Here are some examples.

We have maintained top quartile market leading performance. Since the onset of the downturn, we have outperformed benchmarks across nearly all of our main managed funds, a reflection of our investment style which has unfailingly focused on quality and relative valuation.

We have continued to reinforce our brand to support our mission of being the leading creator and protector of wealth for our clients. Our success in this endeavour is evident in recent research which shows investors know and trust our brand and consider it to be a strong source of reassurance amidst the turmoil of the market.

From an industry perspective, we are working with bodies such as the Investment and Financial Services Association and the Financial Planners Association on self-regulatory initiatives with the aim of rebuilding shareholder and investor confidence.

We have reduced cash expenses by over \$35 million or 13 per cent of cash operating expenses in the current financial year. This result was achieved through targeted redundancies and natural attrition across the company during the 2008 calendar year, and through the introduction of a cap on all executive and board remuneration for the foreseeable future. Our bonus payments have also been reduced significantly in line with the decline in our profitability.

Despite reducing costs, we have continued to invest in improving customer outcomes. One project of note is our WealthFocus Investment Advantage platform. WealthFocus received the award for best new technical functionality by market researcher, Investment Trends, for work that improved internal processes and for the introduction of Investment Advantage, which allows clients to move between investment options whilst deferring capital gains tax. Perpetual Private Wealth is also mid-way through a substantial upgrade to improve its client facing systems.

We have focused on preserving our strong balance sheet. We have achieved this by reducing our risk exposure to the Exact Market Cash Fund, suspending the Perpetual Protected Investments structured products series and revising our dividend policy to a payout ratio range of between 80-100 per cent of net profit after tax.

These initiatives were announced in February at the release of our half year results. Today, we are also announcing the establishment of a Perpetual Limited Dividend Reinvestment Plan (DRP) for our shareholders in Australia and New Zealand and a compulsory direct credit system (please refer final paragraph on Page 2 of this Letter). The introduction of the DRP will allow us to pursue investment opportunities and to maintain the strength and flexibility of Perpetual's balance sheet. A discount of 2.5 per cent will be applied to the price of shares issued under the DRP for the final dividend for the 2009 financial year. Further details about the terms of the DRP are set out in the attached booklet and on our Shareholder Centre on Perpetual's website at [www.perpetual.com.au](http://www.perpetual.com.au)

We have continued to grow shareholder value through a series of targeted acquisitions. In September 2008, we boosted our self-managed super fund capabilities with the purchase of the privately-owned SMSF administration provider, smartsuper. The acquisition firmly establishes Perpetual as a leader in SMSF administration. In March 2009, we acquired financial advisory firm, Financial Pursuit, as part of our strategy to expand our Private Wealth business.

We have strengthened our competitive position in our Corporate Trust business by winning mandates from banking clients through Perpetual Lenders Mortgage Services. Our investment in this business has also diversified our earnings stream and lessened the impact of the downturn on the group.

#### **Business performance statistics**

Funds under management (FUM) in Perpetual Investments were \$25.3 billion at 30 April 2009, a decrease of 16.5 per cent since 30 June 2008. Contributing to this result was negative asset growth in

line with the decline in the All Ordinaries Index of more than 28 per cent since the end of the 2008 financial year and outflows from our retail and intermediary businesses, due to the impact of the downturn on investor sentiment.

Funds under advice (FUA) in Perpetual Private Wealth were \$6.7 billion at 30 April 2009, a decrease of 13 per cent since 30 June 2008. While funds under advice were impacted by the overall decline in the equity markets throughout the current financial year, FUA increased in April due to Perpetual's acquisition of financial planner, Financial Pursuit.

Funds under administration (FUA) in Perpetual Corporate Trust were \$246.4 billion at 30 April 2009, an increase of 10 per cent since 30 June 2008. While primary issuance volumes in securitisation markets remain low by historical standards, Perpetual continues to play a leading role in a number of bank re-purchase agreement programs and government-supported mortgage backed securities issuances.

#### [Market outlook](#)

The Australian equities market has rallied by more than 20 per cent since its low point in early March 2009. This was considerably more than past bear market rallies and has coincided generally with the release of better than expected economic data, improved bank capital ratios and credit markets and higher commodity prices. Time will tell if these are the 'green shoots' of recovery.

The fundamentals of the Australian financial system have remained strong since the start of the downturn, reflecting the robust level of industry oversight by local regulators and the conservative lending practices of Australia's banks relative to their global peers.

Over the past year, the Federal Government has been an active player in our industry through the introduction of the bank guarantee, the introduction and subsequent removal of the ban on short selling, the establishment of inquiries into the financial services industry and the recent introduction of amendments to superannuation and employee share schemes in the May budget. We are working in close consultation with the Government on these issues to ensure they are consistent with good public policy.

We remain optimistic about the long-term prospects of our industry. It is supported by Australia's compulsory superannuation regime that is still the envy of other developed nations and one which will be ultimately populated by a more consolidated group of prudent and well-managed companies like Perpetual, who will be strongly positioned to take market share.

#### [2009 earnings update](#)

Despite our strong financial system and the more positive market news of the past few months, the overall decline in the markets since the beginning of the financial year has continued to have a major influence on our funds under management and therefore our near-term profits.

For the 2009 financial year, we expect an operating profit after tax (OPAT) range of between \$60 million and \$70 million, which compares to the prior year result of \$133.5 million. As previously communicated, OPAT excludes losses on the Exact Market Cash Fund, restructuring costs and gains/losses on the sale of investments.

It is important to note the outlook for our OPAT range is premised on the All Ordinaries Index stabilising around its current level of approximately 3750. Any sizeable movements in the market between now and the end of the 2009 financial year would have a bearing on our outlook.

Yours faithfully



Robert Savage  
Chairman

#### [Please note: Direct Credit System](#)

Perpetual will be immediately implementing a direct credit system for shareholders with a registered address in Australia and New Zealand. Not only will this move help us save money, it will also enhance security around the payment of dividends. To ensure you continue to receive your dividend payments, please supply your direct credit details to Perpetual's Share Registry, Link Market Services. Alternatively, you can change you details on line via the [Shareholder Centre](#) on Perpetual's website.