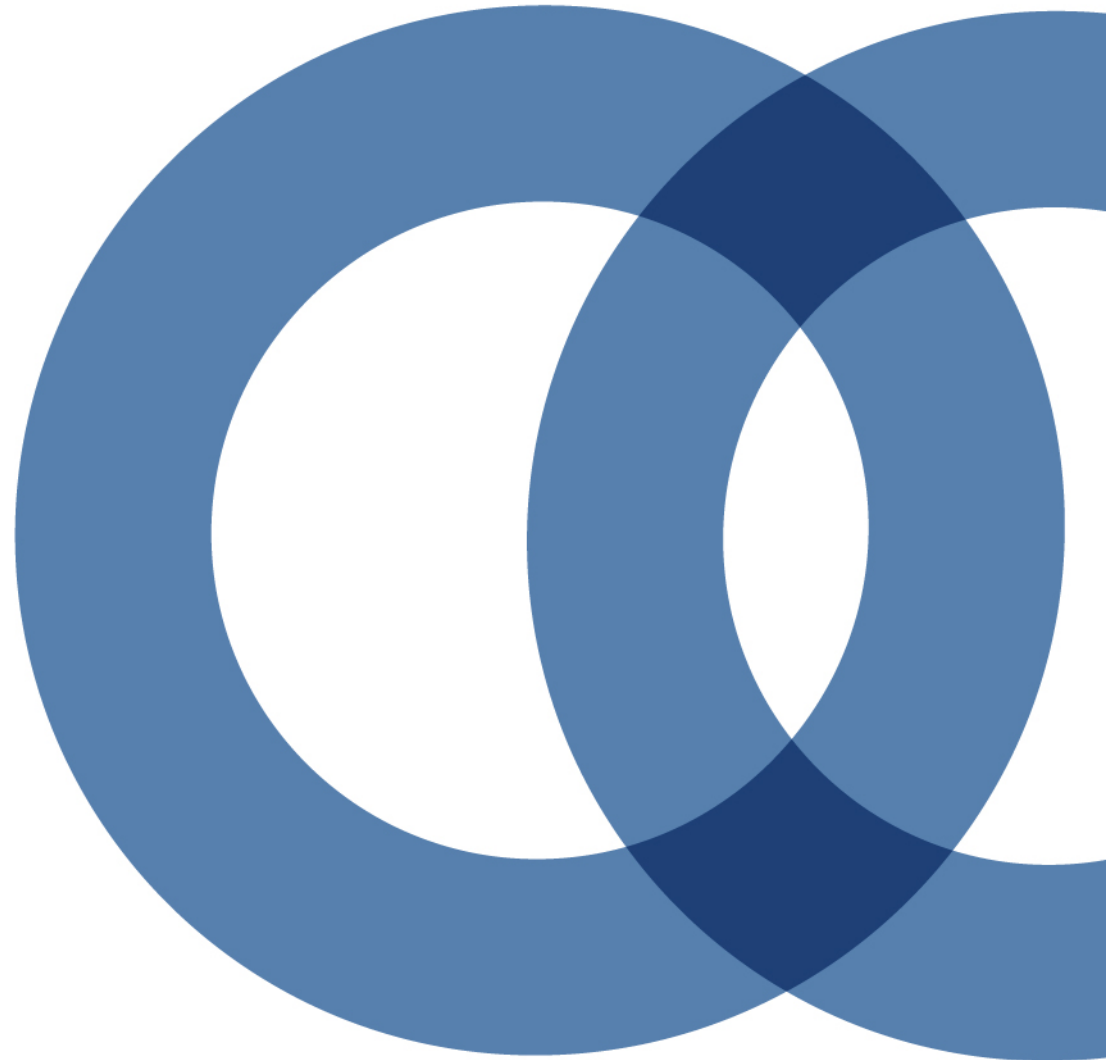




## 2009 Half Year Results

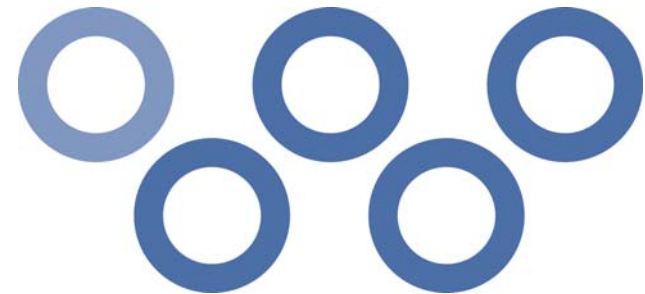
Analyst and shareholder briefing

18 February 2009



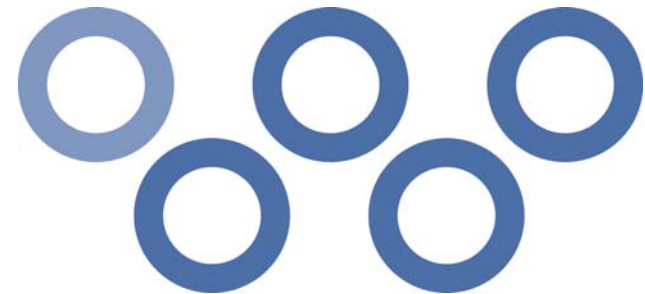
# Agenda

- Group highlights – David Deverall
- Financial results – Roger Burrows
- Outlook – David Deverall



# Agenda

- ▶ **Group highlights – David Deverall**
  - Financial results – Roger Burrows
  - Outlook – David Deverall



# Overview

- Financial performance in line with consensus
- Very challenging operating environment
  - rapid and sustained deterioration of our key revenue drivers
  - further deterioration in investor confidence
- Proactively managing our costs and capital
  - significant cost management initiatives
  - reducing exposure to structured products
  - prudent dividend policy
- Well-positioned to grow our market share
  - investment out-performance
  - market-leading brand
  - strong balance sheet provides flexibility

## Profit result in line with market consensus

	Dec 2008 \$M	Dec 2007 \$M	Change %
Operating profit before tax	62.1	114.2	(46)
<b>Operating profit after tax</b>	41.6	79.3	(48)
Gain / (loss) on sale of investments <sup>(1)</sup>	(4.1)	21.1	~
EMCF losses <sup>(2)</sup>	(14.9)	(12.8)	~
Restructuring	(8.4)	-	~
<b>Net profit after tax attributable to members</b>	14.2	87.6	(84)
Operating EPS <sup>(3)</sup>	99¢	191¢	(48)
Interim dividend per share	40¢	189¢	(79)

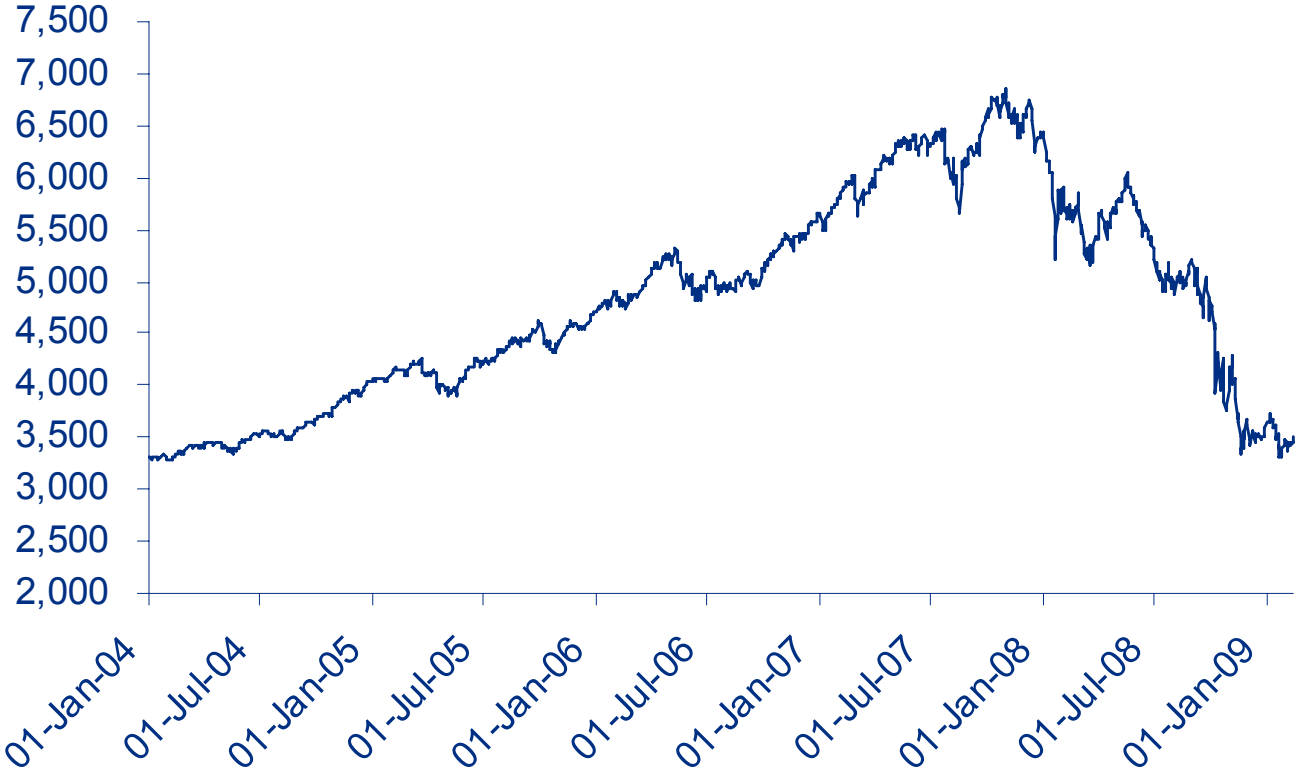
(1) Net of minority interest \$0.3 million after tax and unrealised losses on impairment

(2) Dec 2008 includes \$12.9 million of mark-to-market after tax losses, Dec 2007 includes \$8.8 million of mark-to-market after tax losses

(3) Diluted EPS calculated using operating profit after tax divided by the weighted average number of ordinary and potential ordinary shares on issue

# Rapid and sustained deterioration of our key revenue driver

**ASX All Ordinaries Index (2004-2009)**

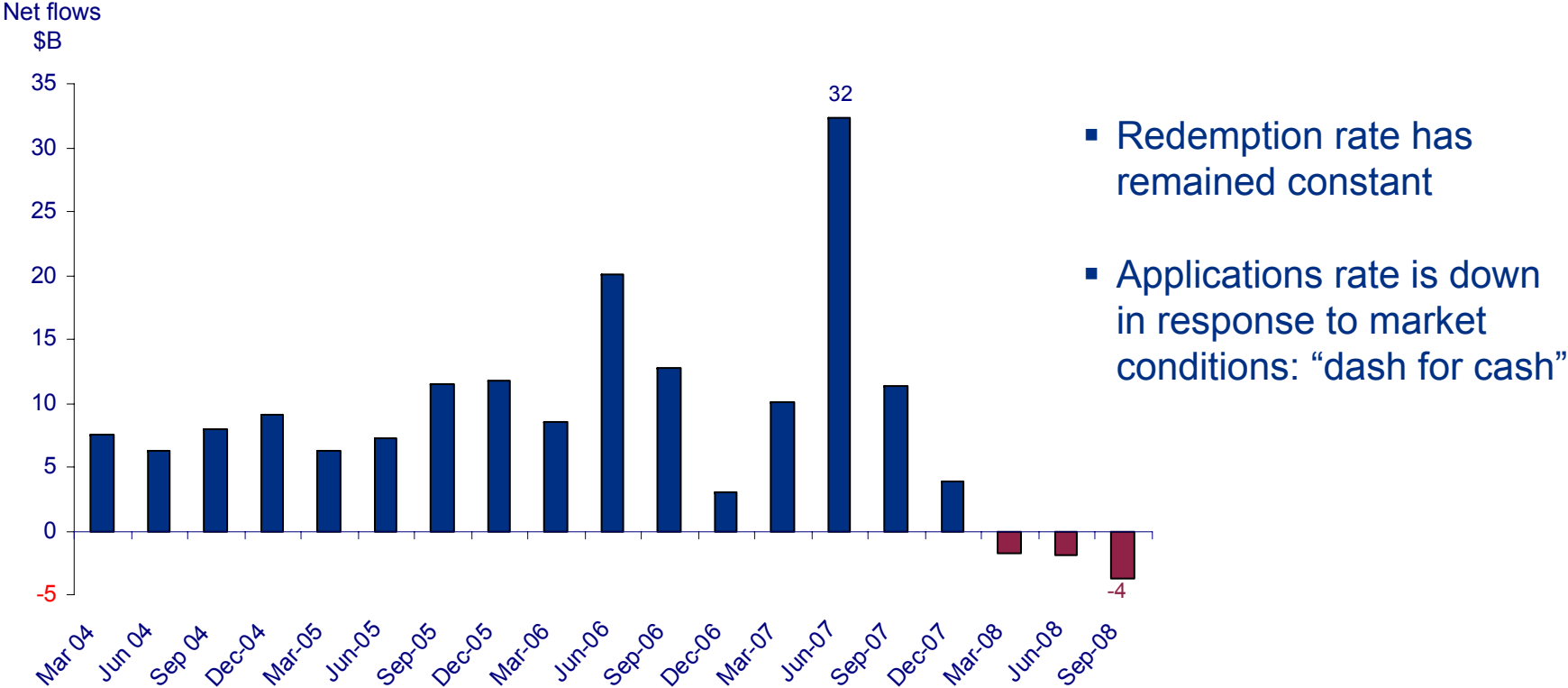


Source: Australian Stock Exchange



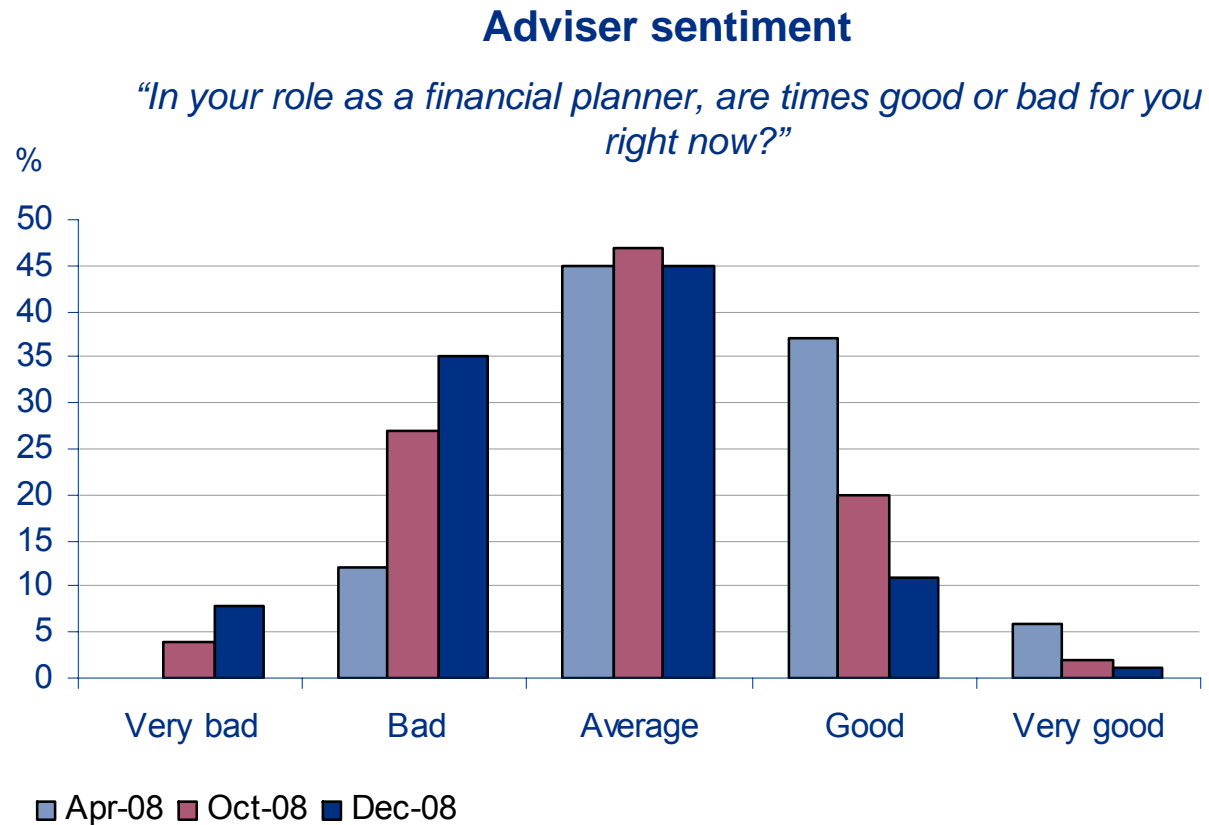
# Funds management industry is in outflow due to applications drought

### Total market quarterly flows since March 2004



Source: Plan for Life, December 2008

# Marked deterioration in adviser sentiment

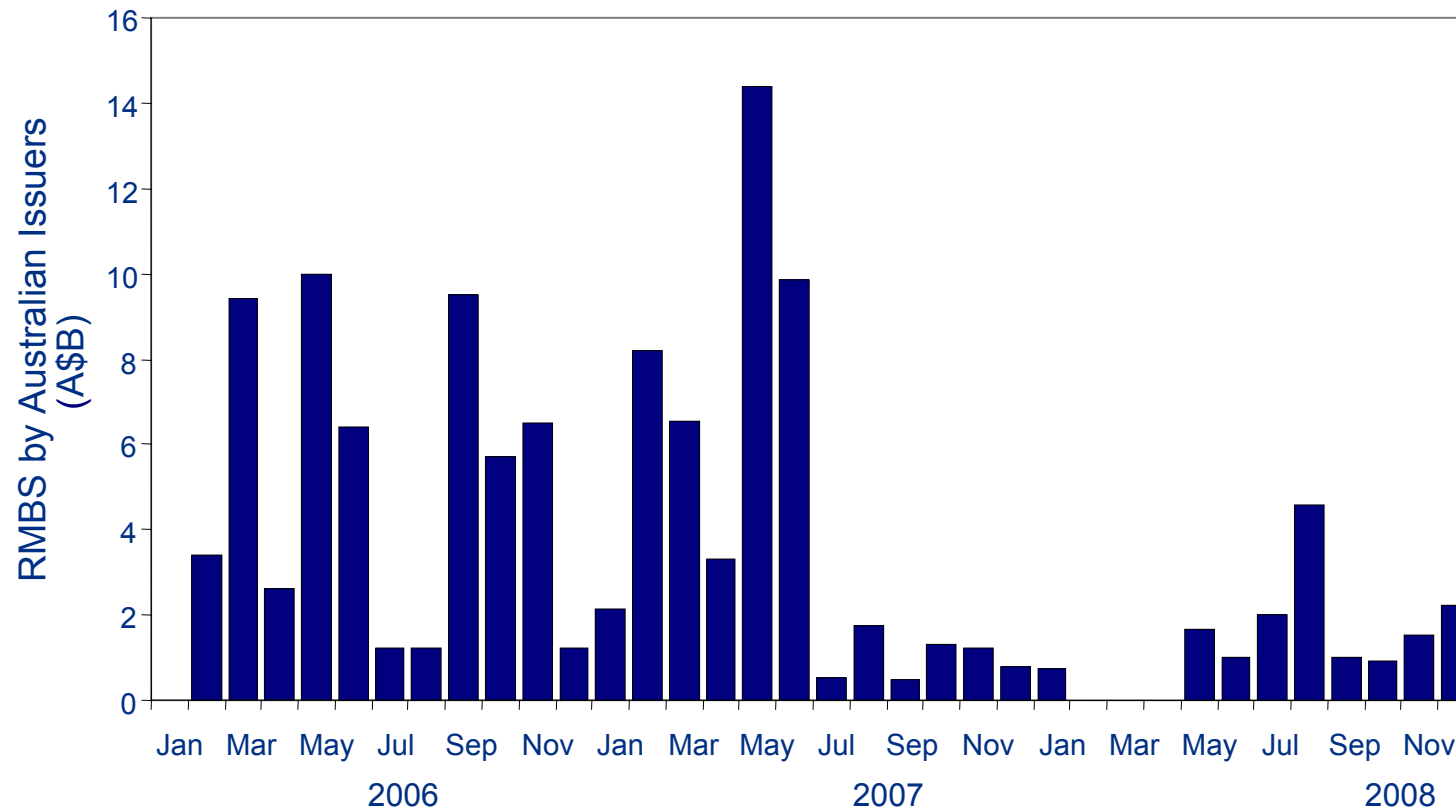


Source: Wealth Insights, Adviser Sentiment, December 2008



# Securitisation new issuance remains largely closed

Australian RMBS issuance (excluding repos)



Source: Perpetual and Standard & Poor's

## Operating profit before tax down 46%

Six months ended	Dec 2008 <sup>(1)</sup> \$M	Dec 2007 <sup>(2)</sup> \$M	Change %
Perpetual Investments	35.7	88.9	(60)
Perpetual Private Wealth	17.4	25.8	(33)
Perpetual Corporate Trust	20.0	13.6	47
Group and Support Services	(11.0)	(14.1)	22
<b>Total operating profit before tax (PBT)</b>	<b>62.1</b>	<b>114.2</b>	<b>(46)</b>
PBT margin	32%	44%	~

<sup>(1)</sup> Excludes loss on sale of investments \$6.3 million before tax, EMCF losses totalling \$21.3 million before tax and restructuring costs of \$12.0 million before tax for six months to December 2008

<sup>(2)</sup> Excludes gain on sale of investments of \$29.9 million before tax and EMCF losses totalling \$18.3 million before tax for six months to December 2007

# Perpetual Investments operating profit before tax down

Six months ended	Dec 2008 <sup>(1)</sup> \$M	Dec 2007 <sup>(2)</sup> \$M	Change %
Perpetual Investments	35.7	88.9	(60)
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<sup>(2)</sup> Excludes gain on sale of investments of \$29.9 million before tax and EMCF losses totalling \$18.3 million before tax for six months to December 2007

# Perpetual Investments FUM totalled \$24.6 billion at 31 December 2008

Funds under management	June 2008 \$B	Net flows \$B	Other \$B	Dec 2008 \$B
Retail	7.2	(0.4)	(1.1)	5.7
Intermediary	14.8	(0.9)	(2.5)	11.4
Institutional	8.3	0.5	(1.3)	7.5
<b>All channels</b>	<b>30.3</b>	<b>(0.8)</b>	<b>(4.9)</b>	<b>24.6</b>
Australian equities	19.7	(0.4)	(4.7)	14.6
Cash and fixed interest	7.5	(0.2)	0.1	7.4
Global equities	1.5	(0.1)	0.0	1.4
Other	1.6	(0.1)	(0.3)	1.2
<b>All asset classes</b>	<b>30.3</b>	<b>(0.8)</b>	<b>(4.9)</b>	<b>24.6</b>

Industry in outflow

# Strong fundamentals despite market turmoil

Australian  
Equities

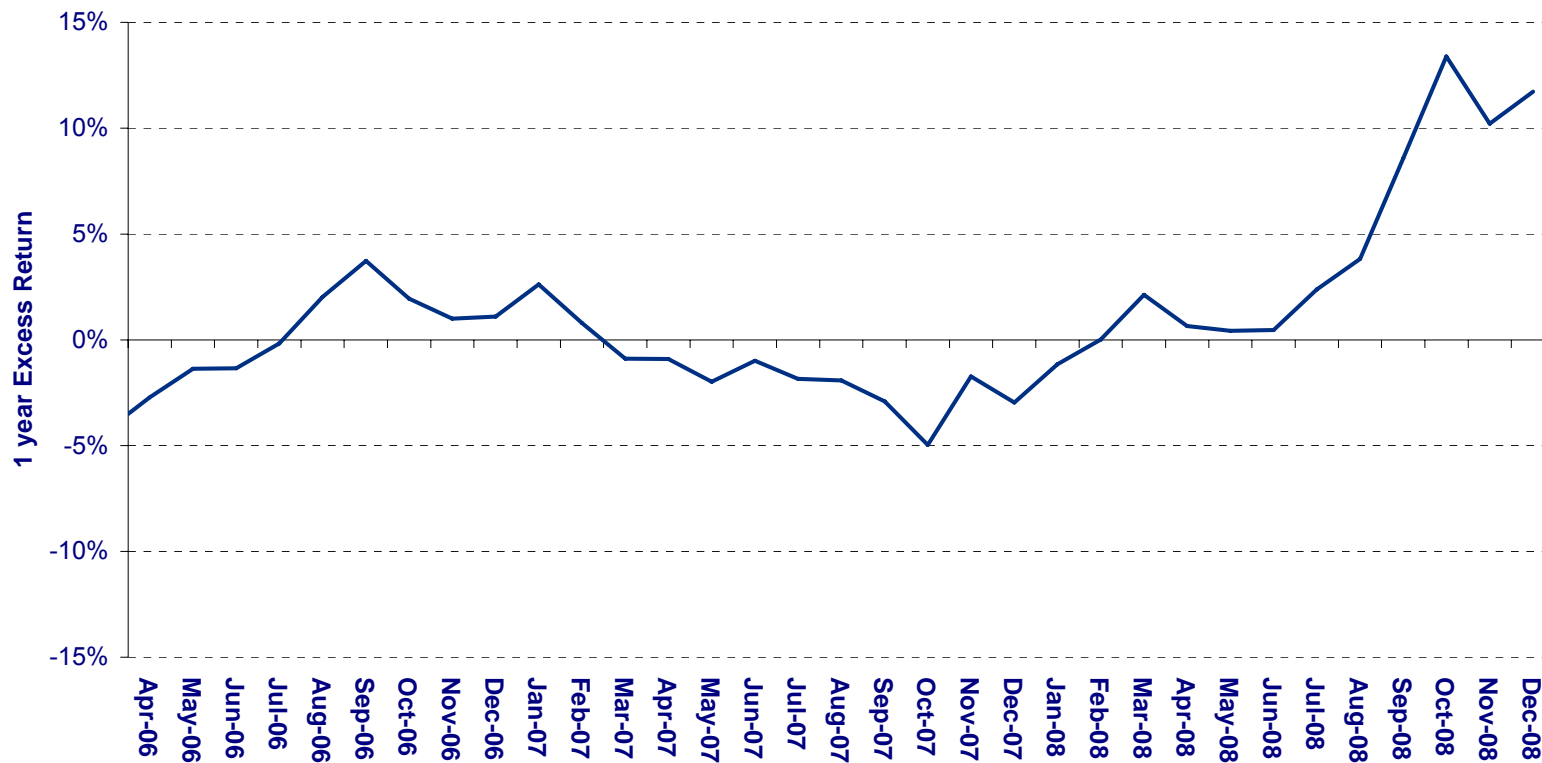
- Solid investment performance from key funds
- Trend of flows to key funds improving over the last quarter

Global Equities

- Continued investment out-performance
- Won new \$125m institutional mandate in Feb 2009

# Strong investment performance from international share fund

## Perpetual's International Share Fund one year rolling excess returns



# Strong fundamentals despite market turmoil

## Australian Equities

- Solid investment performance from key funds
- Trend of flows to key funds improving over the last quarter

## Global Equities

- Continued investment out-performance
- Won new \$125m institutional mandate in Feb 2009

## Income and Multi-sector

- Funds out-performed above respective benchmark and against peers
- Balanced Fund nominated as finalist by Morningstar in '2008 Fund Manager of the Year' awards

## Superannuation and Investment Solutions

- Acquisition of *smartsuper* (Sep 2008) and winning of new institutional mandates
- Launch of WealthFocus Investment Advantage

# Operating environment remains challenging for second half of 2009

## FUM position

	Dec 2008 \$B	Dec 2007 \$B	Change %
Perpetual Investments FUM	24.6	37.2	(34)

## Outlook

- Continuation of domestic and global market uncertainty
- Suits Perpetual's investment style
- Medium to long-term prospects remain strong



# Perpetual Private Wealth operating profit before tax down

Six months ended	Dec 2008 <sup>(1)</sup> \$M	Dec 2007 <sup>(2)</sup> \$M	Change %
Perpetual Investments	35.7	88.9	(60)
<b>Perpetual Private Wealth</b>	<b>17.4</b>	<b>25.8</b>	<b>(33)</b>
Perpetual Corporate Trust	20.0	13.6	47
Group and Support Services	(11.0)	(14.1)	22
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PBT margin	32%	44%	~

(1) Excludes loss on sale of investments \$6.3 million before tax, EMCF losses totalling \$21.3 million before tax and restructuring costs of \$12.0 million before tax for six months to December 2008

(2) Excludes gain on sale of investments of \$29.9 million before tax and EMCF losses totalling \$18.3 million before tax for six months to December 2007

# Perpetual Private Wealth FUA – reflects investor attitude

	June 2008 \$B	Net flows \$B	Other <sup>(1)</sup> \$B	Dec 2008 \$B
Financial Advisory				
- Superannuation	2.7	-	(0.4)	2.3
- Non-superannuation	2.0	(0.1)	(0.3)	1.6
	<b>4.7</b>	<b>(0.1)</b>	<b>(0.7)</b>	<b>3.9</b>
Fiduciary Services				
- Philanthropic	1.1	-	(0.2)	0.9
- Trust and estates	1.9	-	(0.2)	1.7
	<b>3.0</b>	<b>-</b>	<b>(0.4)</b>	<b>2.6</b>
<b>Total funds under advice</b>	<b>7.7</b>	<b>(0.1)</b>	<b>(1.1)</b>	<b>6.5</b>

<sup>(1)</sup> Includes portfolio re-balancing, distributions, income, estate flows and asset growth

# Consolidation opportunities for Perpetual Private Wealth

## Key initiatives

- Maintaining client base despite tough market conditions
- Well-advanced in smaller 'bolt on' acquisitions
- Streamlining processes to improve client service

## Outlook

- Second half net flows typically stronger than first half
- Continued investment in advisors
- Market conditions will remain tough, but brand sits very well with existing clients and against our competitors

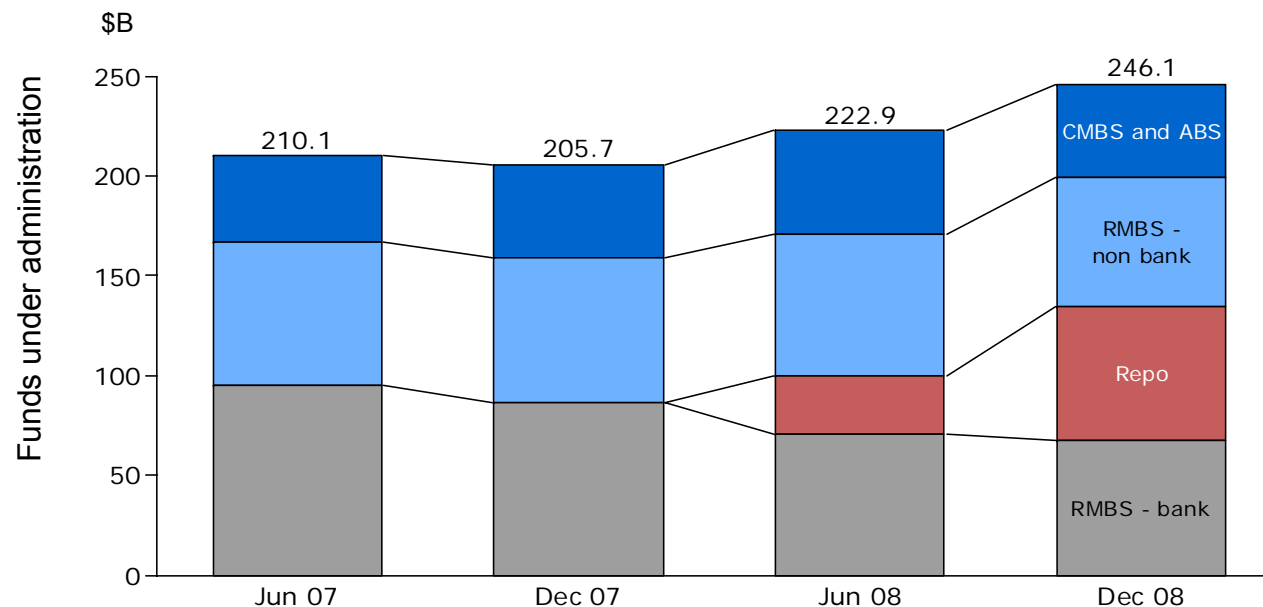
# Perpetual Corporate Trust operating profit before tax is up

Six months ended	Dec 2008 <sup>(1)</sup> \$M	Dec 2007 <sup>(2)</sup> \$M	Change %
Perpetual Investments	35.7	88.9	(60)
Perpetual Private Wealth	17.4	25.8	(33)
<b>Perpetual Corporate Trust</b>	<b>20.0</b>	<b>13.6</b>	<b>47</b>
Group and Support Services	(11.0)	(14.1)	22
<b>Total operating profit before tax (PBT)</b>	<b>62.1</b>	<b>114.2</b>	<b>(46)</b>
PBT margin	32%	44%	~

(1) Excludes loss on sale of investments \$6.3 million before tax, EMCF losses totalling \$21.3 million before tax and restructuring costs of \$12.0 million before tax for six months to December 2008

(2) Excludes gain on sale of investments of \$29.9 million before tax and EMCF losses totalling \$18.3 million before tax for six months to December 2007

# Perpetual Corporate Trust FUA maintained



## Composition of FUA

CMBS and ABS <sup>(1)</sup>	21%	23%	23%	19%
RMBS – non-bank	34%	35%	32%	26%
Repo <sup>(2)</sup>	-	-	13%	28%
RMBS – bank	45%	42%	32%	27%

<sup>(1)</sup> Commercial mortgage backed securities (CMBS) and other asset backed securities (ABS)

<sup>(2)</sup> Repo issuances are residential mortgage backed securities (RMBS) internally securitised by banks and eligible for repurchase funding with the RBA

# Perpetual Corporate Trust holding up well

## Key initiatives

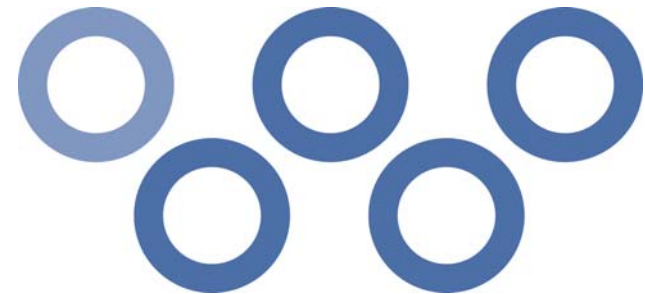
- Greater contribution to group profitability and insulation from equity market related revenue declines
- Continue to be the leading trustee for all new issuances
- Appointed by one of the leading Australian banks to manage mortgage processing from non-branch channels
- Run-off of non-bank book continues to be slower than expected

## Outlook

- Limited new securitisation issuances forecast for second half 2009
- Lower interest rates and Government stimuli may drive increased volumes in PLMS

# Agenda

- Group highlights – David Deverall
- ▶ **▪ Financial results – Roger Burrows**
- Outlook – David Deverall



# Result reflects lower revenue offset by reductions to the expense base

Six months ended	Dec 2008 <sup>(1)</sup> \$M	Dec 2007 <sup>(2)</sup> \$M	Change \$M	Change %
Total revenue	194.6	261.2	(66.6)	(25)
Operating expenses	113.6	132.7	19.1	14
<b>EBITDA</b>	<b>81.0</b>	<b>128.5</b>	<b>(47.5)</b>	<b>(37)</b>
Depreciation and amortisation	6.1	4.0	(2.1)	(53)
Equity remuneration amortisation	11.2	8.7	(2.5)	(29)
Interest	1.6	1.6	-	-
<b>Operating profit before tax</b>	<b>62.1</b>	<b>114.2</b>	<b>(52.1)</b>	<b>(46)</b>
<b>Operating profit after tax</b>	<b>41.6</b>	<b>79.3</b>	<b>(37.7)</b>	<b>(48)</b>

<sup>(1)</sup> Excludes loss on sale of investments \$6.3 million (\$4.4 million after tax), EMCF losses totalling \$21.3 million (\$14.9 million after tax) for six months to December 2008 and restructuring costs of \$12.0 million (\$8.4 million after tax)

<sup>(2)</sup> Excludes gain on sale of investments of \$29.9 million (\$21.1 million after tax) and EMCF losses totalling \$18.3 million (\$12.8 million after tax) for six months to December 2007



# Perpetual Investments operating profit before tax down

Six months ended	Dec 2008 \$M	Dec 2007 \$M	Change \$M	Change %
Total revenues <sup>(1)</sup>	105.4	158.3	(52.9)	(33)
Operating expenses <sup>(1)</sup>	56.3	61.0	4.7	8
Equity remuneration amortisation	11.1	7.1	(4.0)	(56)
Depreciation and amortisation	2.3	1.3	(1.0)	(77)
<b>Operating profit before tax</b>	<b>35.7</b>	<b>88.9</b>	<b>(53.2)</b>	<b>(60)</b>
PBT margin	34%	55%	~	~

<sup>(1)</sup> Excludes gross values of income and expenses from structured products

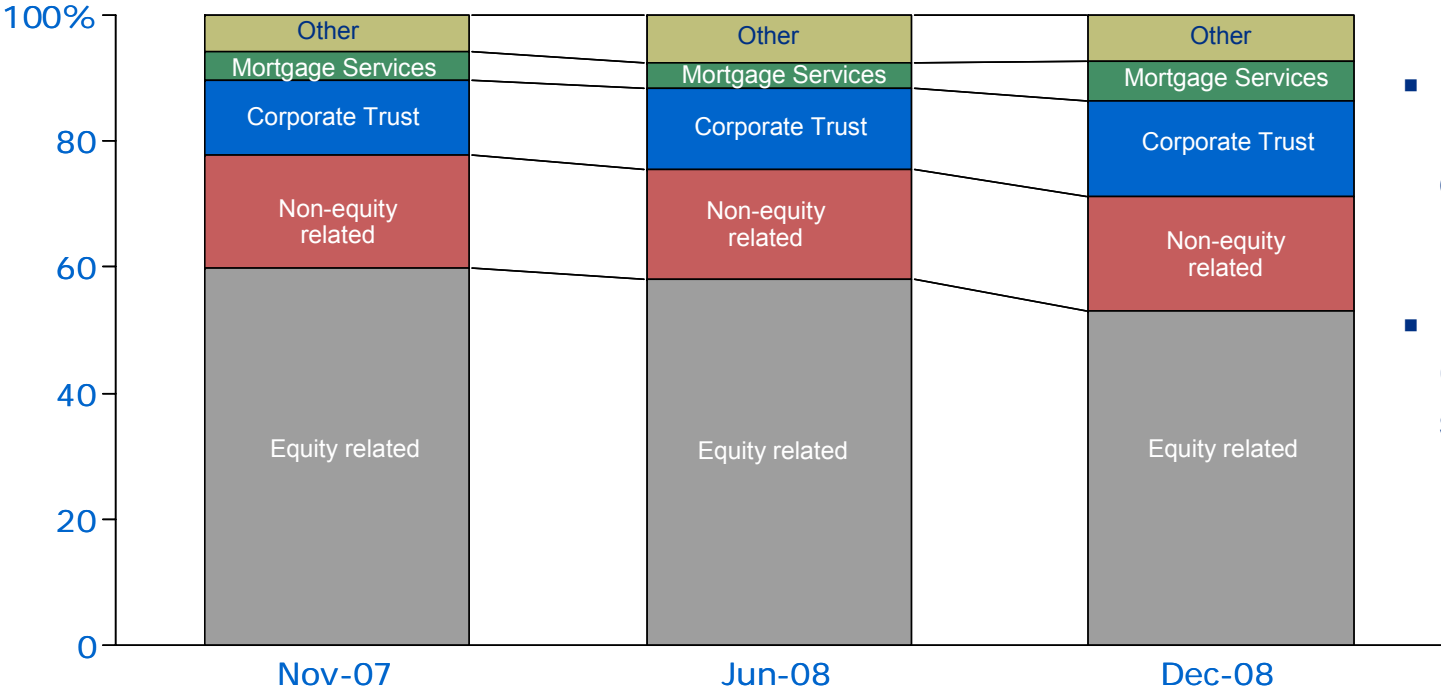
# Perpetual Private Wealth operating profit before tax down

Six months ended	Dec 2008 \$M	Dec 2007 \$M	Change \$M	Change %
Total revenues	45.0	54.6	(9.6)	(18)
Operating expenses	25.3	27.3	2.0	7
Equity remuneration amortisation	1.2	0.7	(0.5)	(71)
Depreciation and amortisation	1.1	0.8	(0.3)	(53)
<b>Operating profit before tax</b>	<b>17.4</b>	<b>25.8</b>	<b>(8.4)</b>	<b>(33)</b>
PBT margin	39%	47%	~	~

# Perpetual Corporate Trust operating profit before tax up

Six months ended	Dec 2008 \$M	Dec 2007 \$M	Change \$M	Change %
Total revenues	41.0	41.6	(0.6)	(1)
Operating expenses	19.3	26.4	7.1	27
Equity remuneration amortisation	0.1	0.4	0.3	75
Depreciation and amortisation	1.6	1.2	(0.4)	(33)
<b>Operating profit before tax</b>	<b>20.0</b>	<b>13.6</b>	<b>6.4</b>	<b>47</b>
PBT margin	49%	33%	~	~

# Revenue drivers: strong correlation with market movements



- Revenue relationship to equity markets is not linear
- Perpetual Corporate Trust strategy has insulated group revenues

All Ordinaries = 6661    ➔    All Ordinaries = 5333    ➔    All Ordinaries = 3659  
 1% change = +/- \$3.0-\$3.5m (revenue)    1% change = +/- \$2.5-\$3.0m (revenue)    1% change = +/- \$1.0-\$1.5m (revenue)

Note: change in All Ordinaries Index

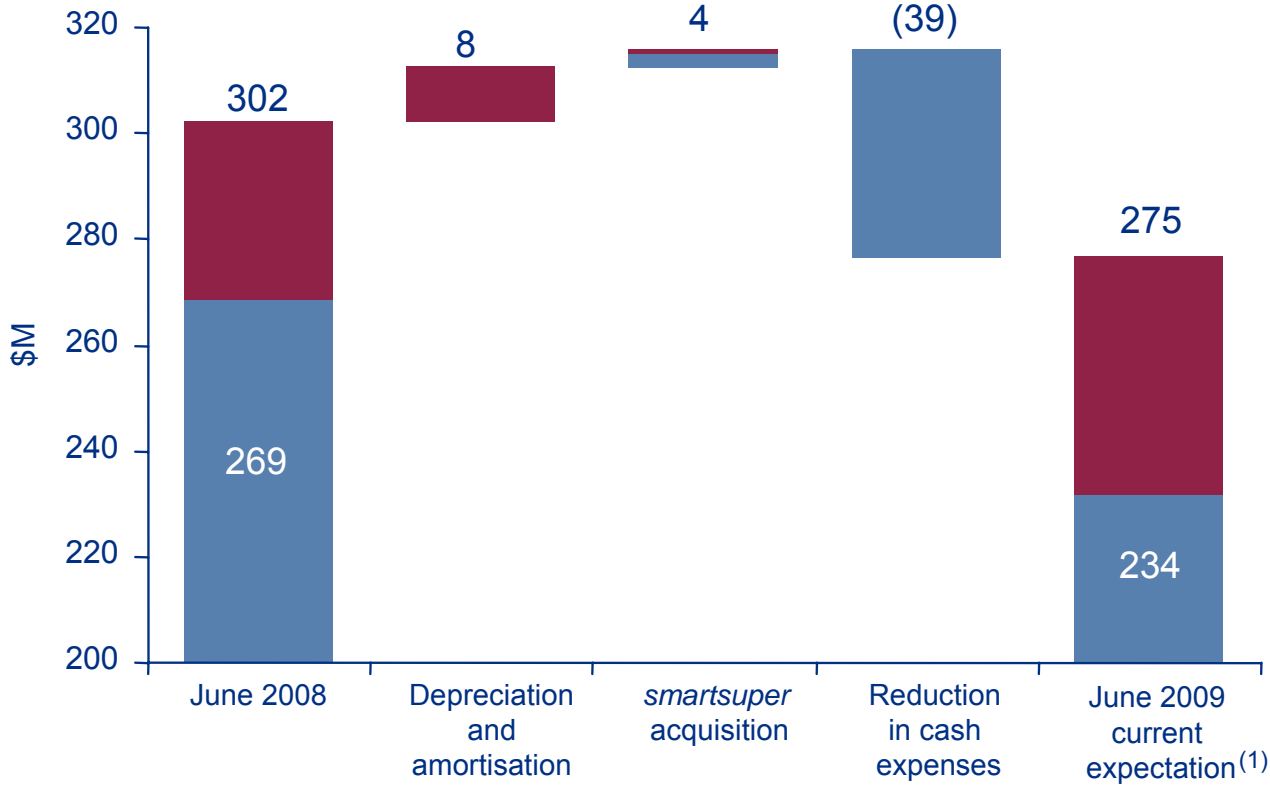
## Overall expenses down 10% in the first half

Six months ended	Dec 2008 <sup>(1)</sup> \$M	Dec 2007 <sup>(2)</sup> \$M	Change %
Perpetual Investments	69.7	69.4	1
Perpetual Private Wealth	27.6	28.8	(4)
Perpetual Corporate Trust	21.0	28.0	(25)
Group and Support Services	14.2	20.7	(31)
<b>Total expenses</b>	<b>132.5</b>	<b>146.9</b>	<b>(10)</b>

<sup>(1)</sup> Excludes loss on sale of investments \$6.3 million (\$4.4 million after tax), EMCF losses totalling \$21.3 million (\$14.9 million after tax) for six months to December 2008 and restructuring costs of \$12.0 million (\$8.4 million after tax)

<sup>(2)</sup> Excludes gain on sale of investments of \$29.9 million (\$21.1 million after tax) and EMCF losses totalling \$18.3 million (\$12.8 million after tax) for six months to December 2007

# Expense reductions remain on track



■ Cash expenses ■ Non-cash expenses

<sup>(1)</sup> Based on current estimate at 31 December 2008. Actual expenses may vary due to factors such as fluctuations in market conditions.

## Significant items as previously disclosed

	Dec 2008 \$M	Dec 2007 \$M	Change %
<b>Operating profit after tax</b>	41.6	79.3	(48)
Gain / (loss) on sale of investments <sup>(1)</sup>	(4.1)	21.1	~
EMCF losses	(14.9)	(12.8)	~
Restructuring	(8.4)	-	~
<b>Net profit after tax attributable to members</b>	14.2	87.6	(84)

<sup>(1)</sup> Net of minority interest \$0.3 million after tax and unrealised losses on impairment

## Significant items – gain/(loss) on sale of investments

	Dec 2008 \$M	Dec 2007 \$M	Change \$M
Sale of listed equity portfolio	-	27.0	(27.0)
Sale of investments in incubation funds	(5.6)	2.9	(8.5)
Impairment of certain securities within incubation funds (unrealised)	(0.7)	-	(0.7)
<b>Gain/(loss) on sale of investments (before tax)</b>	<b>(6.3)</b>	<b>29.9</b>	<b>(36.2)</b>
Tax benefit/(expense)	1.9	(8.8)	10.7
Minority interest	0.3	-	0.3
<b>Gain/(loss) on sale of investments (after tax)</b>	<b>(4.1)</b>	<b>21.1</b>	<b>(25.2)</b>



# EMCF losses

	6mths to Dec 2007 \$M	6mths to Dec 2008 \$M
Realised losses		
▪ <i>Structured securities</i>	(5.7)	-
▪ <i>Lehman Brothers</i>	-	(3.0)
▪ <i>Hedging</i>	-	0.1
Mark to market losses	(12.6)	(18.4)
Loss before tax impact	(18.3)	(21.3)
Tax benefit	5.5	6.4
<b>Loss after tax impact</b>	<b>(12.8)</b>	<b>(14.9)</b>

7mths to Jan 2009 \$M
-
(3.0)
(0.8)
(20.4)
(24.2)
7.2
<b>(17.0)</b>

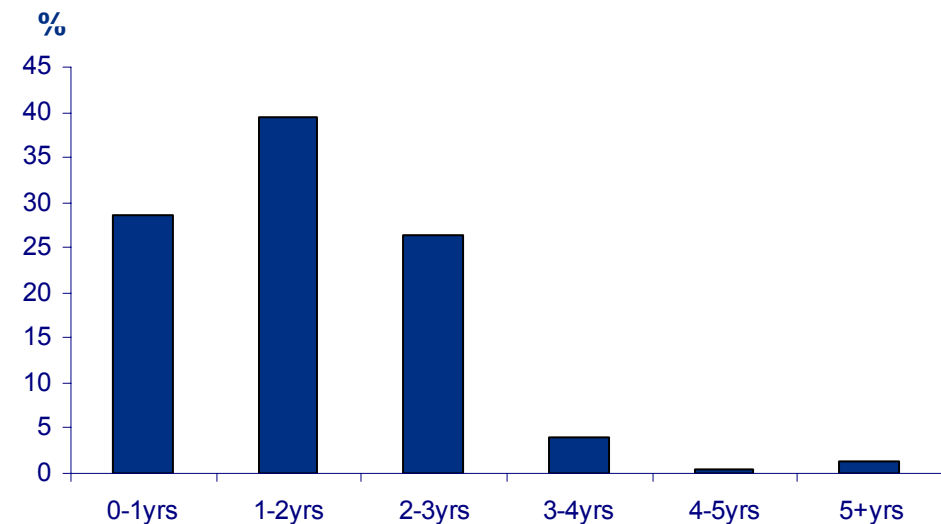
# EMCF portfolio remains strong

- High quality portfolio remains in place
- Significant level of maturities in next 2-3 years

	\$M
6mths to June 2009	100
12mths to June 2010	360
12mths to June 2011	485
<b>Total maturities by June 2011</b>	<b>945</b>

- Excess running yield currently around 250 bps
- Recent volatility related to further widening of credit spreads, including RMBS

### Maturity profile of credit securities



# Strategy for structured products

## Exact Market Cash Fund (EMCF)

- Continued de-risking of portfolio
- All new cash flows invested into 'pure' cash
- Risk assets reducing as securities mature and re-invested in cash

## Perpetual Protected Investments (PPI)

- Immediate suspension of new series for the short-medium term, including PPI Series 4, which was scheduled to be released in March 2009

## Balance sheet remains strong

	Dec 2008 \$M	June 2008 \$M	Change %
Cash holdings	107.7	183.1	(41)
Investments at market value	60.5	77.0	(21)
Liquid assets	168.2	260.1	(35)
Net assets	261.0	314.4	(17)
<b>Key financial ratios</b>			
Liquid assets per share	\$4.00	\$6.19	
Gross debt <sup>(1)</sup> to (book equity + debt <sup>(1)</sup> )	14.7%	12.5%	
Interest coverage (operating EBITDA) times	51	69	

<sup>(1)</sup> Excludes structured investment liabilities

# Revised dividend policy prudent and appropriate

## Previous dividend policy

- A policy with a payout ratio of more than 100 per cent of NPAT is unsustainable over the medium to long term
- 2008 final dividend payout ratio exceeded 140 per cent of second half NPAT
- Current market conditions have accentuated need for a more sustainable policy
  - credit is tight and expensive
  - need to retain capital for inorganic growth

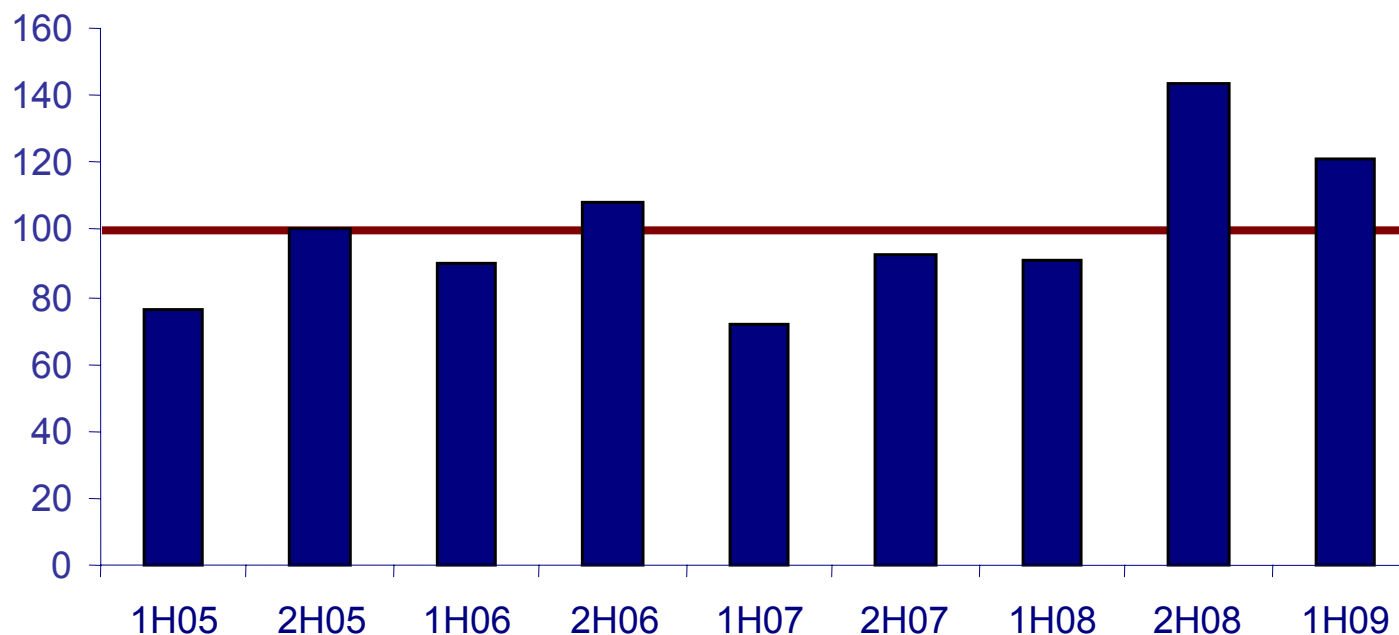
## Revised dividend policy

- Revised policy is for the payout ratio to be between 80 -100 per cent of NPAT
- Interim dividend of 40 cents per share fully franked
- At 120 per cent payout ratio represents transition to revised dividend policy

# Perpetual's dividend payout ratios have historically tended to be 80-100% of NPAT

## Dividend payout ratio

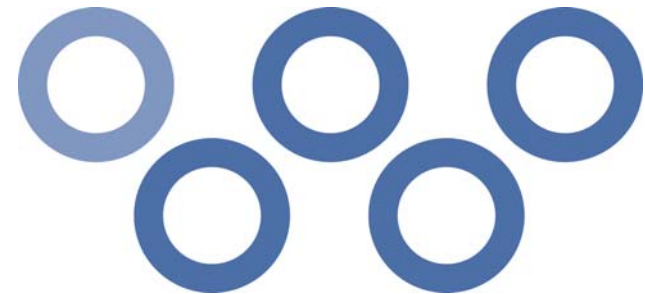
Dividend as a per cent of NPAT



Note: excludes special dividends paid in 2005 and 2006 of 100 cps each

# Agenda

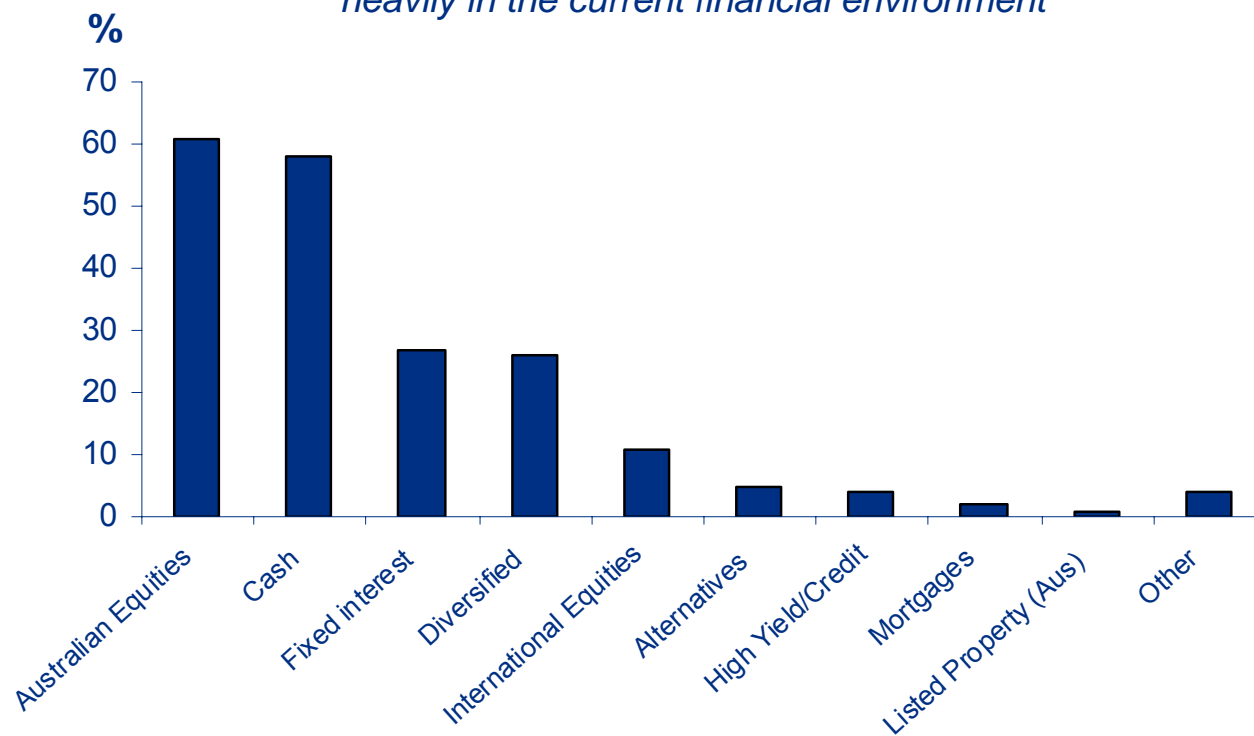
- Group highlights – David Deverall
- Financial results – Roger Burrows
- ▶ ▪ **Outlook – David Deverall**



# Advisers are sticking to the basics of Australian equities and cash

## Asset class usage

*“Please indicate which two asset classes you are writing most heavily in the current financial environment”*

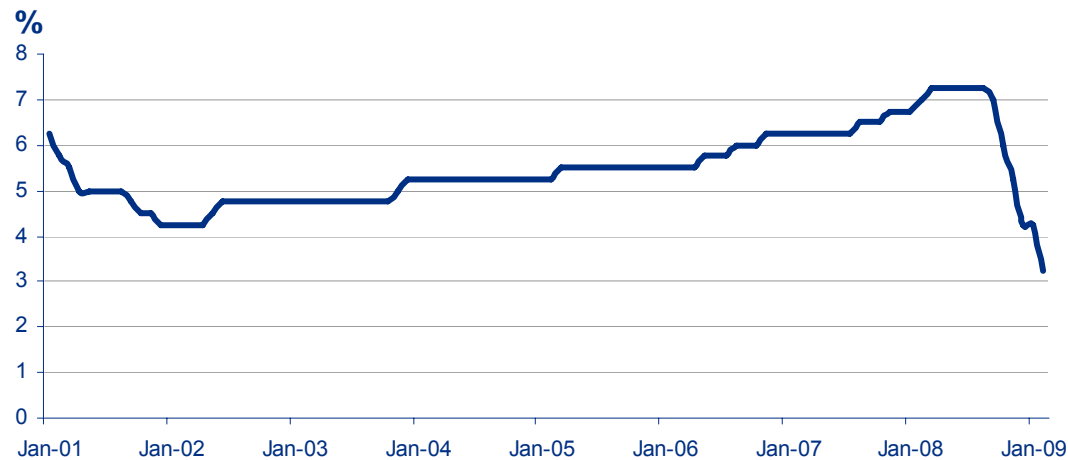


Source: Wealth Insights, Adviser Sentiment, December 2008



# Cash is becoming less attractive relative to dividends

Official cash rate

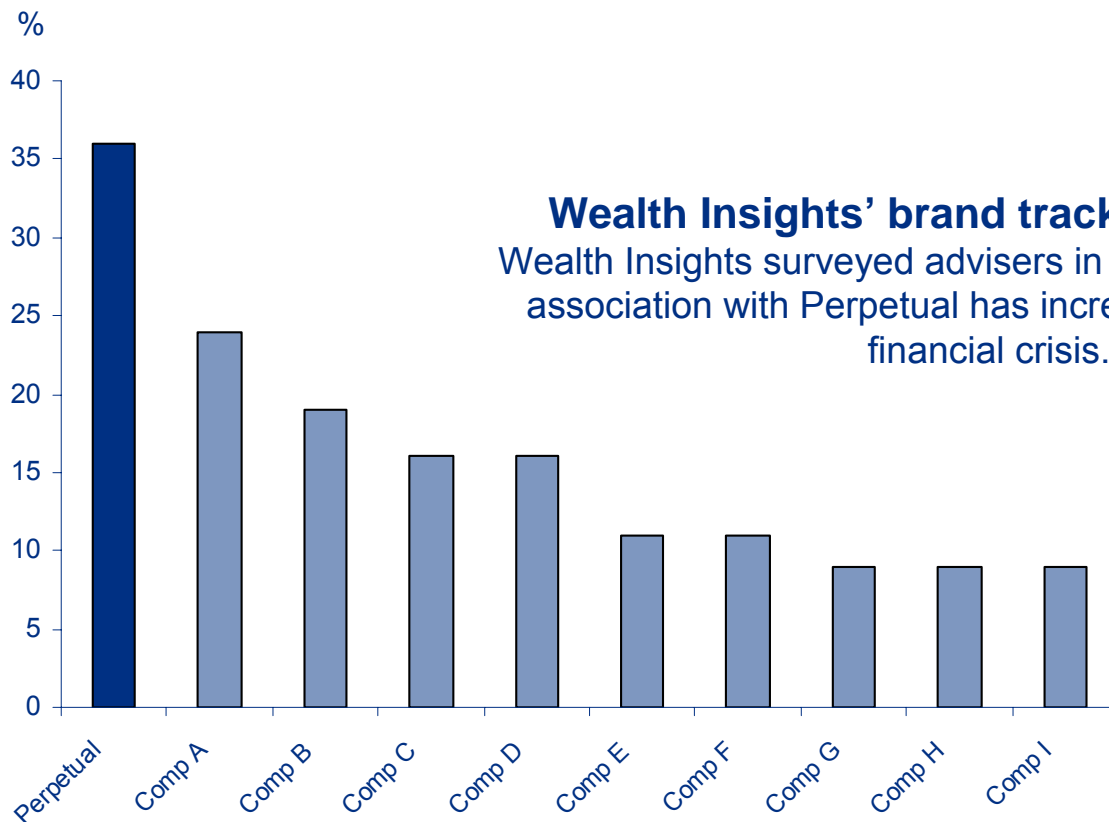


- RBA official cash rate is 3.25 per cent (Feb '09)
- Estimated forward gross yield of S&P ASX300 is 7.9 per cent (Jan '09)
- Estimated forward gross yield of Perpetual's Industrial Share Fund is 9.8 per cent (Jan '09)

Source: Reserve Bank of Australia

# Perpetual is the best regarded fund manager brand amongst advisers

Net positive perception



Source: Wealth Insights – brand tracking research, December 2008

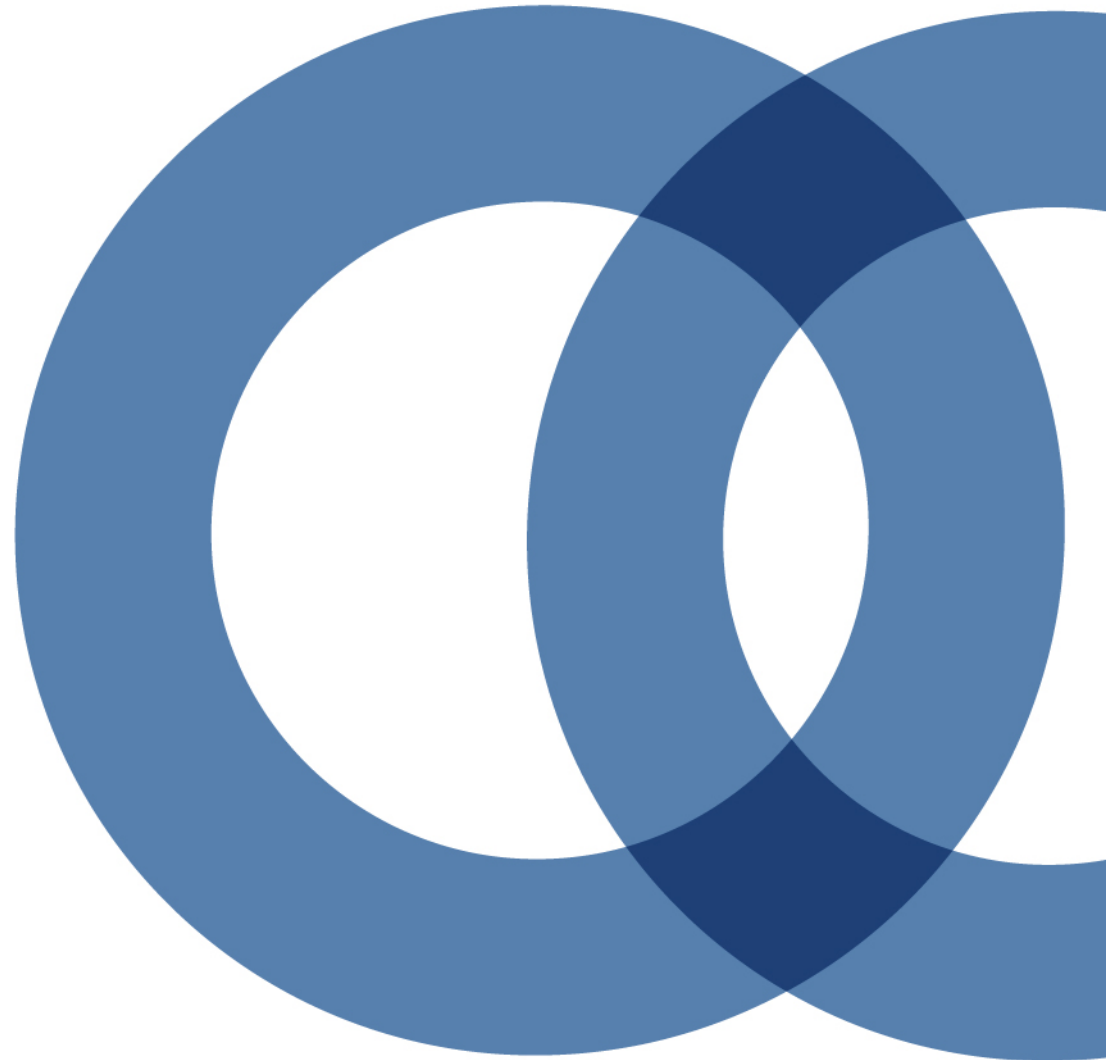
# Outlook

- Economic outlook continues to remain uncertain despite Government stimuli packages
- We are focussed on what we can control while markets remain turbulent
  - we have a strong balance sheet with low gearing
  - solid investment performance
  - our quality investment style typically favoured in challenging market
  - our brand is strong particularly amongst financial planners
  - we have the right people, skills and experience to capture value
- Industry continues to have sound long-term macro fundamentals



## 2009 Half Year Results

Analyst and shareholder briefing  
18 February 2009



# Disclaimer

## Important information

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This presentation contains forward looking statements. Prospective financial information has been based on current expectations about future events and is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information.

All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated.