



ASX Announcement

Perpetual's proposal to acquire The Trust Company is superior to the Revised Equity Trustees Offer

The Trust Company Directors unanimously recommend that The Trust Company shareholders vote in favour of the Perpetual proposal

20 November 2013

On 9 September 2013, Perpetual Limited (Perpetual) and The Trust Company Limited (The Trust Company) announced that they had agreed to revised terms of Perpetual's recommended proposal to acquire all of the ordinary shares in The Trust Company by way of a Scheme of Arrangement (Perpetual Proposal). The Trust Company shareholders will have the opportunity to vote to approve the Perpetual Proposal at a meeting to be held on 28 November 2013.

Equity Trustees Limited (Equity Trustees) has sent The Trust Company shareholders communications, including pre-filled proxy forms. **These communications, including the pre-filled proxy forms, have NOT BEEN APPROVED OR ENDORSED by The Trust Company Directors.**

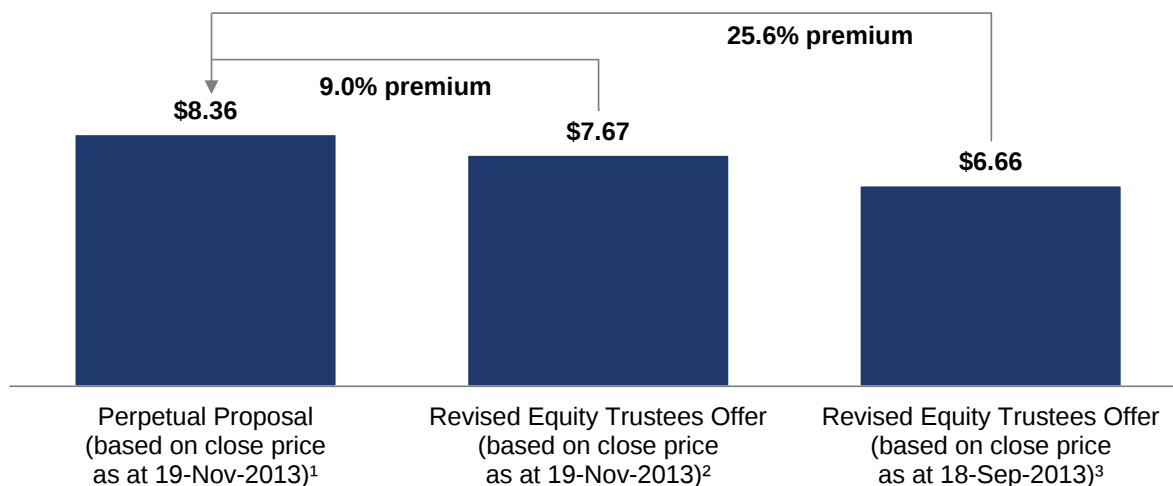
The Trust Company shareholders should DISREGARD all correspondence from Equity Trustees in relation to the Revised Equity Trustees Offer, including the pre-filled proxy form that has been provided by Equity Trustees.

The Trust Company shareholders should NOT USE the pre-filled proxy forms provided by Equity Trustees. The Trust Company shareholders should cast their votes using the proxy forms provided by The Trust Company.

The Trust Company Directors unanimously recommend the Perpetual Proposal and recommend that shareholders complete and return the proxy form voting FOR the Perpetual Proposal.

PERPETUAL'S PROPOSAL IS SUPERIOR

- The implied value of the Perpetual Proposal is \$8.36 per The Trust Company share which represents a 76.0% premium to the Trust Company closing price on 20 February 2013, being the last trading day prior to public announcement of a proposed takeover of The Trust Company.
- The Perpetual Proposal continues to represent a significant premium to the Revised Equity Trustees Offer. A comparison of the implied offer values (including 22c special dividend) per The Trust Company share is depicted below:



1. Perpetual Proposal based on Perpetual current close price of \$44.73 on 19-Nov-13.
2. Revised Equity Trustees Offer based on Equity Trustees current close price of \$19.10 on 19-Nov-13.
3. Revised Equity Trustees Offer based on Equity Trustees close price of \$16.51 on 18-Sep-13. The Independent Expert stated that "in our view, the higher Equity Trustees listed market price post 18 September 2013 is likely to reflect speculation of a future takeover offer for Equity Trustees by IOOF."

- Under the Perpetual Proposal, The Trust Company shareholders have the choice of receiving their consideration as share consideration, cash consideration or various combinations of both (the Revised Equity Trustees Offer only allows for shareholders to receive shares in Equity Trustees).

FULL SUPPORT FOR THE PERPETUAL PROPOSAL

- The Trust Company Directors unanimously recommend the Perpetual Proposal, in the absence of a superior proposal.
- The Independent Expert has concluded that the Perpetual Proposal is superior to the Revised Equity Trustees Offer.
- The Independent Expert has concluded that the Perpetual Proposal remains fair and reasonable and in the best interest of shareholders, in the absence of a superior proposal.

IMPLICATIONS IF THE PERPETUAL PROPOSAL DOES NOT PROCEED

- If the Perpetual Proposal does not proceed, the price of shares in The Trust Company may fall significantly below prevailing prices.

THE REVISED EQUITY TRUSTEES PROPOSAL CARRIES MATERIAL RISKS

The Trust Company shareholders should be aware of the implications of the Revised Equity Trustees Offer and the lower potential value associated with the offer than stated by Equity Trustees.

The Revised Equity Trustees Offer is now unconditional and, in particular, is no longer subject to a 90% minimum acceptance condition. As a result, shareholders who accept the Revised Equity Trustees Offer will be exposed to the following risks:

- The inability to accept the Perpetual Proposal and therefore not receive the higher value for their The Trust Company shares that is associated with the Perpetual Proposal, if approved by shareholders.
- The potential that Equity Trustees will not reach full ownership or even control of The Trust Company, in which case they will be unable to fully integrate the businesses and therefore will materially under-deliver on their synergy targets.
- The potential capital gains tax liability that will be required to be paid in cash if Equity Trustees acquires less than 80% of shares in The Trust Company and capital gains tax (CGT) rollover relief is not available. CGT rollover relief should be available under the Perpetual Proposal for shareholders in respect of Perpetual shares they receive under the proposal.

OTHER RISKS ASSOCIATED WITH THE REVISED EQUITY TRUSTEES OFFER

The Trust Company shareholders may receive dividends in the future and long term value that is significantly below that estimated by Equity Trustees under the Revised Equity Trustees Offer.

- Equity Trustees has not fully recognised its capital shortfall in its announcements:
 - The Trust Company has previously announced that it estimates Equity Trustees may have a significant regulatory capital shortfall if combined with The Trust Company of \$37m-\$44m (including \$30m-\$35m of transaction and integration costs); this would likely have a materially adverse impact on the Equity Trustees share price and dividend per share.
 - On a standalone basis, Equity Trustees has already announced, at its 2013 Annual General Meeting held on 25 October 2013, that it will need to have the next one or two dividends underwritten in order to support its increased regulatory capital requirements which would lead to dividend per share dilution.
- Equity Trustees is unlikely to achieve its synergy estimate of \$15m.
 - Perpetual has estimated that it will derive cost synergies of at least \$15m, which is supported by its significantly greater scale when compared with Equity Trustees and its experience in delivering cost savings.
 - The Trust Company has previously announced that Ernst & Young, through an independent review, concluded that only \$7.5m of synergies claimed by Equity Trustees were supportable.
- Equity Trustees' calculations of dividends are based on unsubstantiated synergy estimates and do not include the potential capital shortfall.
 - Adjusting for the Ernst & Young synergy estimates, the dividend profile to The Trust Company shareholders is likely to be materially lower than Equity Trustees has indicated.
- Equity Trustees' approach to valuing synergies in the announcement of its revised offer is flawed.
 - Equity Trustees does not reflect the impact of integration costs in its analysis, nor does it recognise the lagged timing associated with synergies.
 - Equity Trustees applies its current trading multiple to its synergy estimate, which fails to recognise the high degree of execution risk associated with this integration and also ignores the likely impact of takeover speculation in relation to the Equity Trustees current share price.

Shareholders should ACCEPT the Perpetual Proposal by returning the proxy form provided by The Trust Company and voting for the Perpetual Proposal. This is unanimously supported by The Trust Company Directors.

The Trust Company shareholders should REJECT the Revised Equity Trustees Offer by taking no action in relation to that offer.

Broker handling fee

Perpetual may pay a broker handling fee (Handling Fee) to brokers in respect of valid proxy forms received, regardless of the vote that is cast, from The Trust Company shareholders in relation to the Perpetual Proposal.

The Handling Fee will be 0.75% of the value of The Trust Company shares that the proxy forms relate to, based on the Perpetual VWAP over the 10 trading days to 27 November 2013 multiplied by 0.182, with a minimum amount of \$50 and a cap of \$750 per The Trust Company shareholder.

Other information

The Trust Company shareholders should read the scheme booklet for the Perpetual Proposal in full before making any decisions on the Perpetual Proposal.

For further information, please contact:

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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.