Perpetual Limited
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20 August 2020

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Perpetual FY20 Financial Results

The following announcements to the market are provided:

- FY20 Appendix 4E
- FY20 ASX Announcement
- FY20 Full Year Statutory Accounts
- FY20 Results Presentation
- ✓ **FY 20 Operating and Financial Review**
- Appendix 4G
- FY20 Corporate Governance Statement

Yours faithfully,

Sylvie Dimarco
Company Secretary
(Authorising Officer)

Perpetual Limited
ABN 86 000 431 827

OPERATING AND FINANCIAL REVIEW

For the 12 months
ended 30 June 2020

Perpetual

Notes

Note that in this review:

- FY20 refers to the financial reporting period for the 12 months ended 30 June 2020
- 1H20 refers to the financial reporting period for the 6 months ended 31 December 2019
- 2H20 refers to the financial reporting period for the 6 months ended 30 June 2020

with similar abbreviations for previous and subsequent periods.

This is a review of Perpetual's operations for the 12 months ended 30 June 2020 (FY20). It also includes a review of its financial position as at 30 June 2020.

The following information should be read in conjunction with the Group's audited consolidated financial statements and associated notes for FY20.

All amounts shown are stated in Australian dollars unless otherwise noted and are subject to rounding.

Additional information is available on the Group's website www.perpetual.com.au.

A glossary of frequently used terms and abbreviations can be found at the end of the review.

Disclaimer

The following information should be read in conjunction with the Group's audited consolidated financial statements and associated notes for the 12 months ended 30 June 2020 contained in the Annual Report for the financial year ended 30 June 2020 (FY20). The Group's audited consolidated financial statements were subject to independent audit by KPMG.

No representation or warranty is made as to the accuracy, adequacy or reliability of any statements, estimates, opinions or other information contained in this review (any of which may change without notice). To the maximum extent permitted by law, the Perpetual Group, its Directors, officers, employees, agents and contractors and any other person disclaim all liability and responsibility (including without limitation any liability arising from fault or negligence) for any direct or indirect loss or damage which may be suffered through use of or reliance on anything contained in or omitted from this review.

This review contains forward looking statements. These forward-looking statements should not be relied upon as a representation or warranty, express or implied, as to future matters. Prospective financial information has been based on current expectations about future events but is, however, subject to risks, uncertainties, contingencies and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. The Perpetual Group undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this review, subject to disclosure requirements applicable to the Group.

OPERATING AND FINANCIAL REVIEW

FOR THE 12 MONTHS ENDED 30 JUNE 2020

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REVIEW OF GROUP

1 ABOUT PERPETUAL

1.1 OVERVIEW

Perpetual Limited (Perpetual or the Group) is an independent Australian diversified financial services firm operating in Australia, Singapore and the United States and provides asset management, financial advice and trustee services. In each of these businesses, Perpetual earns the majority of its revenue from fees charged on assets under either management, advice or administration. Revenue is influenced by movement in the underlying asset values, margin on assets and net client flows. The business model provides Perpetual with recurring revenue streams and leverage to movement in asset values. As a provider of high-quality financial services, employment costs comprise the largest component of the Group's expenses.

1.1.1 STRATEGY

Perpetual's vision is to be the "most trusted in financial services"[1].

Perpetual's strategy seeks to build on the foundation of three core businesses, forming a scalable business model supported by shared central services and a strong brand.

In pursuing its growth strategy, the Group has determined the following strategic imperatives:

- Client first – delivering exceptional products and outstanding service
- Future fit – a scalable business platform that empowers our people to deliver high performance
- New Horizons – adding new capabilities and building a global footprint

Perpetual Investments' vision is to create a globally diversified platform of high-quality asset management capabilities. Perpetual Investments will provide a foundation for sustained quality growth by offering world-class investment capabilities, developing a global distribution footprint and investment in a contemporary and scalable operating platform.

Perpetual Private's strategic focus is on leading the market in advisory and professional services in our chosen segments and on delivering advisory service excellence to high net worth families, professionals, business owners, charities and community organisations. With a client centred fiduciary heritage, Perpetual Private reaches into segments where client aspirations are aligned to a "protect first" and then "grow" investment philosophy.

Perpetual Corporate Trust aspires to be the leading provider of fiduciary, custodian, and digital solutions to the banking and financial services industry. This will be achieved by leveraging deep and longstanding client relationships with a focus on enhancing the client experience through digital solutions that drive greater agility and innovation through cloud-based technology and automation solutions.

1.1.2 OPERATING SEGMENTS & PRINCIPAL ACTIVITIES

Perpetual Investments – provides investment products and services to retail, corporate, superannuation and institutional clients.

Perpetual Private – is an advisory services business focused on the comprehensive needs of HNW individuals, families and non-profit organisations. Support for clients spreads across financial advice, portfolio management, risk, estate administration, trustee services and tax and accounting. The business is focused on client service excellence and attracting and retaining exceptional talent to meet those standards in our chosen segments.

Perpetual Corporate Trust – provides a broad range of products and services, including trustee, custodian, agency and trust management solutions to the debt capital markets and managed funds industries in Australia and Singapore. In addition, Data & Analytics Solutions comprises data services, industry roundtables and our software as a service (Perpetual Intelligence Platform) supporting the banking and financial services industry.

The business units are supported by **Group Support Services** comprising Group Investments, Finance, Corporate Affairs, Legal, Audit, Risk, Compliance, Company Secretary, Technology, Operations, Product and People & Culture.

1. Measured as part of an annual brand strengths survey with the Perpetual Private target market and the Perpetual Investments retail target market.

1.2 GROUP FINANCIAL PERFORMANCE

PROFITABILITY AND KEY PERFORMANCE INDICATORS

FOR THE PERIOD	FY20 $M	FY19 $M	FY20 v FY19	FY20 v FY19
Operating revenue	489.2	514.1	(24.9)	(5%)
Total expenses	(356.8)	(351.9)	(4.9)	(1%)
Underlying profit before tax (UPBT)	132.3	162.2	(29.9)	(18%)
Tax expense	(38.8)	(46.2)	7.4	16%
Underlying profit after tax (UPAT)[1]	93.5	115.9	(22.5)	(19%)
Significant items[5]	(11.5)	0.0	(11.5)	NM
Net profit after tax (NPAT)	82.0	115.9	(33.9)	(29%)

Key Performance Indicators (KPI)				
Profitability				
UPBT margin on revenue (%)	27	32	-	(4)
Shareholder returns				
Diluted earnings per share (EPS)[2] on NPAT (cps)	172.8	246.3	(73.5)	(30%)
Diluted earnings per share (EPS)[2] on UPAT (cps)	197.0	246.3	(49.3)	(20%)
Fully franked dividends (cps)	155.0	250.0	(95.0)	(38%)
Dividend payout ratio[3] (%)	94	100	(6)	(6%)
Return on Equity (ROE)[4] on NPAT (%)	12.5	17.5	(5.0)	
Return on Equity (ROE)[4] on UPAT (%)	14.2	17.5	(3.3)	
Growth				
Average funds under management (FUM) $B	25.0	28.8	(3.8)	(13%)
Average funds under advice (FUA) $B	14.7	14.2	0.5	3%
Closing Debt Markets Services FUA $B	656.1	494.9	161.2	33%
Closing Managed Funds Services FUA $B	285.8	269.7	16.1	6%

1. Underlying profit after tax (UPAT) attributable to equity holders of Perpetual Limited reflects an assessment of the result for the ongoing business of the Group as determined by the Board and management. UPAT has been calculated in accordance with ASIC's Regulatory Guide 230 - Disclosing non-IFRS financial information. Refer to Appendix B for a reconciliation of the adjustments between Statutory Accounts and the OFR. UPAT attributable to equity holders of Perpetual Limited is disclosed as it is useful for investors to gain a better understanding of Perpetual's financial results from normal operating activities.
2. Diluted EPS is calculated using the weighted average number of ordinary shares and potential ordinary shares on issue of 47,455,960 for FY20 (FY19: 47,072,370 shares).
3. Dividends paid / payable as a proportion of NPAT on ordinary fully paid shares at the end of each reporting period. FY20 dividend payout ratio based on estimated number of shares at the record date (including institutional placement), pending issuance of share purchase plan. Post completion of Barrow, Hanley, Mewhinney & Strauss, LLC acquisition, it is expected that future dividends will be paid on a revised UPAT metric, this change will take effect on a prospective basis from FY21.
4. The return on equity (ROE) quoted in the above table is an annualised rate of return based on actual results for each period. ROE is calculated using the UPAT or NPAT attributable to equity holders of Perpetual Limited for the period, divided by average equity attributable to equity holders of Perpetual Limited, multiplied by the number of such periods in a calendar year in order to arrive at an annualised ROE.
5. Significant items include:

	PROFIT/(LOSS) AFTER TAX					
FOR THE PERIOD	**FY20 $M**	**FY19 $M**	**2H20 $M**	**1H20 $M**	**2H19 $M**	**1H19 $M**
Operating Model Review costs	(9.6)	-	(5.0)	(4.6)	-	-
Trillium Asset Mangement - Transaction & Integration costs	(1.9)	-	(1.9)	-	-	-
Total significant items	**(11.5)**	**-**	**(6.9)**	**(4.6)**	**-**	**-**

1.2.1 FINANCIAL PERFORMANCE

For the 12 months to 30 June 2020, Perpetual's UPAT was $93.5 million and NPAT was $82.0 million.

FY20 UPAT was 19% lower than FY19 principally due to:

- decline in average funds under management within Perpetual Investments driven by net outflows and the impact of prior period distributions
- lower non-market revenues in Perpetual Private impacted by the economic slow-down in 2H20 and the low interest rate environment
- continued investment in growth initiatives both organic and inorganic;
- partially offset by:
  - higher average equity markets
  - growth in average funds under advice within Perpetual Private
  - benefits from the operating model review; and
  - growth within all business lines in Perpetual Corporate Trust.

FY20 NPAT was 29% lower than FY19, due to the UPAT result as discussed above and significant items related to Operating Model Review costs and Trillium Asset Management transaction and integration costs.

The key drivers of revenue and expenses at Group level are summarised below. Analysis of performance for each of Perpetual's business units is provided in Section 2.

1.2.2 REVENUE

The main drivers of total revenue are the value of funds under management (FUM) in Perpetual Investments and funds under advice (FUA) in Perpetual Private, which are primarily influenced by the level of the Australian equity market. At the end of FY20, Perpetual Investments' FUM and Perpetual Private's FUA were 62% and 55% exposed to equity markets respectively.

The average S&P/ASX All Ordinaries Price Index (All Ords) in FY20 was 6,446, up 4% on the average All Ords in FY19 of 6,196[1].

In FY20, Perpetual generated $489.2 million of total operating revenue, which was $24.9 million lower than FY19. Revenue was negatively impacted by lower levels of FUM driven by net outflows and prior period distributions within Perpetual Investments, lower non-market related revenues due to the slow-down in economic activity in 2H20 and the low interest rate environment in Perpetual Private partially offset by higher average equity markets, higher average FUA due to continued positive net flows within Perpetual Private and growth within Perpetual Corporate Trust across both Debt Market Services and Managed Fund Services.

Performance fees earned in FY20 were $3.1 million, which was $0.4 million or 11% lower than FY19.

Management has calculated the expected impact on revenue across the business of a 1% movement in the All Ordinaries Index. Based on the level of the index as at 30 June 2020, a 1% movement impacts annualised revenue by approximately $1.5 million to $2.0 million.

Note that the above revenue sensitivity is a guide only and may vary due to a number of factors, including but not limited to: the performance of funds under the Group's management and advice; the impact and timing of flows on FUM and FUA – inflows, outflows and distributions; and changes in pricing policy, channel and product mix.

The composition of Perpetual's revenue will change in FY21 following the completed acquisition of Trillium Asset Management and the announced acquisition of Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley). Those revenues will be exposed to currency volatility and foreign equity markets.

1.2.3 EXPENSES

Total expenses in FY20 were $356.8 million, $4.9 million or 1% higher than FY19, comprising:

- costs incurred in pursuing the Group's inorganic strategy and organic strategic initiatives
- partially offset by:
  - impact of operating model benefits; and
  - COVID-19 related discretionary expense savings.

1.2.4 SHAREHOLDER RETURNS AND DIVIDENDS

The Board announced a final fully franked ordinary dividend for FY20 of 50 cents per share to be paid on 25 September 2020.

This represents a payout ratio of 92% for the 6 months ended 30 June 2020 and, when combined with the interim dividend of 105 cents per share paid on 27 March 2020, represents a payout ratio of 94% of NPAT for the 12 months ended 30 June 2020. This is in line with Perpetual's dividend policy to pay dividends within a range of 80% to 100% of NPAT on an annualised basis and maximising fully franked dividends to shareholders.

The Dividend Reinvestment Plan (DRP) will be operational for the final dividend. No discount will apply and the DRP will be met by issuing new shares.

Perpetual's return on equity (ROE) on NPAT was 12.5% for the period compared with 17.5% in FY19.

1. The All Ords closed at 6,001 on 30 June 2020, down 10% on the closing level on 30 June 2019 of 6,699.

1.3 GROUP FINANCIAL POSITION

BALANCE SHEET

AS AT	2H20[1] $M	1H20[1] $M	2H19[1] $M	1H19[1] $M
Assets				
Cash and cash equivalents	164.1	261.7	299.6	279.8
Liquid investments	80.7	79.1	69.7	63.4
Goodwill and other intangibles	444.5	373.4	345.8	346.9
Other assets	243.6	251.4	185.1	237.7
Total assets	**932.9**	**965.6**	**900.1**	**927.8**
Liabilities				
Corporate loan facility	0.0	87.0	87.0	87.0
Other liabilities	278.6	214.7	150.9	180.1
Total liabilities	**278.6**	**301.7**	**237.9**	**267.1**
Net assets	**654.3**	**663.9**	**662.2**	**660.7**
Shareholder funds				
Contributed equity	539.8	536.8	519.2	521.1
Reserves	19.4	14.0	20.0	14.4
Retained earnings	95.2	113.1	123.0	125.1
Total equity	**654.3**	**663.9**	**662.2**	**660.7**

DEBT METRICS	FY20	FY19	2H20	1H20	2H19	1H19
Corporate debt $M	0.0	87.0	0.0	87.0	87.0	87.0
Corporate debt to capital ratio[2] %	0.0	11.6	0.0	11.6	11.6	11.6
Interest coverage calculation for continuing operations (times)[3]	33x	59x	33x	42x	57x	61x
NTA per share ($)[4]	**3.95**	**6.47**	**3.95**	**5.97**	**6.47**	**6.43**

CASHFLOW FOR THE PERIOD	FY20 $M	FY19 $M	2H20 $M	1H20 $M	2H19 $M	1H19 $M
Net cash from operating activities	149.8	132.7	85.6	64.2	87.5	45.2
Net cash used in investing activities	(73.2)	(27.8)	(44.2)	(29.0)	(7.4)	(20.4)
Net cash used in financing activities	(212.1)	(125.5)	(139.0)	(73.1)	(60.3)	(65.2)
Net (decrease)/increase in cash and cash equivalents	**(135.5)**	**(20.6)**	**(97.6)**	**(37.9)**	**19.9**	**(40.5)**

1. Excludes the assets and liabilities for the Perpetual Exact Market Cash Fund (EMCF) structured product.
2. Corporate debt / (corporate debt + equity).
3. EBIT / gross interest expense in accordance with banking covenants.
4. Calculation includes lease assets and liabilities.

1.3.1 BALANCE SHEET ANALYSIS

Key movements in Perpetual's consolidated balance sheet are described below.

Cash and cash equivalents decreased from $299.6 million to $164.1 million as at 30 June 2020, a decrease of $135.5 million or 45% primarily due to the acquisition of Trillium and the repayment of corporate debt.

Liquid investments increased by $11.0 million to $80.7 million as at 30 June 2020 primarily due to greater investment in unlisted unit trusts.

Goodwill and other intangibles increased by $98.7 million predominantly due to the acquisition of Priority Life and Trillium Asset Management.

Other assets increased by $58.5 million to $243.6 million primarily due to the addition of right-of-use assets as required by AASB16.

Other liabilities increased by $127.7 million to $278.6 million due to the addition of the lease liabilities as required under AASB16 and deferred acquisition consideration.

Contributed equity has increased by $20.6 million, primarily due to the issue of shares as part of acquisition consideration and the issue of shares as part of the dividend re-investment plan following the interim dividend.

Total reserves have decreased by $0.6 million to $19.4 million or 3%.

1.3.2 CAPITAL MANAGEMENT

Perpetual's principles for its capital management are as follows:

i) maximising returns to shareholders

ii) enabling the Group's strategy

iii) ensuring compliance with the Group's risk appetite statement and regulatory requirements; and

iv) withstanding shocks to the market.

Perpetual maintains a conservative balance sheet with low gearing levels. As part of its capital management strategy, the Group continually reviews options to ensure that it is optimising its use of capital and maximising returns to shareholders.

The Group uses a risk-based capital model to assess its capital requirements. The model requires capital to be set aside for operational, credit and market risk and any known capital commitments.

At the end of FY20, total base capital requirements were $101 million compared to $205 million of available liquid funds.

During FY20, the Group has maintained its balance sheet strength through:

- continuing to maintain the overall credit quality of the Group's risk assets
- repayment of existing $87 million bank debt and subsequent cancellation of the $130 million National Australia Bank facility
- refinancing during the year and entering into a new (undrawn) $50 million debt facility with Australia and New Zealand Banking Group, as well as a $135 million bank guarantee facility that has been utilised to meet regulatory requirements; and
- continued discretionary expense management within each business unit and support group.

1.3.3 LIQUIDITY

The Group actively manages liquidity risk by preparing cash flow forecasts for future periods, reviewing them regularly with senior management, maintaining a committed credit facility, and engaging regularly with its debt providers.

In FY20, cash and cash equivalents decreased by $135.5 million compared to a decrease of $20.6 million in FY19. The increase in the net cash outflow of $114.9 million is principally due to:

- net cash from operating activities increased by $17.1 million on FY19 primarily due to the reclassification of lease payments to financing activities upon adoption of AASB16 as well as a reduction in income taxes paid. This was partially offset by a reduction in cash receipts in the course of operations
- net cash used in investing activities increased by $45.4 million on FY19 primarily due to the acquisitions of Trillium and Priority Life during the year; and
- net cash used in financing activities increased by $86.6 million on FY19 due to the repayment of $87 million in debt and reclassification of lease payments to financing activities upon adoption of AASB16. This was partially offset by lower dividend payments.

1.3.4 DEBT

Perpetual's corporate debt as at 30 June 2020 is $nil following the repayment of $87 million previously drawn under the facility held with National Australia Bank. During the year, Perpetual refinanced with Australia and New Zealand Banking Group and has access to a $50 million debt facility. In addition, the Group has access to a $135 million bank guarantee facility, $119.5 million of which is currently utilised. These guarantees are not shown on balance sheet.

The facility is subject to annual review and the Group meeting certain debt covenants including shareholder funds as a percentage of total assets, a maximum ratio of gross debt to EBITDA and a minimum interest cover. The Group complied with all the relevant covenants throughout the period.

The Group's gearing ratio is nil (FY19: 11.6%) at the end of FY20. However, the planned completion of the Barrow Hanley acquisition will increase the Group's gearing ratio to 1.1 with a pathway to reduce to below 1.0 within 12 months of completion and to zero within 5 years.

1.4 REGULATORY DEVELOPMENTS AND BUSINESS RISKS

1.4.1 REGULATORY DEVELOPMENTS

The financial services industry continues to be subject to legislative and regulatory reform which affects or could affect the Group's operations.

The following summarises key regulatory change projects that commenced in the last reporting period or are set to commence in this period.

Modern Slavery Statement

The Group has been working on a project to implement a Modern Slavery risk framework. The scope of work included assessing the Modern Slavery risks in the structure, operations and supply chains of the Group. Perpetual Limited will issue a Modern Slavery Statement by 31 March 2021 for its controlled entities.

Design and Distribution Obligations

The Group has commenced work to understand the requirements and assess potential impacts of the Design and Distribution Obligations to Perpetual's products and distribution arrangements. Given the breadth and scope of the changes, which come into effect on 5 October 2021, and the strategic alignment with Perpetual's digital and analytical capabilities, the Group will resource this as a project.

Financial Adviser Standards and Ethics Authority (FASEA)

The Group has completed a gap analysis to assess compliance with educational standards and plans are in place to address any gaps prior to 1 January 2026. The Code of Ethics commenced on 1 January 2020, and all Financial Advisers are required to comply with the Code.

Financial Accountability Regime (FAR)

The Government proposes to extend the Banking Executive Accountability Regime (BEAR) to all APRA regulated entities, including RSE licensees - the Financial Accountability Regime (FAR).

In terms of next steps, the Government will:

- introduce legislation by the end of 2020 which may now be delayed as a result of COVID-19 (no effective date specified); and
- separately consult on extending the regime to entities solely regulated by ASIC, in line with the further commitment the Government made in response to the Royal Commission.

The FAR will be jointly administered by APRA and ASIC. There are penalties for both entities and individuals if they contravene their FAR obligations.

The Group has commenced a project to consider the impact of the regime and ensuring compliance of the Group in line with the proposed start date of the FAR regime.

Financial Services Royal Commission

At the end of January 2020, the Government released draft legislation for consultation in relation to 22 recommendations and two additional commitments arising from the Financial Services Royal Commission (FSRC). The most significant recommendation impacting the Group are the proposed changes to the breach reporting regime. The proposed amendments significantly expand the obligation to lodge breach reports and include prescriptive requirements as to timing of lodgement of breach reports. The draft legislation also gives ASIC the power to publish breach reports by licensee. The Group made a submission to Treasury on the breach reporting aspect of these legislative changes.

COVID-19

Various Commonwealth Government economic stimulus packages have been released; the main one impacting the Group has been the early release of superannuation. This enabled the $20,000 early release rules for superannuation (the ER Scheme). Specifically, if eligible, clients were allowed to redeem $10,000 in 2019/2020 and $10,000 in 2020/2021 from their superannuation balances (eligibility requirements apply but these are determined by the ATO). The ATO sent batches of determinations to trustees after 21 April and trustees had an obligation to make the payments as soon as practicable (guidance suggests 5 business days).

The ER Scheme has been in place since mid-April, and to date, we have received and processed 3,800 withdrawal requests to 15 July 2020 equating to $26.9 million in eligible withdrawals from total of $3 billion in Superannuation related FUM.

The Group continues to comply with the requirements of the ER Scheme.

The Group did not meet the turnover test criteria and was not eligible to receive payments under the JobKeeper payments wage subsidy.

1.4.2 BUSINESS RISKS

Risk management framework

Perpetual's approach to risk management is based on a Risk Appetite Statement set by the Perpetual Board, which outlines the risk boundaries and minimum expectations of Perpetual Management. The Board's Audit, Risk and Compliance Committee (ARCC) is responsible for overseeing Perpetual's risk management process. Perpetual has a dedicated Risk and Compliance function, led by the Chief Risk Officer, which has day to day responsibility for the design, implementation and maintenance of Perpetual's risk management framework, and an independent Internal Audit department.

The risk management framework is underpinned by the 'Three Lines of Defence model'. This model sees the first line, being business unit management, accountable for the day-to-day identification and management of risks. Perpetual's Risk and Compliance functions represent the second line and are responsible for overseeing first line activities. Internal Audit provides independent assurance, representing the third line, and has an independent reporting line to the Chair of the ARCC.

The Group's risk management framework and the Three Lines of Defence model are designed to manage and formulate responses to the key business risks faced by the Group which are set out below.

The primary mitigants in place to manage these risks include Perpetual's risk and compliance frameworks, policies, clearly defined behaviours and performance assessment process, education and compliance training, defined governance processes and delegation of authorities.

1.4.3 RISKS RELATING TO COVID-19

COVID-19 has resulted in several of the risk categories below to be heightened as the Group continues to respond to the challenges introduced by the pandemic. In particular, the performance of Perpetual depends heavily upon the performance of its investments, and continues to be sensitive to fluctuations in equity, fixed income and financial markets generally which have been exacerbated through COVID-19.

Perpetual's Pandemic Response Plan was developed in line with regulatory guidance and defines an escalating series of response measures based on the World Health Organisation and Australian Government pandemic alert levels. The plan was activated in January 2020 and has seen us implement enhanced measures as the pandemic worsened. Key measures include:

- Perpetual's crisis management processes have been activated with multiple teams established to monitor all aspects of the response including key risks, safety, business continuity, technology, business performance and fund liquidity
- remote working from home has been successfully implemented for all teams, with critical teams working on a "blue/white" rotation basis
- travel restrictions on domestic and international travel are currently in place
- enhanced hygiene and cleaning practices have been implemented in Perpetual's offices
- heightened monitoring of material service providers is in place to ensure they are responding effectively; and
- enhanced monitoring and oversight by the Perpetual Executive Committee and the Perpetual Limited Board has been developed to identify, monitor and manage key business risks that have escalated through COVID-19.

On 3 August 2020, the Victorian government announced further restrictions and defined the industries permitted to operate on-site. Whilst this has created some additional challenges for our Melbourne office, critical teams requiring to be on-site have been able to continue to do so, and previously implemented working from home measures have been reinstated for all other staff.

Perpetual continues to operate at full capacity and the crisis response teams continue to meet regularly to review the current situation and respond accordingly.

1.4.4 KEY BUSINESS RISKS

The key business risks faced by Perpetual are set out below.

Risk Category	Risk Description/Impact	Risk Mitigants
Strategic	Adverse strategic decisions, improper implementation of strategic decisions, a lack of responsiveness to industry changes or exposure to economic, market or demographic considerations that affect Perpetual's market position and client value proposition.	• Considered strategic and business planning processes • Strategic measures cascaded through performance management • Application of Risk Appetite Statement in strategic decision-making and monitoring

Risk Category	Risk Description/Impact	Risk Mitigants
People	Risk arising from an inability to attract, engage and retain quality and appropriate people to execute Perpetual's business strategy, particularly in key investment management roles.	• Succession planning, talent identification programs, remuneration benchmarking, reporting to the People and Remuneration Committee • Alignment of remuneration outcomes, including asset manager (portfolio manager and investment analyst) remuneration, to longer term value creation for shareholders and clients • Employee engagement monitoring
	Risk arising from an inability to safeguard our people, clients and suppliers from work health and safety (WH&S) issues with potential detrimental impact.	• Well defined WH&S policies, procedures and training • WH&S Committee • Incident and injury management processes
Financial	Risk that the strength of Perpetual's balance sheet, profitability or liquidity are inadequate for its business activities. This includes inappropriate accounting, financial reporting, or related disclosures.	• Budget planning process • Reconciliation and review processes • Regular income and expense, debt and equity reviews • Internal and external auditors
	Exposure to, or reliance on, revenue streams linked to equity markets resulting in potentially volatile earnings (revenue diversity and asset pricing market risk).	• Diversification of revenue sources • Active management of the cost base
	Impact upon profitability due to the loss of key clients.	• Constant focus on servicing clients to the highest standards and acting in clients' best interests • Strong investment governance processes which support transparent and timely reporting to clients
Investment	The risk arising from ineffective investment strategies relative to peers and benchmarks, non-adherence to investment style and investment governance or inadequate management of market, credit and liquidity risks within the funds or client accounts.	• Well defined and disciplined investment processes and philosophy for selection • Established investment governance frameworks in place • Robust pre-and post-trade investment compliance • Independent fund and mandate monitoring and reporting
Operational	The risk arising from inadequate or failed internal processes, systems, people or from external events. This includes (but is not limited to) process, fraud or an event which disrupts business continuity.	• Clearly defined policies, procedures, roles and responsibilities • Controls testing in the form of control self-assessment • Effective issues management processes to respond to events that may arise • Business continuity planning and disaster recovery programs • Independent assurance
Information Technology & Cyber Security	The risk arising from failed, corrupted, breached or inadequate information systems resulting from inadequate infrastructure, applications, cloud services, security controls and support. includes (but is not limited to) loss of confidentiality, integrity and availability of sensitive or critical data as well as business disruption resulting from a cyber security event or failure of technology service provider to meet business requirements.	• Defined information security program and IT security policies • Implementation of operational security technology (including firewalls and antivirus) • Security (penetration) testing of key systems • Information security response plans • Business continuity planning and disaster recovery programs • Independent assurance
Outsourcing	The risk Perpetual enters into inappropriate servicing arrangements and/or services performed by external service providers, including related and third parties, are not managed in line with the servicing contract or the operational standards.	• Partnered with well-regarded and proven strategic partners • Outsourced relationships are managed at a senior level • Outsourcing and vendor management framework • Legal contracts / service level agreements in place and monitored • Independent assurance

Risk Category	Risk Description/Impact	Risk Mitigants
Environmental, Social & Governance	The risk arising from conduct by Perpetual directors, employees or contractors that does not align with our environmental, social and governance responsibilities.	• Partnered with well-regarded, environmental and socially responsible partners • Acquisition of Trillium has increased ESG Investment capability and reinforced our commitment to ESG • Established and well-defined governance framework • Well defined and disciplined ESG investment processes and philosophy for selection • Mandated training on Perpetual's Code of Conduct and behaviours expected of all staff
Compliance & Legal	The risk that Perpetual breaches its compliance and legal obligations (including licence conditions and client commitments).	• Independent legal and compliance team, and training across teams • Compliance obligations are documented and monitored • Clearly defined policies, procedures, roles and responsibilities • Controls testing in the form of control self-assessment • Independent assessment of issues for compliance implications • Independent assurance
Conduct	The risk arising from conduct by Perpetual's directors, employees or contractors that is unethical or does not align with Perpetual's values, policies or expected behaviours or, the expectation of Perpetuals internal and external stakeholders.	• Effective risk management framework that sets out how risk is managed, including Three Lines of Defence risk model and application of risk appetite statement which outlines the risk behaviours expected of all Perpetual directors, employees and contractors • Mandated training on Perpetual's Code of Conduct and behaviours expected of all staff that form part of the performance assessment process • Partnered with well-regarded, environmental and socially responsible partners • Media monitoring • Net Promoter Score measurement and reporting • Whistleblowing arrangements managed by an independent vendor

1.5 OUTLOOK

Whilst in the near term there are several external environmental factors, such as the impact of COVID-19 and resultant market volatility which present challenges not just to Perpetual, but to the broader financial services industry, the medium to long term outlook for Perpetual remains positive. The strength of the Perpetual brand, built over generations as a leading provider of fiduciary services, has created a confidence and trust that gives the Group a solid foundation for future growth.

Perpetual's diversified business model provides the Group with a variety of sources of revenue, by capability type and client type, which assists in managing the potential volatility that can result from movements in financial markets, net flows and relative investment performance. Given the potential for significant variability of near-term results that may occur as a result of the markets in which the Group operates, we are deeply cognisant of the variety of risks that may impact our business and we incorporate an active approach to risk management in everything that we do.

Perpetual's strategy aims to grow and further diversify the business by adding world class investment capabilities and by expanding our geographic reach by increasing our global distribution footprint. Our proven advice model and strong fiduciary heritage provides us with unique competitive advantages at a time when the advice industry in Australia is undergoing significant change. Our relationships across our corporate trust offerings are long term and high quality, which will be further deepened as we provide product and service innovation. Through execution of our stated strategy, Perpetual is further diversifying its sources of revenue, our client-base and our geographic reach. By extending into broader, deeper markets and adding additional capabilities to Perpetual, future growth opportunities for the firm are enhanced, both in Australia and internationally.

SECTION 2
REVIEW OF BUSINESSES

2 REVIEW OF BUSINESSES

The results and drivers of financial performance in FY20 for the three Perpetual business units are described in the following sections. A description of revenues and expenses at the Group Support Services level is also provided.

2.1 PERPETUAL INVESTMENTS

2.1.1 BUSINESS OVERVIEW

Perpetual Investments is a highly regarded investment manager, with a strong heritage of managing retail and institutional client assets, offering a broad range of investment, superannuation and retirement savings products. The business manages investments across a range of asset classes, including Australian and global equities, ESG strategies including Trillium Asset Management (acquisition completed on 30 June 2020), cash and fixed income and multi asset strategies. It services a diverse range of client types, from large institutional investors through to smaller retail investors.

2.1.2 FINANCIAL PERFORMANCE

FOR THE PERIOD	FY20 $M	FY19 $M	FY20 v FY19	2H20 $M	1H20 $M	2H19 $M	1H19 $M
Revenue by asset class							
- Equities[1]	136.5	169.9	(20%)	61.2	75.3	81.5	88.4
- Cash and fixed income	31.9	29.0	10%	15.4	16.4	15.1	13.9
- Other FUM related	5.0	5.8	(14%)	2.3	2.7	2.5	3.3
- Other non-FUM related	0.1	0.3	(82%)	0.0	0.0	0.1	0.2
Total Revenue	**173.4**	**205.0**	**(15%)**	**78.9**	**94.5**	**99.2**	**105.8**
Operating expenses[2,3]	(104.5)	(115.1)	9%	(54.2)	(50.3)	(60.8)	(54.3)
EBITDA	**68.8**	**89.9**	**(23%)**	**24.6**	**44.2**	**38.4**	**51.5**
Depreciation and amortisation[2,3]	(6.4)	(2.6)	(142%)	(3.1)	(3.3)	(1.2)	(1.4)
Equity remuneration expense	(6.8)	(7.3)	7%	(3.2)	(3.6)	(3.7)	(3.6)
Interest expense[2]	(0.1)	-	NM	(0.1)	(0.1)	-	-
Profit before tax	**55.4**	**79.9**	**(31%)**	**18.2**	**37.2**	**33.5**	**46.5**

1. Equities revenue includes sub-advisory mandates previously included under Other FUM related. Prior periods have been restated.
2. Effective 1 July 2019, the Group adopted AASB 16, *Leases*. On adoption, the Group elected the modified retrospective approach, with the effect of the initial application recognised in retained earnings at 1 July 2019. FY19 comparatives have not been restated.
3. Re-allocation of 1H20 expenses.

In FY20, Perpetual Investments reported profit before tax of $55.4 million, $24.5 million or 31% lower than FY19.

The decrease was largely driven by a decline in average FUM to $25.0 billion due to net outflows and prior period distributions, partially offset by higher average equity markets. The cost to income ratio in FY20 was 68% compared to 61% in FY19.

2.1.3 DRIVERS OF PERFORMANCE

Revenue

Perpetual Investments generated revenue of $173.4 million in FY20, $31.6 million or 15% lower than in FY19. The key factors that impacted revenue in FY20 included:

- lower average FUM due to the impact of net outflows and prior period distributions
- partially offset by higher average equity markets (mainly in 1H20) and growth associated with the listed investments strategy.

Average FUM revenue margins in FY20 were 69 basis points (bps), 2 bps lower than in FY19. Excluding performance fees earned, underlying average margins of 68 bps decreased by 2 bps compared to FY19.

Movements in average margins usually result from changes in the mix of FUM between lower-margin institutional and higher-margin retail investors, as well as changes in the mix of asset classes such as cash and fixed income (generally lower margin) and equities (generally higher margin) and the contribution of performance fees earned.

Expenses

Total expenses, comprising operating expenses, depreciation, amortisation, equity remuneration and interest expense, for Perpetual Investments in FY20 were $117.9 million, $7.2 million or 6% lower than in FY19.

The decrease in expenses on FY19 was mainly due to lower issuance costs connected with the listed investment strategies that were not repeated in FY20 and operating model benefits.

2.1.4 FUNDS UNDER MANAGEMENT

Revenue margin

FOR THE PERIOD	FY20 bps	FY19 bps	FY20 v FY19	2H20 bps	1H20 bps	2H19 bps	1H19 bps
By asset class:							
- Equities[1]	85	82	3	85	85	83	82
- Cash and fixed income	39	40	(1)	36	43	41	39
- Other FUM related	59	68	(9)	56	62	66	70
Average revenue margin	**69**	**71**	**(2)**	**66**	**72**	**71**	**71**

Performance fees ($M)

FOR THE PERIOD	FY20 $M	FY19 $M	FY20 v FY19	2H20 $M	1H20 $M	2H19 $M	1H19 $M
By asset class:							
- Equities	1.6	1.5	2%	1.8	(0.3)	1.2	0.3
- Cash and fixed income	1.6	2.0	(20%)	0.7	0.8	0.8	1.1
Total performance fees	**3.1**	**3.5**	(11%)	**2.6**	**0.5**	**2.1**	**1.4**

Closing FUM summary ($B)

	FUM MOVEMENTS				NET FLOWS			
	FY20	Net flows	Other[2]	**FY19**	**2H20**	**1H20**	**2H19**	**1H19**
	$B	$B	$B	**$B**	**$B**	**$B**	**$B**	**$B**
Institutional	7.7	(0.2)	0.9	7.0	-	(0.2)	(2.2)	(0.8)
Intermediary (master trust and wrap)	15.9	(1.8)	3.2	14.5	(0.8)	(1.0)	(0.9)	(0.4)
Retail	4.0	(0.6)	(0.3)	4.9	(0.3)	(0.3)	(0.3)	(0.2)
Listed Investment vehicles	0.8	-	-	0.8	-	-	0.4	0.1
All distribution channels	**28.4**	**(2.6)**	**3.8**	**27.2**	**(1.1)**	**(1.5)**	**(3.0)**	**(1.3)**
Australian equities	12.6	(3.1)	(1.8)	17.5	(0.6)	(2.5)	(3.0)	(1.2)
Global equities	1.1	(0.1)	(0.1)	1.3	(0.1)	-	(0.2)	-
Equities	13.7	(3.2)	(1.9)	18.8	(0.7)	(2.5)	(3.2)	(1.2)
Cash and fixed income	8.4	0.7	0.2	7.5	(0.4)	1.1	0.2	-
Trillium and other	6.3	(0.1)	5.5	0.9	-	(0.1)	-	(0.1)
All asset classes[1]	**28.4**	**(2.6)**	**3.8**	**27.2**	**(1.1)**	**(1.5)**	**(3.0)**	**(1.3)**

1. From 1 July 2019 Equities closing FUM includes sub-advisory mandates. Both closing FUM and average revenue margin prior period comparatives have been restated.
2. Includes acquisition of Trillium Asset Management, changes in asset values, income, reinvestments, distributions, and asset class rebalancing within the Group's diversified funds

The drivers of revenue margins by asset class are described below:

Equities: Revenues represent fees earned on Australian and global equities products. Revenue in FY20 was $136.5 million, a decrease of 20% on FY19. Revenue was negatively impacted by lower average FUM as a result of net outflows and prior period distributions, partially offset by higher equity markets. The average margin in FY20 was 85 bps, 3 bps higher than FY19, due to changes in channel mix.

Cash and fixed income: Revenues are derived from the management of cash and fixed income products. Revenue in FY20 was $31.9 million, an increase of 10% on FY19, mainly due to the Credit Income Trust and positive net flows. The revenue margin in FY20 of 39 bps decreased by 1 bps when compared to FY19 mainly driven by change in mix towards lower margin product.

Other FUM related: Revenue mainly includes management fees for external funds on the WealthFocus platform. Revenue in FY20 was $5.0 million, a decrease of 14% on FY19.

Other non-FUM related: Revenue includes the interest earned on operational bank accounts across the business.

FUM

Perpetual Investments FUM (including Trillium Asset Management FUM) as at 30 June 2020 was $28.4 billion.

Perpetual Investments FUM (excluding Trillium Asset Management FUM) as at 30 June 2020 was $22.8 billion with net outflows of $2.6 billion during FY20. Points of note in relation to the FUM and flows data for FY20:

- outflows in the institutional and intermediary channels were primarily in Australian Equities
- inflows within cash and fixed income driven by the lower margin enhanced cash mandates.

2.2 PERPETUAL PRIVATE

2.2.1 BUSINESS OVERVIEW

Perpetual Private is an advisory services business focused on the comprehensive needs of HNW individuals, families and non-profit organisations.

Perpetual Private aims to lead the market in advisory and professional services in its chosen segments. A key part of Perpetual Private is its philanthropic business and Perpetual is one of Australia's largest managers of philanthropic funds, with $2.9 billion in FUA for charitable trusts and endowment funds as at the end of FY20.

2.2.2 FINANCIAL PERFORMANCE

FOR THE PERIOD	FY20 $M	FY19 $M	FY20 v FY19	2H20 $M	1H20 $M	2H19 $M	1H19 $M
Market related revenue	122.1	120.4	1%	59.3	62.8	59.9	60.5
Non-market related revenue	60.9	65.7	(7%)	30.1	30.7	33.5	32.1
Total revenues	183.0	186.1	(2%)	89.5	93.5	93.4	92.6
Operating expenses[1,2]	(135.3)	(132.0)	(3%)	(68.5)	(66.8)	(68.3)	(63.6)
EBITDA	**47.7**	**54.1**	**(12%)**	**20.9**	**26.8**	**25.1**	**29.0**
Depreciation and amortisation[1,2]	(13.1)	(9.7)	(35%)	(5.7)	(7.5)	(4.9)	(4.8)
Equity remuneration expense	(3.4)	(3.2)	(7%)	(2.0)	(1.4)	(1.7)	(1.5)
Interest expense[1]	(1.0)	-	NM	(0.5)	(0.5)	-	-
Profit before tax	**30.1**	**41.2**	**(27%)**	**12.8**	**17.4**	**18.5**	**22.6**
Funds under advice ($B)							
Closing FUA	$14.3B	$14.8B	(4%)	$14.3B	$15.2B	$14.8B	$13.7B
Average FUA	$14.7B	$14.2B	3%	$14.4B	$14.9B	$14.4B	$14.1B
Market related revenue margin	83bps	85bps	(2bps)	82bps	84bps	83bps	86bps

1. Effective 1 July 2019, the Group adopted AASB 16, *Leases*. On adoption, the Group elected the modified retrospective approach, with the effect of the initial application recognised in retained earnings at 1 July 2019. FY19 comparatives have not been restated.
2. Re-allocation of 1H20 expenses.

In FY20, Perpetual Private reported profit before tax of $30.1 million, $11.1 million or 27% lower than in FY19.

This was mainly driven by increased investment in supporting future business growth (Adviser Growth Strategy), combined with lower non-market related revenue impacted by economic slow-down and low interest rate environment.

Perpetual Private experienced continued new client growth within the high net worth segment in FY20, supported by Adviser Growth Strategy. The cost to income ratio in FY20 was 84% compared to 78% in FY19.

2.2.3 DRIVERS OF PERFORMANCE

Revenue

Perpetual Private generated revenue of $183.0 million in FY20, $3.1 million or 2% lower than in FY19.

Market related revenue was $122.1 million, $1.7 million or 1% higher than in FY19. Growth in average FUA due to stronger average equity markets and continued positive net flows were partially offset by the impact of lower margin.

Non-market related revenue was $60.9 million, $4.8 million or 7% lower than FY19, driven by the impact of lower interest rates, estate administration revenue and the impact of the economic slow-down in 2H20 on Fordham, partially offset by Priority Life.

Perpetual Private's market related revenue margin was 83 bps in FY20 compared to 85 bps in FY19.

Expenses

Total expenses, comprising operating expenses, depreciation, amortisation, equity remuneration and interest expense, for Perpetual Private in FY20 were $152.8 million, $7.9 million or 5% higher than in FY19. The increase was primarily due to investment in supporting future business growth (Advisor Growth Strategy and Priority Life), partially offset by operating model benefits.

2.2.4 FUNDS UNDER ADVICE

AT END OF	FY20 $B	Net flows $B	Other[1] $B	FY19 $B	2H20 $B	1H20 $B	2H19 $B	1H19 $B
Total FUA	**14.3**	0.6	(1.2)	**14.8**	**14.3**	**15.2**	**14.8**	**13.7**

1. Includes reinvestments, distributions, income and asset growth.

Perpetual Private's FUA at the end of FY20 was $14.3 billion, $0.5 billion or 3% lower than FY19, primarily due to lower equity markets (closing) and distributions, partially offset by positive net flows, supported by Adviser Growth Strategy

2.3 PERPETUAL CORPORATE TRUST

2.3.1 BUSINESS OVERVIEW

Perpetual Corporate Trust is a leading provider of corporate trustee services, comprising the following:

- **Debt Markets Services** – provides trustee, agency, trust management, accounting, document custody and standby servicing solutions to the Australian debt capital markets and securitisation industry.
  In addition, the Data & Analytics Solutions business comprise three distinct offerings to the banking and financial services industry; 1) Data Services provides regulatory reporting (RBA & ESMA) and investor and intermediary reporting; 2) Roundtables provides industry wide portfolio insights and benchmarking of approximately $2.4 trillion of retail loans across multiple asset classes; and 3) Perpetual Intelligence Platform provides automated treasury, credit and risk solutions through software as a service.
- **Managed Funds Services** – provides independent responsible entity, custody, trustee and investment management services to the domestic and global managed funds industry. We have a global client base serviced from our Singapore and Australian presence, administrating a broad range of asset classes including property and infrastructure, debt, fixed income, equity, private equity, emerging markets and hedge funds.

2.3.2 FINANCIAL PERFORMANCE

FOR THE PERIOD	FY20 $M	FY19 $M	FY20 v FY19	2H20 $M	1H20 $M	2H19 $M	1H19 $M
Debt Markets Services	69.9	61.6	13%	36.7	33.2	32.7	28.9
Managed Funds Services	55.6	51.3	8%	28.0	27.6	26.6	24.7
Total revenues	125.5	112.9	11%	64.7	60.8	59.3	53.6
Operating expenses[1,2]	(58.2)	(56.6)	(3%)	(31.3)	(26.9)	(29.6)	(27.0)
EBITDA	**67.3**	**56.3**	**20%**	**33.4**	**33.9**	**29.7**	**26.6**
Depreciation and amortisation[1,2]	(10.6)	(7.5)	(42%)	(4.9)	(5.7)	(3.9)	(3.6)
Equity remuneration expense	(1.0)	(1.0)	(1%)	(0.6)	(0.4)	(0.5)	(0.6)
Interest expense[1]	(0.5)	(0.2)	(200%)	(0.2)	(0.3)	(0.1)	(0.1)
Profit before tax	**55.2**	**47.7**	**16%**	**27.7**	**27.5**	**25.2**	**22.4**

1. Effective 1 July 2019, the Group adopted AASB 16, *Leases*. On adoption, the Group elected the modified retrospective approach, with the effect of the initial application recognised in retained earnings at 1 July 2019. FY19 comparatives have not been restated.
2. Re-allocation of 1H20 expenses.

In FY20, Perpetual Corporate Trust reported profit before tax of $55.2 million, $7.5 million or 16% higher than in FY19. The cost to income ratio in FY20 was 56% compared to 58% in FY19.

2.3.3 DRIVERS OF PERFORMANCE

Revenue

Perpetual Corporate Trust generated revenue of $125.5 million in FY20, $12.6 million or 11% higher than in FY19. The main drivers of the improvement by business line were as detailed below.

In FY20, Debt Markets Services revenue was $69.9 million, $8.3 million or 13% higher than in FY19. The primary drivers for the increase on FY19 were underlying growth in the securitisation portfolio from new and existing clients, the impact of the acquisition of RFi Roundtables and growth in Perpetual Intelligence Platform.

In FY20, Managed Funds Services revenue was $55.6 million, $4.3 million or 8% higher than FY19. The increase was driven by growth from both existing and new clients within its core commercial property and managed investment funds segments, together with stable asset prices.

Expenses

Total expenses, comprising operating expenses, depreciation, amortisation, equity remuneration, and interest expense, for Perpetual Corporate Trust in FY20 were $70.4 million, $5.1 million or 8% higher than in FY19.

The primary driver of the increase in expenses on FY19 were the impact of investment into new service offerings and the digital transformation of core trustee operating systems, as well as the acquisition of RFi Roundtables, partially offset by operating model benefits.

2.3.4 FUNDS UNDER ADMINISTRATION

AS AT	FY20 $B	FY19 $B	FY20 v FY19	2H20 $B	1H20 $B	2H19 $B	1H19 $B
Public Market Securitisation							
RMBS - bank	58.8	53.1	11%	58.8	54.2	53.1	60.0
RMBS - non bank	72.6	62.4	16%	72.6	67.2	62.4	60.4
CMBS and ABS	41.9	43.3	(3%)	41.9	43.0	43.3	43.1
Balance Sheet Securitisation							
RMBS - repos	384.3	243.3	58%	384.3	240.8	243.3	205.4
Covered bonds	80.5	78.3	3%	80.5	77.7	78.3	77.5
Debt Markets Services - Securitisation[1]	638.0	480.4	33%	638.0	482.9	480.4	446.4
Corporate Debt	18.1	14.5	25%	18.1	15.5	14.5	14.8
Total Debt Markets Services	656.1	494.9	33%	656.1	498.4	494.9	461.2
Custody	158.1	151.7	4%	158.1	147.1	151.7	145.1
Wholesale Trustee	64.3	58.1	11%	64.3	63.5	58.1	57.5
Responsible Entity	28.9	29.2	(1%)	28.9	30.7	29.2	24.6
Singapore	34.6	30.6	13%	34.6	32.7	30.6	28.7
Managed Funds Services	285.8	269.7	6%	285.8	274.1	269.7	255.8
Total FUA	**941.9**	**764.5**	**23%**	**941.9**	**772.5**	**764.5**	**717.1**

1. Includes warehouse and liquidity finance facilities.

At the end of FY20, Securitisation FUA in the Debt Markets Services business was $638.0 billion, an increase of $157.6 billion or 33% on FY19. The increase was driven by:

- Growth in lower margin RMBS – repos supporting our bank clients' access to the RBA's term funding facility
- Positive net issuance with growth in FUA across RMBS – non bank and RMBS – bank FUA, partially offset by a decrease in CMBS and ABS
- RMBS (bank and non bank) runoff rates in FY20 have been lower than in FY19

At the end of FY20, Managed Funds Services FUA was $285.8 billion, an increase of $16.1 billion or 6% on FY19. The increase was driven by Wholesale Trustee, Custody and Singapore, partially offset by lower FUA in Responsible Entity.

2.4 PERPETUAL GROUP SERVICES

2.4.1 BUSINESS OVERVIEW

Group Support Services consist of Group Investments, CEO, Finance, Corporate Affairs, Legal, Audit, Risk, Compliance, Company Secretary, Technology, Operations, Product and People & Culture and provides technology, operations, property, legal, risk and financial management, and human resources support to the business units.

Costs retained by Group Support Services reflect costs that management deems to be associated with corporate functions rather than reportable business segment activity. These include costs associated with the Board of Directors and 50% of the costs associated with the Group Executives of each of the Group Support Services business units. Costs and revenues associated with the capital structure of the Group, including interest income, financing costs and ASX listing fees are also retained within Group Support Services.

2.4.2 FINANCIAL PERFORMANCE

FOR THE PERIOD	FY20 $M	FY19 $M	FY20 v FY19	2H20 $M	1H20 $M	2H19 $M	1H19 $M
Interest Income	3.1	6.3	(51%)	1.1	2.0	3.0	3.3
Other Income[1]	4.2	3.8	11%	1.5	2.7	6.8	(3.1)
Total revenues	7.3	10.1	(28%)	2.6	4.7	9.8	0.3
Operating expenses[2,3]	(10.6)	(14.4)	26%	(6.7)	(3.9)	(8.5)	(5.8)
EBITDA	**(3.3)**	**(4.3)**	**23%**	**(4.1)**	**0.8**	**1.3**	**(5.6)**
Depreciation and amortisation[2,3]	(2.1)	(0.2)	(967%)	(0.7)	(1.4)	(0.1)	(0.1)
Equity remuneration expense	(0.7)	0.5	242%	(0.4)	(0.3)	(0.3)	0.8
Interest expense[2]	(2.4)	(2.6)	9%	(0.9)	(1.5)	(1.2)	(1.4)
Profit before tax	**(8.5)**	**(6.6)**	**(28%)**	**(6.1)**	**(2.4)**	**(0.4)**	**(6.2)**

1. Other Income includes realised gains and losses on investments, distributions and assets designated at 'fair value through profit and loss' (FVTPL).
2. Effective 1 July 2019, the Group adopted AASB 16, *Leases*. On adoption, the Group elected the modified retrospective approach, with the effect of the initial application recognised in retained earnings at 1 July 2019. FY19 comparatives have not been restated.
3. Re-allocation of 1H20 expenses.

2.4.3 DRIVERS OF PERFORMANCE

Revenue

In FY20, revenue from the Group's cash holdings and principal investments was $7.3 million, $2.8 million lower than in FY19. The decrease to FY19 was driven by lower interest income and unrealised losses of seed funds, investing in product (IIP) and underlying assets on model portfolios, partially offset higher distribution income received from unit trust investments held for IIP and seed fund investments.

Expenses

Total expenses, comprising operating expenses, depreciation, amortisation, equity remuneration and interest expense for Group Support Services in FY20 were $15.7 million, $1.0 million lower than in FY19.

The primary driver of the decrease in expenses on FY19 were operating model benefits, lower regulatory expenses and remediation costs, partially offset by enterprise wide investment including technology uplift.

SECTION 3
APPENDICES

3.1 APPENDIX A: SEGMENT RESULTS

PERIOD	FY20					2H20					1H20				
	Perpetual Investments[2]	Perpetual Private	Perpetual Corporate Trust	Group Support Services	Total	Perpetual Investments[2]	Perpetual Private	Perpetual Corporate Trust	Group Support Services	Total	Perpetual Investments	Perpetual Private	Perpetual Corporate Trust	Group Support Services	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Operating revenue	173.4	183.0	125.5	7.3	489.2	78.9	89.5	64.7	2.6	235.7	94.5	93.5	60.8	4.7	253.5
Operating expenses[1,3]	(104.5)	(135.3)	(58.2)	(10.6)	(308.6)	(54.2)	(68.5)	(31.3)	(6.7)	(160.8)	(50.3)	(66.8)	(26.9)	(3.9)	(147.8)
EBITDA	**68.8**	**47.7**	**67.3**	**(3.3)**	**180.6**	**24.6**	**20.9**	**33.4**	**(4.1)**	**74.9**	**44.2**	**26.8**	**33.9**	**0.8**	**105.7**
Depreciation and amortisation[1,3]	(6.4)	(13.1)	(10.6)	(2.1)	(32.2)	(3.1)	(5.7)	(4.9)	(0.7)	(14.3)	(3.3)	(7.5)	(5.7)	(1.4)	(17.9)
Equity remuneration	(6.8)	(3.4)	(1.0)	(0.7)	(12.0)	(3.2)	(2.0)	(0.6)	(0.4)	(6.2)	(3.6)	(1.4)	(0.4)	(0.3)	(5.8)
EBIT	**55.6**	**31.1**	**55.7**	**(6.1)**	**136.3**	**18.3**	**13.3**	**27.9**	**(5.2)**	**54.3**	**37.3**	**17.9**	**27.8**	**(0.9)**	**82.0**
Interest expense[1]	(0.1)	(1.0)	(0.5)	(2.4)	(4.0)	(0.1)	(0.5)	(0.2)	(0.9)	(1.7)	(0.1)	(0.5)	(0.3)	(1.5)	(2.3)
UPBT	**55.4**	**30.1**	**55.2**	**(8.5)**	**132.3**	**18.2**	**12.8**	**27.7**	**(6.1)**	**52.6**	**37.2**	**17.4**	**27.5**	**(2.4)**	**79.7**

PERIOD	FY19					2H19					1H19				
	Perpetual Investments	Perpetual Private	Perpetual Corporate Trust	Group Support Services	Total	Perpetual Investments	Perpetual Private	Perpetual Corporate Trust	Group Support Services	Total	Perpetual Investments	Perpetual Private	Perpetual Corporate Trust	Group Support Services	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Operating revenue	205.0	186.1	112.9	10.1	514.1	99.2	93.4	59.3	9.8	261.8	105.8	92.6	53.6	0.3	252.3
Operating expenses	(115.1)	(132.0)	(56.6)	(14.4)	(318.1)	(60.8)	(68.3)	(29.6)	(8.5)	(167.2)	(54.3)	(63.6)	(27.0)	(5.8)	(150.8)
EBITDA	**89.9**	**54.1**	**56.3**	**(4.3)**	**196.0**	**38.4**	**25.1**	**29.7**	**1.3**	**94.6**	**51.5**	**29.0**	**26.6**	**(5.6)**	**101.5**
Depreciation and amortisation	(2.6)	(9.7)	(7.5)	(0.2)	(20.0)	(1.2)	(4.9)	(3.9)	(0.1)	(10.1)	(1.4)	(4.8)	(3.6)	(0.1)	(9.9)
Equity remuneration	(7.3)	(3.2)	(0.1)	0.5	(11.1)	(3.7)	(1.7)	(0.5)	(0.3)	(6.2)	(3.6)	(1.5)	(0.6)	0.8	(4.9)
EBIT	**79.9**	**41.2**	**47.8**	**(4.0)**	**164.9**	**33.5**	**18.5**	**25.3**	**0.9**	**78.2**	**46.5**	**22.6**	**22.5**	**(4.9)**	**86.7**
Interest expense	-	-	(0.2)	(2.6)	(2.8)	-	-	(0.1)	(1.2)	(1.4)	-	-	(0.1)	(1.4)	(1.4)
UPBT	**79.9**	**41.2**	**47.7**	**(6.6)**	**162.2**	**33.5**	**18.5**	**25.2**	**(0.4)**	**76.9**	**46.5**	**22.6**	**22.4**	**(6.2)**	**85.3**

1. Effective 1 July 2019, the Group adopted AASB 16, *Leases*. As a result, the Group as a lessee, has recognised right of use assets representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments. On adoption, the Group elected the modified retrospective approach, with the effect of the initial application recognised in retained earnings at 1 July 2019. FY19 comparatives have not been restated.
2. The newly acquired Trillium operation does not meet the definition of an operating segment as at balance date. Trillium assets and liabilities as at 30 June 2020 are included within the Perpetual Investments segment in the FY20 Statutory Accounts.
3. Re-allocation of 1H20 expenses.

3.2 APPENDIX B: BRIDGE FOR FY20 STATUTORY ACCOUNTS AND OFR

UPAT represents Perpetual's measure of the results for the ongoing business of the Group as determined by the Board and management. UPAT has been calculated in accordance with ASIC's Regulatory Guide 230 – Disclosing non-IFRS financial information has been followed when presenting this information. UPAT attributable to equity holders of Perpetual Limited has not been audited by the Group's external auditors, however, the adjustments have been extracted from the books and records that have been audited. Underlying profit after tax attributable to equity holders of Perpetual Limited is disclosed as it is useful for investors to gain a better understanding of Perpetual's financial results from normal operating activities.
Post completion of Barrow, Hanley, Mewhinney & Strauss, LLC acquisition, it is expected that future dividends will be paid on a revised UPAT metric, this change will take effect on a prospective basis from FY21.

Bridge for FY20 Statutory Accounts and OFR

		OFR adjustments		
	FY20 Statutory Accounts	**EMCF[1]**	**Significant items**	**FY20 OFR**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	491,297	(2,138)	-	489,159
Staff related expenses excluding equity remuneration expense	(187,823)			(187,823)
Occupancy expenses	(7,884)			(7,884)
Administrative and general expenses	(112,895)			(112,895)
Distributions and expenses relating to structured products	(2,138)	2,138		-
Equity remuneration expense	(12,035)			(12,035)
Depreciation and amortisation expense	(32,187)			(32,187)
Operating model review costs	(13,737)		13,737	-
Transaction and intergration costs	(1,964)		1,964	-
Financing costs	(4,026)			(4,026)
Total expenses	(374,690)	2,138	15,701	(356,851)
Net profit before tax	**116,607**	**-**	**15,701**	**132,308**
Income tax expense	(34,608)		(4,227)	(38,835)
Net profit after tax	81,999	-	11,474	93,473
Net profit after tax attributable to equity holders of Perpetual Limited	**81,999**	**-**	**11,474**	**93,473**
Significant Items (net of tax)				
Operating Model Review costs				(9,616)
Trillium Asset Mangement - Transaction & Integration costs				(1,858)
Net profit after tax attributable to equity holders				**81,999**

1. Income from the EMCF structured products is recorded on a net basis, for statutory purposes, revenue and distributions are adjusted to reflect the gross revenue and expenses of these products.

3.3 APPENDIX C: AVERAGE FUNDS UNDER MANAGEMENT

Average FUM by asset class

FOR THE PERIOD	FY20 $B	FY19 $B	FY20 v FY19	2H20 $B	1H20 $B	2H19 $B	1H19 $B
Australian equities	14.8	19.2	(23%)	13.3	16.4	18.2	20.1
Global equities	1.2	1.4	(14%)	1.1	1.3	1.4	1.4
Total equities	**16.0**	**20.6**	(22%)	**14.4**	**17.7**	**19.6**	**21.5**
Cash and fixed income	8.2	7.3	12%	8.6	7.7	7.3	7.2
Other[1]	0.8	0.9	(11%)	0.8	0.9	0.9	1.0
Total average FUM[1]	**25.0**	**28.8**	(13%)	**23.8**	**26.3**	**27.8**	**29.7**

1. Average FUM for FY20 excludes Trillium Asset Management

3.4 APPENDIX D: FULL TIME EQUIVALENT EMPLOYEES

Total FTE employees

AT END OF	2H20[1]	1H20[1]	2H19	1H19
Perpetual Investments	90	86	168	161
Perpetual Private	379	352	417	396
Perpetual Corporate Trust	161	149	203	196
Group Support Services	369	342	172	163
Total operations[2]	**999**	**929**	**960**	**915**
Permanent	974	907	931	898
Contractors	25	22	29	17
Total operations[2]	**999**	**929**	**960**	**915**

1. FY20 FTE split reflects transfer of functions such as operations, product and fund accounting from the business units into the new function reporting into the Chief Operating Officer (COO) within Group Support Services.
2. Total FTE for FY20 excludes Trillium Asset Management considering acquisition date of 30 June 2020

3.5 APPENDIX E: DIVIDEND HISTORY

Perpetual's dividend policy is to a payout ratio range of between 80% and 100% of net profit after tax on an annualised basis. An extended history of Perpetual's dividends paid including the dividend reinvestment price can be found via this link: https://www.perpetual.com.au/about/shareholders/dividend-history

Year	Dividend	Date paid	Dividend per share	Franking rate	Company tax rate	DRP price
FY20	Final	25 Sep 2020	50 cents	100%	30%	Not determined at time of publication
FY20	Interim	27 Mar 2020	105 cents	100%	30%	$28.06
FY19	Final	30 Sep 2019	125 cents	100%	30%	$36.70
FY19	Interim	29 Mar 2019	125 cents	100%	30%	$41.62
FY18	Final	8 Oct 2018	140 cents	100%	30%	$42.20
FY18	Interim	26 Mar 2018	135 cents	100%	30%	$50.34
FY17	Final	29 Sep 2017	135 cents	100%	30%	$52.33
FY17	Interim	24 Mar 2017	130 cents	100%	30%	$51.86
FY16	Final	28 Sep 2016	130 cents	100%	30%	$45.93
FY16	Interim	24 Mar 2016	125 cents	100%	30%	$42.93

3.6 GLOSSARY

ABS	Asset backed securities
All Ords	All Ordinaries Price Index
APRA	Australian Prudential Regulatory Authority
ARCC	Audit, Risk and Compliance Committee
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
B	Billion
BEAR	Banking Executive Accountability Regime
bps	Basis point (0.01%)
COVID-19	Coronavirus disease
CMBS	Commercial mortgage backed securities
cps	Cents per share
DPS	Dividend(s) per share
DRP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation of intangible assets, equity remuneration expense, and significant items
EMCF	Perpetual Exact Market Cash Fund
EPS	Earnings per share
ER	Early Release
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
FAR	Financial Accountability Regime
FASEA	Financial Adviser Standards and Ethics Authority
FSRC	Financial Services Royal Commission
FTE	Full time equivalent employee
FUA	Funds under advice or funds under administration
FUM	Funds under management
FVTPL	Fair value through profit and loss
Group	Perpetual Limited and its controlled entities (the consolidated entity) and the consolidated entity's interests in associates
HNW	High net worth
IIP	Investing in Product
M	Million
NM	Not meaningful
NPAT	Net profit after tax
NTA	Net tangible asset
OFR	Operating and Financial Review
PCT	Perpetual Corporate Trust
PI	Perpetual Investments
PP	Perpetual Private

RBA	Royal Bank of Australia
RMBS	Residential mortgage-backed securities
ROE	Return on equity
RSE	Registrable Superannuation Entity
S&P	Standard & Poor’s
UPAT	Underlying profit after tax
UPBT	Underlying profit before tax
WH&S	Work health and safety

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