

2016

SHAREHOLDER UPDATE

“Sustainability is not a buzzword for the team who work at Perpetual. We have a flagship managed fund that has served thousands of investors for 50 years – and it is our job to nurture and grow a business that has already lived for 130 years.”



CHAIRMAN'S UPDATE

A FINE BALANCE

Dear Shareholder

Looking at the year we have all experienced, what strikes me is that driving the progress of a listed company is a constant search for balance. We need to be constantly balancing the needs of shareholders, customers and our people – while protecting and shaping the future of the business.

At Perpetual we strive to achieve that balance in a very structured way – we have a scorecard that sets stringent and rigorous financial goals. It's designed to ensure we meet the needs of our shareholders for income whilst always investing in the business for the future. A balanced approach also requires us to manage capital carefully. We are a low debt company because it reduces the risks to our business and for our shareholders during uncertain business and economic cycles.

We are a company that is prudent with your capital and one that will continue to invest in the capabilities of the business.

The financial results we have delivered have enabled a 6% increased dividend this year on last year, and this update contains more details on the financial strength of the company.

Geoff Lloyd's CEO report provides examples of how we are investing in all aspects of the business under our Lead & Grow strategy. Among other initiatives, we are investing in new partner growth in our Fordham professional services business, in new data opportunities in Perpetual Corporate Trust and in expanding the products that offer investors access to the expertise in Perpetual Investments.

A PEOPLE BUSINESS

We regularly, methodically and independently measure two very important aspects of our business. The Net Promoter Score measures client advocacy – how our clients rate our service and the solutions we provide. Employee engagement is another important component of our balanced scorecard.

Perpetual

“We are a company that is prudent with your capital and one that will continue to invest in the capabilities of the business.”

It provides an opportunity for our people to give feedback on how they feel about their work environment and their level of engagement as part of the Perpetual team.

We have achieved improvements across the company on both employee engagement and Net Promoter Score metrics over the past few years. In my view it is no coincidence we have improved our financial results at the same time.

CULTURE AS A STRATEGY

I remain convinced the sense of balance in our business extends beyond the management disciplines we have put in place – scorecards, independent measurement and so on. I believe it is ingrained in our people. We are constantly looking at ways we can improve our services by listening and better understanding our clients, shareholders, people and business partners.

Across all parts of the business there is a strong and enduring fiduciary culture that guides the way we treat all stakeholders in the business.

Interestingly, this year we have hosted some top thinkers from Stanford University, experts in the implications the digital revolution has for philanthropy and civil society. We are now in a world where managing data is a key way to provide solutions to your clients. But we also live in a world where the security and ethical handling of that data is key.

I believe our long-held fiduciary values – that we can be trusted to act in the interests of our clients – will continue to give us a distinct advantage in a more digital world – but also in all aspects of the business.

CONSISTENCY, RESILIENCE, TRUST

The consistency and conservatism of our approach creates another virtuous circle – clients know the way we work, how we manage money, the values of the organisation. They know we are built to last, that we aim to be resilient in tough times.

I believe next year – as our Lead & Grow strategy continues to be implemented in a disciplined and well-planned manner – our balanced approach will remain a key factor in maintaining the trust of all of our stakeholders. In the end, that trust is our company’s greatest asset.

THANK YOU

I wish to thank all shareholders, my board colleagues and the whole team at Perpetual for their support this year.

Peter Scott
Chairman

“Achieving these positive results in a volatile market is testament to the disciplined execution of our strategy.”

6%

TOTAL DIVIDENDS 255 CENTS PER SHARE, UP 6% ON FY15

\$132m

STATUTORY NET PROFIT AFTER TAX \$132 MILLION, UP 8%

Lead & Grow

LEAD & GROW STRATEGY DELIVERING EARLY MOMENTUM



CEO'S REPORT

A STRATEGY THAT'S PAYING DIVIDENDS

Dear Shareholder

Perpetual achieved a solid result in FY16 despite challenging conditions. Achieving these positive results in a volatile market is testament to the disciplined execution of our strategy.

We've diversified and invested in the business, while remaining true to our underlying values. The success of Perpetual's Industrial Share Fund – turning 50 this year – validates our disciplined approach to investment. In that fund, as in all our others, we continue to avoid investments that don't pass our value and quality filters.

A particular highlight for me over the past year was seeing a great result from our commitment to the native title segment. Perpetual has been named Trustee-in-Waiting for the Noongar Boodja Trust, the largest and most comprehensive agreement to settle Aboriginal interests over land in Australia's history. It's an opportunity that's been welcomed across the business – as we wrote in our tender letter: 'We recognise the opportunity acting as Trustee gives us. To learn more of the Noongar culture every day. Patiently, respectfully, in country, listening to Noongar Elders, representatives and others talk about their history and their future, their connection to country. That, to us, is what partnership means.'

THE YEAR THAT WAS

We measure ourselves on the outcomes we have delivered for our shareholders, our clients and our people. Not only have we issued our largest dividend to shareholders in five years, we have also achieved our highest profitability, client advocacy and employee engagement scores over that period. I think this is an outstanding result.

I'm confident we have positioned the business well with a strong balance sheet and the agility to capitalise on future opportunities – whether they're in new investment products, data services, the digital space, native title, philanthropy or financial planning services for private clients and professionals.

PERPETUAL INVESTMENTS

Perpetual Investments delivered a solid result despite the effect of market volatility over the year. The results it achieved flowed from disciplined investing, tight cost control and long-term outperformance of the funds.

Our Australian equities team proved particularly strong in the extensions from our core equity strategy. To take one example, the Perpetual SHARE-PLUS Long-Short Fund exceeded \$1 billion in funds under management this year. With arguably the most highly regarded Australian equities capability in Australia, we are well positioned to capitalise on the growing pool of superannuation assets.

As envisaged in our Lead & Grow strategy, our proven value investing philosophy and increasing diversity across our multi-asset, global equities, and credit and fixed income capabilities has allowed us to bring more relevant solutions to our clients and maintain good revenue margins.

PERPETUAL PRIVATE

Our target for Perpetual Private has always been clear – we want it to be Australia's premier high net worth advice business. We took more steps in that direction this year – for example in the medical segment where the acquisition of Fintuition and its education arm, The Private Practice, really bolstered our offer.

We added six new partners to our Fordham accounting business, which has a strategy to grow up the Eastern seaboard and saw revenue grow strongly. The results of these moves – and the hard work of our people – can be seen in Perpetual Private's six consecutive halves of positive net flows and the welcoming of more than 100 new clients this year.

PERPETUAL CORPORATE TRUST

This year we saw Perpetual Corporate Trust again deliver a very strong and sustainable performance. Perpetual Corporate Trust is continuing to diversify the business – there's now a good balance of income between Fund Services and Trust Services.

Within those areas, we have seen Managed Funds grow strongly – via the managed investment trust (MIT) structure as a result of record inbound capital flows and the continuing attractiveness of commercial property and infrastructure in Australia.

In Trust Services the big driver was the higher margin RMBS business – we saw compound annual growth of 7% in the mortgage market. The ABS business was boosted by auto and consumer financing. In the Trust Services business, we are also seeing the fruits of genuine innovation. Data services is a new growth area that is underpinned by our trusted position as the repository of vast amounts of mortgage data but realised through the latest digital data analytics technologies.

BIG STEPS FORWARD, A LONG WAY TO GO...

At Perpetual, we start work every day with some great advantages – a strong heritage, a wonderful brand, a proven value proposition for our clients and a great team of people.

In this, the first year of our Lead & Grow strategy, we've tried to build on those strengths, to shape a business our clients and partners can rely on in good times – and when times are tough.

This year has seen greater volatility and therefore greater uncertainty for our clients. It has tested our business model, but we're really proud of the service we've delivered for clients and the returns we've delivered for shareholders.

Our strategy is deeply understood across our company – and that clarity and focus, along with our values of integrity, partnership and excellence, give me great confidence in the next steps on that strategic path and in what we can deliver for clients, shareholders and our people as a result.

Geoff Lloyd

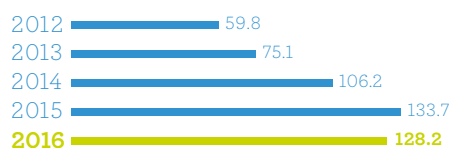
Chief Executive Officer
and Managing Director

2016

HIGHLIGHTS

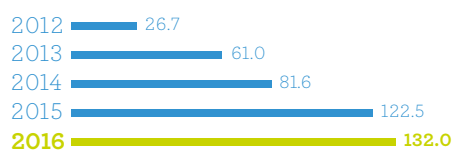
UNDERLYING PROFIT AFTER TAX

Year ended 30 June (\$m)



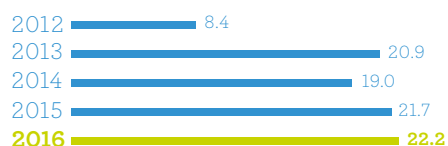
NET PROFIT AFTER TAX (NPAT)

Year ended 30 June (\$m)



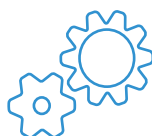
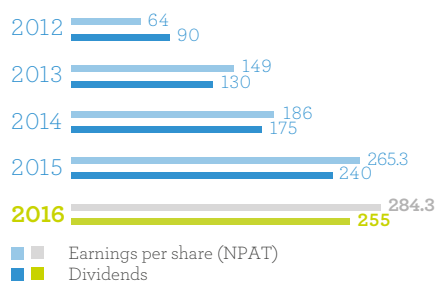
RETURN ON EQUITY ON NPAT

Year ended 30 June (\$m)



EARNINGS PER SHARE (EPS) ON NPAT VERSUS DIVIDENDS

Year ended 30 June (\$m)



BUSINESS

- Highest score in five years for client advocacy, one of the most reliable measures of client satisfaction.
- 93% of Perpetual's flagship funds were in the first or second quartile of the performance tables over five years.¹
- Perpetual was selected as trustee for the biggest listing on the Singapore stock exchange since 2013. Perpetual is the only trustee with licences to provide trustee services in Australia and Singapore.

1. Perpetual flagship funds included in the Mercer wholesale surveys – quartile ranking.



PEOPLE

- Highest Perpetual employee engagement score in five years.
- Workplace flexibility is highly valued, with 76% of our people enjoying greater balance in their lives through flexible working practices.
- The superannuation contribution paid to Perpetual employees was increased ahead of the legislated schedule to help our people plan for and live well in retirement.



COMMUNITY

- Perpetual Private launched a new Native Title and Community Trust to provide cost-effective investment options to indigenous communities.
- Perpetual announced its inaugural IMPACT Philanthropy Partnership grants. Eight not-for-profit organisations received a total of \$6.2 million.
- A.S. Patrić won Australia's most prestigious literary award, the Miles Franklin Literary Award, for his novel *Black Rock White City*. Perpetual is trustee of the award.



RECOGNITION

- Winner, Best Australian Share Fund – Money magazine's Best of the Best Awards.
- Winner, Australian Equities Provider – SMSF Adviser SMSF Awards.
- Winner, Responsible Investments: Wholesale Ethical SRI Fund – Money Management / Lonsec Fund Manager of the Year Awards.
- Best New Product Launch: Diversified Real Return Fund – Financial Standard's MAX Awards.

Want to read more of Perpetual's market views and insights?



Visit the Perpetual website at

WWW.PERPETUAL.COM.AU/INSIGHTS

CONTACT DETAILS

PERPETUAL SHAREHOLDER
INFORMATION LINE
1300 732 806 or (02) 8280 7620
Fax (02) 9287 0303

PRINCIPAL REGISTERED OFFICE
Level 18, 123 Pitt Street
Sydney NSW 2000, Australia
Phone (02) 9229 9000
Fax (02) 8256 1461

SHAREHOLDER CALENDAR*

FINAL DIVIDEND PAYMENT
28 September 2016

ANNUAL GENERAL MEETING
3 November 2016

INTERIM PROFIT AND DIVIDEND
ANNOUNCEMENT
23 February 2017

* Dates are subject to change.

AGM DETAILS

Thursday, 3 November 2016
10:00 am
Perpetual
Level 18, 123 Pitt Street
Sydney NSW 2000
Australia