ASX Announcement

Perpetual Targets Wider Product Offer and Revenue Growth with Platform Administration Agreement

5 October 2011

Perpetual Limited (Perpetual) today announced it will move to a third party provision of portfolio and fiduciary administration services for clients of its Private Wealth advisory business. The company will develop an expanded service proposition by adding Perpetual-specific functionality to an existing third party systems and administration solution.

The selected provider of the solution, Macquarie Investment Management Limited[1] (Macquarie), will develop additional features and infrastructure to enable delivery of the key elements of Private Wealth's offerings, allowing Perpetual to decommission its older platform administration system (PACT) and transfer a significant level of IT development requirements to Macquarie. The agreement also covers Private Wealth's fiduciary services, with Macquarie building the necessary fiduciary functionality onto their platform.

Geoff Lloyd, Perpetual's Group Executive Private Wealth and Head of Retail Sales, indicated that the agreement would greatly enhance the business' ability to deliver on its strategy to become Australia's leading provider of wealth advice and fiduciary services to financially successful individuals and families, businesses and not-for-profits.

"By combining our client and adviser servicing know-how with Macquarie's recognised expertise in systems and administration, we will be able to create the scale and capabilities that will underpin the organic and inorganic growth in Private Wealth on an ongoing basis," Mr Lloyd noted.

"While PACT continues to be a well-regarded solution, we needed to improve its functionality in line with an evolving business and client servicing model. The industry-leading proposition we will develop allows us to widen the range of products and assets offered, supports a multi-platform environment and ensures we can target specific customer segments in a more efficient way.

"We are confident that these improvements to the adviser and client experience will reflect the breadth of our offering and the quality of advice delivered, and as a result support our funds under advice flows," Mr Lloyd said.

The developed solution is expected to provide clients with a number of additional features that allow for the management of a full range of investment and superannuation needs. It also gives advisers the ability to offer a market leading capability to their clients, with improved reporting, freeing up their time for direct client interaction.

The wider range of capabilities made possible by the enhanced platform will allow Perpetual to offer additional products, such as a Super Wrap, and build a full spectrum of advisory, investment and fiduciary solutions. A Super Wrap offering is expected to be available by the third quarter of calendar 2012.

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[1] Macquarie Investment Management Limited ABN 66 002 867 003 AFSL 237492 is a member of the Macquarie Group Limited ABN 94 122 169 279 group of companies.

Perpetual's Managing Director and CEO, Chris Ryan, highlighted that the decision to outsource the platform administration services for Private Wealth clients, first flagged at Perpetual's market briefing in May, was in keeping with the company's efforts to variabilise targeted components of its cost base and redirect resources towards the pursuit of growth opportunities.

"By outsourcing the provision of these services, we avoid ongoing system spend and more closely align operating costs to actual revenues. In the context of possible regulatory changes and rapidly evolving client needs, the cost of maintaining PACT's functionality at required levels would have been prohibitive. That impediment does not exist for a solution of Macquarie's scale.

"We are committed to backing the businesses we have earmarked for growth with the necessary investment. In this instance that commitment yields multiple benefits: a more flexible management of future development costs and the establishment of a platform solution that creates significant additional scope for revenue growth in our wealth advice business," Mr Ryan concluded.

Perpetual will commence the implementation of the platform project this month and is targeting a launch of the new service solution in late calendar 2012.

To allow for the future hand-over of system costs to Macquarie, the services transition will require some investment, mainly in modification and integration of existing technology and operating systems.

The impact of the investment program on Private Wealth is expected to include one-off costs of $5.5 million before tax in the current 2012 financial year, and $11.0 million of costs before tax in the 2013 financial year, of which $6.6 million are expected to be non-recurring[2].

The investment is anticipated to deliver revenue and margin improvements, with a positive profit contribution expected from the 2014 financial year. The combination of revenue and expense benefits means the program is projected to deliver positive net present value over five years.

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About Perpetual

Perpetual is an independent financial services group operating in funds management, financial advisory and trustee services. Our origin as a trustee company, coupled with our strong track record of investment performance, has created our reputation as one of the strongest brands in financial services in Australia. For further information, go to www.perpetual.com.au.

[2] All anticipated expense figures are approximate only