

ASX Announcement

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## Perpetual Limited (ASX:PPT) (“Perpetual”) Fourth Quarter Business Update

- Perpetual’s total Assets under Management (AUM) were A\$90.4 billion<sup>1</sup> at 30 June 2022, 8% lower than the prior period, primarily due to negative market impacts
- Strong investment performance with 92%<sup>2</sup> of Barrow Hanley’s equities strategies and 92%<sup>2</sup> of Australian equity strategies outperforming their benchmarks over three years<sup>3</sup>
- Perpetual Asset Management International’s AUM was A\$69.2 billion, down 5%, impacted by negative market movements and net outflows. This was partially offset by strong positive net inflows in global equities strategies and favourable currency movements, demonstrating the benefit of our geographically diversified asset management business
- Perpetual Asset Management Australia’s AUM was A\$21.3 billion, down 16%, impacted by negative markets and a A\$1.7 billion redemption in a low-margin (low single digit) enhanced cash strategy, but continuing to deliver positive net flows in the higher margin intermediary channel
- Perpetual Corporate Trust continues to deliver steady growth, with total Funds under Administration (FUA) up 3% to A\$1.09 trillion
- Perpetual Private’s Funds under Advice were A\$17.4 billion, down 7% in the quarter due to negative market movements, but supported by continued positive net flows
- FY22 expense growth expected to be at the upper end of guidance

### CEO Commentary

Chief Executive Officer and Managing Director, Rob Adams said, “Perpetual has delivered a solid quarter in what has been a tough market environment for asset managers. It is during such periods of difficult global investment markets that the benefits of Perpetual’s unique combination of businesses come through, bringing sector, client and geographic diversity, with our non-market linked revenues helping to provide a level of earnings stability through market cycles.

“While our AUM was impacted by a decline in markets through the quarter, our investment teams delivered very strong relative investment performance, with all but two of our equities funds across Barrow Hanley and

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<sup>1</sup> PAMA and PAMI AUM is combined.

<sup>2</sup> Calculated on a net basis (net of management fees and other operating expenses).

<sup>3</sup> Past performance is not indicative of future performance. The disclosure document or product disclosure statement (PDS) of any of the investment strategies should be considered before deciding whether to acquire or hold units in any strategy. Target Market Determinations for the PAMA funds are available.

our Australian equities team in Perpetual Asset Management Australia (PAMA) outperforming their benchmarks<sup>2,3</sup> over three years. These teams' disciplined, active and value-focused investment approach is extremely well suited to the current market environment particularly given the higher inflation and interest rate backdrop, which we believe will prevail for some time.

“Our Perpetual Private (PP) and Perpetual Corporate Trust (PCT) businesses, which importantly contribute non-market related revenue of around one-third of our total group revenue<sup>4</sup>, continued to grow during the period. PP delivered another quarter of positive inflows, marking a record 18 consecutive half years of inflows, while PCT continues to deliver steady growth with strong contributions from our MFS Singapore, Wholesale Trustee and Custody businesses, in addition to a positive quarter for DMS bank securitisation issuance.

“In Perpetual Asset Management International (PAMI), whilst the net flows result was disappointing, impacted by negative investor sentiment reflecting the current market conditions, the benefits of our global business were evident, with favourable currency movements partially offsetting the broader impact from the decline in markets. Barrow Hanley continues to see strong interest in its various higher margin global equities capabilities, while lower margin US equities and fixed income strategies have been impacted by the prevailing negative investor sentiment and reallocation.

“Through the work of our global distribution team, we are seeing a solid level of interest for both Trillium and Barrow Hanley's capabilities, which has led to material growth in our new business pipeline. Last quarter, we reported that our pipeline for the June quarter included circa US\$700 million (A\$933 million<sup>5</sup>) of committed investments, which have all now been fully funded. We expect further investments of circa US\$1.5 billion (A\$2.2 billion<sup>5</sup>) in first half FY23, with a large portion committed to Trillium strategies, highlighting the strong global demand for proven ESG capabilities. These new client wins will include two of the largest individual institutional investments in Trillium capabilities in their 40-year history.

“In Perpetual Asset Management Australia (PAMA), our flows were impacted by a low margin (low single digit), A\$1.7 billion redemption of an enhanced cash institutional mandate. Importantly, we are seeing a change in the mix of our AUM, with the higher margin intermediary channel, which has been a key area of focus for our distribution and marketing teams, recording its strongest year of inflows in seven years, with a strong and growing pipeline.

“We continue to make excellent progress against our long-term strategy to invest in new products across both PAMI and PAMA. Following the launch of a Global Value ESG UCITS<sup>6</sup> sub-fund for Barrow Hanley in the March quarter, we continue to see demand for our ESG capabilities and have therefore launched two more ESG UCITS sub-funds this quarter. In the short time since launching these two funds, we have attracted over US\$0.5 billion (A\$0.7 billion<sup>5</sup>) in new client flows. In PAMA, we continued our roll-out of exchange-traded managed funds (Active ETFs) with the listing of the Barrow Hanley Global Share Fund (Managed Fund) on the ASX (ASX:GLOB), providing investors with easier access to Barrow Hanley's world-class global equities capability. This marks the third Active ETF launched since December 2021.

“Perpetual has deep experience and a long-history of successfully navigating financial market cycles, including through times of market volatility. During these times, we also benefit from the relative stability of non-market-linked revenues in PP and PCT. In our asset management businesses, material new client wins this quarter, combined with a solid pipeline of new business opportunities across all key markets, positions us well to improve our net flow profile in FY23. We are confident in our ability to execute on our strategy to grow with discipline, supported by our strong balance sheet.

## **Perpetual Asset Management International**

- PAMI's AUM was A\$69.2 billion<sup>5</sup> (US\$47.6 billion) as at 30 June 2022, down 5% on the prior quarter. The reduction in AUM was largely driven by negative market movements of A\$7.8 billion<sup>5</sup> (US\$5.4

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<sup>4</sup> Based on 1H22 revenue.

<sup>5</sup> AUM and pipeline translated at AUD:USD 0.69 as at 30 June 2022. Flows are converted at the month end exchange rate of 0.71 for April, 0.72 for May and 0.69 for June 2022.

<sup>6</sup> UCITS stands for Undertakings for the Collective Investment in Transferable Securities.

billion) and net outflows of A\$2.1 billion<sup>5</sup> (US\$1.5 billion). These were partially offset by favourable foreign exchange movements which benefited AUM by A\$6.5 billion<sup>5</sup>. Average AUM was A\$71.7 billion<sup>5</sup> (US\$51.3 billion), compared to A\$75.3 billion<sup>5</sup> (US\$54.4 billion) in the March quarter.

- Trillium's relative investment performance was impacted by the low exposure to energy investments across its funds. However, relative to peers, performance of its global and large cap strategies has been strong<sup>7</sup>. Trillium's flows<sup>8</sup> were broadly flat, with A\$11.5 million<sup>5</sup> (US\$8 million) in outflows during the quarter.
- Barrow Hanley's net outflows<sup>8</sup> were A\$2.0 billion<sup>5</sup> (US\$1.5 billion), driven by outflows in lower margin US equities and US fixed income strategies. Net flows into Barrow Hanley's higher margin global equity capabilities were A\$0.6 billion<sup>5</sup> (US\$0.4 billion) over the quarter. Mandates won in the March quarter were all fully funded in the June quarter.
- There were a further five US mutual funds launched in the quarter (taking the total to seven mutual funds), expanding access for Barrow Hanley and Trillium to broader distribution opportunities in the key US intermediary segment. In addition, building on the work to access European and Asian institutional investors in previous quarters, two new UCITS sub-funds were launched during the quarter, with pleasing early interest from investors.
- Following the successful closing of Barrow Hanley's inaugural Collateralised Loan Obligation (CLO) fund in the March quarter, we expect to attract approximately A\$2.0 billion<sup>5</sup> (US\$1.4 billion) of new flows over the next 12-18 months. The first of three CLO's is currently being constructed and is expected to launch in 1H23. Flows will be accounted for in the PAMI fixed income line.
- Barrow Hanley's investment performance has been very strong with 92% of equity strategies and 85% of all strategies outperforming their benchmarks over 3 years to 30 June 2022, which positions us well for future flows.

Please see Trillium's investment performance details: <https://trilliuminvest.com>

Please see Barrow Hanley's investment performance details: <https://www.barrowhanley.com>

### **Perpetual Asset Management Australia**

- PAMA's AUM was A\$21.3 billion as at 30 June 2022, down 16% on the prior quarter, impacted by negative market movements and net outflows. Average AUM was A\$24.5 billion as at 30 June 2022, compared to A\$25.3 billion in the March quarter.
- Net outflows for the quarter were A\$1.9 billion, primarily due to the redemption of a A\$1.7 billion low margin (low single digits) enhanced cash mandate from an institutional client. We saw continued positive flows from the higher margin intermediary channel, delivering its strongest 12-month net flow result in seven years.
- Consistent with its strategy to provide investors with improved access to Perpetual's capabilities, during the quarter PAMA listed a new exchange traded managed fund, the Barrow Hanley Global Share Fund (Managed Fund), under the code ASX:GLOB.
- Australian equities investment performance continues to be strong with 92% of equities funds outperforming their benchmarks over the 3 years to 30 June 2022, which similarly positions us well for future flows.

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<sup>7</sup> Based on Morningstar data as at 30 April 2022. 30 June 2022 data not yet available.

<sup>8</sup> Flows for Barrow Hanley and Trillium are from all sources, all regions.

- As at 30 June 2022, PAMA's Australian equities strategies generated A\$6.1 million in performance fees for the second half of FY22 and a total of A\$10.6 million for the full year. Performance fees were mainly earned in the Pure Equity Alpha and Pure Microcap funds.

The performance of our investment capabilities can be found on our website [www.perpetual.com.au/investments/pricing-and-performance](http://www.perpetual.com.au/investments/pricing-and-performance)

### **Perpetual Corporate Trust**

- PCT's total Funds under Administration (FUA) was A\$1.09 trillion as at 30 June 2022, up 3% on the previous quarter. PCT's continued growth demonstrates the critical role it performs as a fiduciary, providing important infrastructure to support the Australian banking and financial services markets.
- In the Debt Market Services division (DMS), FUA was up 3% compared to the previous quarter, driven by strong bank residential mortgage backed securitisation (RMBS), continued momentum in asset-backed (ABS) and commercial backed securitisation (CMBS) segments, together growing 11%.
- The Managed Funds Services divisions' (MFS) FUA was up 4% compared to the previous quarter, with growth in Custody services of 4% over the period. Responsible Entity services also saw solid growth of 5% during the quarter, with Singapore delivering largest FUA growth of 7% (growth of 12% including positive FX movement) predominately driven by the listed S-REIT market.
- Perpetual Digital continues to attract strong client interest in existing and new products launched last quarter. Perpetual Digital's Assets under Administration (AUA) grew 3% to \$3.98 trillion at 30 June 2022.

### **Perpetual Private**

- PP's total Funds under Advice (FUA) was A\$17.4 billion as at 30 June 2022, 7% or A\$1.3 billion lower than A\$18.7 billion reported in 31 March 2022. Total average FUA for the three months to 30 June 2022 was A\$18.3 billion, \$0.1 billion lower than A\$18.4 billion in the March quarter.
- PP experienced A\$0.3 billion in positive net flows during the quarter, with notable contributions from Native Title and Philanthropy clients. This was offset by a A\$1.5 billion reduction in FUA driven by negative investment market movements.
- Over the quarter, we continued to execute on strategic initiatives to grow the business, with Jacaranda seminars now expanded to other states on the Eastern seaboard generating new client interest. We also continued to progress initiatives in the Aged Care and Family Office segments.

### **Expense guidance and significant items guidance for FY22**

We expect FY22 operating expense growth to be at the upper end of guidance<sup>9</sup> of between 18% - 22%, reflecting continued investments we have made through the year to drive growth across our business globally.

Significant items relating to transaction and integration costs, as well as amortisation of acquired intangibles, are now expected to be lower than previous guidance and within a range of between \$39 - \$42 million after tax. This guidance excludes unrealised gains/losses on financial assets, as well as fair value movements on

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<sup>9</sup> As per guidance at 1H22 on 24 February 2022. This guidance excludes performance fee expenses.

accrued incentive compensation liability, which together, are expected to be in the range of \$5 - \$7 million after tax.

### **Discussions with Pental Group Limited**

On 19<sup>th</sup> July 2022, we announced that we were in high-level, preliminary, confidential discussions with Pental in relation to a potential acquisition. There is no certainty that the discussions will lead to any future agreement.

We will keep the market informed in accordance with our continuous disclosure obligations.

-Ends -

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## Appendix - PAMA and PAMI AUM and flows data by channel and asset class

### AUM and Flows by Asset Class (\$Bn)

Combined View - PAMA & PAMI (AUD)	31-Mar-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Jun-22
Australian Equities	13.7	(0.1)	(1.8)	-	11.7
US Equities	47.1	(1.9)	(5.2)	4.2	44.2
Global Equities	17.1	0.6	(2.0)	1.4	17.0
Total Equities	77.8	(1.4)	(9.1)	5.7	73.0
Cash & Fixed Income	19.2	(2.5)	(0.9)	0.9	16.7
Other	0.9	(0.0)	(0.0)	-	0.8
<b>Total all Asset Classes</b>	<b>97.9</b>	<b>(4.0)</b>	<b>(10.0)</b>	<b>6.5</b>	<b>90.4</b>

Perpetual Asset Management, Australia	31-Mar-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Jun-22
Australian Equities	13.7	(0.1)	(1.8)	-	11.7
Global Equities	1.4	0.0	(0.2)	-	1.3
Total Equities	15.1	(0.1)	(2.0)	-	13.0
Cash & Fixed Income	9.4	(1.8)	(0.1)	-	7.5
Other	0.9	(0.0)	(0.0)	-	0.8
<b>Total all Asset Classes</b>	<b>25.3</b>	<b>(1.9)</b>	<b>(2.1)</b>	<b>-</b>	<b>21.3</b>

Perpetual Asset Management, International (AUD)	31-Mar-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Jun-22
US Equities	47.1	(1.9)	(5.2)	4.2	44.2
Global Equities	15.7	0.6	(1.9)	1.4	15.8
Total Equities	62.7	(1.4)	(7.1)	5.7	60.0
Fixed Income	9.8	(0.7)	(0.8)	0.9	9.2
<b>Total all Asset Classes</b>	<b>72.5</b>	<b>(2.1)</b>	<b>(7.8)</b>	<b>6.5</b>	<b>69.2</b>

Perpetual Asset Management, International (USD)	31-Mar-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Jun-22
US Equities	35.4	(1.4)	(3.6)	-	30.4
Global Equities	11.8	0.4	(1.3)	-	10.8
Total Equities	47.1	(1.0)	(4.9)	-	41.2
Fixed Income	7.3	(0.5)	(0.5)	-	6.3
<b>Total all Asset Classes</b>	<b>54.5</b>	<b>(1.5)</b>	<b>(5.4)</b>	<b>-</b>	<b>47.6</b>

Note: Numbers may not add up due to rounding

<sup>1</sup> Other includes changes in market value of assets, income, re investments, distributions and asset class rebalancing within the Group's diversified funds.

<sup>2</sup> Conversion rate AUD:USD at 30 June 2022 was 0.69

## AUM and Flows by Investor Channel (\$Bn)

Combined View - PAMA & PAMI (AUD)	31-Mar-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Jun-22
Retail	4.6	(0.0)	(0.4)	-	4.1
Intermediary	20.5	0.2	(1.9)	0.6	19.4
Institutional	71.9	(4.2)	(7.5)	5.9	66.1
Listed	1.0	0.0	(0.1)	-	0.9
<b>Total</b>	<b>97.9</b>	<b>(4.0)</b>	<b>(10.0)</b>	<b>6.5</b>	<b>90.4</b>

Perpetual Asset Management, Australia	31-Mar-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Jun-22
Retail	4.6	(0.0)	(0.4)	-	4.1
Intermediary	13.6	0.2	(1.3)	-	12.4
Institutional	6.2	(2.1)	(0.3)	-	3.9
Listed	1.0	0.0	(0.1)	-	0.9
<b>Total</b>	<b>25.3</b>	<b>(1.9)</b>	<b>(2.1)</b>	<b>-</b>	<b>21.3</b>

Perpetual Asset Management, International (AUD)	31-Mar-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Jun-22
Intermediary	6.9	0.0	(0.5)	0.6	7.0
Institutional	65.7	(2.1)	(7.3)	5.9	62.2
<b>Total</b>	<b>72.5</b>	<b>(2.1)</b>	<b>(7.8)</b>	<b>6.5</b>	<b>69.2</b>

Perpetual Asset Management, International (USD)	31-Mar-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Jun-22
Intermediary	5.2	0.0	(0.4)	-	4.8
Institutional	49.3	(1.5)	(5.1)	-	42.8
<b>Total</b>	<b>54.5</b>	<b>(1.5)</b>	<b>(5.4)</b>	<b>-</b>	<b>47.6</b>

Note: Numbers may not add up due to rounding

<sup>1</sup> Other includes changes in market value of assets, income, reinvestments, distributions, asset class rebalancing within the Group's diversified funds and asset class rebalancing across client holdings.

<sup>2</sup> Conversion rate AUD:USD at 30 June 2022 was 0.69

**Channel definitions:** 'Retail' includes AUM from advisers and individual clients who invest with Perpetual directly; 'Intermediary' includes AUM from financial advisers who invest with Perpetual via external platform providers; 'Institutional' includes AUM from industry superannuation funds and clients who invest large sums directly and under advisory mandates and separately managed accounts; 'Listed AUM' includes the net tangible assets of Perpetual Equity Investment Company ('PIC') and Perpetual Credit Income Trust ('PCI') managed by Perpetual Investments Management Limited, and Active ETFs.