Perpetual Motion – interview with Geoff Lloyd

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SMART PEOPLE |

Perpetual motion

Geoff Lloyd has almost tripled Perpetual's share price since he became CEO. **Kate Cowling** asks what's next for the 130-year-old company.

After leading financial services company Perpetual through one of the most tumultuous periods in the company's history, its chief executive and managing director, Geoff Lloyd, is turning his attention to retirement. But not his own.

For the first time since Lloyd's appointment as chief executive and managing director in February 2012, the company is looking for new opportunities, and the retirement phase is firmly on Lloyd's radar, he says.

Perpetual has just emerged from its three-year "transformation" under Lloyd, during which it shed five of its businesses and well over 800 jobs, Lloyd says. It acquired fellow veteran trustee business The Trust Company.

The market has responded in kind, with Perpetual's share price soaring from its low point of $19.24 in November 2012 to a high of $57.81 in April this year.

On the inside, it was an extremely tough journey, Lloyd says. He dubbed it "open-heart surgery" and "doesn't want to think about" what would have happened if he hadn't been empowered by the board and his staff to perform the operation.

But now the company has completed its transformation, Lloyd says it's time to move from damage control and repair to growth, something the company is pursuing with enthusiasm, despite the economic hurdles on the horizon.

Part of that means looking at untapped opportunities in the burgeoning retirement market and outside Perpetual's key expertise – Australian equities – to the money being made abroad.

On the retirement side, Lloyd has hinted the company is looking at partnerships with other ventures skewed to catering for the ageing population, in healthcare, welfare and finance. What that means for the company is still uncertain. "We wouldn't really be

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exploring if we knew the answer," he says.

Among the questions he wants answered are "What is the purpose of super?" and "Is there really a retirement anymore or do we just change how we work?"

"[This is] a change for us. Culturally, in a listed environment, it's very hard to take those more-calculated risks. But we want to change our capability and our culture; to change our relationship with failure."

The global exploration path is being

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pursued with more gusto. Though that doesn't mean Aussie equities won't remain Perpetual's core target.

When *AFR Smart Investor* spoke to Lloyd, he had just returned from Japan, where he had gone with Assistant Treasurer Josh Frydenberg and the Financial Services Council to nut out the long-awaited Asia Region Funds Passport. The agreement is close to getting across the line, he says.

Lloyd says he is intrigued by investment potential in Japan, which has been famous for decades of deflation. "The Japanese economy is in a situation where, for the first time in 20 years, it's going to make sense.

"For us, as a deep-value active manager, a lot of the environment, with an inflationary economy, with governance standards coming on boards, as well as targeted returns on equity – through capital measures like buybacks – I think there will be a very open environment for an active investor to get active."

Perpetual is a player in Asia, but its broader global strategy has been slower to get off the ground. Its global fund has $700 million under management and a team mentored by former head of equities Matt Williams.

"I see global equities as being an enormous part of Perpetual's future," Lloyd says. "Matt's sitting with the analysts in that team to help them get that rigour, to make sure the global equities performance has the best first year post-launch that it can have."

Williams announced his retirement in February but plans to stay on until September. He was sixth in a 20-year-long line of Perpetual heads of equities who were chosen from within and groomed for the role.

He has been succeeded by Paul Skamvougeras, a former adviser to James Packer, to whom investors have taken an immediate liking. (For more on Skamvougeras see the Editor's Letter).

Williams' departure has been much better managed than that of his predecessor, John Sevior, who left after a protracted will he, won't he scenario where eventually more than $3 billion followed him out the door.

At least half the best stock-pickers in Australia have at one time held the role of head of equities at Perpetual, which raises the question of how the company can retain ambitious talent when the rewards for striking out alone are considerable.

"We're a culture that understands that asset managers need to be rewarded in good and bad markets," Lloyd says.

"Delivering results helps retain the team, [as does] making sure there's a culture of investing in you for growth."

Lloyd is open about the fact there's been a lot of bloodshed since he took the reins, but says the focus now is to rebuild where necessary with the best in the business.

"I'd love to see our brand be the employer brand of choice in Australia for independent providers in Australia," he says in relation to advice business, Perpetual Private.

When asked if the adviser arm has been affected by regulatory change, such as the Future of Financial Advice reforms, Lloyd says the industry changes caught up to what was already in place at Perpetual Private.

About 90 per cent of the group's advisers have degrees, while 70 per cent are certified financial planners, and they all have to undergo an annual exam.

But there's further to go. "The challenge for our team is to go ahead and raise the standard even higher," he says. "I'd like to see us as the Juilliard of financial services."