

Equity Trustees Limited

2010 AGM Chairman and Managing Director Speeches

Slide 1:

1. Shareholders, ladies and gentlemen, good morning.
2. On behalf of my fellow directors, executives and all staff of Equity Trustees it gives me great pleasure to welcome you to the 2010 annual general meeting of the company. We have a quorum present and I declare the meeting open.
3. On the basis that the notice of meeting has previously been circulated I propose that it be taken as read.
4. We have received an apology from Peter and Annie Williams. Are there any apologies from the floor?

Slide 2:

5. Allow me firstly to introduce my fellow directors there have been several changes to our Board since the last AGM. My name is Tony Killen, I am your Chairman. I joined the Board in 2002.
6. Mr Robin Burns has been our Managing Director since March 2010, succeeding Peter Williams in that role and I extend to him a warm welcome to the his first Annual General Meeting. Robin is only the 10th MD in the history of the company. Robin has over 25 years experience in the financial services industry, 12 years of which has been at CEO level. His most recent appointment was as CEO of EQUIPSUPER, a large multi employer superannuation fund with over 50,000 members and \$4b FUM The Board looks forward to his leading the management team and staff into a successful and rewarding future for all stakeholders and guiding the company through its next stages of development.

7. Mr David Groves, a director since November 2000, is our Deputy Chairman and is also Chairman of our Audit & Compliance Committee.
8. Mr John McConnell joined our Board in January 2002 and is a member of the Audit & Compliance Committee;
9. Mr Barry Jackson, the Chair of the Remuneration and HR Committee is retiring from the Board at the close of this meeting and I will have more to say about that later.
10. The Honourable Jeffrey Kennett AC joined the Board in September 2008 and is a member of the Remuneration and HR Committee;
11. I extend a warm welcome to Ms Anne O'Donnell, who is attending her first AGM as a director having been appointed to the Board in September. Anne will be joining the Audit & Compliance Committee in the near future.
12. I must extend an apology for Alice Williams, who has been quite ill but I am pleased to say is making a full recovery. Alice has been granted leave of absence from the Board as she recuperates and we expect her back on deck early in the New Year. Alice joined the Board in September 2007.
13. Joining the Board at the front of the room is our Chief Financial Officer and Company Secretary, Mr Terry Ryan.
14. I also take the opportunity to welcome in the audience today Mr Craig Henderson from Allens Arthur Robinson, our legal advisers and Mr Gary McLean from Deloitte, our auditors. We have long standing relationships with both firms and I thank them for their ongoing support and assistance.

Slide 3: Agenda

15. To this morning's agenda. I will provide an overview of the 2009-10 financial year together with some commentary on the outlook for the current financial year. The Managing Director will then discuss the company's operational performance in the year under review. We will then move to the formal business of the meeting, of which there are four items,

after which there will be an opportunity for questions. Light refreshments will be served in the foyer outside after the conclusion of the meeting, providing a good opportunity for shareholders to meet informally with the directors and management of the company

Slide 4: Annual Report and Shareholder Review

16. As you know, we have a two tiered approach to the company's reporting to shareholders, introduced two years ago. On the left is the hard copy of Annual Report. This was mailed only to those shareholders who had requested that a copy be sent to them. As a matter of interest, 238 out of 1,542 shareholders requested a hardcopy of the full report.
17. The document on the right is the Shareholder Review. This is a condensed version of the Annual Report concentrating on a discussion of the operating performance of the company and is sent to all shareholders. Hard copies of both documents are available for you to take with you today if you wish. Copies of all documents are also available on our website – www.egt.com.au.

Slide 5: Sharemarket Performance, ASX 200

18. We have again experienced a year of relatively high volatility and nervous reactions in the financial markets. Although the stock market in Australia ended up higher by year's end, it finished on a decidedly down note. It has since moved back into positive territory but investment conditions remain volatile and investment confidence is fragile.

Slide 6: FM Funds Flow Slide

19. Fund flows have favoured defensive assets such as cash and fixed interest, illustrated on this slide for our Funds Management business unit, which are lower margin products for our company. The positive flows into Australian and International shares in 2007/8 have translated into net outflows in 2009/10, and Cash and Fixed Interest dominated our net

inflows in the latest year. Clearly there is plenty of cash on the sidelines waiting for an appropriate opportunity to return to active investments.

20. The Australian economy is fundamentally sound though obviously not immune from international influences. The Australian economy is growing between 3 and 3.5% pa, one of the best growth rates in the developed world, and inflation is within the RBA's target band of 2-3%, albeit at the upper end of this range. Unemployment is low. Interest rates for borrowers are close to the average of the past decade although there remain local and international pressure points that make further increases to interest rates more likely than not.

Slide 7 – Overview FY2010

21. The Company's profit last year was considered satisfactory given the testing conditions. The underlying profitability of the Group is sound thus the dividend has been maintained at the level of the last two years. We continue to manage the business focussing on the long-term, with continued investment in system developments that will produce efficiencies and improved operational capability. We exercised discipline in expenditure control, neither cutting costs imprudently nor allowing them to grow materially, and the company retains a strong balance sheet. The company is well positioned to continue to deliver for shareholders and deal with such changes in our industry as will come our way over the next few years.

Slide 8: Profitability

22. The company earned an almost identical net profit after tax in 2010 to that of 2009, although both years are of course lower than what we may now say with hindsight was the boom market year of 2008. The make up of the profit in 2010 was marginally different but all business units contributed positively. Although revenue grew in the year we did experience a moderately greater increase in costs, which meant that overall the result was flat.

Slide 9: Shareholder Dividends

23. Again it was a conscious decision of the Board to maintain dividends at the level of the past two years. The Board was comfortable in maintaining it at this level because we have confidence in the company's underlying profitability and future prospects. We have a strong balance sheet, good cash flow, no debt and a large available balance in our franking account.

Slide 10 – Franking Credits Balance

24. As you can see, the franking account balance reduced over the last few years, a direct consequence of paying dividends in excess of profits, illustrated in this next slide

Slide 11: Dividend Payout Ratio

25. In effect we have used a strong franking credit balance to cushion the impact of the GFC on shareholders' dividend outcomes. The franking credit account, although it has reduced, is still capable of supporting fully franked dividends at current levels for the foreseeable future. That said, our aim is to grow profits so dividends paid sit comfortably within our target payout range once more

Slide 12: Sustained Share Price Outperformance

26. Total shareholder return combines dividend payments with share price movement assuming all dividends are reinvested as received. EQT's Total Shareholder Return continues to outperform the market as a whole, notwithstanding our rather subdued share price performance of the last year or so. Maintenance of the dividend over the last two years has assisted this result. At the present share price, EQT is yielding over 7% fully franked. EQT's TSR in the 5 years illustrated on this chart has been 11.8% pa.

Slide 13: OAMPS Acquisition

27. Growth by acquisition is an important strategic objective of the company. Last month we announced that we have reached agreement with Wesfarmers Ltd to purchase the OAMPS superannuation business for \$10m. Due diligence is currently underway and we expect completion of the transaction by the end of this month. Funding the purchase will come entirely from our internal resources.
28. OAMPS is a quality superannuation business, conducted very much along the lines of our existing superannuation business. It will roughly double the number of members under administration for the Group, materially increasing the scale of our superannuation business. The business is profitable and the acquisition will be earnings accretive in its first full year post completion. Potential exists to improve margins under EQT management given a range of existing services are outsourced, and allowing for achievement of very attainable cost synergies. We expect ongoing support from the strong OAMPS distribution networks to assist us in continuing to develop the business. The OAMPS client base will also provide increased cross - selling opportunities for the Group

Slide 14: The Board

29. The past year has seen the Board actively engaged in reviewing its performance against best practice governance guidelines as well as looking ahead for succession planning purposes
30. In March we completed a review undertaken by external consultants against the ASX's Corporate Governance Principles and Recommendations. It had been three years since we last completed a similar exercise. The review found "that the composition, skills and expertise of (the) Board are particularly well suited to the governance needs of (the) business." And that "the Board continues to perform strongly against the ASX Principles and Recommendations." A number of suggestions were made for consideration to improve our processes, and these will be taken up as appropriate in the normal course of our ongoing activities. As I have said on previous occasions, your directors are very

diligent, work extremely well as a team, and it is a pleasure to chair meetings of the Board.

31. The Board has also been keeping under active review succession planning for its ongoing development. We have a clear view of the skills we wish to maintain around the Board table as well as a timetable for orderly renewal as we face retirements in the normal course.
32. I said earlier that Barry Jackson would be stepping down from the Board at the end of this meeting. Barry has provided 8 years of distinguished service to the company. As a former chief executive with a manufacturing background, he brought a fresh set of eyes to our deliberations in the sometimes arcane world of financial services. He was an excellent Chair of the Remuneration & HR Committee. Barry, you will be missed, we thank you for your, at all times wise, thoughtful and pragmatic counsel, to say nothing of your unflagging humour, and we wish you well in retirement. I invite shareholders to join me in acknowledging Barry's outstanding contribution in the usual way.
33. In the knowledge of Barry's impending retirement we engaged a firm of consultants earlier this year to help us recruit another non-executive director. Through the course of the search we were satisfied that we were casting a wide net to identify appropriately qualified candidates. And it was Anne O'Donnell who emerged as our strongly preferred candidate. We were delighted when Anne accepted our invitation to join the Board. Anne comes from just outside the ACT, has a Bachelor's degree in Banking & Finance, and an MBA from the University of Canberra and has a strong finance background. She was formerly Managing Director of the listed Australian Ethical Investments Ltd, and holds positions on a number of other Boards. Anne is also Deputy President of the ACT Division of the Australian Institute of Company Directors. I commend her election to the Board when we reach the formal business of the meeting

Slide 15: Looking Ahead

34. Looking ahead, economic conditions are clearly still difficult in a number of the developed economies. Australia benefits from its relationship with the growth engine that is China and with other developing economies in the region. We have survived the GFC better than most and our major institutions are in good health. But investment markets remain volatile and investor confidence is fragile, witness the weighting to defensive assets in many investor portfolios. Our businesses are leveraged very directly to the state of investment markets and underlying fund flows. Whilst currently markets are relatively weak, fund flows are strong, and will be stronger still as the 9% SGC becomes 12%, assuming this proposal is translated fully into action. This coupled with the country's underlying demographics bodes well for our company's prospects. Strategically we are well placed - all of our businesses have sound platforms to take advantage of improved market conditions. We continue to make the investments necessary to improve productivity and service to clients.
35. Profits in the first 3 months of the current financial year are slightly ahead of the prior year but essentially under the same influences as characterised the 2010 result. All business units are contributing positively.
36. We expect to settle the OAMPS acquisition on 1st November 2010. Its contribution to net profits in the current year will be moderately positive, especially given that the accounting standards now require us to fully write off all acquisition costs. However, this acquisition is expected to be strongly earnings accretive in the 2012 financial year.
37. Before I close I wish to pay a particular tribute to our management and staff on this occasion. Their commitment over the past 2 years has been quite outstanding, this against a backdrop of cost constraints, remuneration freezes and major workloads associated with systems re-engineering. I thank them on your behalf.
38. Finally I repeat as my last message the closing remarks I made this time last year viz that while volatility and uncertainty continue to dog the

Australian financial services landscape, we remain confident of our position in it, of our capacity to compete effectively, and to do so profitably on behalf of our shareholders.

39. I now invite the Managing Director to address the meeting. Thank you.

Slide 16: Mr. Robin Burns, MD EQT

Mr Robin Burns takes the lectern.
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40. Thank you Chairman.

Slide 17: Overview FY2010

41. Before discussing performance in the year ended 30 June 2010 I would like to acknowledge the contribution of my predecessor, Peter Williams, for the major part of the year. Peter was Managing Director and Chief Executive Officer until the end of February 2010, so the group's continued solid performance for the 2010 year is of course very significantly due to his control and management.
42. I have very much enjoyed my first 8 months with Equity Trustees and I look forward to contributing to the company's development and growth in the years ahead, and to building on the very sound foundations that have been laid down in not just our recent past, but over the many years before that.
43. The company has an excellent reputation, high standards of integrity and performance and I am sure a very good future ahead.
44. Touching briefly on the key points in the 2010 year's results and reports:

45. The Chairman has already noted the moderate growth in revenue in the year, following a decline in 2009 as the impact of the fallout from the credit crisis and subsequent market rout. I will provide an analysis of the revenue numbers in a little more detail later on.
46. With that revenue growth in 2010 we were able to maintain the operating margin at very close to the ratio we had enjoyed in 2009. In both these years the margin was lower than in the best recent year of 2008, but well above what we had been generating some years before that. I believe that being able to maintain this healthy margin demonstrates good management on both the income and expense sides of the profit and loss account and the underlying solidity of the business units.
47. We generated reasonable New Business flows in 2010, although of course this was not uniform across our four business lines, and all four business units continued to generate good earnings on their top line. We do not have any problem areas that require dramatic action or special attention, or cause us specific concern.
48. Expenses grew slightly compared to 2009, but in comparing the two we need to be somewhat cautious because in 2009 there were some one-off credit items in the expenses that actually improved the comparison in favour of the earlier year. On a normal continuing basis expenses in 2010, compared to 2009, were by and large consistent.
49. Intangible assets on the balance sheet continue to be valued at more than the numbers actually recorded in the books. These are the goodwill and management rights we've acquired when buying businesses and the valuations reflect the fact that these are good businesses continuing to generate earnings and cash flow in accordance with the expectations at the time they were acquired.
50. Our businesses generate strong cash flow from operations – and with a debt-free balance sheet, modest capital expenditure needs and relatively healthy margins we are in an enviable position in this respect.

Slide 18: Revenue Recovering

- 51. Some of my presentation materials may look a little complex but I'm not going to go through them all in detail. There are hard copies available for you to read at leisure and this pack will also be on our web site.
- 52. The purpose of this slide is to show the approximate effect of changes in investment market values on revenue. This is important in understanding the fluctuations in the group's revenue totals from year to year. We've used the ASX200 as a proxy for general market values – although of course we also are affected by the movements in other asset classes. We estimate that about 50% of our revenue is directly impacted by exposure to equity markets.
- 53. As you can see, the index has been through some major gyrations over the last 3 financial years and during those years our revenue has been similarly affected. In the table, you can see that in the 2008 year the ASX200 fell about 17%, but our revenue grew by 21% compared to 2007 because average values grew and hence revenue linked to that was higher.
- 54. In 2009 the market again fell, by 24%, but revenue fell by only 13.7%. The timing of the movement in the markets, the lag effect on revenue and our other underlying income streams cushioned the business somewhat from the steep decline that year. In 2010, as the ASX recovered by around 11% but went through a reasonably material decline in the second half of the year, our revenue grew by only 2.1%.
- 55. The factors linking revenue to markets are quite complex to isolate and explain succinctly. Revenue is affected not just by absolute market values, but by relative flows into different asset classes and volatility, or investor confidence, which affects the total amount of investment flows. There is consequently no easy formula to calculate accurately what our revenue will be relative to investment market movements.

56. But despite the very challenging conditions of these last few years the group's revenue base in 2010 was nearly 7% higher than it had been in 2007. The key point I'd like to close on here is that if equity markets stage a sustained recovery we'd expect to see a significant reflection in our revenue line.

Slide 19: S&P ASX All Ords, Year on Year

57. To illustrate the impact of market fluctuations in the last few years a little further I've shown here the absolute level of the S&P ASX All Ords index in each of the financial years 2009 (the green line), 2010 (the yellow line) and so far in the 2011 financial year (the red line).
58. As you can see the market so far this year is tracking relatively closely to 2010. That would imply that our revenues that are dependent on equity markets (and the ASX is just a proxy here for wider markets) would be similar to last year's. It's the shape of the 2011 line from here to the end of June next year that determines how this year's equity market linked revenue will develop. Of course 2010 was a better year than 2009 – but as we've already noted our revenue levels in 2009 were only marginally less than 2010's due to the timing of the movements, changes in asset mix, overall investor sentiment and the continuing stream of revenue from non market linked activities.

Slide 20: Expense Management

59. In most of the last 6 years shown here revenue growth outpaced expense growth – as illustrated by the very healthy improvement in operating margin from 2005 to 2008 – which may with hindsight be seen as a boom year.
60. Of course things turned around in 2009 on the revenue line, but the business exercised sharp discipline and managed to cut operating expenses by 10.5% compared to 2008. As I mentioned before, there were a couple of one-off credits that helped that outcome in 2009 and there

were no staff incentive payments in 2009 compared to 2008. For those reasons I don't regard the growth in expenses in 2010 of 4% as representing a material cause of concern.

61. Attracting and retaining experienced, skilled and motivated employees is a strategic imperative for a business like Equity Trustees – if we ignore this we will have a significantly weaker and less successful business, if we have one at all. Therefore in July 2010 we reverted to the normal annual fixed pay review, which resulted in an average across the board increase in fixed salaries of about 5%. This will lead to an increase in expenses in 2011 relative to 2010, absent any other changes between the two years.

Slide 21: Business Units, Operations & Performance

62. You'll be relieved when I say again that I don't propose to review this slide in detail – but its purpose is to review what our four business revenue generating units do and give an overall idea of how they performed in 2010.
63. The Private Clients business unit is in essence what many would see as the traditional trustee company's services for individuals. It generated a growth of 12.6% in revenue in 2010 and a 13.5% growth in Funds Under Management at 30 June 2010 compared to 30 June 2009.
64. I've included funds under management for each business unit because in each case revenue is impacted by the level of assets managed, administered or advised on, to a greater or lesser degree. As a financial services company, overall growth in funds under management or administration, as well as in client numbers, is a key objective.
65. Funds management is the distribution to the wider financial advisory market of the EQT-badged funds, managed by external specialist fund managers. Net inflows in 2010 to these funds were marginally up on 2009, but as the Chairman has noted, the mix of flows changed further in favour of lower margin products as a result of overall market conditions and

investor sentiment. This is demonstrated by the fact that the funds under management at period end grew by 12.3%, but revenue actually declined marginally.

- 66. In the Fund Services unit we provide responsible entity and responsible superannuation entity services to external fund managers or super fund promoters. This activity generated very good growth in funds, of 28.9% at the period end, but the timing of that increase, the products it went into and the margins we therefore earn, meant that revenue only grew by 4.8%. We act as responsible entity for 42 fund managers at present,.
- 67. The superannuation business unit achieved reasonable growth in funds under management but suffered a small decline in revenue, mostly because we generated less performance fees in the investment pools than in 2009..
- 68. Overall therefore, we achieved good positive growth in funds under management or administration, which augurs well for the long term, but only modest growth in revenue as flows went into different asset classes and revenue structures. I think that a standout is the performance of the Private Client unit, where we continue to see good success with our portfolio management services and significant long-term opportunities.

Slide 22: Business Unit Overview, Private Clients

- 69. These next few slides simply illustrate the business unit results and comparisons in more depth. Again, they are available if you'd like to read them through in detail and I simply propose to touch on some of the other significant points as I go through them here.
- 70. I've already mentioned the good performance of the Private Client unit. We will be looking to continue to develop this unit in future periods as we see significant potential opportunities for trustee companies in what is, in effect, the wealth management sector in coming years.

71. We recently appointed our first dedicated business to business relationship manager for the private clients arm and we've also recently gained our first interstate compensation trust clients.

Slide 23: Business Unit Overview, Funds Management

72. As you can see we started to generate reasonable funds under management in this business unit in the mid 2000s, but the mix of inflows to lower margin products in recent periods shows up in the relatively slower growth in revenue.
73. This is a business that takes time to build, is intensively competitive and to a large extent is dependent on external factors – the investment managers' performance, overall investor sentiment and appetite for asset classes, the ability to penetrate the approved product lists and model portfolios maintained by financial planning firms and external researchers.
74. We have recently appointed another Business Development Manager to service the NSW and Queensland markets specifically and aim to gradually improve the number of networks and planners using our products. With a range of funds covering most asset categories we are well placed to maintain revenue growth when confidence returns, and most of our managers are doing well relative to their peers.

Slide 24: Business Unit Overview, Funds Services

75. We are a market leader in the responsible entity business, in those asset classes we want to compete in. This is a business that is really about risk management and compliance - that is the service and the expertise we provide for fund managers who don't want or can not afford to do it themselves. We are continuing to see a good lead of potential opportunities from external managers but putting a new fund out into the market is often dependent on obtaining a seed client and in the current market conditions this is not always happening as quickly or as readily as we'd hope.

- 76. Again, money has been flowing into lower margin products in this business unit.
- 77. Our reputation and service quality as a responsible entity are the reasons we do get strong referral leads and we will take a disciplined approach to taking on new managers, new funds and to maintaining products which are questionably feasible for either us or the manager.

Slide 25: Business Unit Overview, Superannuation

- 78. We have had two superannuation products, Wealthpac Super and Freedom of Choice. We regard the superannuation sector as an important opportunity for us and the Chairman has already discussed the acquisition of the OAMPS super master trust, which is a very complementary addition to the Wealthpac product.
- 79. Total assets in the superannuation sector in Australia stand at \$1.2t (\$1,200 billion) now, and are projected to grow to \$6t (\$6,000 billion) in 40 years. This is a very attractive opportunity for many potential competitors and participants and much is spoken about a fund needing to be at an effective scale to be able to compete and provide value.
- 80. The OAMPS acquisition improves our scale.
- 81. As the population age profile increases and we move as a nation to having a greater proportion of retired members the ability to offer competitive retirement income products and retain members through post-employment life will increase in importance. The ability to do this can be built on developing strong relationships with members whilst they are in employment and contributing. Our superannuation focus will be not just on developing corporate relationships but on retaining members as they want advice and move into new employment or retirement.

Slide 26: Support Services

- 82. Just as important to our overall business and success are the support services or functions. Each of these is represented in the executive team and is seen as an integral part of the overall business.
- 83. The implementation of the new back office system is in its very last stages and is expected to be practically complete in the next few weeks. This has been a major project but is expected to generate quick benefits for us and to provide us with an operating IT platform that will last for many years.
- 84. It has not been an easy implementation, due to the complexities and different functions it has to service in many of our business units, but it has been a thorough and well-supported project and I have no doubt will prove to be a very positive long-term asset.
- 85. We are now in the first stage of a gradual roll-out across the group of a business process management system – in essence a workflow management platform which in turn will facilitate greater business efficiencies and integration of different tasks across functions and activities.
- 86. These two IT projects together represent a significant enhancement and development of our operating systems, and will I believe provide our basic operating structure for many years to come.
- 87. The company has, as we all know, a long history of fiduciary responsibility. This means that we put client's interests first. As a financial services company we have to be able to deal with ever-changing legislation, regulations and external scrutiny. The culture of compliance in the company, and that of risk management, is strong. With that, however, we also need to ensure that everyone in the group appreciates that as a service-based business everyone has clients to deal with – but whether we are in internally-focused or externally-focused roles the overall culture has to be one of service delivery and customer focus. This will be a facet we want to emphasise and develop over coming periods.

- 88. The image of many financial services organisations has been tarnished by an enormous loss of trust and goodwill, which I believe creates immense opportunities for Equity Trustees.
- 89. Personal investors and entities with fiduciary responsibilities alike are looking to see who and what is behind the organisations they invest in or deal with. This places us, an Australian public company with a long-established reputation for, and culture of, trust, in a very strong position to continue to build our services, which we are both positioned and committed to do.

Slide 27: Business Update

- 90. The Chairman has already commented on first quarter performance compared to the prior year.
- 91. We have continued to see good growth in client numbers in the private client portfolio management products. There is a good lead list in the responsible entity business but as already noted, conversion of these to new funds in the market depends on external factors and although economic conditions in Australia are reasonably positive, overall investor sentiment and therefore the ability to establish new funds is still subdued.
- 92. Net funds inflow for our EQT-badged funds is up substantially compared to the prior year first quarter, but the relative skew to lower margin products is still evident across the industry as well as in our line-up.
- 93. The superannuation business has also experienced good growth in funds under management since 30 June, but a small decline in member numbers as we transferred around 1,600 members with low balances out of the funds..
- 94. Overall, total funds under management and administration at the end of the September quarter was up 14.3% compared to the same date last year and is up 4.0% compared to 30 June 2010.

95. Dealing with frequent changes in the regulatory environment is a routine task for financial services companies and there are a number of potentially significant issues heading our way. The national Trustee company legislation is now in place and although some details are still to be worked out we believe that this will facilitate a positive opportunity for Equity Trustees to expand our trustee services into other states.
96. I am sure many of you will have read of the Cooper review into superannuation, the Ripoll review of the financial advice industry and the Henry tax review. Each of these could be a detailed presentation on its own so I don't propose to talk about them in depth. As a company we support changes that will help deliver a better system and outcomes for investors and fund members.
97. In the Cooper and Ripoll reviews in particular we believe there are a number of potentially positive developments, although no doubt there is considerable work to be done before legislation based on either of these begins to take effect. Much of the Cooper review, for example, is likely to prove positive for super fund members but the focus on fee levels and a simple, single, cheap default product are I believe likely to be counter-productive.
98. Each of our business units closely monitors likely actions arising from these reviews and we believe that our business may well find opportunities for growth or expansion from these in due course.
99. The Chairman has already discussed the OAMPS acquisition.
100. We have seen a number of opportunities presented to us in recent months to take part in consolidation of the financial advice industry, but none of these would have met the criteria we set or have blended easily with our overall strategy and approach. We do believe that our current advisory services represent a different model to the typical financial planning business and it could be a compromise of our approach if we moved towards a 'conventional' planning practice model. Nevertheless there are

high-quality financial advice businesses that meet our criteria and if a suitable opportunity arose with one of these we would actively consider it.

101. The group's 'step-growth' strategy, which has been in place for some time, is in our view still appropriate and consequently we remain open to consideration of other acquisition opportunities that meet our objectives and fit our bill.

Slide 28: Summary (1)

102. To sum up, at present the company has a stable, solid business evidencing a long history of fiduciary responsibility, sensible diversification of activities and revenue streams, and disciplined management.
103. The group has come through a very difficult period well, and although we are by no means yet out of the woods in terms of financial market and economic stability, we need to continue to look to the long-term and develop the business to continue to thrive in a very competitive environment.
104. Our business units are all travelling relatively well, although conditions differ, and new business generation is positive, although of course we can never relax on that front.
105. The OAMPS purchase helps solidify our presence in what is a huge growth sector and the overall growth in superannuation, particularly if contributions are lifted from 9 to 12%, means that it is a good business to be in.
106. The company is debt-free and our key 'movable' resource – other than our brand name – our staff – are energised, skilled and experienced and are very focused on business growth and development.

Slide 29: Summary (2)

107. Australia's financial services industry is one of the largest in the world – often said to be the 4th biggest, having grown from maybe being the 10th largest just 9 or 10 years ago. That spectacular growth has been driven by not just relative economic success, but more significantly by the flow of money into superannuation and the investment industry. As already noted, the flow is expected to continue for many years ahead before the national age profile turns us into a nation of net dis-investors rather than investors, if that ever happens.
108. Equity Trustees is leveraged to that growth. Our corporate businesses – fund services and funds management – are directly linked to the overall growth in funds under management here. Our private client business is poised to benefit from the substantial wealth transfers between generations that are forecast and from being able to provide advice and assistance to the many individuals who want and need advice from a reputable, independent company. And of course our superannuation business is a direct participant in that opportunity.
109. Our strategic direction is well established and regularly reviewed and although we may continue to see volatile market conditions for some time yet, and have to deal with challenges and changes in our regulatory environment, Equity Trustees is well positioned to continue to reward its shareholders and other stakeholders.
110. Finally I'd like to talk about our staff. As a financial services business, staff expertise, knowledge and experience are really what we provide to our corporate and personal clients. It is those skills, and the brand values that our name and history provide, that we sell.
111. Employment costs form the great bulk of our operating expenses. During the worst of the GFC we, like many other companies, instituted a pay freeze and for both 2009 and 2010 staff earned very little in the way of incentive payments – which are a significant and normal part of the overall remuneration balance in this industry. Of course a trade-off was that we maintained staffing levels – there were no redundancies to try to cut costs.

But our industry has in effect returned to normal operating conditions in many ways and expertise, relationships and experience are sought after resources.

112. Staff satisfaction, which we survey annually, did decline in 2010 compared to 2009 and previous years. Part of this was almost certainly the impending change in CEO, which can have an unsettling effect on a company in circumstances where there has been a long-term incumbent, but a substantial reason was also no doubt the effective freeze on remuneration during the difficult times.

113. Staff Satisfaction is important to us – not just as an absolute - but because we'd like to be an attractive employer that good people want to come and work for. It's important for our long-term success that we turn around the decline in staff satisfaction and get it back to the sorts of levels we'd achieved in the last couple of years.

114. I'd like to thank the staff for their support and assistance for me as I took over my role from a respected incumbent who had helped many of them establish their careers at the company. I know it can be an unsettling experience for staff when a change like this happens but equally I'm delighted at the input and patience they've given me as I explore the company's activities and ways to maximise our potential.

Mr Killen resumes the lectern.

Slide 30: Agenda

115. Thank you Robin.

Slide 31: Items of ordinary business

116. There are four items of formal business to be referred to today's meeting. The first of these is to receive and consider the financial statements and the reports of the directors and auditor for the year ended 30 June 2010.

The second is to adopt the remuneration report for year ended 30 June 2010. The third is to consider the election of directors. The fourth is to consider the grant of a long-term incentive award to the Managing Director.

Item 1 – Financial Statements

Item 2 – Remuneration Report

117. The 2nd Item of business is to adopt the Remuneration Report for the year ended 30 June 2010.

118. The Remuneration Report is contained in the Directors' Report set out in some detail on pages 6 to 13 of the Annual Report. This is an opportunity for shareholders to discuss the Remuneration Report and to vote upon it. As you may be aware, this is a non-binding vote, the result of which your directors would, if necessary, take into account in their approach to future remuneration reviews. Before opening up the matter for discussion I would like to make a number of introductory remarks.

Slide 34: Remuneration

119. In the wake of the GFC, a pay freeze was instituted for all staff at 1/7/09. Staff have had no salary increases for 2 years, other than in those cases of promotion or significant change in responsibility.

120. No Short term Incentives were earned for a second year in a row given the Company's profit objective was not met. We did however make a one off payment of modest proportions to all staff in recognition of their commitment during a period of great challenge for the company.

121. We have continued to issue LTI Awards to executives each year because we believe in the value of longer term alignment of the interests of management and shareholders. The Awards constitute an opportunity to receive shares in the company provided pre-determined performance

hurdles are met. You can see the actual outcomes over the first three years have been mixed.

- 122. For the same reason, each year we have also continued to issue shares to staff under the Employee Share Acquisition Plan.
- 123. It's of interest to note that an employee with 5 years service would now own 285 shares in the company.
- 124. Recently we have introduced another Share Acquisition Plan whereby all staff can tax effectively acquire shares by salary sacrifice, up to a limit of \$5000 p.a.
- 125. Your directors consider the Group's remuneration arrangements are appropriately balanced between long and short term outcomes, with variable incentives for outperformance, and an appropriate linkage to shareholder returns.

Slide 35: Tracking Remuneration vs DPS

- 126. Here you can see the relationship between compensation to directors and the executive team, and dividends to shareholders, using 2004 as the base year. The chart illustrates the cumulative growth in remuneration year by year, with the cumulative growth in dividends per share paid to shareholders. The values in the chart are multiples of the values applying in the base year. It is clear dividends to shareholders have grown at a significantly greater rate than remuneration to the Board and the executives.
- 127. I commend the Remuneration Report for adoption by shareholders and open up the matter for discussion.

Item 3(a) – Re-election of Mr JA (Tony) Killen

Item 3(b) – Election of Ms AM O'Donnell

Item 4 – Managing Director – Long Term Incentive Award

Slide 41

128. Item 4 is the approval of the Long Term Incentive Award for the Managing Director, Series 2010/11, with a commencement date of 1/7/10.
129. The Managing Director took up his appointment in March of this year. This is the first opportunity to put to shareholders a key component of the Managing Director's remuneration. As I have already noted in the context of the Remuneration Report, we believe in the value of longer term alignment of the interests of management and shareholders, and nowhere is this more important than in the case of the managing Director.

Slide 42: MD s LTI 2010/11 Series

130. Both the quantum of the opportunity - 60% of TEC and the performance measures - 50% relative TSR and 50% EPS are the same as for the last LTI Award made to Mr Burns' predecessor, Peter Williams.
131. The vesting scales are essentially the same but have been moderated slightly to reflect current business conditions and the current remuneration market.
132. The fine detail of the arrangement is fully outlined in the Notice of Meeting so I won't go into any more detail here.
133. That concludes the formal agenda items at today's AGM

[Refer to separate ASX Announcement relating to outcome of voting].



Equity Trustees Limited
2010 Annual General Meeting
29 October 2010

Board of Directors



Mr JA (Tony) Killen
Non Executive
Director
Chairman



Mr Robin Burns
Managing Director



Mr David Groves
Non Executive
Director
Deputy Chairman



Mr John McConnell
Non Executive
Director



**The Hon Jeffrey
Kennett AC**
Non Executive
Director



Ms Alice Williams
Non Executive
Director



Mr Barry Jackson
Non Executive
Director



Ms Anne O'Donnell
Non Executive
Director

Agenda



1. Overview and highlights Mr Tony Killen
2. Operational performance Mr Robin Burns
3. Items of business Mr Tony Killen
 Mr David Groves
4. Questions

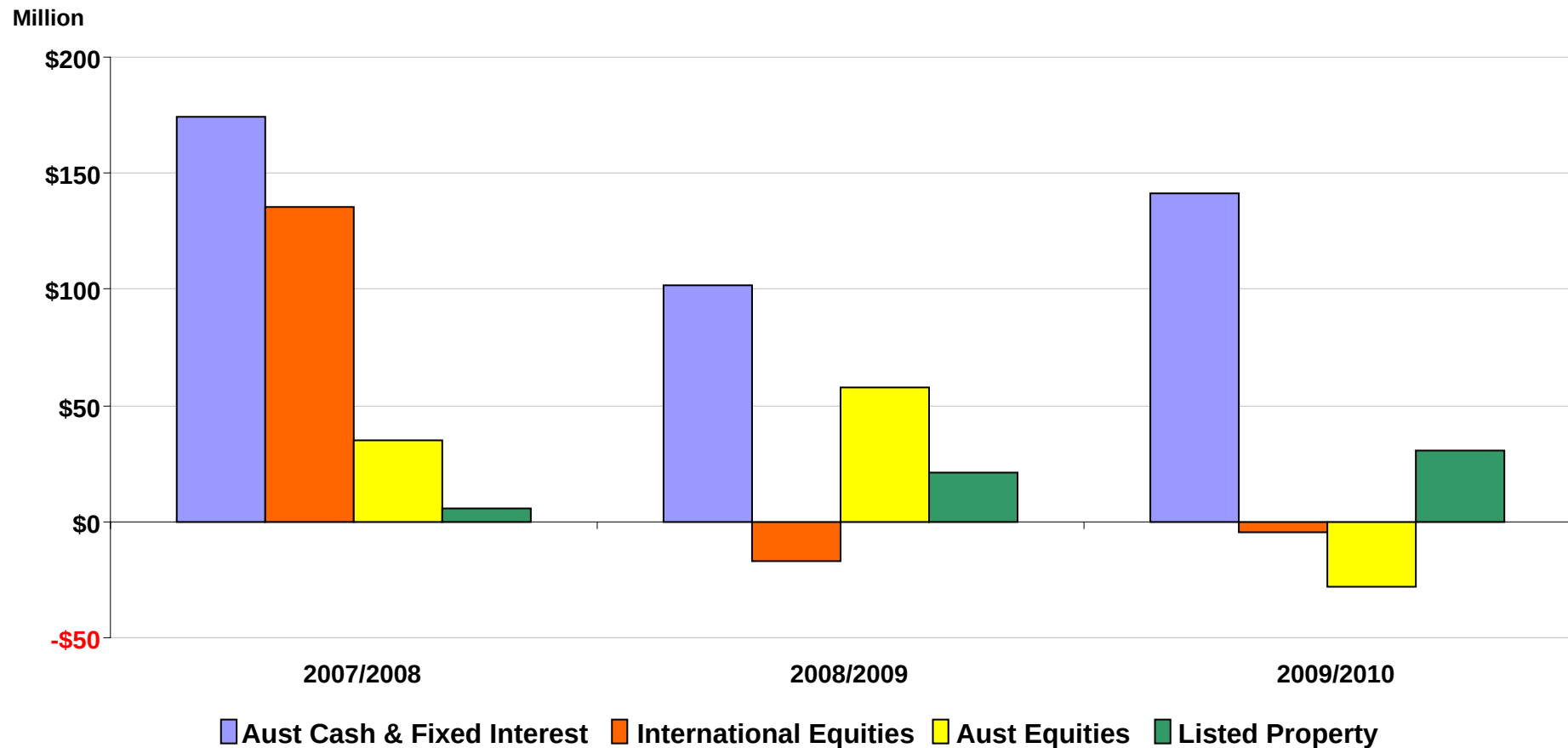


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Sharemarket performance S&P/ASX200 Accum Index 30 June 2007 to 30 September 2010



Net Yearly Fund Flow Funds Management Business Unit



Overview – FY2010



- Satisfactory profits given testing conditions.
- Company well poised to continue to deliver for shareholders.
- 110¢ full-year, fully franked dividend maintained at 2009 levels.
- Sensible investment in the business, balanced by expenditure control.
- Strong balance sheet, nil debt.
- Stable management team and staff have demonstrated loyalty and expertise.
- New Managing Director, Robin Burns started in March.

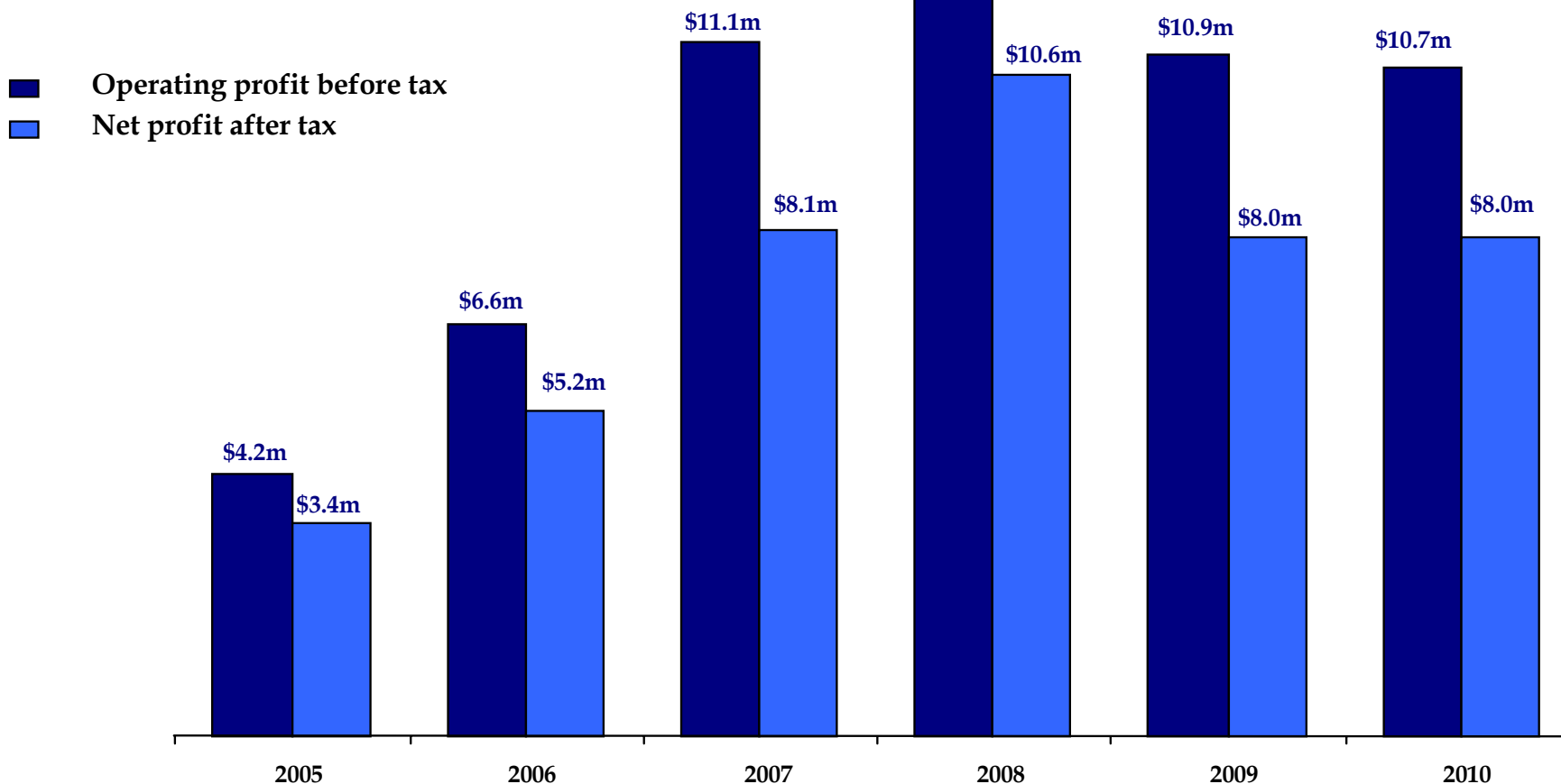
Profitability



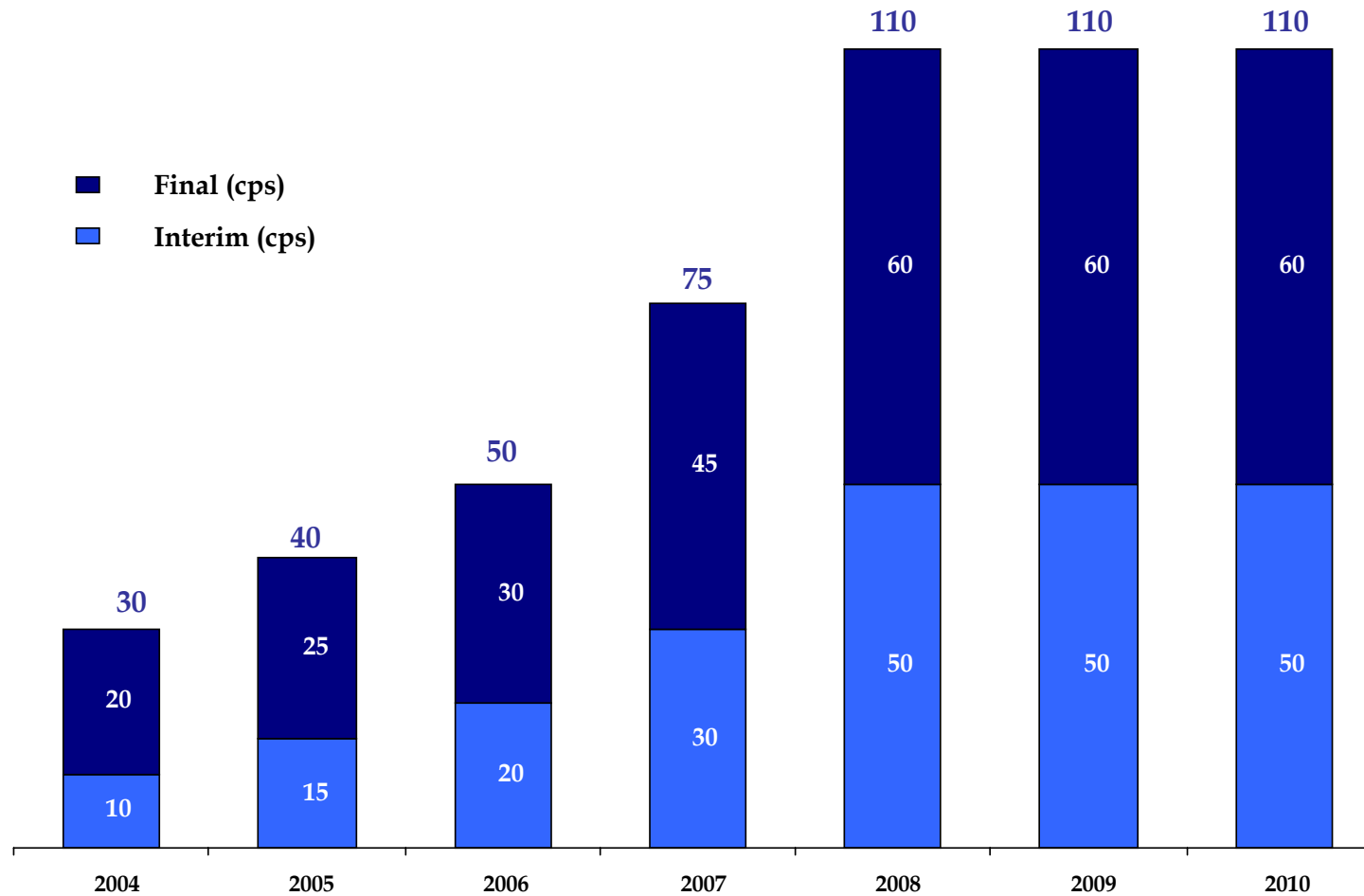
➤ Operating profit before tax down 1.8% to \$10.7m

➤ Net profit after tax maintained at \$8.0m

(Includes profit on sale of investments)



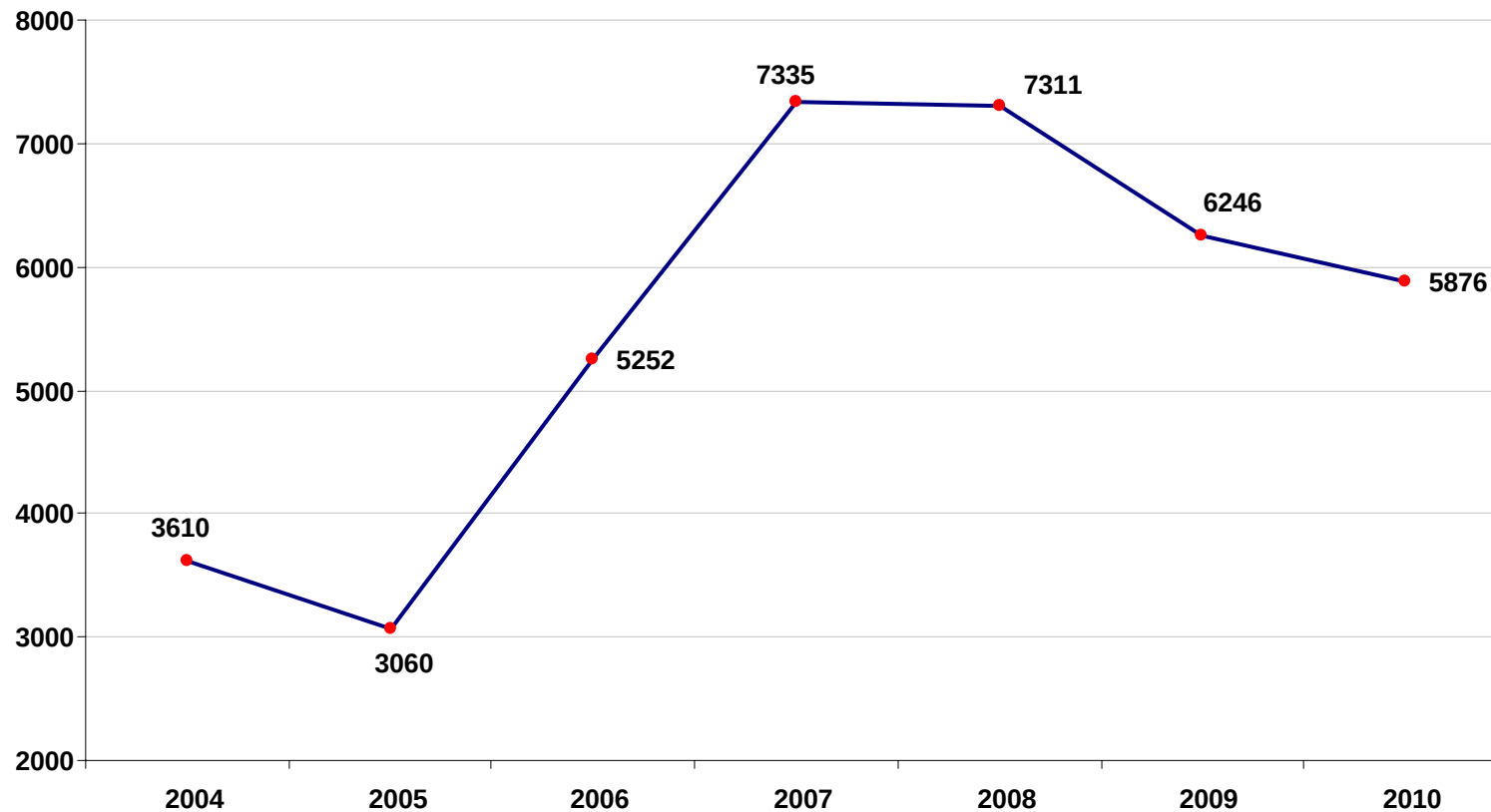
Shareholder Dividends



Franking Credits Balance



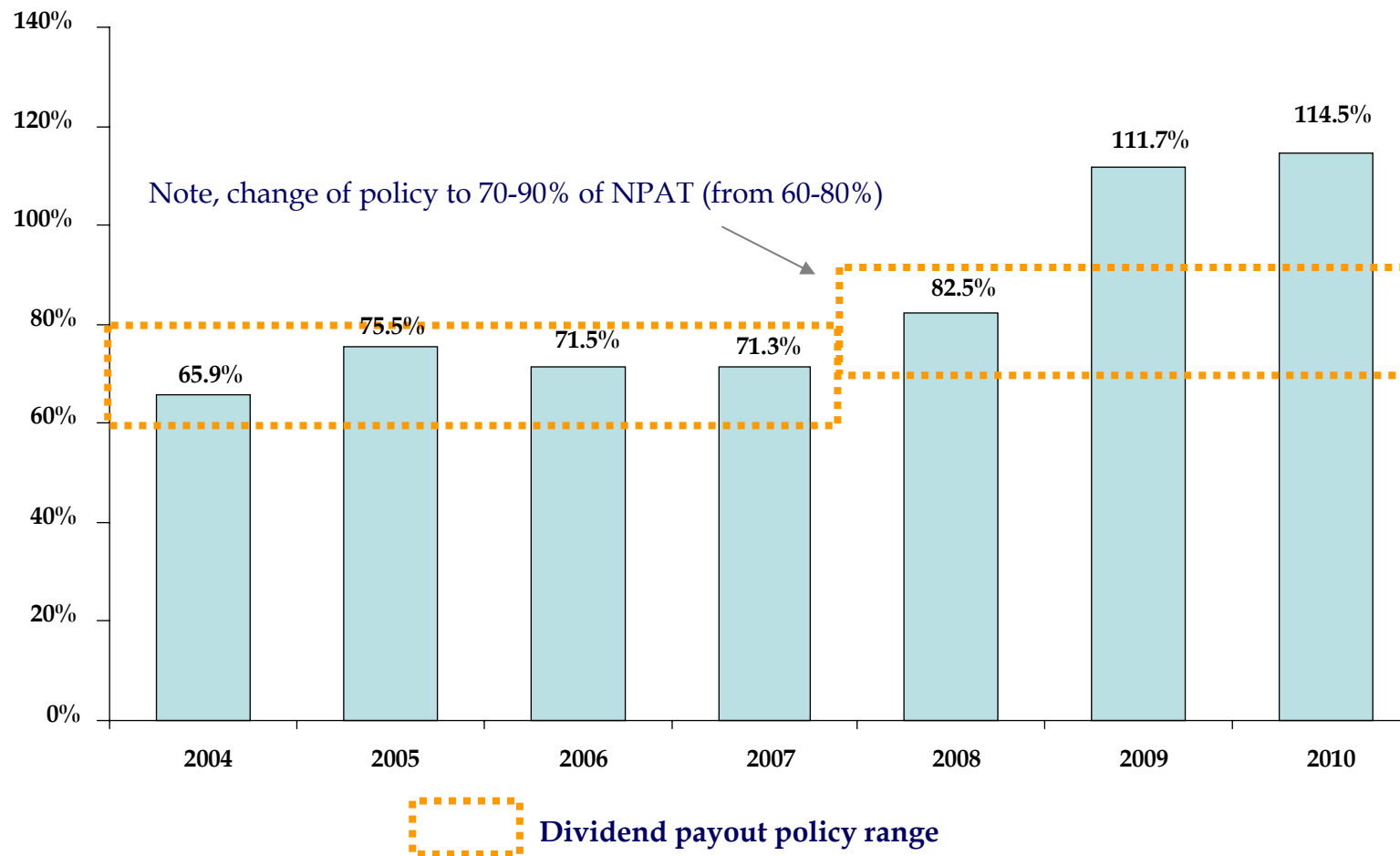
Greater utilisation in 2009 and 2010 due to increased dividend.



Dividend payout ratio



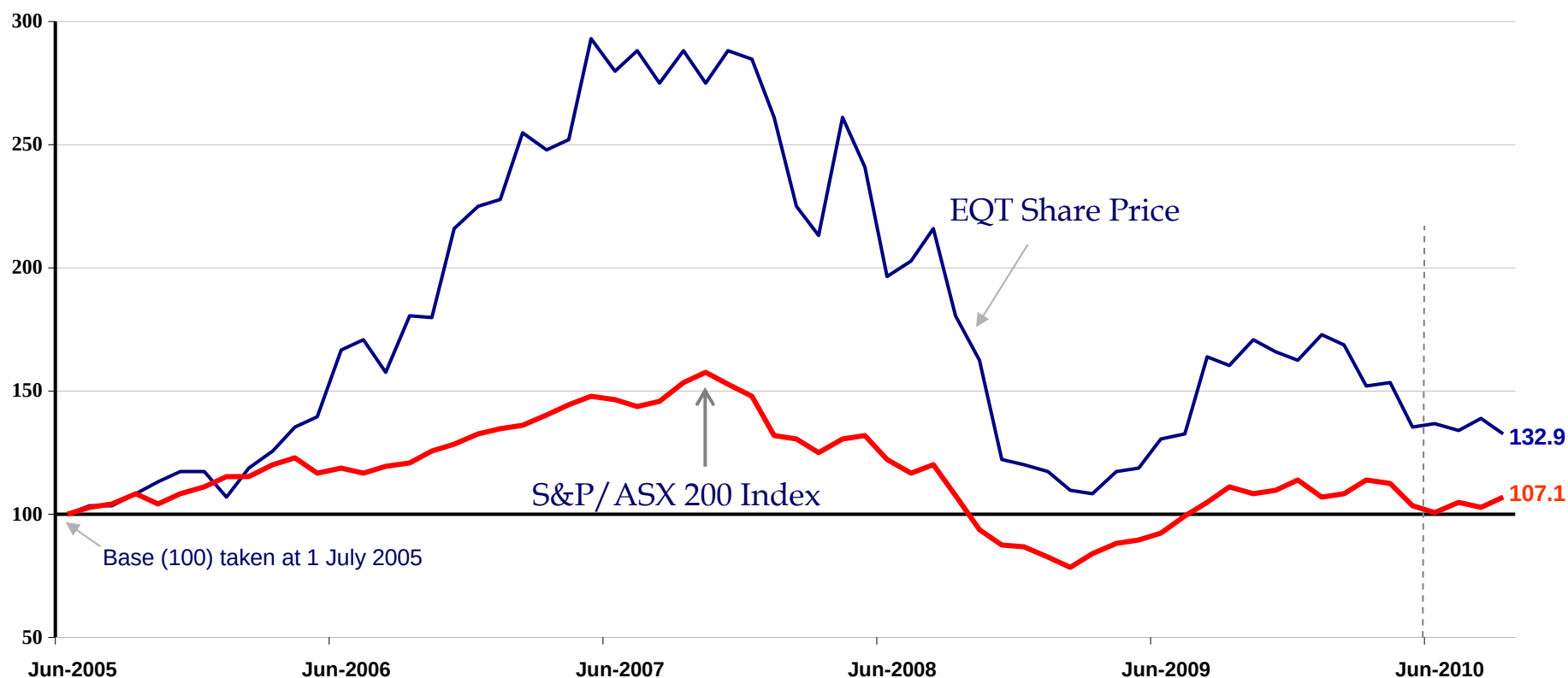
Full-year dividend as percentage of Earnings Per Share



Sustained share price outperformance



	1 July 2005 to 30 June 2010
S&P/ ASX 200 Accum. Index	24.8%
EQT Total Shareholder Return	74.8%
EQT Compound Growth pa. over the 5 years	11.8%



Recent acquisition – OAMPS Superfund



- Further step growth into Super
- 27,000 members
- \$265m FUM
- Cost approximately \$10 million – funded from internal resources
- Profitable from day one, 1 November 2010
- Synergy benefits expected
- Bolt-on to existing master trust
- Earnings accretive in first 12 months
- Access to OAMPS Distribution Networks

The Board



- Triennial formal performance appraisal in March 2010 – some suggestions to be considered but overall conclusion was positive.
- Succession planning process is in place – based on desired skills mix and timetable for renewal.
- Barry Jackson stepping down after 8 years – distinguished service and contribution.
- Anne O'Donnell joined in September. Considerable relevant experience and broad range of skills.
- Continue to use external resources to ensure widest possible range of potential candidates and appropriate mix of skills and backgrounds.

Looking ahead



Outlook for 2011:

- Economic conditions still difficult in US and Europe – impacting confidence and equity markets worldwide, and hence investors.
- Company well placed to benefit from a sustained recovery.
- Overall strategic plan still relevant and balanced – appropriate to the conditions and actively maintained.
- First quarter results tracking slightly ahead of prior year.
- All business units producing positive results and well positioned to manage industry change.
- Continuing to pursue operational improvement and efficiency.
- Incentive structure aligned to corporate, business unit and individual performance.
- OAMPS super business – fully integrated by 30 June 2011.
- Continue to look for growth or acquisition opportunities.



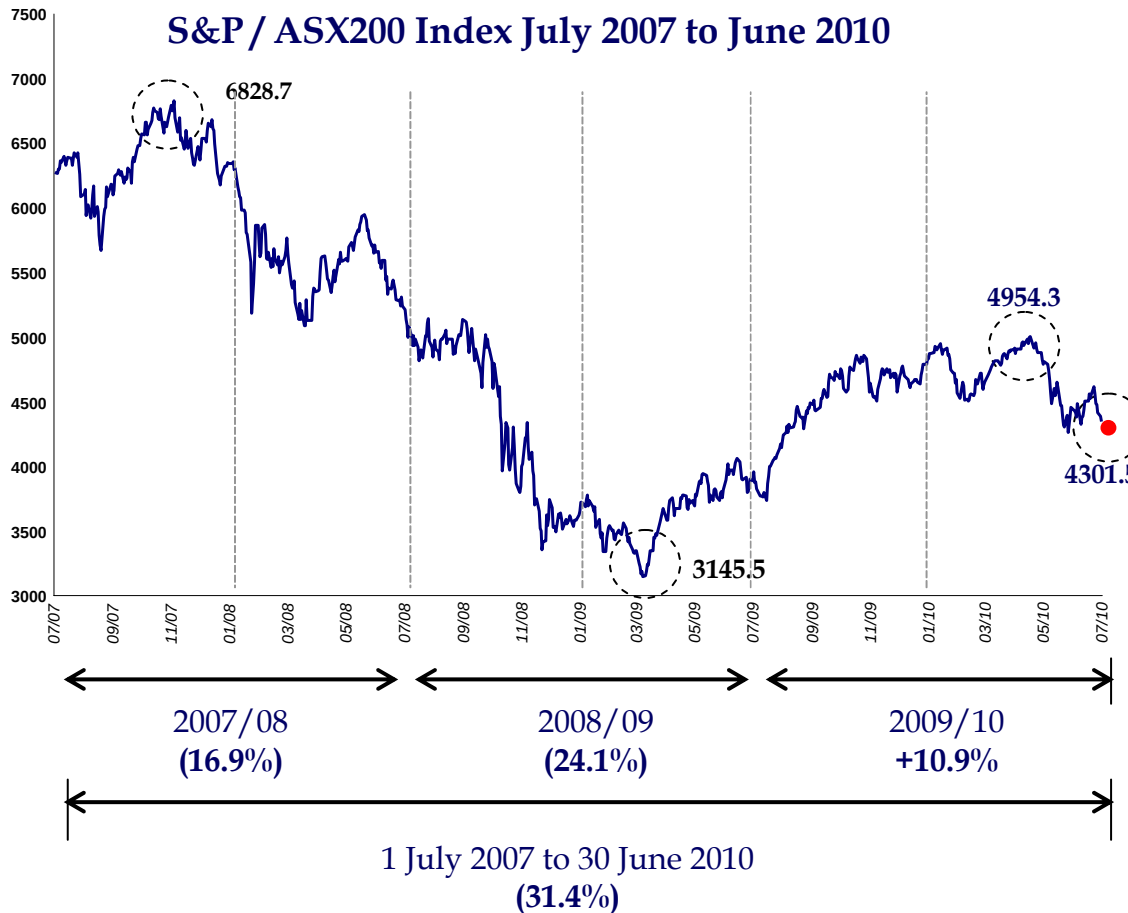
Mr Robin Burns
Managing Director
Equity Trustees Limited

Overview – FY2010



- Operating revenue growth 2.1%.
- Operating margin 31.1%, compared with 32.4% in previous year.
- New business generation continued, although varied between business units.
- All business units continue to earn positive EBIT.
- Expenses grew 4%
- No impairment charges.
- Strong cash flow generation from operating activities.

Revenue recovering



	FY 2008	FY 2009	FY 2010
S&P/ASX200 Year on year	(16.9%)	(24.1%)	+10.9%
EQT operating revenue year on year	+21.2%	(13.7%)	+2.1%

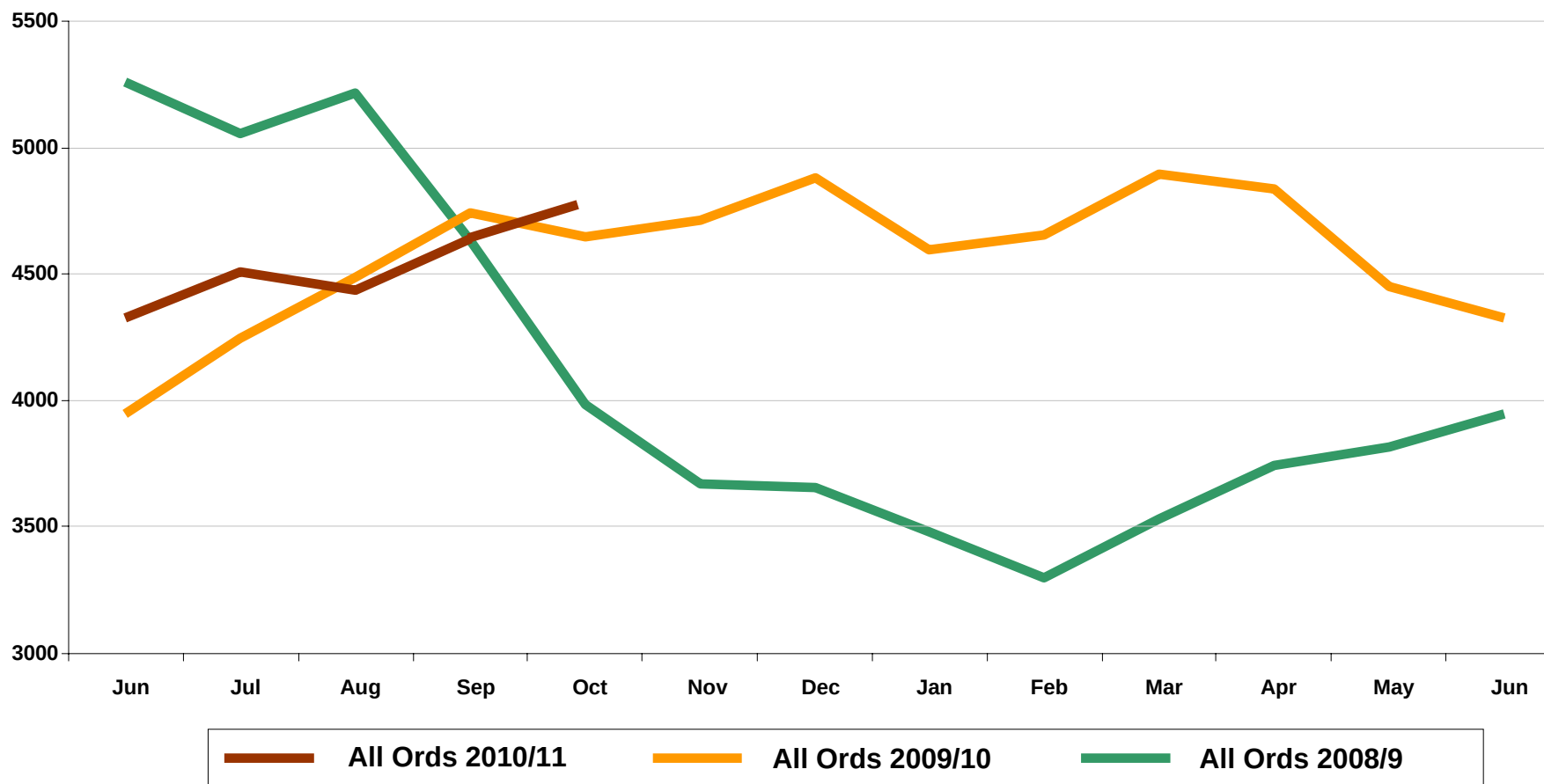
Change in EQT Operating Revenue

2006/7 to 2009/10
+6.8%

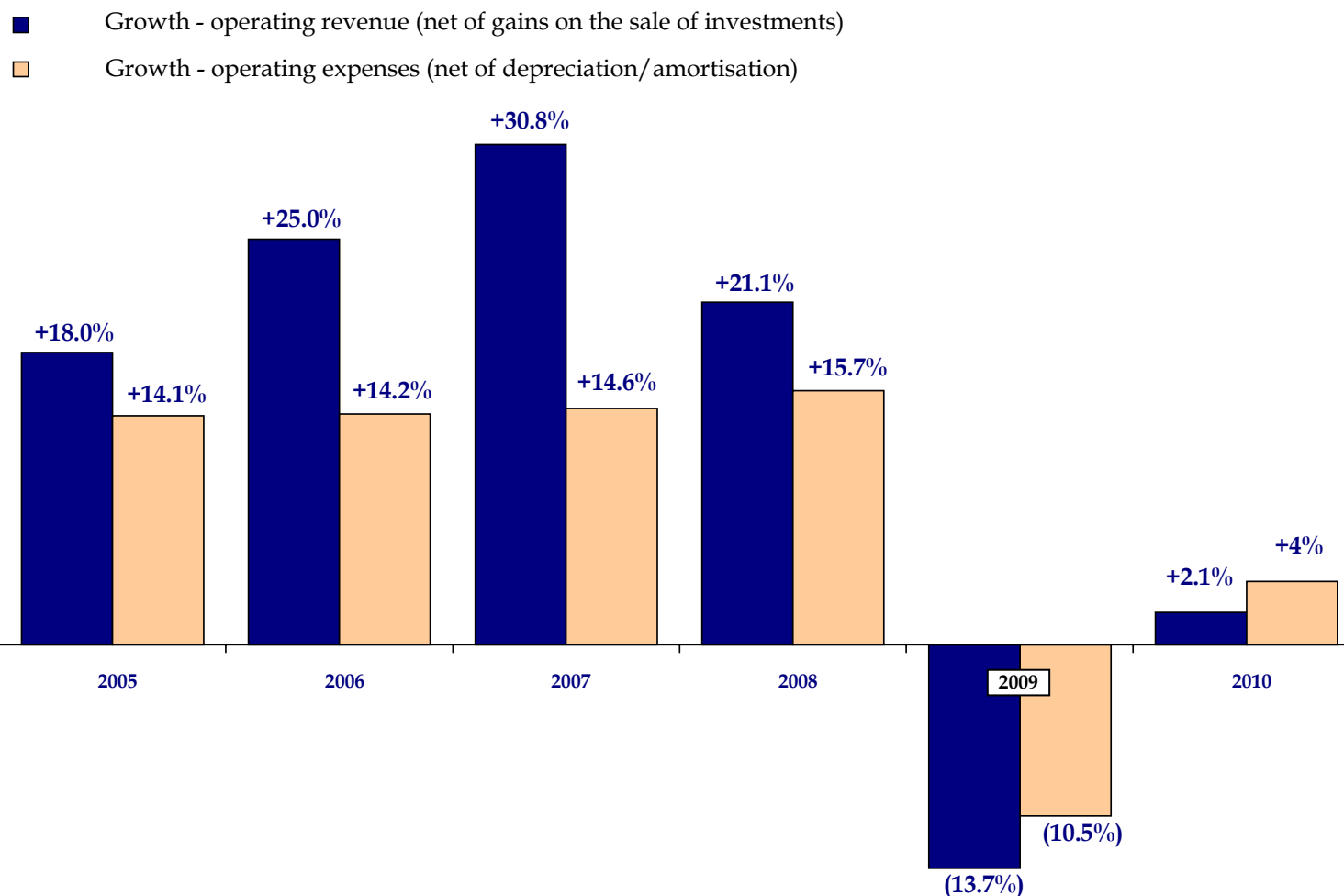
Note: The relationship between the ASX 200 and EQT operating revenue is not direct. Around 50% of revenue is impacted by EQT's exposure to equity markets

S&P/ASX All Ordinaries Index Year on Year

FY08/09, FY09/10 & YTD10/11



Expense management and margins



Operating margin	21.2%	26.8%	34.3%	37.1%	32.4%	31.1%
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Business units – activities and key measures



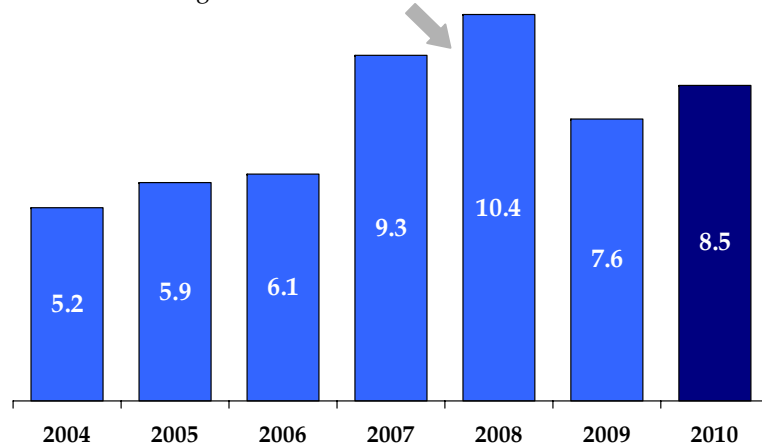
Business unit	Key services	Target market / channel	2010 Revenue vs 2009	2010 FUM/FUA vs 2009
Private Clients	➤ Wealth Management ➤ Asset Management ➤ Trusts & Estates ➤ Philanthropy	➤ Private investors ➤ Business to business referrals	\$8.5m +12.6%	\$1,261m +13.5%
Funds Management	➤ Distribution ➤ Product management for EQT co-branded funds (managed by external specialists)	➤ Platforms/IDPS ➤ Financial planners	\$8.3m (2.3%)	\$2,176m +12.3%
Fund Services	➤ Responsible entity ➤ RSE	➤ Investment managers ➤ Superannuation funds	\$8.5m +4.8%	\$14,452m +28.9%
Superannuation	Full service master trusts – ➤ Wealthpac ➤ Freedom of Choice	➤ Small-medium size corporates ➤ Members	\$8.3m (1.8%)	\$624m +10.4%

Business unit overview - Private Clients

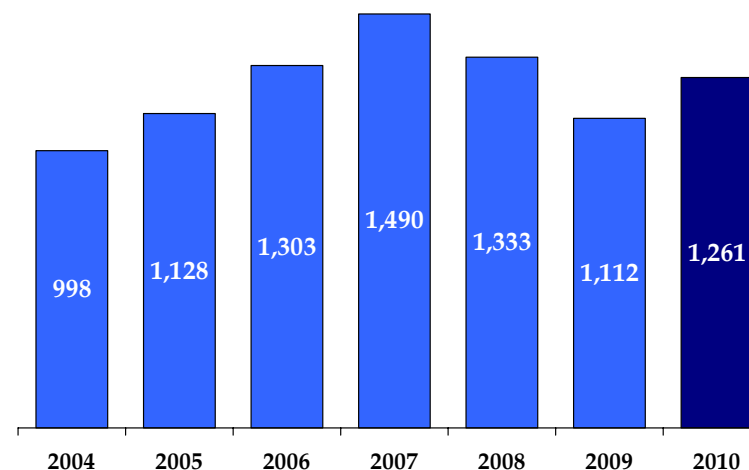


Operating revenue up 12.6% to \$8.5m

Significant one-off estates boost



FUM up 13.5% to \$1,261m

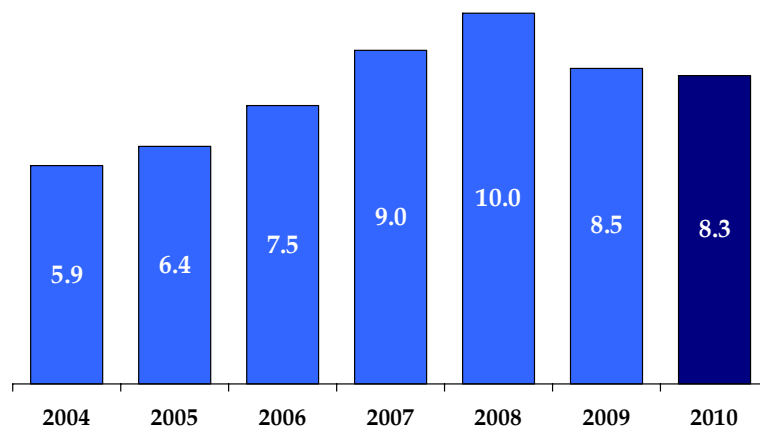


2010 highlights	➤ Continuing growth in Wealth Management client numbers ➤ Consistent year in Philanthropy, Trusts & Tax ➤ Benefits of reorganisation of business unit - improved service to clients
2011 outlook	➤ Upgraded sales resources and marketing focus including new BDM ➤ Changes to trustee company regulation allow interstate expansion ➤ Targeted sales performance, pricing refinement and communication programmes

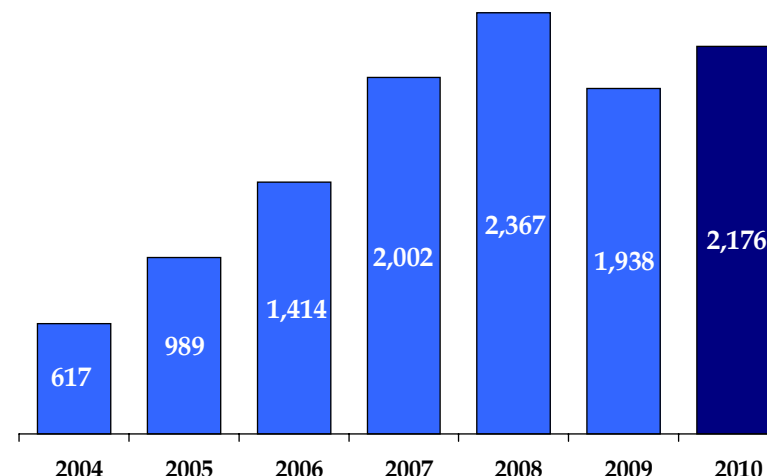
Business unit overview – Funds Management



Operating revenue down 2.3% to \$8.3m



FUM up 12.3% to \$2,176m



2010 highlights

- Strong increase in flows into the EQT co-branded funds
- FUM increase not reflected in revenue due to changes in asset mix and timing of flows
- EQT co-branded funds perform well vs. their peers across major asset classes

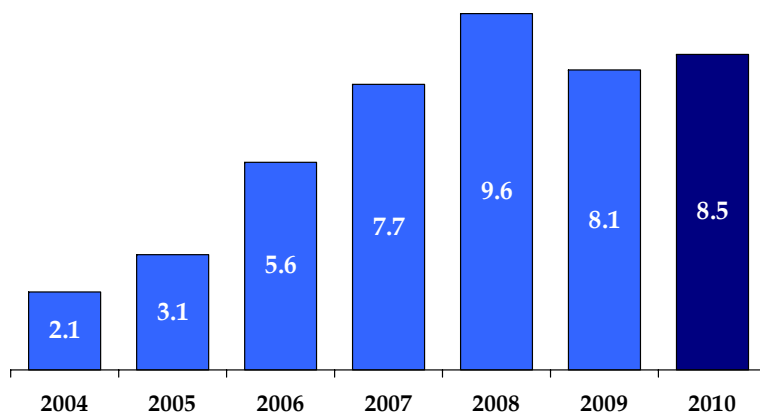
2011 outlook

- New BDM in Sydney
- Ongoing expansion into NSW and Queensland advisor markets
- Continued top-down & bottom-up approach to IDPS market

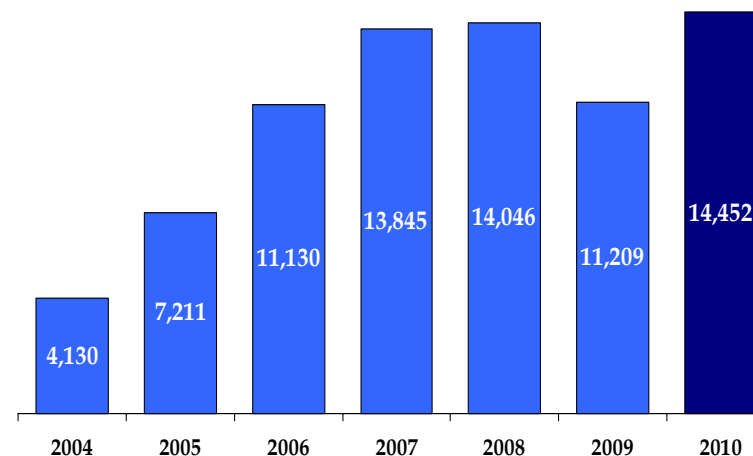
Business unit overview - Fund Services



Operating revenue up 4.8% to \$8.5m



FUA up 28.9% to \$14,452m

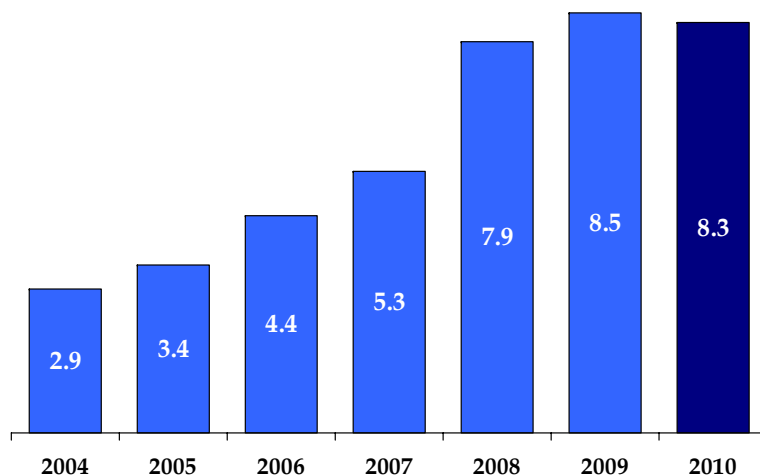


2010 highlights	➤ Activity from domestic and global investment managers despite market downturn ➤ No exposure as RE to 'toxic' assets/funds ➤ Diversification of managers (42) ➤ Net growth in FUA primarily placed in lower margin, defensive assets
2011 outlook	➤ Leverage strong referral network for ongoing growth in RE business ➤ Resources devoted to quality appointments

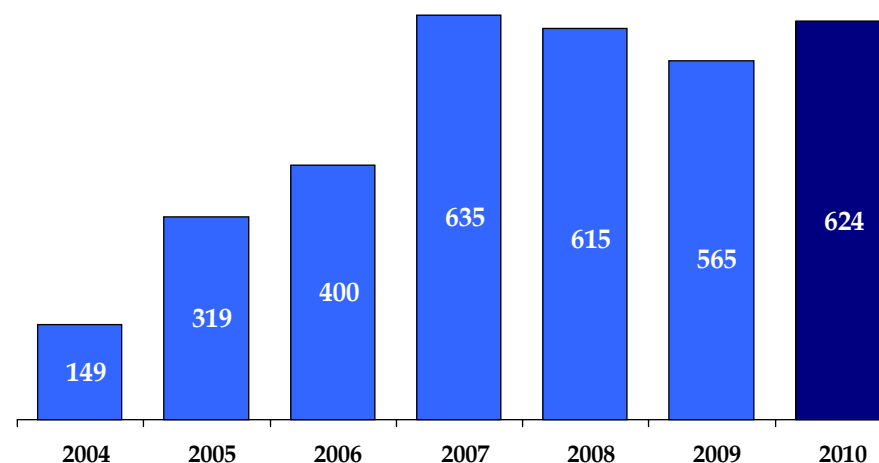
Business unit overview - Superannuation



Operating revenue down 1.8% to \$8.3m



FUM up 10.4% to \$624m



2010 highlights

- The EquitySuper brand was launched and the integration of the Templeton's brand was completed
- The Freedom of Choice Master Fund was rated 5 stars by Heron Partnership
- Continued strong investment performance

2011 outlook

- Product development activity is underway as a response to Cooper review outcomes
- Focus on member retention
- Integration of OAMPS master trust, announced in September

Support Services



- Support services provided by Corporate, Human Resources, Business Systems & Technology, Marketing, Operations, Risk Management & Compliance are all integral parts of the business.
- Last stages of implementing new back office system.
- Business Process Management project now underway.
- Together these provide a long-term operational platform, improved efficiency and control.
- Support services focus on serving a mix of internal and external clients and will seek to develop a customer focused approach.
- Strong culture of fiduciary responsibility, compliance and risk control.

Business update



Regulatory changes

- Trustee companies have commenced the transition to national legislation (from the previous state based legislation).
- Cooper, Ripoll and Henry reviews contain recommendations which may affect EQT's operation, products and services . All business units are well positioned to respond positively to changes and potential opportunities.

Acquisitions

- Announced in September, the acquisition of the OAMPS corporate super master trust (\$265m FUM).
- Signs of increased activity for potential acquisition opportunities. Continue to consider suitable bolt-on business acquisition opportunities, subject to established disciplines in requiring a near term accretive impact on earnings per share.
- Likely that acquisition activity in the financial services market will increase in the aftermath of the Ripoll review. Balance sheet strength places us well to respond when appropriate to do so.

Summary



Current results and activities

- Business has diversified revenue streams, all making solid earnings contributions.
- Despite continuing volatility, underlying margins remain healthy and revenue has held up well.
- Tight expenditure control through difficult period but future growth requires continued investment.
- New business generation continuing in most target sectors.
- No debt, cash flow positive, highly skilled and experienced staff, strong internal processes.

Summary (cont)



Looking ahead

- Demographic opportunity in private wealth management, good leverage to funds management industry.
- A market recovery and sustained return to equities will flow into revenue improvement.
- Focus on business development and sales/marketing culture, but maintain management discipline and "client first" ethos.
- Strategic direction well established, valid and regularly reviewed. Consider sensible acquisitions.
- Financial services is a people business. Attracting and retaining staff who can grow with the business and help take it to the next level is a strategic imperative.

Agenda



1. Overview and highlights Mr Tony Killen

2. Operational performance Mr Robin Burns

➔ Items of business	Mr Tony Killen Mr David Groves
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4. Questions

Items of business



Item 1:

To receive and consider the financial statements and the reports of the directors and auditor for the year ended 30 June 2010.

Item 2:

To adopt the remuneration report for year ended 30 June 2010.

Item 3:

To consider the election of directors.

Item 4:

To consider the grant of a long-term incentive award to the Managing Director.

Items of ordinary business – Item 1



Item 1:

To receive and consider the financial statements and the reports of the directors and auditor for the year ended 30 June 2010.

Items of ordinary business – Item 2



Item 2:

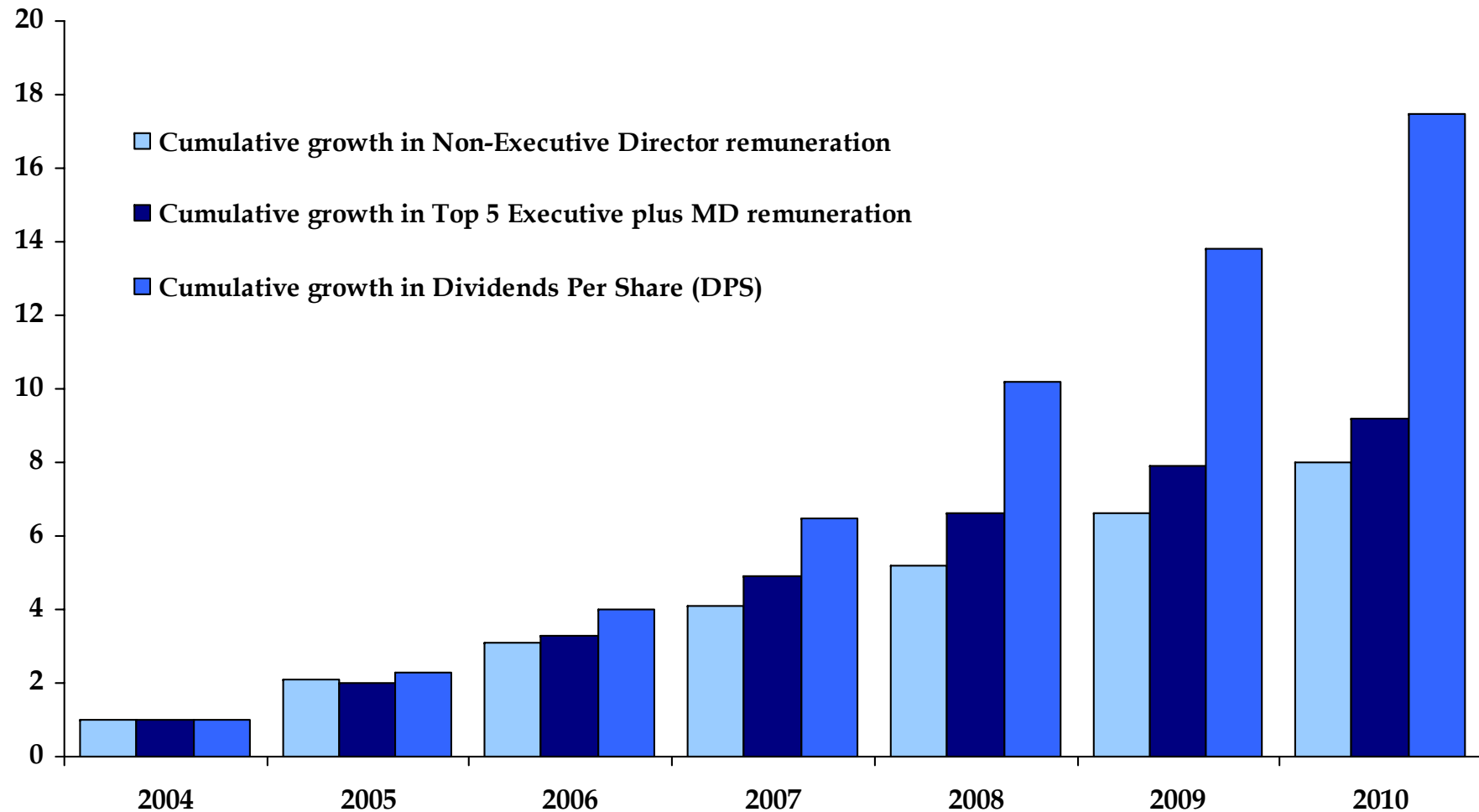
To adopt the remuneration report for year ended 30 June 2010.

Remuneration



- Pay freeze 1 July 2009.
- No Short Term Incentives paid for 2008/09 and 2009/10.
- Long Term Incentive allocations each year:
 - Series 1 Earned (ended 30/6/08)
 - Series 2 Partially Earned (ended 30/6/09)
 - Series 3 Not Earned (ended 30/6/10)
 - Series 4 Under Assessment (ended 30/6/11)
 - Series 5 Under Assessment (ended 30/6/12)
 - Series 6 Under Assessment (ended 30/6/13)
- Equity Share Acquisition Plan maintained each year. \$1000 p.a. per employee. 285 EQT shares accumulated for employees with 5 years service.
- Share Acquisition Plan launched. \$5000 p.a. may be salary sacrificed to buy EQT shares.

Tracking remuneration vs DPS



Item 2 – proxies received



To adopt the remuneration report for year ended 30 June 2010

In respect of item 2 of ordinary business, the following proxies have been received:

For	Against
3,676,988	199,387

Open (total) = 149,680

Open (held by EQT directors) = 114,504

Items of ordinary business – Item 3



Item 3(a):

To consider the re-election of Mr J A Killen

Mr. Groves to Chair the meeting for Item 3(a).

Item 3 (a) – proxies received



To consider the re-election of Mr J A Killen

In respect of item 3 (a) of ordinary business, the following proxies have been received:

For	Against
3,872,363	7,015

Open (total) = 170,180

Open (held by EQT directors) = 135,004

Items of ordinary business – Item 3



Item 3(b):

To consider the election of Ms A M O'Donnell

Item 3 (b) – proxies received



Item 3 (b) – to consider the election of Ms Anne O'Donnell

Ms Anne O'Donnell retires in accordance with Rule 48 of the company's Constitution and, being an eligible person, offers herself for election.

In respect of item 3 (b) of ordinary business, the following proxies have been received:

For	Against
3,874,063	475

Open (total) = 170,180

Open (held by EQT directors) = 135,004

Items of special business – Item 4



Item 4:

To consider the grant of a long-term incentive award to the Managing Director.

Managing Director's LTI 2010/11 Series



- Quantum: 60% of TEC (\$425,000) = \$255k
- Measures: 50% TSR / 50% EPS, over 3 years

- Vesting Scales:

TSR

- | | |
|--|------|
| ➤ Less than 50 th per-centile | Nil |
| ➤ 50 th per-centile | 50% |
| ➤ 75 th per-centile | 100% |

EPS

- | | |
|--------------------|------|
| ➤ Less than 5% pa | Nil |
| ➤ 5% pa | 25% |
| ➤ 15% pa and above | 100% |

Item 4 – proxies received



To consider the grant of a long-term incentive award to the Managing Director.

In respect of item 4 of special business, the following proxies have been received:

For	Against
3,611,476	218,494

Open (total) = 150,119

Open (held by EQT directors) = 114,468

Agenda



1. Overview and highlights Mr Tony Killen
2. Operational performance Mr Robin Burns
3. Items of business Mr Tony Killen
Mr David Groves

➔ Questions

