Perpetual Limited
ABN 86 000 431 827

OPERATING AND FINANCIAL REVIEW

For the 12 months
ended 30 June 2019

Perpetual

Notes

Note that in this review:

- FY19 refers to the financial reporting period for the 12 months ended 30 June 2019
- 1H19 refers to the financial reporting period for the 6 months ended 31 December 2018
- 2H19 refers to the financial reporting period for the 6 months ended 30 June 2019
- with similar abbreviations for previous and subsequent periods.

This is a review of Perpetual's operations for the 12 months ended 30 June 2019 (FY19). It also includes a review of its financial position as at 30 June 2019.

The following information should be read in conjunction with the Group's audited consolidated financial statements and associated notes for FY19.

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 2019 contained in the Annual Report for the financial year ended 30 June 2019 (FY19). 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 2019

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REVIEW OF GROUP

1 ABOUT PERPETUAL

1.1 OVERVIEW

Perpetual Limited (Perpetual or the Group) is an Australian independent wealth manager operating in Australia and Singapore 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 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 priorities:

- deepen our client relationships and improve our clients' experience
- promote a culture of innovation and empowerment to be nimble and increase productivity
- embed digital solutions in how we work together and interact with our clients and
- identify and execute the right inorganic opportunities to deliver quality growth.

Perpetual Investments aims to build on its strength in active Australian equities funds management and leverage its capabilities to move into logical, adjacent products and strategies. Building on our strong commitment to value investing, we are open to investing in additional asset management capabilities in other asset classes and/or investment styles, both in Australia and globally.

Perpetual Private's strategic objective is to lead in high net worth (HNW) advice and wealth management to its target client segments of 'business owners', 'established wealthy' and 'professionals'. These segments play to our existing strengths across holistic advice, research, investments, fiduciary and philanthropy. Perpetual Private aims to protect and grow client's wealth over the long term, whilst improving the client experience.

Perpetual Corporate Trust will leverage its market-leading businesses in Debt Markets Services and Managed Funds Services. Debt Markets Services seeks to maintain its strong position in the provision of trustee, custody and standby services to debt capital and securitisation markets and enhance its service offering through the provision of value-added services via its data management and analytics solutions capability. Managed Funds Services continues to leverage its scale in the market and further extend into adjacencies such as responsible entity and investment management services to managed investment schemes.

1.1.2 OPERATING SEGMENTS & PRINCIPAL ACTIVITIES

Perpetual Investments - supplies investment products and services to retail, corporate, superannuation and institutional clients.

Perpetual Private - delivers a range of tailored wealth advice services to high net worth individuals, charities, not-for-profit and other philanthropic organisations. The comprehensive suite of financial advisory services includes financial advice, portfolio management, estate planning and administration, trustee services, as well as tax advice and accounting services provided by Fordham.

Perpetual Corporate Trust - provides trustee and fiduciary services to institutional clients including custodial, trustee responsible entity and other ancillary services to Managed Investment Funds in Australia and Singapore, as well as specialised trust management and accounting services to the debt capital markets and data services to the Australian securitisation market.

The business units are supported by **Group Support Services** comprising Group Investments, Finance, Technology, Risk & Compliance, People & Culture and Marketing & Communications.

1.2 GROUP FINANCIAL PERFORMANCE

PROFITABILITY AND KEY PERFORMANCE INDICATORS

FOR THE PERIOD	FY19 $M	FY18 $M	FY19 v FY18	FY19 v FY18
Operating revenue	514.1	533.7	(19.6)	(4%)
Total expenses	(351.9)	(337.4)	(14.5)	(4%)
Underlying profit before tax (UPBT)	162.2	196.3	(34.1)	(17%)
Tax Expense	(46.2)	(57.3)	11.1	19%
Underlying profit after tax (UPAT)[1]	115.9	139.0	(23.0)	(17%)
Significant items[5]	-	1.3	(1.3)	NM
Net profit after tax (NPAT)	115.9	140.2	(24.3)	(17%)

Key Performance Indicators (KPI)				
Profitability				
UPBT margin on revenue (%)	32	37	-	(5)
Shareholder returns				
Diluted EPS on NPAT (cps)	246.3	299.5	(53.2)	(18%)
Diluted earnings per share (EPS)[2] on UPAT (cps)	246.3	296.8	(50.5)	(17%)
Fully franked dividends (cps)	250.0	275.0	(25.0)	(9%)
Dividend payout ratio[3] (%)	100	91	9	10%
Return on Equity (ROE)[4] on NPAT (%)	17.5	21.6	(4.1)	
Return on Equity (ROE)[4] on UPAT (%)	17.5	21.5	(4.0)	
Growth ($B)				
Average funds under management (FUM) $B	28.8	31.5	(2.7)	(9%)
Average funds under advice (FUA) $B	14.2	13.6	0.6	5%
Closing Debt Markets Services FUA $B	495	450	44.6	10%
Closing Managed Funds Services FUA $B	270	243	26.8	11%

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 47,072,370 for FY19 (FY18: 46,826,435 shares).
3. Dividends paid/payable as a proportion of NPAT on ordinary fully paid shares at the end of each reporting period.
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:

FOR THE PERIOD	PROFIT/(LOSS) AFTER TAX FY19 $M	FY18 $M	2H19 $M	1H19 $M	2H18 $M	1H18 $M
Write back of taxation provision - prior years	-	4.7	-	-	4.7	-
Litigation costs	-	(3.5)	-	-	-	(3.5)
Total significant items	**-**	**1.3**	**-**	**-**	**4.7**	**(3.5)**

1.2.1 FINANCIAL PERFORMANCE

For the 12 months to 30 June 2019, Perpetual's UPAT and NPAT were $115.9 million.

FY19 UPAT was 17% lower than FY18 principally due to:

- decline in average funds under management, partially offset by growth in average funds under advice
- net outflows and the impact of prior period distributions and lower performance fees earned within Perpetual Investments
- increased investment in organic and inorganic strategic initiatives, partially offset by
- higher equity markets and
- new business growth within Perpetual Corporate Trust and Perpetual Private.

The FY19 NPAT was 17% lower than FY18, due to the UPAT result as discussed above and the significant items that occurred in FY18. There were no significant items reported in FY19.

The key drivers of revenue and expenses at a 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 FY19, Perpetual Investments' FUM and Perpetual Private's FUA were 71% and 58% exposed to equity markets respectively.

The average S&P/ASX All Ordinaries Price Index (All Ords) in FY19 was 6,196, up 3% on the average All Ords in FY18 of 5,994[1].

In FY19, Perpetual generated $514.1 million of total operating revenue, which was $19.6 million or 4% lower than FY18. Revenue was negatively impacted by lower levels of FUM which was driven by net outflows and prior period distributions within Perpetual Investments, partially offset by higher equity markets, higher FUA due to continued positive net flows within Perpetual Private and new business growth in Perpetual Corporate Trust.

Performance fees earned in FY19 were $3.5 million which was $5.7 million or 62% lower than FY18.

1. The All Ords closed at 6,699 on 30 June 2019, up 7% on the closing level on 30 June 2018 of 6,290.

Management has calculated the expected impact on revenue, across the business, for a 1% movement in the All Ords. Based on the level of the All Ords as at 30 June 2019, a 1% movement impacts annualised revenue by approximately $1.75 million to $2.25 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.

1.2.3 EXPENSES

Total expenses in FY19 were $351.9 million, $14.5 million or 4% higher than FY18, comprising:

- costs incurred in pursuing the Group's inorganic strategy,
- issuance costs connected with the listed investments strategy,
- other investments in strategic initiatives, including additional staff costs to support future business growth, technology uplift and new business initiatives and
- increased regulatory expenses and remediation costs related to legacy matters, partially offset by
- lower variable remuneration and ongoing expense management.

1.2.4 SHAREHOLDER RETURNS AND DIVIDENDS

The Board announced a final fully franked ordinary dividend of 125 cents per share to be paid on 30 September 2019, taking total dividends paid and payable to 250 cents per share for FY19.

This represents a payout ratio of 100% and 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 interim dividend. No discount will apply and the DRP will be met by acquiring existing shares on-market. A broker will be appointed to acquire existing shares to satisfy the DRP.

Perpetual's return on equity (ROE) was 17.5% for the period compared with 21.6% in FY18.

1.3 GROUP FINANCIAL POSITION

AS AT	2H19[1] $M	1H19[1] $M	2H18[1] $M	1H18[1] $M
Assets				
Cash and cash equivalents	299.6	279.8	320.2	270.1
Liquid investments	69.7	63.4	75.0	83.7
Goodwill and other intangibles	345.8	346.9	327.7	327.8
Other assets	185.1	237.7	240.1	176.2
Total assets	**900.1**	**927.8**	**963.0**	**857.8**
Liabilities				
Corporate loan facility	87.0	87.0	87.0	87.0
Other liabilities	150.9	180.1	214.8	123.7
Total liabilities	**237.9**	**267.1**	**301.8**	**210.7**
Net assets	**662.2**	**660.7**	**661.1**	**647.1**
Shareholder funds				
Contributed equity	519.2	521.1	508.7	508.6
Reserves	20.0	14.4	24.2	20.0
Retained earnings	123.0	125.1	128.3	118.5
Total equity	**662.2**	**660.7**	**661.1**	**647.1**

DEBT METRICS	FY19	FY18	2H19	1H19	2H18	1H18
Corporate debt $M	87.0	87.0	87.0	87.0	87.0	87.0
Corporate debt to capital ratio[2] %	11.6	11.6	11.6	11.6	11.6	11.9
Interest coverage calculation for continuing operations (times)[3]	59x	75x	57x	61x	73x	76x
NTA per share ($)	**6.47**	**6.68**	**6.47**	**6.43**	**6.68**	**6.59**

CASHFLOW FOR THE PERIOD	FY19 $M	FY18 $M	2H19 $M	1H19 $M	2H18 $M	1H18 $M
Net cash from operating activities	132.7	144.3	87.5	45.2	113.7	30.6
Net cash used in investing activities	(27.8)	(21.8)	(7.4)	(20.4)	(0.8)	(21.0)
Net cash used in financing activities	(125.5)	(125.8)	(60.3)	(65.2)	(62.9)	(62.9)
Net (decrease)/increase in cash and cash equivalents	**(20.6)**	**(3.3)**	**19.9**	**(40.5)**	**49.9**	**(53.3)**

1. Excludes the assets and liabilities for the Perpetual Exact Market Cash Fund (EMCF) structured product.
2. Corporate debt/(corporate debt + equity).
3. EBIT/interest expense.

1.3.1 BALANCE SHEET ANALYSIS

Key movements in Perpetual's consolidated balance sheet during FY19 are described below.

Cash and cash equivalents decreased by $20.6 million, or 6%, to $299.6 million as at 30 June 2019.

Liquid investments decreased by $5.3 million to $69.7 million as at 30 June 2019 predominantly due to a disposal in unlisted unit trust investments during 1H19 with markets providing volatility within FY19.

Goodwill and other intangibles increased by $18.1 million due to an acquisition in 1H19 and continued technology investments.

Other assets and other liabilities have both decreased by $64 million due to the resolution of the Banksia matter. Excluding this matter, other assets increased by $9 million and other liabilities decreased by $0.1 million during FY19.

Contributed equity has increased by $10.5 million during FY19. This increase is primarily attributable to the vesting of shares under employee share plans.

Total reserves have decreased by $4.2 million to $20.0 million as at 30 June 2019 predominantly due to a decrease in the available-for-sale reserve of $5.0 million following the implementation of *AASB 9 Financial Instruments* from 1 July 2018, noting that transitional adjustments were recognised in retained earnings on 1 July 2018.

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 FY19, total base capital requirements were $173 million compared to $354 million of available liquid funds.

During FY19, the Group has maintained its balance sheet strength through:

- continuing to maintain the overall credit quality of the Group's risk assets
- maintaining committed debt facilities of $130 million, drawn to $87 million as at 30 June 2019, 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 FY19, cash and cash equivalents decreased by $20.6 million compared to a decrease of $3.3 million in FY18. This represents a decrease in cash flow of $17.3 million, principally due to:

- net cash from operating activities decreased by $11.6 million on FY18
- net cash used in investing activities increased by $6.0 million on FY18 primarily due to an increase in payments for property plant and equipment of $4.1 million and an increase in payments for the acquisition of a business of $12.5 million offset by an increase in net proceeds from the sale of investments of $10.6 million, and
- net cash used in financing activities decreased by $0.3 million on FY18 predominantly due to a decrease in dividend payments offset by a repurchase of shares on market.

1.3.4 DEBT

At the end of FY19, Perpetual's gross corporate debt remained unchanged at $87 million compared to FY18. The Group's gearing ratio remained stable at 11.6% (FY18: 11.6%) at the end of FY19 and remains well within Perpetual's stated risk appetite limit of 30%.

Perpetual's corporate debt is currently sourced from a long-term banking relationship with the National Australia Bank. Perpetual's gross corporate debt remains unchanged at $87 million with a further $43 million undrawn facility available to the Group. Repayment of the $87 million is not due before October 2020.

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

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 discussion provides an overview of key regulatory reforms and their impact on the Group where known.

Royal Commission

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry issued its final report on 1 February 2019. The Federal Government has indicated that it intends to adopt the recommendations and a program of legislative change is underway. ASIC and APRA have both indicated their intention to adopt various recommendations. The Group is monitoring developments closely.

Governance

Reinforcing the findings of the Royal Commission, there has been an increasing focus on governance, culture and accountability within the financial services industry. Whilst the Group is in compliance with existing governance requirements, any material changes to existing regulation may impact on Perpetual practices. Recent examples include:

- The publication of the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations.
- The recommendations by the Royal Commission to extend the Banking and Executive Accountability Regime (BEAR) to all APRA-regulated financial institutions and ASIC's statement that it will also extend BEAR to all Australian financial services licensees.
- ASIC's strategic focus on the "fairness imperative", which has been bolstered by a new enforcement posture of "why not litigate" and a more intensive supervisory approach.
- The passing into Australian law of the Modern Slavery Act 2018 and the requirement to produce a modern slavery statement.

Transparency

There is increasing focus on disclosure and reporting standards. The implementation of ASIC Regulatory Guide - RG 97 continues, as does the implementation of the ATO Common Reporting Standard requirements and the FSC Asset Stewardship Standard.

There has also been a new focus on the disclosure of financial risks associated with climate change.

Despite the operational challenges and associated cost with implementation, the Group considers increased transparency a reflection of good culture and governance and continues to implement in accordance with the respective timetables.

New Investment Vehicle Structures and Schemes

Schemes such as the introduction of the Corporate Collective Investment Vehicles and the Asia Region Funds Passport have the potential to attract greater offshore investment. As draft legislation is released, the Group is assessing relevant opportunities given its existing capabilities.

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 Group Risk 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 Group Risk and Group Compliance functions represent the second line and are responsible for overseeing first line activities. Internal Audit provides independent assurance, representing the third line, and reports to 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 on the following page.

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

1.4.3 KEY BUSINESS RISKS

The key business risks faced by Perpetual are set out below

Risk Category	Risk Description/Impact	Risk Mitigants
Compliance, Legal & Conduct	The risk that Perpetual breaches its compliance and legal obligations, leading to reputation damage, litigation, fines, breach of contract or adverse regulatory outcomes.	• Independent legal and compliance team, and training across teams • Compliance obligations are documented and monitored • Independent issues assessment
	Manifestation of behaviours and practices (conduct) that are considered unethical or unacceptable, including actions that compromise the best interests of Perpetual's clients and the integrity of the market place.	• Clearly defined expected behaviours of all individuals that form part of the performance assessment process • Implementation of the Three Lines of Defence risk practices • Whistleblowing arrangements managed by an independent vendor • Enterprise people, risk and compliance training arrangements
Financial	Risk of inappropriate use of Perpetual financial resources, drivers of financial performance are not well understood or managed to expectations, or financial results inappropriately accounted for or disclosed.	• Budget planning process • Reconciliation and review processes • Regular income and expense 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 of loss resulting from ineffective investment strategies, management or structures resulting in sustained underperformance relative to peers and benchmarks.	• Well defined and disciplined investment processes and philosophy for selection • Established investment governance structure in place • Independent mandate monitoring and reporting
Operational	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes (but is not limited to) process, fraud and business continuity risks.	• Clearly defined policies, procedures, roles and responsibilities • Controls testing in the form of control self-assessment • Business continuity planning and disaster recovery programs • Independent assurance
	Cyber risk, including the risk of loss (both data and financial) resulting from unauthorised access to and/or tampering with Perpetual's IT systems or data.	• Defined information security program and IT security policies • Implementation of operational security technology (including firewalls and antivirus) • Security (penetration) testing of key systems
Outsourcing	The risk that services performed by external service providers are not managed in line with the servicing contract or the operational standards required, resulting in potential negative impacts to shareholders and/or customers.	• Partnered with well-regarded and proven strategic partners • Outsourced relationships are managed at a senior level • Outsourcing and vendor management framework, with legal contracts • Service level standards monitored
People	Exposure to changes in personnel, 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
	Exposure of staff, customers and suppliers to 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

Risk Category	Risk Description/Impact	Risk Mitigants
Reputation	The risk arising from negative perception on the part of both existing and prospective clients, employees, counterparties, shareholders, investors, regulators or other stakeholders that can adversely affect Perpetual's ability to maintain existing, or establish new client relationships and business operations.	• Application of risk appetite statement • Effective risk management framework that sets out how risk is managed • Effective issues management processes to respond to events that may arise • Media monitoring • Net Promoter Score measurement and reporting
Strategic	Adverse strategic decisions, ineffective 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

1.5 OUTLOOK

The long-term outlook for the Group is bolstered by the growing need for investments, advice and income in retirement. At the same time, external environmental factors, such as regulatory and political uncertainty, and market volatility can pose near-term challenges facing not just Perpetual but also the broader financial services industry.

The current environment provides both opportunity and risk for the Group. Perpetual's business model positions it well to pursue opportunities, both organic and inorganic, across all three business lines. In addition, our focussed business model and disciplined approach within Perpetual Private provides opportunities following the issuance of the Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Given the sensitivity of Perpetual's revenue and profitability to movements in Australian equity markets, net flows, and investment performance, near-term results are subject to significant variability, particularly during periods of high market volatility as experienced during FY19.

SECTION 2
REVIEW OF BUSINESSES

2 REVIEW OF BUSINESSES

The results and drivers of financial performance in FY19 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 one of Australia's most highly regarded investment managers, 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, 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	FY19 $M	FY18 $M	FY19 v FY18	2H19 $M	1H19 $M	2H18 $M	1H18 $M
Revenue by asset class							
> Equities	169.1	197.3	(14%)	81.2	88.0	96.7	100.6
> Cash and fixed income	29.0	26.7	9%	15.1	13.9	13.8	13.0
> Other FUM related	6.6	8.0	(18%)	2.8	3.7	4.0	3.9
> Other non-FUM related	0.3	0.3	1%	0.1	0.2	0.2	0.1
Total Revenue	**205.0**	**232.3**	**(12%)**	**99.2**	**105.8**	**114.6**	**117.6**
Operating expenses	(115.1)	(110.5)	(4%)	(60.8)	(54.3)	(55.6)	(54.9)
EBITDA	**89.9**	**121.8**	**(26%)**	**38.4**	**51.5**	**59.1**	**62.7**
Depreciation and amortisation	(2.6)	(2.4)	(8%)	(1.2)	(1.4)	(1.2)	(1.3)
Equity remuneration expense	(7.3)	(6.9)	(7%)	(3.7)	(3.6)	(3.5)	(3.4)
Profit before tax	**79.9**	**112.5**	**(29%)**	**33.5**	**46.5**	**54.4**	**58.1**

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In FY19, Perpetual Investments reported profit before tax of $79.9 million, $32.6 million or 29% lower than FY18.

The decrease was largely driven by a decline in average FUM to $28.8 billion due to net outflows and prior period distributions partially offset by higher equity markets. The cost to income ratio in FY19 was 61% compared to 52% in FY18.

2.1.3 DRIVERS OF PERFORMANCE

Revenue

Perpetual Investments generated revenue of $205.0 million in FY19, $27.3 million lower than in FY18. The key factors that impacted revenue in FY19 included:

- lower average FUM due to the impact of net outflows largely from institutional clients and the impact of prior period distributions
- lower equities performance fees earned in FY19 compared to FY18, partially offset by
- higher equity markets and inflows associated with the listed investments strategy.

Average FUM revenue margins in FY19 were 71 basis points (bps), 2 bps lower than in FY18. Excluding performance fees earned, underlying average margins remained constant at 70 bps.

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 (generally lower margin) and equities (generally higher margin) and the contribution of performance fees earned.

Expenses

Total expenses, comprising operating expenses, depreciation, amortisation and equity remuneration, for Perpetual Investments in FY19 were $125.1 million, $5.3 million or 4% higher than in FY18.

The increase in expenses on FY18 was mainly due to costs incurred in pursuing the Group's inorganic strategy, issuance costs connected with the listed investments strategy and remediation costs related to legacy matters, partially offset by lower variable remuneration expenses and lower equity performance fee expenses.

2.1.4 FUNDS UNDER MANAGEMENT

Revenue margin

FOR THE PERIOD	FY19 bps	FY18 bps	FY19 v FY18	2H19 bps	1H19 bps	2H18 bps	1H18 bps
By asset class:							
> Equities	82	83	(1)	82	81	82	83
> Cash and fixed income	40	39	1	41	39	40	39
> Other FUM related	77	81	(4)	75	78	82	80
Average revenue margin	**71**	**73**	**(2)**	**71**	**71**	**73**	**74**

Performance fees ($M)

FOR THE PERIOD	FY19 $M	FY18 $M	FY19 v FY18	2H19 $M	1H19 $M	2H18 $M	1H18 $M
By asset class:							
> Equities	1.5	6.9	(78%)	1.2	0.3	2.7	4.1
> Cash and fixed income	2.0	2.3	(15%)	0.8	1.1	1.2	1.2
Total performance fees	**3.5**	**9.2**	(62%)	**2.1**	**1.4**	**3.9**	**5.3**

Closing FUM summary ($B)

	FUM MOVEMENTS				NET FLOWS			
	FY19	Net flows	Other[1]	FY18	2H19	1H19	2H18	1H18
					$B	$B	$B	$B
Institutional	7.0	(3.0)	0.3	9.7	(2.2)	(0.8)	(1.2)	(0.8)
Intermediary (master trust and wrap)	14.4	(1.3)	0.2	15.5	(0.9)	(0.4)	(0.2)	-
Retail	4.9	(0.5)	0.1	5.3	(0.3)	(0.2)	(0.3)	-
Listed Investment vehicles	0.8	0.5	-	0.3	0.4	0.1	-	-
All distribution channels	**27.1**	**(4.3)**	**0.6**	**30.8**	**(3.0)**	**(1.3)**	**(1.7)**	**(0.8)**
Australian equities[2]	17.4	(4.2)	0.4	21.2	(3.0)	(1.2)	(1.9)	(0.9)
Global equities	1.3	(0.2)	0.2	1.3	(0.2)	-	(0.1)	0.1
Equities	18.7	(4.4)	0.6	22.5	(3.2)	(1.2)	(2.0)	(0.8)
Cash and fixed income	7.5	0.2	-	7.3	0.2	-	0.3	-
Other	0.9	(0.1)	-	1.0	-	(0.1)	-	-
All asset classes	**27.1**	**(4.3)**	**0.6**	**30.8**	**(3.0)**	**(1.3)**	**(1.7)**	**(0.8)**

1. Includes changes in asset values, income, reinvestments, distributions, and asset class rebalancing within the Group's diversified funds.

2. Listed Investment vehicles comprise the Perpetual Equity Investment Company ("PIC") and the Perpetual Credit Income Trust ("PCI"). The prior period (1H19, 2H18 and 1H18) Australian Equities FUM has been restated to include FUM previously disclosed under "Listed Investment Company".

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

Equities: Revenues represent fees earned on Australian and global equities products. Revenue in FY19 was $169.1 million, a decrease of 14% on FY18. Revenue was negatively impacted by lower average FUM as a result of net outflows and prior period distributions and lower performance fees earned, partially offset by higher equity markets. The average margin in FY19 was 82 bps, 1 bp lower than FY18 mainly due to lower performance fees and changes in channel mix.

Cash and fixed income: Revenues are derived from the management of cash and fixed income products. Revenue in FY19 was $29.0 million, an increase of 9% on FY18 primarily due to higher average FUM. The revenue margin in FY19 of 40 bps increased by 1 bp when compared to FY18.

Other FUM related: Revenue includes management fees for sub-advisory mandates and external funds on the WealthFocus platform. Revenue in FY19 was $6.6 million, a decrease of 18% on FY18.

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

FUM

Perpetual Investments FUM as at 30 June 2019 was $27.1 billion, with net outflows of $4.3 billion for the year. Points of note in relation to the FUM and flows data for FY19:

- outflows in the institutional and intermediary channels were primarily in Australian Equities
- inflows within cash and fixed income driven by the Perpetual Credit Income Trust ("PCI") and Pure Credit Alpha, partially offset by outflows in lower margin enhanced cash mandates.

2.2 PERPETUAL PRIVATE

2.2.1 BUSINESS OVERVIEW

Perpetual Private provides a range of advice and trustee services for high net worth individuals in the target segments of ‘business owners’, ‘established wealthy’ and ‘professionals’.

Perpetual Private aims to be the leading provider of advice and wealth management for high net worth individuals, families, businesses and not-for-profit organisations. 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 FY19.

2.2.2 FINANCIAL PERFORMANCE

FOR THE PERIOD	FY19 $M	FY18 $M	FY19 v FY18	2H19 $M	1H19 $M	2H18 $M	1H18 $M
Market related revenue	120.4	120.5	(0%)	59.9	60.5	59.5	61.0
Non-market related revenue	65.7	65.9	(0%)	33.5	32.1	34.2	31.8
Total revenues	186.1	186.4	(0%)	93.4	92.6	93.7	92.8
Operating expenses	(132.0)	(128.4)	(3%)	(68.3)	(63.6)	(64.8)	(63.6)
EBITDA	**54.1**	**58.0**	**(7%)**	**25.1**	**29.0**	**28.9**	**29.2**
Depreciation and amortisation	(9.7)	(9.0)	(8%)	(4.9)	(4.8)	(4.6)	(4.4)
Equity remuneration expense	(3.2)	(3.0)	(8%)	(1.7)	(1.5)	(1.3)	(1.6)
Profit before tax	**41.2**	**46.1**	**(11%)**	**18.5**	**22.6**	**23.0**	**23.1**
Funds under advice ($B)							
Closing FUA	$14.8B	$14.1B	5%	$14.8B	$13.7B	$14.1B	$13.7B
Average FUA	$14.2B	$13.6B	5%	$14.4B	$14.1B	$13.8B	$13.4B
Market related revenue margin	85bps	89bps	(4bps)	83bps	86bps	86bps	91bps

30 JUNE 2019 V 30 JUNE 2018

In FY19, Perpetual Private reported profit before tax of $41.2 million, $4.9 million or 11% lower than in FY18.

This was mainly due to increased investment in strategic initiatives, including additional staff costs to support future business growth, one-off remediation costs, partially offset by lower variable remuneration.

Perpetual Private experienced continued new client growth within the high net worth segment in FY19. The cost to income ratio in FY19 was 78% compared to 75% in FY18.

2.2.3 DRIVERS OF PERFORMANCE

Revenue

Perpetual Private generated revenue of $186.1 million in FY19, $0.3 million lower than in FY18.

Market related revenue was $120.4 million, $0.1 million lower than in FY18. The impact of legacy book repricing and lower margin was offset by growth in average FUA due to stronger equity markets and continued positive net flows.

Non-market related revenue was $65.7 million, $0.2 million lower than FY18. The impact of legacy book repricing and lower transactional revenue was offset by growth in Fordham (tax and accounting).

Perpetual Private’s market related revenue margin was 85 bps in FY19 compared to 89 bps in FY18 due to changes in portfolio mix, legacy book repricing and timing of rebates impacting 1H18.

Expenses

Total expenses, comprising operating expenses, depreciation, amortisation and equity remuneration, for Perpetual Private in FY19 were $144.9 million, $4.6 million or 3% higher than in FY18.

The increase compared to FY18 was primarily due to additional staff costs to support future business growth, investments in other strategic initiatives (e.g. Professional Services Model) and remediation costs related to legacy matters, partially offset by lower variable remuneration.

2.2.4 FUNDS UNDER ADVICE

AT END OF	FY19	Net flows	Other[1]	FY18	2H19	1H19	2H18	1H18
	$B	$B	$B	$B	$B	$B	$B	$B
Total FUA	**14.8**	**0.2**	**0.5**	**14.1**	**14.8**	**13.7**	**14.1**	**13.7**

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

Perpetual Private's FUA at the end of FY19 was $14.8 billion, $0.7 billion or 5% higher than FY18, primarily due to higher equity markets and positive net flows, partially offset by distributions.

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 to the debt capital and securitisation markets, acts as the Australian data warehouse for investor and regulatory reporting and provides digital solutions for the Banking and Financial Services industry, and
- **Managed Funds Services** – provides outsourced responsible entity, custody, trustee and investment management services from both our Singapore and Australia office across a variety of asset classes including fixed income, equity, property, infrastructure, private equity, emerging markets and hedge funds.

2.3.2 FINANCIAL PERFORMANCE

FOR THE PERIOD	FY19 $M	FY18 $M	FY19 v FY18	2H19 $M	1H19 $M	2H18 $M	1H18 $M
Debt Markets Services	61.6	57.5	7%	32.7	28.9	29.6	27.9
Managed Funds Services	51.3	45.8	12%	26.6	24.7	24.1	21.7
Total revenues	112.9	103.3	9%	59.3	53.6	53.7	49.6
Operating expenses	(56.6)	(53.2)	(6%)	(29.6)	(27.0)	(27.3)	(25.9)
EBITDA	**56.3**	**50.1**	**12%**	**29.7**	**26.6**	**26.4**	**23.7**
Depreciation and amortisation	(7.5)	(6.5)	(14%)	(3.9)	(3.6)	(3.4)	(3.1)
Equity remuneration expense	(1.0)	(1.0)	(3%)	(0.5)	(0.6)	(0.3)	(0.7)
Interest expense	(0.2)	-	NM	(0.1)	(0.1)	-	-
Profit before tax	**47.7**	**42.6**	**12%**	**25.2**	**22.4**	**22.8**	**19.8**

30 JUNE 2019 V 30 JUNE 2018

In FY19, Perpetual Corporate Trust reported profit before tax of $47.7 million, $5.1 million or 12% higher than in FY18. The cost to income ratio in FY19 was 58% compared to 59% in FY18.

2.3.3 DRIVERS OF PERFORMANCE

Revenue

Perpetual Corporate Trust generated revenue of $112.9 million in FY19, $9.6 million or 9% higher than in FY18. The main drivers of the improvement by business line compared to FY18 were as detailed below.

In FY19, Debt Markets Services revenue was $61.6 million, $4.1 million or 7% higher than in FY18. The primary drivers for the increase on FY18 were the impact of the acquisition of RFi Analytics and underlying growth in the securitisation portfolio.

In FY19, Managed Funds Services revenue was $51.3 million, $5.5 million or 12% higher than FY18. The increase compared to FY18 was primarily due to continued market activity within its core commercial property and managed investment funds segments, together with higher asset prices.

Expenses

Total expenses, comprising operating expenses, depreciation, amortisation and equity remuneration, for Perpetual Corporate Trust in FY19 were $65.3 million, $4.5 million or 7% higher than in FY18.

The primary driver of the increase in expenses on FY18 were the impact of the acquisition of RFi Analytics and other investments in strategic initiatives, including additional staff costs to support future business growth, technology uplift and increased amortisation.

2.3.4 FUNDS UNDER ADMINISTRATION

AS AT	FY19 $B	FY18 $B	FY19 v FY18	2H19 $B	1H19 $B	2H18 $B	1H18 $B
Market Securitisation							
RMBS - bank	53.1	65.8	(19%)	53.1	60.0	65.8	59.5
RMBS - non bank	62.4	56.6	10%	62.4	60.4	56.6	53.0
CMBS and ABS	43.3	42.7	1%	43.3	43.1	42.7	45.8
Balance Sheet Securitisation							
RMBS - repos	243.3	199.7	22%	243.3	205.4	199.7	204.0
Covered bonds	78.3	70.1	12%	78.3	77.5	70.1	68.1
Debt Markets Services - Securitisation[1]	480.4	434.9	10%	480.4	446.4	434.9	430.4
Other Debt Markets Services	14.5	15.4	(6%)	14.5	14.8	15.4	17.9
Total Debt Markets Services	494.9	450.3	10%	494.9	461.2	450.3	448.3
Managed Funds Services	269.7	242.9	11%	269.7	255.8	242.9	214.2
Total FUA	**764.5**	**693.2**	**10%**	**764.5**	**717.1**	**693.2**	**662.4**

1. Includes warehouse and liquidity finance facilities.

At the end of FY19, Securitisation FUA in the Debt Markets Services business was $480.4 billion, an increase of $45.5 billion or 10% on FY18.

- Positive net issuance with growth in FUA across RMBS – non bank, RMBS – repos and covered bonds, partially offset by a decrease in RMBS – bank FUA
- RMBS runoff in FY19 has been slightly slower than FY18

Prior year Debt Markets Services – Securitisation FUA composition has been adjusted to correct a mis-classification of a number of smaller RMBS – repo transactions identified during 1H19. In FY18, 1H18 and 2H18, RMBS – repo FUA have been adjusted upwards by $7.8 billion, RMBS – bank FUA have been adjusted downwards by $5.4 billion and RMBS – non bank FUA have been adjusted downwards by $2.4 billion.

At the end of FY19, Managed Funds Services FUA was $269.7 billion, an increase of $26.8 billion or 11% on FY18, primarily driven by growth in the custody business.

2.4 GROUP SUPPORT SERVICES

2.4.1 BUSINESS OVERVIEW

Group Support services consist of Group Investments, Corporate Services comprising Finance and Technology, Risk & Compliance, People & Culture, Marketing & Communications and provides technology, 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 (CEO, Corporate Services, Risk & Compliance, People & Culture and Marketing & Communications). 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	FY19 $M	FY18 $M	FY19 v FY18	2H19 $M	1H19 $M	2H18 $M	1H18 $M
Interest Income	6.3	6.2	3%	3.0	3.3	3.1	3.1
Other Income[1]	3.8	5.6	(32%)	6.8	(3.1)	1.8	3.7
Total revenues	10.1	11.7	(14%)	9.8	0.3	4.9	6.8
Operating expenses	(14.4)	(14.6)	2%	(8.5)	(5.8)	(9.3)	(5.4)
EBITDA	**(4.3)**	**(2.9)**	**(46%)**	**1.3**	**(5.6)**	**(4.4)**	**1.5**
Depreciation and amortisation	(0.2)	(0.4)	55%	(0.1)	(0.1)	(0.2)	(0.3)
Equity remuneration expense	0.5	1.1	54%	(0.3)	0.8	0.5	0.6
Interest expense	(2.6)	(2.6)	(0%)	(1.2)	(1.4)	(1.3)	(1.3)
Profit before tax	**(6.6)**	**(4.9)**	**(35%)**	**(0.4)**	**(6.2)**	**(5.4)**	**0.5**

1. Other Income includes realised gains and losses on investments, distributions and assets designated at 'fair value through profit and loss' (FVTPL). Previously, unrealised gains and losses on assets at FVTPL were recognised through available-for-sale reserve in equity rather than taken into the income statement. Comparatives were not restated, and transitional adjustments were recognised in retained earnings on 1 July 2018.

2.4.3 DRIVERS OF PERFORMANCE

Revenue

In FY19, revenue from the Group's cash holdings and principal investments was $10.1 million, $1.6 million or 14% lower than in FY18. The decrease was predominantly driven by a decrease in the net gain on the sale of seed funds, investing in product (IIP) and the underlying assets on model portfolios, partially offset by an increase in 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 FY19 were $16.7 million, $0.1 million or 1% higher than in FY18.

Investments in strategic initiatives including technology uplift, increased regulatory expenses and higher equity remuneration reversals in FY18 were offset by lower variable remuneration and ongoing expense management.

SECTION 3
APPENDICES

3.1 APPENDIX A: SEGMENT RESULTS

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)	(1.0)	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**

PERIOD	FY18					2H18					1H18				
	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	232.3	186.4	103.3	11.7	533.7	114.6	93.7	53.7	4.9	266.9	117.6	92.8	49.6	6.8	266.8
Operating expenses	(110.5)	(128.4)	(53.2)	(14.6)	(306.7)	(55.6)	(64.8)	(27.3)	(9.3)	(157.0)	(54.9)	(63.6)	(25.9)	(5.4)	(149.8)
EBITDA	**121.8**	**58.0**	**50.1**	**(2.9)**	**227.0**	**59.1**	**28.9**	**26.4**	**(4.4)**	**110.0**	**62.7**	**29.2**	**23.7**	**1.5**	**117.1**
Depreciation and amortisation	(2.4)	(9.0)	(6.5)	(0.4)	(18.4)	(1.2)	(4.6)	(3.4)	(0.2)	(9.3)	(1.3)	(4.4)	(3.1)	(0.3)	(9.1)
Equity remuneration	(6.9)	(3.0)	(1.0)	1.1	(9.8)	(3.5)	(1.3)	(0.3)	0.5	(4.6)	(3.4)	(1.6)	(0.7)	0.6	(5.2)
EBIT	**112.5**	**46.1**	**42.6**	**(2.3)**	**198.9**	**54.4**	**23.0**	**22.8**	**(4.0)**	**96.1**	**58.1**	**23.1**	**19.8**	**1.8**	**102.8**
Interest expense	-	-	-	(2.6)	(2.6)	-	-	-	(1.3)	(1.3)	-	-	-	(1.3)	(1.3)
UPBT	**112.5**	**46.1**	**42.6**	**(4.9)**	**196.3**	**54.4**	**23.0**	**22.8**	**(5.4)**	**94.8**	**58.1**	**23.1**	**19.8**	**0.5**	**101.5**

3.2 APPENDIX B: BRIDGE FOR FY19 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 the 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.

Bridge for FY19 Statutory Accounts and OFR

		OFR adjustments	
	FY19 Statutory Accounts	**EMCF[1]**	**FY19 OFR**
	$'000	**$'000**	**$'000**
Revenue	519,405	(5,299)	514,106
Staff related expenses excluding equity remuneration expense	(185,381)		(185,381)
Occupancy expenses	(17,623)		(17,623)
Administrative and general expenses	(115,070)		(115,070)
Distributions and expenses relating to structured products	(5,299)	5,299	-
Equity remuneration expense	(11,058)		(11,058)
Depreciation and amortisation expense	(20,025)		(20,025)
Financing costs	(2,787)		(2,787)
Total expenses	(357,243)	5,299	(351,945)
Net profit before tax	162,162	**-**	162,162
Income tax expense	(46,233)	-	(46,233)
Net profit after tax	115,929	-	115,929
Net profit after tax consolidated entity	**115,929**	**-**	**115,929**
Net profit after tax attributable to equity holders of Perpetual Limited	**115,929**	**-**	**115,929**

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	FY19 $B	FY18 $B	FY19 v FY18	2H19 $B	1H19 $B	2H18 $B	1H18 $B
Australian equities[1]	19.2	23.1	(17%)	18.2	20.1	22.0	22.6
Global equities	1.4	1.1	27%	1.4	1.4	1.5	1.3
Total equities	**20.6**	**24.2**	(15%)	**19.6**	**21.5**	**23.5**	**23.9**
Cash and fixed income	7.3	6.3	16%	7.3	7.2	6.9	6.7
Other	0.9	1.0	(10%)	0.9	1.0	1.0	1.0
Total average FUM	**28.8**	**31.5**	(9%)	**27.8**	**29.7**	**31.4**	**31.6**

1. Listed Investment vehicles comprise the Perpetual Equity Investment Company ("PIC") and the Perpetual Credit Income Trust ("PCI"). The prior period (1H19, 2H18 and 1H18) Australian Equities FUM has been restated to include FUM previously disclosed under "Listed Investment Company".

3.4 APPENDIX D: FULL TIME EQUIVALENT EMPLOYEES

Total FTE employees

AT END OF	2H19	1H19	2H18	1H18
Perpetual Investments	168	161	173	162
Perpetual Private	417	396	410	402
Perpetual Corporate Trust	203	196	192	187
Group Support Services	172	163	160	159
Total operations	**960**	**915**	**936**	**910**
Permanent	931	898	912	899
Contractors	29	17	23	11
Total operations	**960**	**915**	**936**	**910**

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
FY19	Final	30 Sep 2019	125 cents	100%	30%	Not determined at time of publication
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
FY15	Final	25 Sep 2015	125 cents	100%	30%	$40.61
FY15	Interim	27 Mar 2015	115 cents	100%	30%	$54.20
FY14	Final	3 Oct 2014	95 cents	100%	30%	$45.54
FY14	Interim	4 Apr 2014	80 cents	100%	30%	$49.83

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 and executive accountability regime
bps	Basis point (0.01%)
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
FSC	Financial Services Council
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
RMBS	Residential mortgage-backed securities
RoE	Return on equity
S&P	Standard & Poor's
UPAT	Underlying profit after tax
UPBT	Underlying profit before tax

NEW SOUTH WALES
Angel Place, Level 18
123 Pitt Street
Sydney NSW 2000

AUSTRALIAN CAPITAL TERRITORY
Level 6, 10 Rudd Street
Canberra ACT 2601

VICTORIA
Level 28 & 29, Rialto South Tower
525 Collins Street
Melbourne VIC 3000

SOUTH AUSTRALIA
Level 11, 101 Grenfell Street
Adelaide SA 5000

WESTERN AUSTRALIA
Level 29, Exchange Tower
2 The Esplanade
Perth WA 6000

QUEENSLAND
Central Plaza 1
Level 15, 345 Queen Street
Brisbane QLD 4000

www.perpetual.com.au

Perpetual