Perpetual

ASX Announcement

First half profit improvement above market consensus and good progress on strategic growth initiatives

- **Earnings momentum drives significant recovery from prior half**
- **Strengthened financial position**
- **Dividend increased to 105.0 cents per share (40.0 cents in prior corresponding period)**

25 February 2010

Perpetual Limited (Perpetual) today announced a Net Profit After Tax (NPAT) attributable to Perpetual Limited shareholders of $49.2 million for the six months to 31 December 2009 on the back of stronger equity and credit markets, increased operating leverage from sustained fixed cost savings and good progress with implementation of strategic growth initiatives.

The result is up $35.0 million, or 246%, on the corresponding period and includes an $11.1 million after tax gain from the Exact Market Cash Fund (EMCF) generated by improved credit market conditions. The result represents fully diluted Earnings Per Share of 115.0 cents (33.8 cents in prior corresponding period (pcp)) and an annualised return on equity on NPAT of 30.9% (9.9% pcp).

The Group's Underlying Profit After Tax (UPAT) for the period was $36.4 million, 51% higher than UPAT for the six months to June 2009 but 13% lower than the prior corresponding period.

The Directors have declared a fully franked interim dividend of 105.0 cents per share compared to 40.0 cents in the prior corresponding period. The interim dividend is at the upper end of the Group's dividend policy which is to pay out between 80-100% of NPAT on an annualised basis.

The Group reported operating revenue of $200.1 million for the six months to 31 December 2009 with Perpetual Investments, Private Wealth and the Corporate Trust divisions each reporting revenue growth in the period.

Perpetual Chairman Bob Savage AM said: "Perpetual is enjoying renewed momentum in its financial performance. We have maintained good discipline over our operating costs while investing in our Private Wealth and Corporate Trust growth initiatives. This has put the Group in a good position to capture available growth opportunities.

"In that regard we are pleased that each of the Group's divisions has contributed to an improved underlying profit performance over the half.

"While our performance and investor sentiment are improving, we remain cautious about the immediate outlook," Mr Savage said.

Perpetual Chief Executive David Deverall said: "Conditions during the period were much better than they were 12 months earlier and that is reflected in our significantly improved results."

"The biggest challenge to continuing the earnings momentum is market stability and investor confidence. Investors are still very cautious, and understandably so, given the shocks they suffered during the Global Financial Crisis. Investment funds flow is much improved but still nothing like the volume that the funds management industry enjoyed up to 2007.

"Against that backdrop, Perpetual has been carefully executing its strategy, making significant progress across our businesses to build a stronger earnings growth profile over time.

"For Perpetual Investments, it is of course all about investment performance. Our track record of relative out-performance has seen us quickly stem the funds outflow we and the industry experienced during 2008 and 2009 to get back to a net flat funds flow position for equities in the half," Mr Deverall said.

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Rising equity markets saw Perpetual Investments record $29.3 billion Funds Under Management (FUM) at December 2009 compared to $26.2 billion at June 30 that year.

The Group's Private Wealth business also recorded substantial growth in Funds Under Advice (FUA) in response to rising markets and the Grosvenor Financial acquisition in September, which combined, added approximately $1.3 billion to FUA, taking total FUA to $8.1 billion at 31 December 2009. FUA has increased by a further $500 million following the completion of the acquisition of the Fordham Group in January.

"As expected, initial acquisition and integration costs mean operating margins do not yet reflect the earnings contribution potential of these acquisitions. Revenue and cost synergies from these acquisitions should begin to flow through to earnings over the next 12 to 18 months," Mr Deverall said.

Mr Deverall said the Corporate Trust business also made good progress with its strategy to build its Mortgage Services business with major bank customers as it seeks to offset the impact of the very low levels of new RMBS issuance compared to pre GFC levels.

"Mortgage Services is building a solid revenue base with volumes increasing by over 80%, compared to the prior corresponding period, driven by new business and EBITDA margins are building towards their target," Mr Deverall said.

"While there are some signs of new issuance in the securitisation market, we are yet to see convincing evidence of a sustained recovery. This underscores the importance and value of the initiatives we are taking in the Mortgage Services business in terms of building long term sustainable revenues.

"Overall, we are pleased with the performance of the Group. Earnings momentum is returning but investor sentiment remains fragile and the industry as a whole has some way to go before we can be sure we are back on a sustainable growth path," Mr Deverall said.

Group financial strength has continued to improve with further progress made in the half year on de-risking the balance sheet. Gearing decreased from 14.7% in the prior corresponding period to 11.5% driven by an increase in shareholder funds.

While there will be an increase in costs due to the Group's acquisition program, the underlying fixed operational cost savings achieved in the last financial year are being sustained.

Outlook

Chairman Bob Savage AM said: "Equity market conditions remain difficult to predict."

Group revenues are sensitive to movements in equity markets. At 31 December 2009 each 1% movement in the All Ordinaries Index changes annualised revenue by between $1.5 and $2.0 million. Due to this sensitivity it is not customary for the Group to provide specific guidance for the full year at the half year result.

"The steps we have taken in terms of strategic acquisitions, marketing and cost management initiatives, as well as maintaining healthy investment performance, give us confidence that Perpetual is well placed to continue to improve shareholder returns." Mr Savage 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

Perpetual

Operational review and fact sheet for the 6 months to 31 December 2009

Summary Group Financial Information

Six months ended Period	31 December 2008 1H09 $m	30 June 2009 2H09 $m	31 December 2009 1H10 $m
Operating revenue	194.6	180.5	200.1
Underlying profit after tax (UPAT)	41.6	24.1	36.4
Net profit after tax (NPAT)	14.2	23.5	49.2
Annualised return on equity on NPAT	9.9%	17.2%	30.9%
Dividend per share (fully franked)	40.0¢	60.0¢	105.0¢

- Group financial performance above market consensus
  - 1H10 Underlying profit after tax was $36.4 million compared to $41.6 million in 1H09, down 13%
  - 1H10 Net profit after tax was $49.2 million compared to $14.2 million in 1H09, up 246%
- Improving market conditions during 1H10
  - Rising markets and benefits from cost initiatives resulted in improved financial performance
  - Investor confidence improving but still fragile and remains cautious
  - Fund flows improving but still well short of the pre – Global Financial Crisis levels
  - Executing on our strategy to grow Private Wealth and Corporate Trust businesses
- Increased financial strength – reduced gearing and continued de-risking of balance sheet
- 2010 interim dividend of 105.0 cents per share (2009 interim dividend 40.0 cents) reflects the Group's improved financial performance

Business unit performance

Perpetual Investments: Key earnings drivers regaining momentum

A $3.1 billion increase in FUM during the half to $29.3 billion at December 2009 and improved flows to its equity funds compared to the past two reporting periods contributed to Perpetual Investment's increase in profit before tax to $36.9 million, up 3% on 1H09 and 58% higher than the previous six months.

Outflows from cash and fixed interest funds over the period reflected improving investor sentiment and the re-weighting of liquid investments to other asset classes.

Fund investment performance for the half has continued Perpetual's healthy track record of adding long-term value to its customers' investments.

Private Wealth: Executing on acquisition led growth strategy

Compared to 2H09, profit before tax for Private Wealth was $14.5 million, up 24% but down 17% on 1H09.

Private Wealth continues to implement the strategy of investing in its businesses for long-term growth in shareholder value. This investment will impact expenses in the short-term as acquisitions are integrated. Revenue and cost synergies and contributions to earnings are expected to accrue over the medium-term.

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Private Wealth commenced the integration of Grosvenor Financial Services and announced the acquisition of the Melbourne-based Fordham Group in1H10 and continues to assess further opportunities in the sector.

Private Wealth's Funds Under Advice (FUA) grew 19% to $8.1 billion at 31 December 2009 as a result of the Grosvenor acquisition and improving market conditions. The Fordham acquisition, completed post balance date will add a further $500 million in FUA. The acquisitions provide a good base for future revenue growth, with further acquisition activity planned.

Corporate Trust: Diversifying sources of revenue

Corporate Trust reported profit before tax of $17.8 million, down 11% on 1H09 but an increase of 11% on the previous six-month period.

Securitisation Funds Under Administration at end of 1H10 were $222.4 billion compared to $222.9 billion at end of 1H09, broadly unchanged.

Corporate Trust experienced significant volume growth in Mortgage Services on the back of new contracts, which has driven revenue gains as business volumes grew to 81,329 matters from 45,176 in the prior corresponding period.

This increase in revenue from Mortgage Services has offset the decline in revenue from the securitisation market, which is still only in the very early stages of recovery.

2010 Interim Dividend and Dividend Reinvestment Plan details

Interim Dividend:	105.0 cents per share, fully franked (2009 interim: 40.0 cents)
Ex Dividend Date:	4 March 2010
Record Date:	11 March 2010
Dividend Payable:	1 April 2010

The Dividend Reinvestment Plan (DRP) will be operational for the 2010 interim dividend and will be met by issuing new shares to DRP participants.

The issue price per share for the 2010 interim dividend DRP will be the Allocation Price, as defined in the DRP terms, being the Average Market Price less a 2.5% discount.

The Pricing Period for the 2010 interim dividend DRP will be the 10 Trading Days commencing on 12 March 2010 and finishing on 25 March 2010.

For participation in the DRP in respect of the 2010 interim dividend, DRP application forms must be received by the Group's share registry, Link Market Services, by 5:00 pm Australian Eastern Daylight Time on 11 March 2010.

Further information is contained within the Group's financial statements for the six months ended 31 December 2009 and Management's Discussion and Analysis (available at http://shareholders.perpetual.com.au)