

ASX Announcement

**19 October 2022**

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

- Perpetual’s total Assets under Management (AUM) were A\$89.8 billion<sup>1</sup> at 30 September 2022, 1% lower than the prior period, with negative market impacts and flows offset by positive currency movements
- Strong investment performance with 93%<sup>2</sup> of Barrow Hanley’s equities strategies and 92%<sup>2</sup> of Australian equities strategies outperforming their benchmarks over three years<sup>3</sup>
- Perpetual Asset Management International’s AUM was A\$68.5 billion, down 1%, impacted by negative market movements and net outflows, which were offset by positive net inflows in global equities strategies and favourable currency movements
- Perpetual Asset Management Australia’s AUM was A\$21.3 billion, flat on the prior quarter, with net outflows impacted by the loss of one mandate in the intermediary channel
- Perpetual Corporate Trust continues to deliver steady growth, with total Funds Under Administration (FUA) up 3% to A\$1.12 trillion
- Perpetual Private’s Funds Under Advice were A\$17.2 billion, down 1% in the quarter due to negative market movements, but supported by continued positive net flows
- Acquisition of Pandal on track, targeting completion in January 2023
- FY23 expense growth guidance maintained

### CEO Commentary

Chief Executive Officer and Managing Director, Rob Adams said, “This quarter was a tough period for asset managers, with investment markets declining globally. Pleasingly, our relative investment performance has remained strong across the majority of our equities strategies, with our Australian equities strategies and Barrow Hanley’s equities strategies stand-outs in delivering strong outperformance for our clients. Reiterating the comments I made last quarter, we believe the higher inflation and interest rate backdrop will continue into next year and while market movements impact the value of the assets we manage, this kind of environment continues to be well suited to our expertise in value-style investing.

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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 on [www.perpetual.com.au](http://www.perpetual.com.au) or calling 1800 022 033..

“Perpetual Asset Management Australia (PAMA) has been announced as the Fund Manager of the year for the second year in a row at the Zenith Fund Awards 2022<sup>4</sup>. Additionally, Perpetual was also awarded the ‘Alternative Investment Manager of the Year Award’ at the Hedge Fund Rocks + Australian Alternative Investment Awards<sup>5</sup>, which covers both our PAMA and Perpetual Private (PP) businesses. Both awards recognise the strength of our investment teams and the diversity of product offerings.

“In Perpetual Asset Management International (PAMI), the overall net flows result was disappointing, mainly reflecting the broader market sentiment towards equities, particularly in the US. An area of strength in our capabilities continues to be global equities, with Trillium winning its largest institutional client ever and delivering strong inflows of A\$0.5 billion<sup>6,7</sup> (US\$0.4 billion) in the quarter. These client wins have been enabled by the earlier work from our distribution and product teams to better position Trillium for institutional investment. In Barrow Hanley, we were disappointed by the flows result with US equities strategies seeing outflows of A\$1.7 billion<sup>6,7</sup> (US\$1.1 billion) despite these strategies delivering strong outperformance.

“Through this challenging environment for our asset management businesses, we are pleased that new client wins continue with A\$0.8 billion<sup>7</sup> (US\$0.5 billion) funded in the quarter and a further A\$0.3 billion<sup>7</sup> (US\$0.2 billion) expected to fund in October. While the pipeline remains positive, given the current environment, the timing of future flows remains uncertain.

“Importantly, Perpetual’s diverse portfolio of businesses, covering asset management, private wealth and corporate trust operations, provides us with material exposure to non-market linked revenues, which is particularly important during times of volatility in global markets.

“Perpetual Corporate Trust (PCT) continues to deliver steady growth with a strong contribution from our MFS business during the quarter. In addition, we saw another positive quarter for DMS non-bank securitisation issuance, in what has been a softer mortgage market with interest rates increases impacting bank securitisation issuance.

“In Perpetual Private, we continue to see steady inflows, particularly from our native title clients where we attracted four new clients in the quarter. Our strategy to expand Jacaranda Financial Planning continues to be executed with seminars in new markets leading to new client conversations.

“Despite the impact of a deteriorating Australian dollar on our US dollar cost base and increasing interest rates, we have maintained our expense growth guidance of 4-6% for FY23.

“Separately and in addition to our business update today, we are pleased to provide an update on our proposed acquisition of Pandal. Progress has been made across the key conditions to the transaction, including seeking client consents and regulatory approvals. Client consents are tracking in-line with both parties’ expectations and the regulatory approval process has also commenced. Assuming all the key conditions to the transaction are met, we are on course for targeted completion of the transaction by January 2023.”

## **Perpetual Asset Management International**

- PAMI’s AUM was A\$68.5 billion<sup>7</sup> (US\$44.0 billion) as at 30 September 2022, down 1% on the prior quarter. The reduction in AUM was largely driven by negative market movements of approximately A\$4.3 billion<sup>7</sup> (US\$2.6 billion) and total net outflows of A\$1.4 billion<sup>7</sup> (US\$0.9 billion). These were partially offset by favourable foreign exchange movements which benefited AUM by A\$5.0 billion<sup>7</sup>.

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<sup>4</sup> The Zenith Fund Awards were announced on 14 October 2022 by Zenith Investment Partners (ABN 27 130 132 672, AFSL 226872) and are determined using proprietary methodologies. See Appendix for full disclaimer.

<sup>5</sup> The Hedge Fund Rocks + Australian Alternative Investment Awards were announced on the 29 September 2022. Please see Appendix for full disclaimer.

<sup>6</sup> Flows from Barrow Hanley and Trillium are from all sources, all regions.

<sup>7</sup> AUM and pipeline translated at AUD:USD 0.64 as at 30 September 2022. Flows and market movements are converted at the month end exchange rate of 0.70 for July, 0.69 for August, and 0.64 for September 2022.

Average AUM was A\$70.3 billion<sup>7</sup> (US\$48.0 billion), compared to A\$71.7 billion<sup>7</sup> (US\$51.3 billion) in the June quarter.

- Trillium saw strong flows<sup>6</sup> into its global equities funds, with A\$0.5 billion<sup>7</sup> (US\$0.4 billion) in inflows during the quarter.
- Barrow Hanley's net outflows<sup>6</sup> were A\$1.9 billion<sup>7</sup> (US\$1.2 billion), driven by outflows in lower margin US equities. Net flows into Barrow Hanley's higher margin global equity capabilities were softer with outflows of A\$0.1 billion<sup>7</sup> (US\$0.1 billion) over the quarter.
- Building on the work to access European and Asian institutional investors in previous quarters, two new UCITS sub-funds, the Trillium ESG Global Equity Fund and the Barrow Hanley US ESG Value Opportunities Fund, 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>7</sup> (US\$1.4 billion) of new flows over the next 18 months. The first of three CLO's, which was planned to be issued in 1H23 is taking more time to launch as the team takes a cautious approach to acquiring assets given the recent market volatility. Expected future flows will be accounted for in the PAMI fixed income line.
- Barrow Hanley's investment performance continues to be very strong with 93% of equities strategies and 89% of all strategies outperforming their benchmarks over the 3 years to 30 September 2022<sup>7</sup>.

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 September 2022, similar to the prior quarter. Average AUM was A\$21.9 billion as at 30 September 2022, compared to \$24.5 billion in the June quarter.
- Net outflows for the quarter were A\$0.3 billion, primarily due to the loss of a \$0.4b intermediary mandate which was part of a broader strategic review by the client to consolidate its platform. This was partially offset by inflows into global equities and Cash & Fixed Income.
- Perpetual was recently announced as the Fund Manager of the Year<sup>4</sup> for the second consecutive year at the Zenith Fund Awards 2022 and was also announced as the 'Alternative Investment Manager of the Year' at the Hedge Fund Rocks + Australian Alternative Investment Awards<sup>5</sup> (covering both PAMA and PP funds).
- We continued to expand our global equities offering in the quarter, with the launch of the Barrow Hanley Emerging Markets Fund in Australia. This builds on our portfolio of global equities funds and growing interest in the Barrow Hanley Global Equities capability in Australia.
- Australian equities investment performance continues to be strong, with 92% of equities strategies outperforming their benchmarks over the 3 years to 30 September 2022<sup>8</sup>.

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)

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<sup>7</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 on [www.perpetual.com.au](http://www.perpetual.com.au) or calling 1800 022 033.

## Perpetual Corporate Trust

- PCT's total Funds Under Administration (FUA) was A\$1.12 trillion as at 30 September 2022, up 3% on the previous quarter.
- In the Debt Market Services (DMS) division, FUA was up A\$1.5 billion or 0.2% compared to the previous quarter. Within DMS's segments, there was solid performance in the non-bank market securitisation, with Residential Mortgage Backed Securitisation (RMBS) up 4%, and continued momentum in the Asset Backed Securitisation (ABS) and Commercial Mortgage Backed Securitisation (CMBS) segments, together growing 6%, with a strong pipeline. Major bank securitisation was softer due to the slowing residential property market, with most major banks choosing to access their own retail deposit bases for funding rather than the securitisation market.
- The Managed Funds Services divisions' (MFS) FUA was up 8% compared to the previous quarter. Capital flows and valuations remain positive in the Real Asset business (commercial buildings, industrial and logistics assets and student accommodation in Australia and New Zealand), with continued growth of 16% in Wholesale Trustee, 7% in Custody and 4% in our Singapore business during the quarter, despite no S-REIT deals coming to the market. Responsible entity services FUA was down 6%, as a result of the broader fall in the value of listed equity assets held by managed funds.
- Perpetual Digital attracted two new clients in the quarter, with a new mandate from a large auto lender as well as MFS and Laminar combining to win a large wealth management mandate. These new clients will be onboarded in the coming 6-12 months.

## Perpetual Private

- PP's total Funds Under Advice (FUA) were A\$17.2 billion as at 30 September 2022, 1% or A\$0.2 billion lower than A\$17.4 billion reported in 30 June 2022. The main driver for the decrease in FUA was negative market movements, which were partially offset by positive net inflows. Total average FUA for the three months to 30 September 2022 was A\$17.7 billion, compared to A\$18.3 billion in the June quarter.
- PP experienced approximately A\$0.1 billion in positive net flows during the quarter, with continued contributions from Native Title, where there were four new client wins, and Philanthropy clients.
- Over the quarter, we continued to execute our strategy to grow Jacaranda across the Eastern Seaboard, with launch events in both Victoria and Queensland, including our first joint Jacaranda and Priority Life event in Melbourne. These events support new business and engagement with existing clients.

## Update on the proposed acquisition of Pental Group

On 25 August 2022, Perpetual announced that it had entered a Scheme Implementation Deed to acquire Pental Group (ASX:PDL). Since the announcement, a joint transaction integration committee (TIC) has been established to oversee the key conditions to the Scheme and to ensure that both parties work closely together in progressing the transaction. The TIC is being chaired by Sam Mosse, Perpetual's Chief Risk Officer, and includes executives from both Perpetual and Pental. Amanda Gazal, Perpetual's Chief Operating Officer has been appointed as Group Executive, Integration.

Today, Pental announced that it is progressing work on the Scheme Booklet, with an intention to dispatch the Scheme Booklet in November and hold a Scheme Meeting in December 2022.

Progress has also been made across the key conditions to the transaction, including seeking client consents and regulatory approvals, which are tracking in-line with both parties' expectations. Assuming the conditions to the transaction are met, the target date for completion of the transaction is January 2023.

## **Expense guidance**

We reaffirm our expense growth guidance of 4-6% for FY23. We note that our expenses (and revenues) are impacted by AUD:USD currency movements given the proportion of our business that is based in the United States. Recent movements in currency, combined with higher interest rates, have negatively impacted our expense base in AUD terms, whilst positively contributing to our revenues. We will continue to actively manage our expenses in light of external influences, including volatile investment markets and the current inflationary environment.

-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)	30 Jun-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Sep-22
Australian Equities	11.7	(0.4)	0.3	-	11.6
US Equities	44.2	(1.7)	(2.1)	3.2	43.5
Global Equities	17.1	0.5	(1.8)	1.1	16.9
Total Equities	73.0	(1.6)	(3.7)	4.3	72.0
Cash & Fixed Income	16.7	(0.0)	(0.3)	0.6	17.0
Other	0.8	(0.0)	(0.1)	-	0.7
<b>Total all Asset Classes</b>	<b>90.4</b>	<b>(1.7)</b>	<b>(4.0)</b>	<b>5.0</b>	<b>89.8</b>

Perpetual Asset Management, Australia	30 Jun-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Sep-22
Australian Equities	11.7	(0.4)	0.3	-	11.6
Global Equities	1.3	0.1	(0.2)	-	1.2
Total Equities	13.0	(0.3)	0.1	-	12.8
Cash & Fixed Income	7.5	0.0 <sup>3</sup>	0.2	-	7.7
Other	0.8	(0.0)	(0.1)	-	0.7
<b>Total all Asset Classes</b>	<b>21.3</b>	<b>(0.3)</b>	<b>0.3</b>	<b>-</b>	<b>21.3</b>

Perpetual Asset Management, International (AUD)	30 Jun-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Sep-22
US Equities	44.2	(1.7)	(2.1)	3.2	43.5
Global Equities	15.8	0.4	(1.6)	1.1	15.7
Total Equities	60.0	(1.3)	(3.8)	4.3	59.2
Fixed Income	9.2	(0.0)	(0.5)	0.6	9.3
<b>Total all Asset Classes</b>	<b>69.2</b>	<b>(1.4)</b>	<b>(4.3)</b>	<b>5.0</b>	<b>68.5</b>

Perpetual Asset Management, International (USD)	30 Jun-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts	30-Sep-22
US Equities	30.4	(1.1)	(1.3)	-	28.0
Global Equities	10.9	0.3	(1.1)	-	10.1
Total Equities	41.2	(0.9)	(2.3)	-	38.1
Fixed Income	6.3	(0.0)	(0.3)	-	6.0
<b>Total all Asset Classes</b>	<b>47.6</b>	<b>(0.9)</b>	<b>(2.6)</b>	<b>-</b>	<b>44.0</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 September 0.64

<sup>3</sup> Inflows into Cash and Fixed Income are positive, number has been rounded down to \$0 in the table.

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

Combined View - PAMA & PAMI (AUD)	30-June-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Sep-22
Retail	4.1	(0.1)	0.1	-	4.1
Intermediary	19.4	(0.2)	(0.2)	0.5	19.5
Institutional	66.1	(1.4)	(3.9)	4.5	65.2
Listed	0.9	0.0	0.0	-	0.9
<b>Total</b>	<b>90.4</b>	<b>(1.7)</b>	<b>(4.0)</b>	<b>5.0</b>	<b>89.8</b>

Perpetual Asset Management, Australia	30-June-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Sep-22
Retail	4.1	(0.1)	0.1	-	4.1
Intermediary	12.4	(0.1)	0.2	-	12.5
Institutional	3.9	(0.1)	0.0	-	3.8
Listed	0.9	0.0	0.0	-	0.9
<b>Total</b>	<b>21.3</b>	<b>(0.3)</b>	<b>0.3</b>	<b>-</b>	<b>21.3</b>

Perpetual Asset Management, International (AUD)	30-June-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Sep-22
Intermediary	7.0	(0.0)	(0.4)	0.5	7.1
Institutional	62.2	(1.3)	(3.9)	4.5	61.4
<b>Total</b>	<b>69.2</b>	<b>(1.4)</b>	<b>(4.3)</b>	<b>5.0</b>	<b>68.5</b>

Perpetual Asset Management, International (USD)	30-June-22	Flows	Other <sup>1</sup>	Foreign Exchange Impacts <sup>2</sup>	30-Sep-22
Intermediary	4.8	(0.0)	(0.2)	-	4.5
Institutional	42.8	(0.9)	(2.4)	-	39.5
<b>Total</b>	<b>47.6</b>	<b>(0.9)</b>	<b>(2.6)</b>	<b>-</b>	<b>44.0</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 September 0.64

**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.

## Disclaimers

The Zenith Fund Awards were issued on 14 October 2022 by Zenith Investment Partners (ABN 27 130 132 672, AFSL 226872) and are determined using proprietary methodologies. The Fund Awards are solely statements of opinion and do not represent recommendations to purchase, hold or sell any securities or make any other investment decisions. To the extent that the Fund Awards constitutes advice, it is General Advice for Wholesale clients only without taking into consideration the objectives, financial situation or needs of any specific person. Investors should seek their own independent financial advice before making any investment decision and should consider the appropriateness of any advice. Investors should obtain a copy of and consider any relevant PDS or offer document before making any investment decisions. Past performance is not an indication of future performance. Fund Awards are current for 12 months from the date awarded and are subject to change at any time. Fund Awards for previous years are referenced for historical purposes only.

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