

BT Investment Management

Half Year Results: 31 March 2013

Emilio Gonzalez, Chief Executive Officer
Cameron Williamson, Chief Financial Officer

1 May 2013



1. **Half Year in Review**
2. **FUM and Fund Performance**
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Half Year in Review

→ Cash NPAT of \$34.2 million

STRONG RESULT	• Cash NPAT of \$34.2 million up 73% pcp • Revenue up 44% pcp: • Management Fees of \$97.7 million, up 14% • Performance Fees of \$33.5 million • Cash EPS of 11.8 cents per share up 69% pcp • Interim dividend of 8.0 cents per share up 45 % pcp • Closing FUM of \$50.4 billion up 10% pcp
GROWTH	• Launch of three new products into the Australian market • Added International small cap team • Tapping into new channels to market
GLOBAL	• Increasingly a global asset management business – Sydney, Singapore, London and expanding into the US • Continued strong net inflows into JOHCM from the UK, Europe and US • Sales capabilities in Asia tapping into growing markets

Financial Highlights

	1H13	1H12	% Change
→ Cash NPAT	\$34.2m	\$19.7m	 73%
→ Statutory NPAT	\$22.8m	\$11.2m	 104%
→ Revenue ¹	\$135.5m	\$93.8m ²	 44%
→ Base Management Fee	\$97.7m	\$85.5m	 14%
→ Performance Fees	\$33.5m	\$4.3m	 >100%
→ Operating Expenses	\$88.3m	\$64.2m	 38%
→ Operating Profit Margin	34%	30%	 12%
→ Cash EPS	11.8 cps	7.0 cps	 69%
→ Interim Dividend	8.0 cps	5.5 cps	 45%
→ Closing FUM	\$50.4bn	\$45.8bn	 10%

1. Total Revenue includes Total Fee Revenue and Net Investment Income

2. 1H12 revenue of \$0.9 million has been re-classified to be consistent with the statutory view

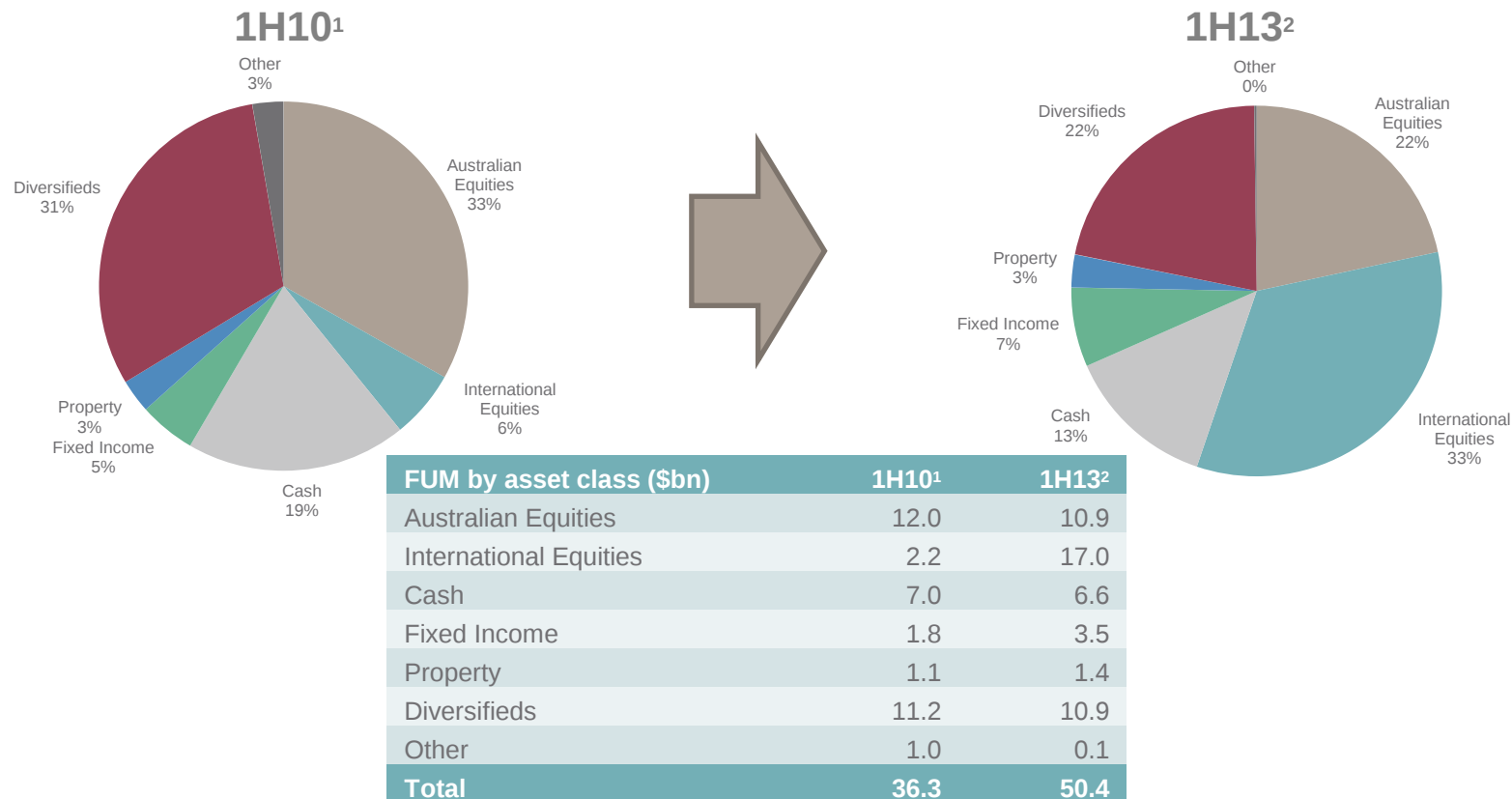
Business Highlights

- Stronger market environment leading to growth and improvement in net flows
- Good investment performance
- Revenue growth driven by increases in both management fees and performance fees
- Continuing to invest for growth
- International equities now 33% of total FUM, up from 6% in 2010
- Demand for income remains strong driving continued development of new products
- Strong growth in JOHCM net flows – 19 consecutive quarters of positive net flows

Strategic Progress

→ Significant progress in diversifying the business

FUM by Asset Class



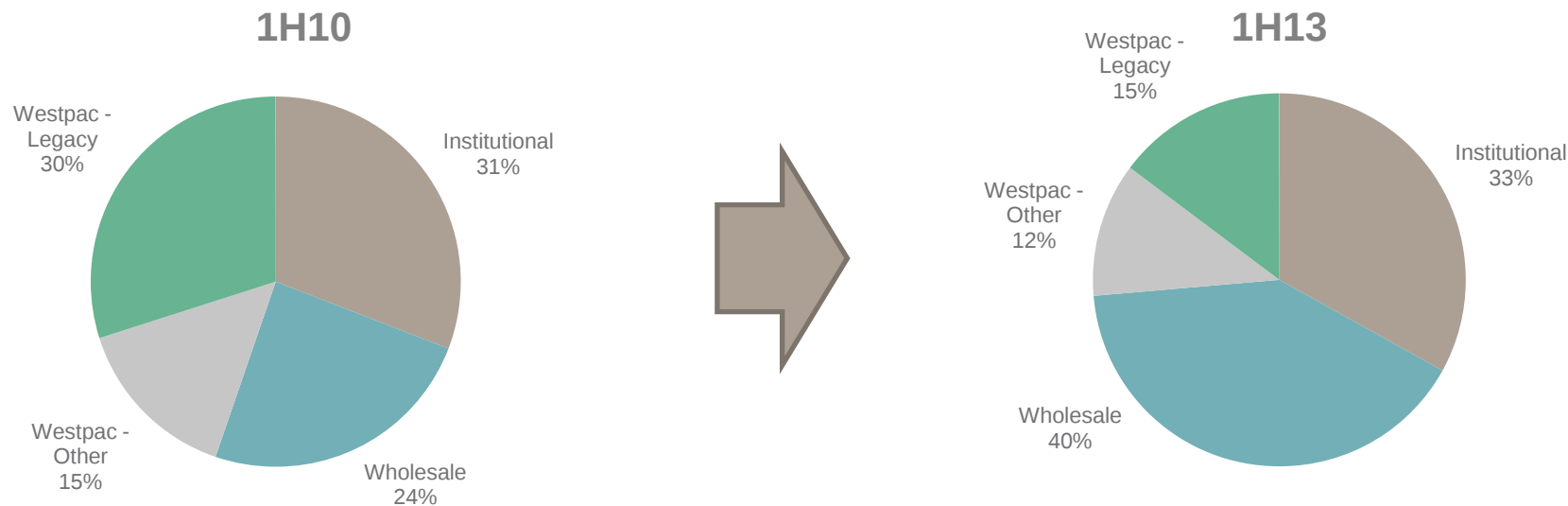
1. As at 31 March 2010. Diversifieds have been reclassified in line with current classification, for purposes of comparison.

2. As at 31 March 2013.

Strategic Progress

→ Significant progress in diversifying distribution channels

Base Management Fee by Channel

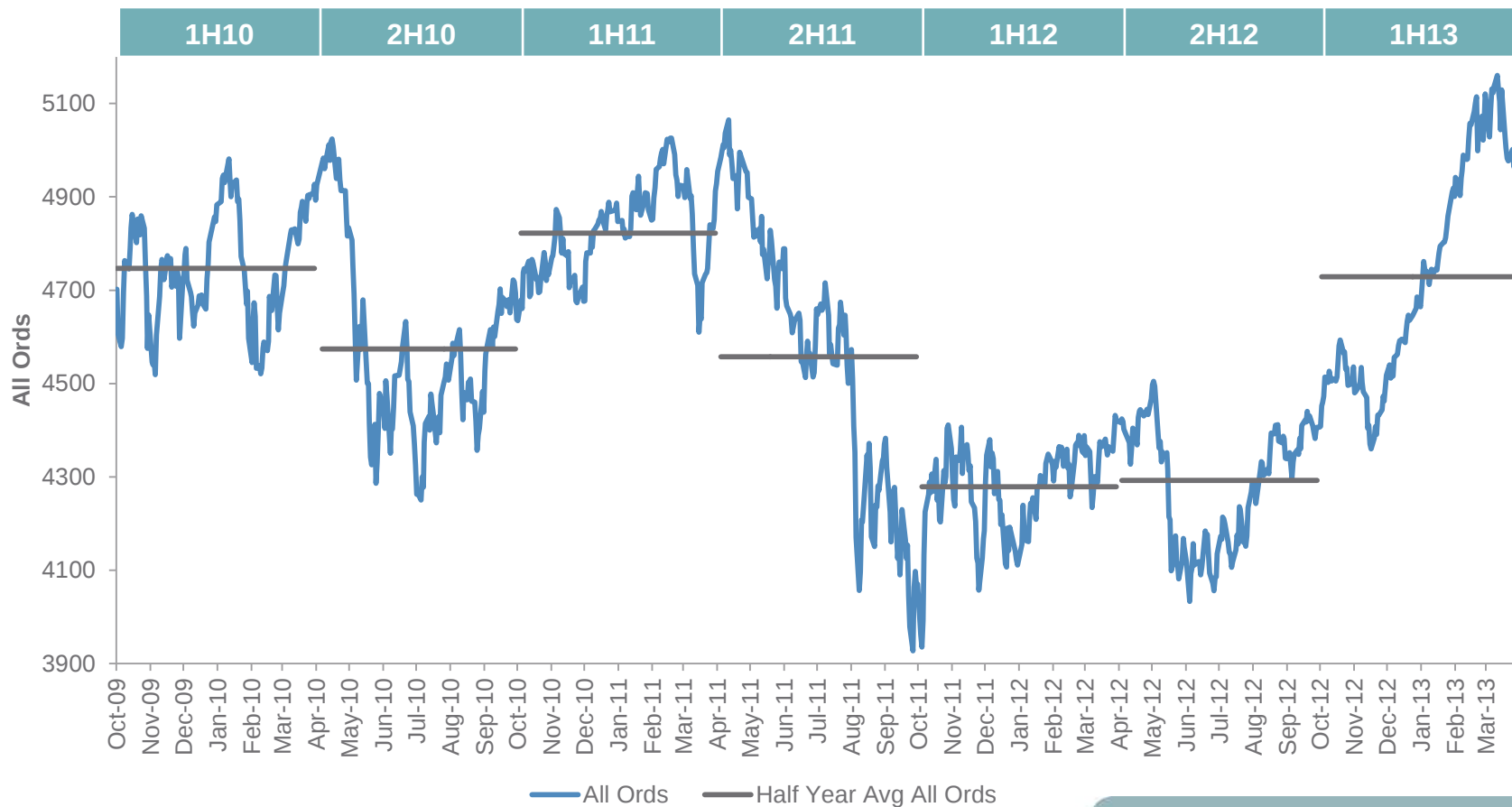


Base Management Fee (\$m)	1H10	1H13
Institutional	18.4	32.3
Wholesale	14.5	39.7
Westpac - Other	8.8	11.3
Westpac - Legacy	17.8	14.4
Total	59.5	97.7

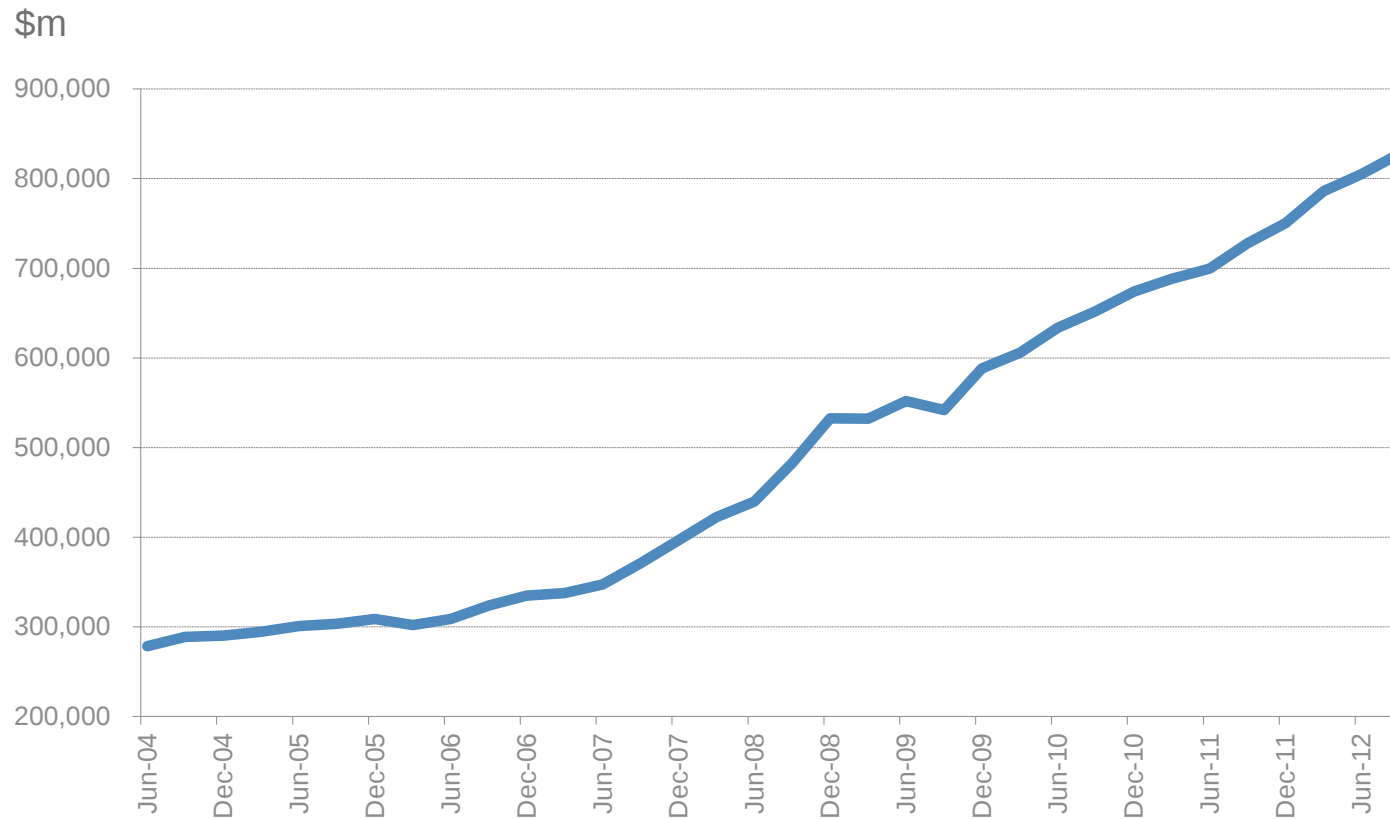
2. FUM and Fund Performance

Australian market movement

All Ordinaries price index movement Oct 09 – Mar 13

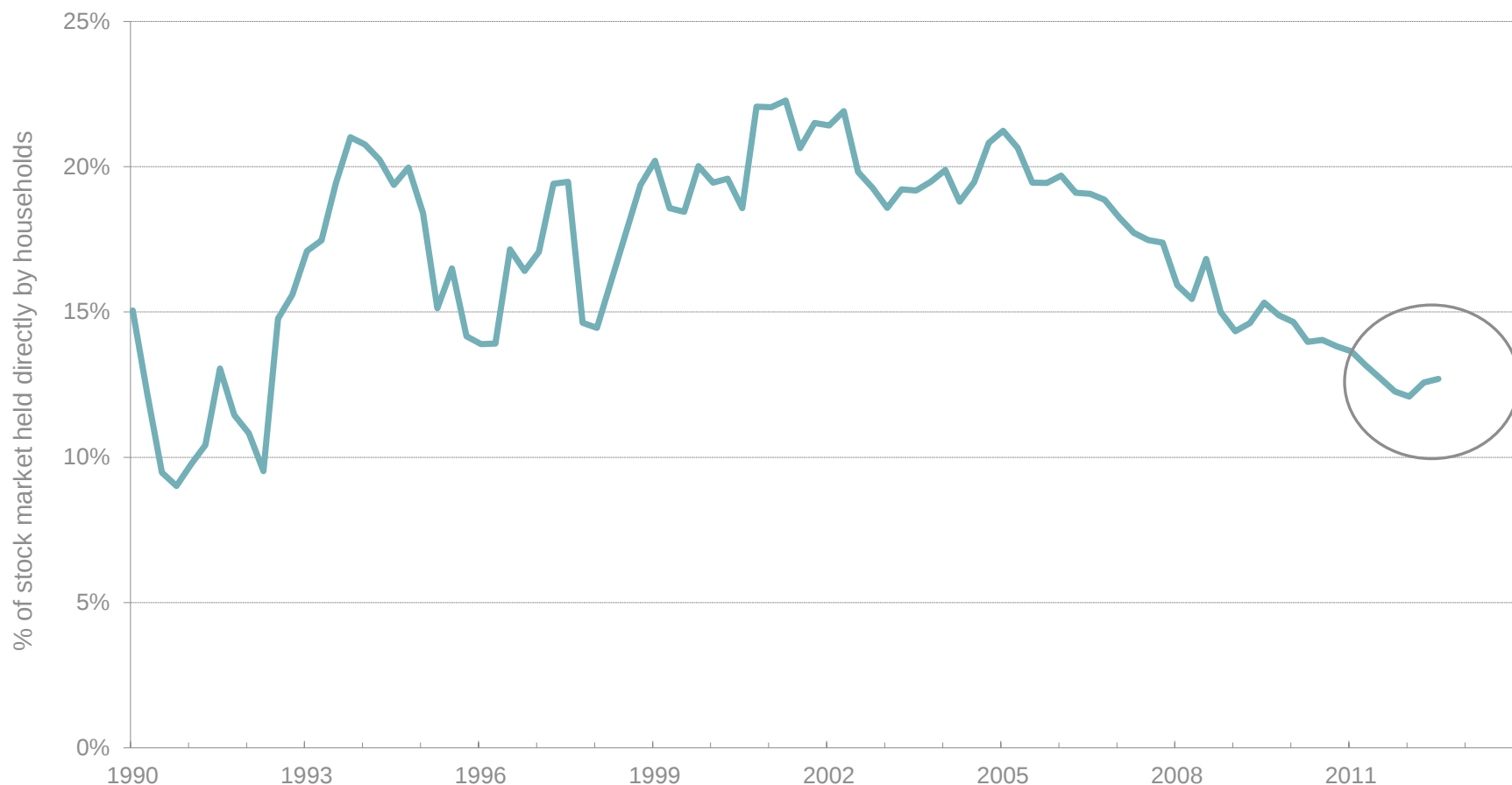


Holdings of term deposits continue to grow



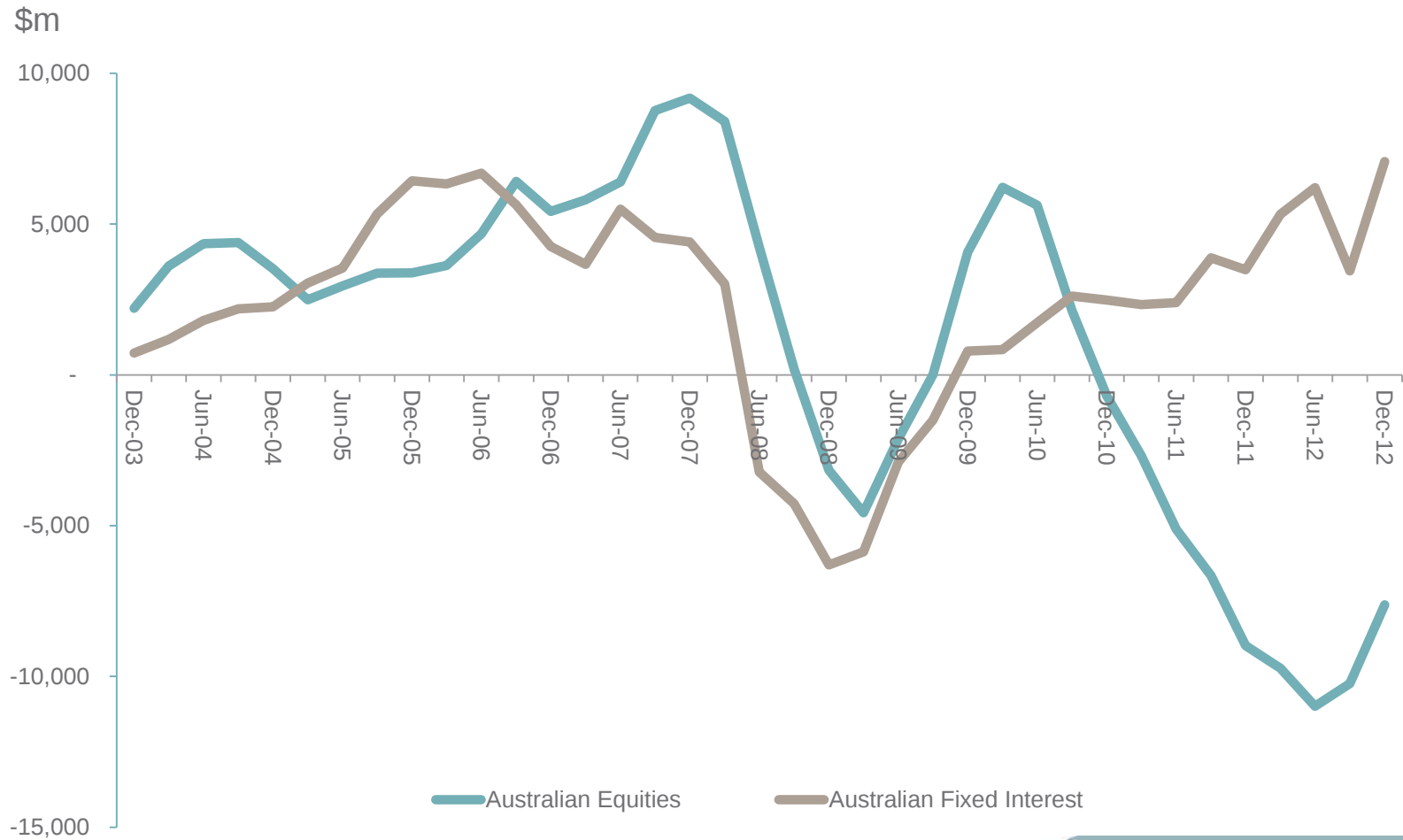
Source: Australian Prudential Regulation Authority (APRA)

Equity holdings by Australian households at 20 year low



Source: Australian Bureau of Statistics (ABS)

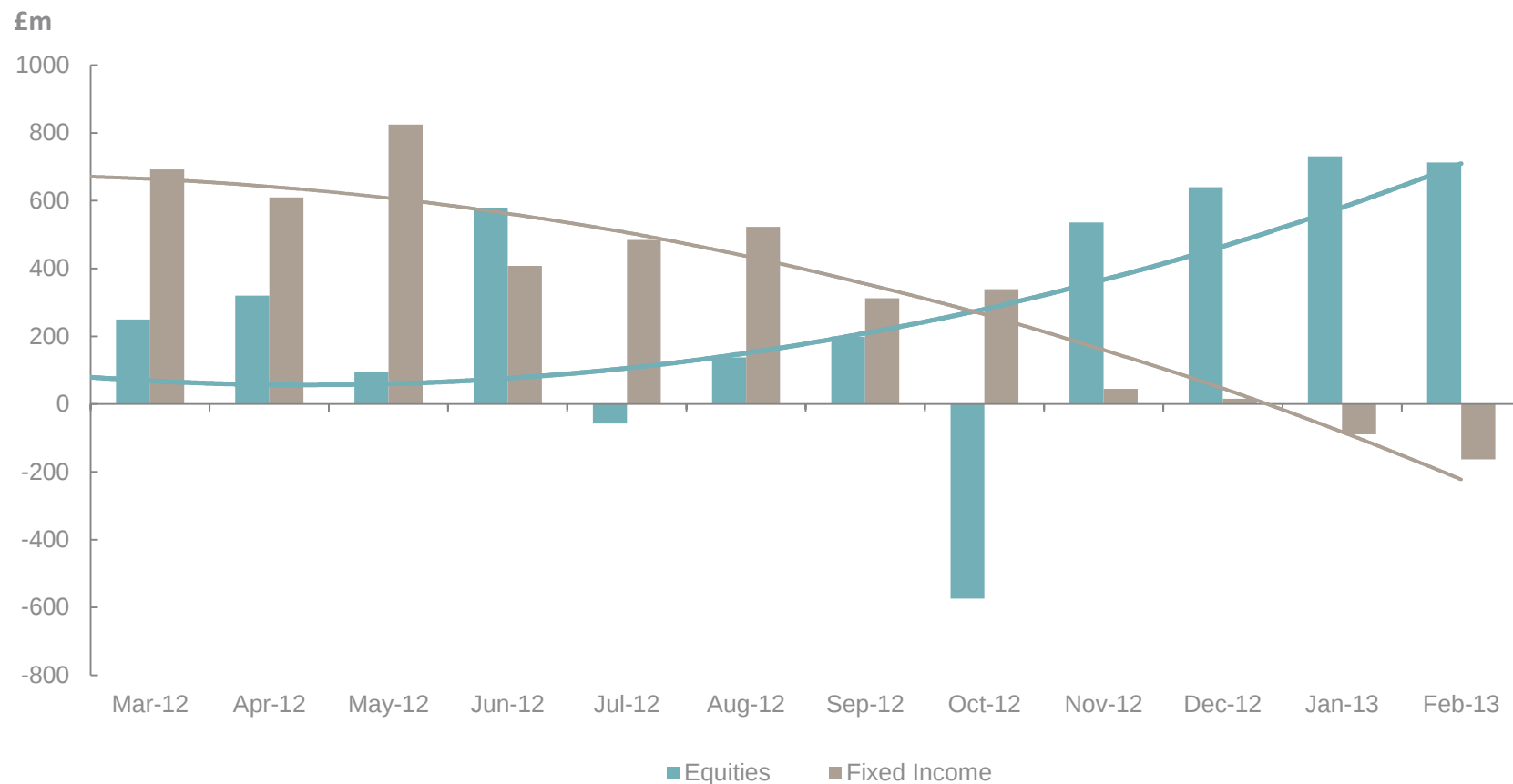
Industry flows: Australia



Source: Plan for Life, Retail and Wholesale December 2012

Industry flows: UK

→ There has been a rotation from fixed income to equities over the last 6 months



Source: Investment Management Association, UK

FUM Flows by Channel

\$bn	30-Sep-12 Closing FUM	Net Flows	Market Performance	FX Impact	31-Mar-13 Closing FUM	Breakdown of Net Flows	
						BTIM	JOHCM
Institutional	18.8	(0.3)	1.9	(0.4)	20.0	(0.5)	0.2
Wholesale	10.9	0.6	1.7	(0.5)	12.7	(0.1)	0.7
Westpac - Other ¹	7.6	0.1	0.5	-	8.2	0.1	-
BTIM Group Core Funds	37.3	0.4	4.1	(0.9)	40.9	(0.5)	0.9
Westpac - Legacy	9.3	(0.5)	0.7	-	9.5	(0.5)	-
Total BTIM Group	46.6	(0.1)	4.8	(0.9)	50.4	(1.0)	0.9

Fee Margins by Channel²

	BTIM	JOHCM
Institutional	0.23%	0.59%
Wholesale	0.72%	0.66%
Westpac - Other	0.29%	
Westpac - Legacy	0.31%	
Total	0.32%	0.62%

1. Westpac – Other: includes superannuation and managed accounts
2. Fee margins exclude performance fees

FUM Flows by Asset Class

\$bn	30-Sep-12 Closing FUM	Net Flows		Other ¹	31-Mar-13 Closing FUM
		Core	Legacy		
Australian Equities	10.5	(0.8)	(0.1)	1.3	10.9
International Equities:					
Global	5.5	0.6	(0.0)	0.6	6.7
UK	4.7	0.4	-	0.3	5.4
Europe	2.5	(0.3)	(0.0)	0.4	2.6
Emerging Markets	1.0	0.1	-	0.1	1.2
Asia	0.8	0.2	(0.0)	0.1	1.1
Property	1.2	0.1	(0.0)	0.1	1.4
Cash	7.1	(0.4)	(0.1)	0.0	6.6
Fixed Income	2.7	0.7	(0.0)	0.1	3.5
Diversified	10.5	(0.2)	(0.3)	0.9	10.9
Other	0.1	(0.0)	0.0	(0.0)	0.1
Total FUM	46.6	0.4	(0.5)	3.9	50.4

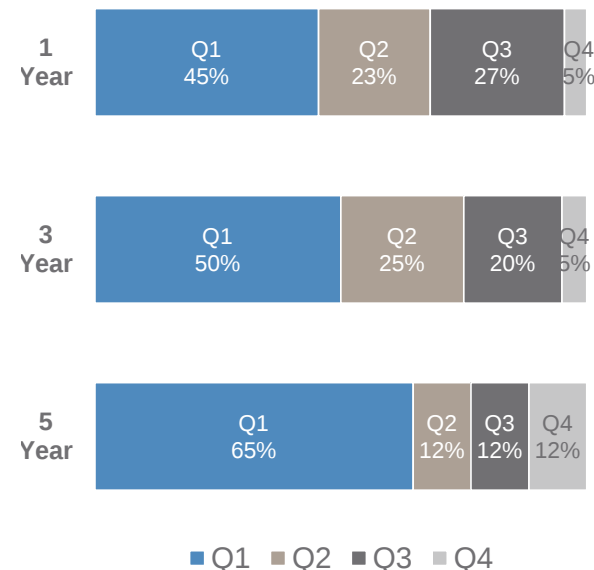
- Outflows mainly in Australian equities across both retail and institutional
- Strong growth in Global, UK and Asian equities and Australian Fixed Income
- Asian growth driven by strong interest in Japan – FUM up by 39%
- Increasing demand for yield type products such as the Equity Income Series, Fixed Income and Property funds

1. Other includes market performance and FX movement

Relative fund performance: core funds

	1 Year (pa)	3 Years (pa)	5 Years (pa)
BT Institutional Core Australian Share Sector Trust	-0.75%	-0.00%	+1.24%
BT Wholesale Focus Australian Share Fund	-2.48%	-0.93%	+0.24%
BT Institutional Imputation Sector Trust	-1.10%	-0.47%	+0.28%
BT Wholesale Australian Long Short Fund	+1.08%	+0.93%	+4.92%
BT Institutional Smaller Companies Sector Trust	+20.49%	+12.89%	+11.02%
BT Wholesale MicroCap Opportunities Fund	+22.83%	+23.69%	+25.05%
BT Institutional Property Sector Trust	+0.29%	+0.99%	+2.92%
BT Institutional Core Global Share Sector Trust	+2.84%	+1.91%	+2.31%
BT Institutional Global Property Sector Trust	+0.42%	+0.57%	+0.94%
BT Wholesale Active Balanced Fund	+0.35%	+0.06%	-0.14%
BT Wholesale Fixed Interest Fund	+0.51%	+0.25%	+0.44%
BT Wholesale Enhanced Cash Fund	+2.49%	+1.89%	+1.39%
JOHCM UK Equity Income Fund	+10.64%	+6.41%	+7.96%
JOHCM UK Opportunities Fund	+0.36%	+3.74%	+3.00%
JOHCM UK Growth Fund	+11.35%	+1.59%	+6.63%
JOHCM UK Dynamic Fund	+10.41%	+6.16%	N/A
JOHCM Continental European Fund	+3.28%	+3.65%	+4.51%
JOHCM European Select Values Fund	+7.96%	+8.44%	+9.48%
JOHCM Global Select Fund	+3.81%	+5.29%	N/A
JOHCM International Select Fund	+2.92%	+5.46%	N/A
JOHCM Global Emerging Markets Fund	+6.42%	N/A	N/A
JOHCM Japan Fund	+12.20%	+5.49%	+5.41%
JOHCM Asia ex Japan Fund	+11.18%	N/A	N/A

% of core funds across quartile rankings



Note: Fund performance is pre-fee, pre-tax and relative to the fund benchmark

Source: Lipper and Mercer fund rankings as at 31 March 2013

3. Financials

Financial Highlights – 1H13 v 1H12

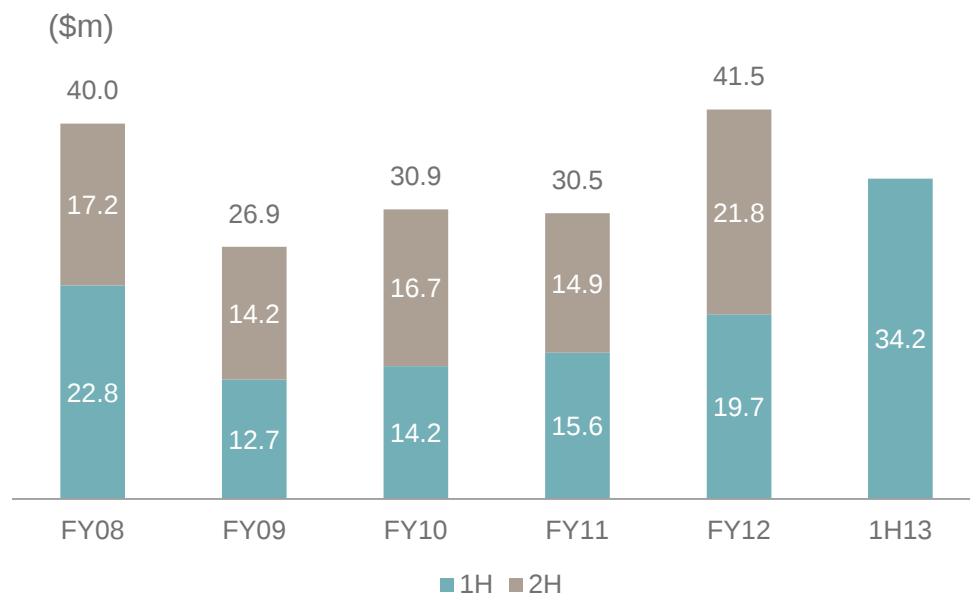
Underlying strength of the business and performance fees contribute to a strong Cash NPAT

\$m	1H12 ¹	1H13	Mvmt	Change %	
Avg FUM (\$bn)	44.0	48.5	4.5	10%	→ Improved market environment supported FUM growth
Margin (mgt fee excludes perf. fee)	0.39%	0.40%	0.01%	4%	
Base management fees	85.5	97.7	12.2	14%	
Performance fees	4.3	33.5	29.2	678%	→ Improved management fee margin on asset mix
Other fee revenue	2.2	2.2	(0.0)	(1%)	
Total fee revenue	92.0	133.4	41.4	45%	
Employee expenses	(43.0)	(66.6)	(23.6)	55%	→ Outstanding fund performance fees substantially higher than previous corresponding period
Operating expenses	(21.2)	(21.7)	(0.5)	2%	
Total cash operating expenses	(64.2)	(88.3)	(24.1)	38%	
Operating profit	27.8	45.1	17.3	62%	
BTIM/JOHCM establishment costs	(0.8)	-	0.8	(100%)	→ Higher cash operating expenses linked to revenue growth
Net investment income	1.8	2.1	0.3	19%	
Financing charges	(1.6)	(1.3)	0.3	(20%)	
Tax	(7.5)	(11.7)	(4.2)	57%	→ Operating profit margin up from 30% to 34%
Cash NPAT	19.7	34.2	14.5	73%	
Operating profit margin	30%	34%	4%	12%	
Cash EPS (cps)	7.0	11.8	4.8	69%	→ Cash EPS up 69% to 11.8 cps

1. \$0.9 million has been re-classified between Fee Revenue and Cash Operating Expenses to be consistent with the statutory view

Cash NPAT

Half year Cash NPAT highest since IPO



- Cash NPAT up 73% on 1H12 to \$34.2 million
- Cash NPAT excluding performance fees up 23% pcp
- Cash NPAT up 57% on 2H12
- FUM levels for 2H13 starting 4% higher than 1H13 average levels

Balance sheet

\$m	Sep 2012	Mar 2013	Mvmt
Cash	53.5	73.0	19.5
Other current assets	34.1	39.3	5.2
Current assets	87.6	112.3	24.7
Property, plant & equipment	3.8	3.5	(0.3)
Intangible assets	546.1	522.7	(23.4)
Other non-current assets	33.8	44.1	10.3
Non-current assets	583.7	570.3	(13.4)
Total assets	671.3	682.6	11.3
Current borrowings ¹	48.8	53.5	4.7
Other current liabilities	53.5	66.7	13.2
Current liabilities	102.3	120.2	17.9
Non-current borrowings ¹	44.8	40.6	(4.2)
Other non-current liabilities	29.7	28.6	(1.1)
Non-current liabilities	74.5	69.2	(5.3)
Total liabilities	176.8	189.4	12.6
Net assets	494.5	493.2	(1.3)
Contributed equity	462.5	470.0	7.5
Reserves	26.0	4.1	(21.9)
Retained earnings	6.0	19.1	13.1
Total equity	494.5	493.2	(1.3)

- Intangible assets dominate balance sheet; no impairment to goodwill
- Term debt reducing with a further \$13 million due for repayment in Sep 2013
- Continuation of DRP with proceeds used to repay debt
- Expiring £25 million (\$37 million) revolving loan facility in Sep 2013 to be rolled over
- Regulatory capital requirements will reduce with establishment of new responsible entity

1. Current and non-current borrowings include converting notes that are only equity settled

Debt Maturity Profile

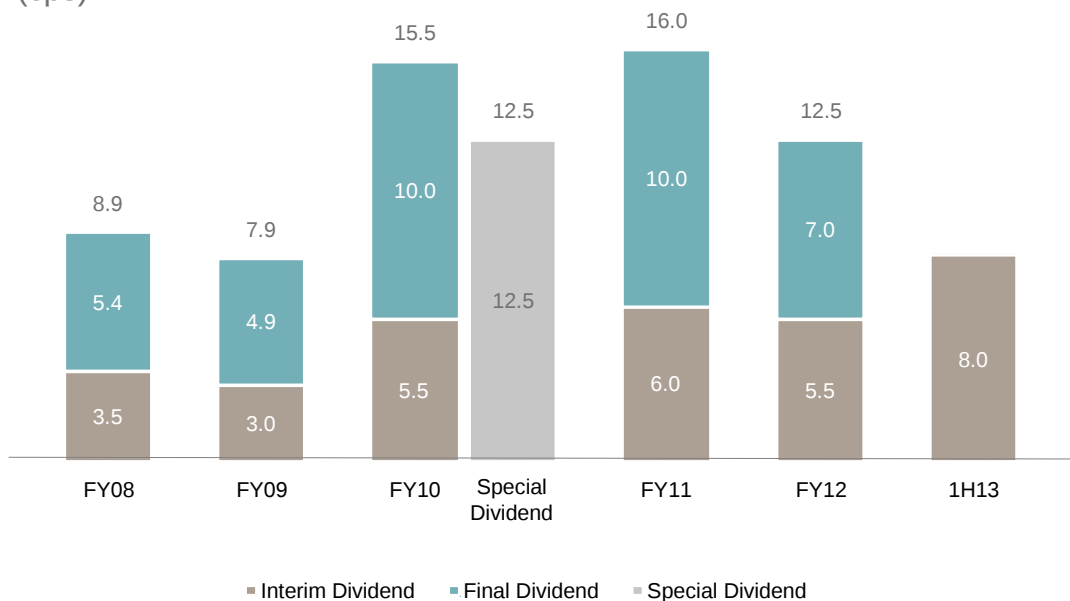
Borrowings	Balance at 31 Mar 2013 \$m ¹	<u>Maturity profile</u> \$m ¹		Serviced by:
BTIM issued loan notes	12.4	At call	5.0	Revolving loan facility (undrawn)
		Oct-13	7.4	
Term debt	26.2	Sep-13	13.1	To be paid down utilising the DRP
		Sep-14	13.1	
Revolving loan facility	36.5	Drawn	24.8	To be rolled into new facility Sep-13
		Undrawn	11.7	

1. Converted at an AUD/GBP spot rate of 0.6859

Dividends

Fully franked interim dividend of 8.0 cents per share, an increase of 45% on pcp

(cps)



- Fully franked interim dividend of 8.0 cps declared
- Franking levels are expected to reduce significantly for 2H13 reflecting earnings from off-shore
- Annual targeted payout ratio of between 80-90% of Cash NPAT remains unchanged
- DRP priced at zero discount

4. Strategy Update

Strategy Update

Strategy on course – delivering growth, diversification and building on opportunities

- Continued investment in our strategy has resulted in a solid foundation that has delivered strong profit growth
- The company is an increasingly global and diversified business, and in a strong position to benefit from improved market conditions
- JOHCM business performing strongly on the back of continued net positive flows, rising markets and strong investment performance
- Access to distribution through the broader Westpac Group
- Successfully grown in new areas of focus, such as Fixed Income, which has added to our diversification

Strategy Update (cont.)

Strategy on course – leveraging and prioritising growth opportunities

- Geographic expansion – opportunity to build on success in the US
- Expanding investment capabilities across the business
 - Continuing to add capabilities – international small cap team
 - Ongoing discussions with potential teams/individuals that adds to current platform
- Product development is focused on high margin opportunities:
 - BT Equity Income Series (to reflect strong demand for yield, regular income and stability of capital)
 - BT Global Emerging Markets Opportunities Fund (JOHCM fund launched in Australia)
 - BT Pure Alpha Fixed Income Fund (targeting the pooled Institutional market)

Strategy Update – JOHCM in the US

Rolling out a successful model in a market where we have an investor base

- JOHCM has been successful in the US
 - Over A\$2.7 billion in US sourced FUM raised (19% of JOHCM's FUM)
 - A\$0.8 billion in net flows in last 12 months (57% of JOHCM's total net flows)
- Majority of assets raised in the institutional market where brand is less important
 - Institutional clients from public sector, private sector and endowments
 - Focus to date on consultants and large plan sponsors
 - Institutional sales and client service are supported from London
- Now building out US market presence
 - Identified suitable investment talent
 - Hired an international small cap manager
 - Establishing a physical presence

Strategy Update – BT Equity Income Series

Developing new products and channels to tap into growing client demand for income

- Launched BT Equity Income Series in Nov-12
 - Good support from Westpac private client advisers
 - Targeting the SMSF market through direct marketing
 - Tap into demand where investors are seeking alternatives to term deposits



Unleash your savings.
It's time to get selfish.

Income
6-7.5% pa
+ franking credits¹

BT Equity Income Series.
Expect more. Earn more. Get more.

→ It's your money and it's also your future. So you have every right to want more from your investments. With a high income of 6-7.5% pa plus franking credits¹, paid monthly and known up to 6 months in advance, you can get more with the BT Equity Income Series. And with reduced exposure to sharemarket falls and daily access to your funds, it's time to get selfish.

BT Investment Management

Unleash your savings.
Call BT Investment Management on
1300 889 576 or visit BTIM.com.au/AFR

¹ Income based on pre-announced distributions for 6 months to 30 September 2013 and based on a \$1 unit price. The income depends on the unit price at the time of investment. The unit price will vary daily. The latest unit price and income can be obtained by calling 1300 889 576 or visiting www.btim.com.au/equityincomefunds. The value of your investment will go up and down over time. There is a risk that there may be lower income after 30 September 2013. Franking credits to which you may be entitled will be advised in your annual fund tax statement at the end of the tax year.

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Strategy Update – Fixed Income

Successfully expanded our fixed income capability

Strategy	Net Flows since Jan 2012
Treasury & Government	\$530 million
Credit (fixed & floating)	\$360 million
Composite	\$265 million
Pure Alpha	\$470 million
Income Generating	\$115 million
TOTAL	\$1.74 billion¹

- Highly rated
- Strong product range
- Included in model portfolios
- Recently launched wholesale version of the Pure Alpha Fixed Income Fund

1. Includes \$480m committed and yet to be funded.

Significant Regulatory Change

- Significant regulatory reform is taking place globally:
 - UK: Retail Distribution Review (RDR)
 - Australia: Future of Financial Advice (FoFA)
 - Australia: MySuper/Superstream
 - Global: Dodd-Frank
 - Global: Foreign Account Tax Compliant Act (FATCA)
 - UK/Europe: CRD4/UCITSV
- Fee pressure and increased compliance costs are squeezing margins along the value chain
- Will challenge business models and may lead to consolidation

Summary & Outlook

Strong profit result and improving markets positions the business for continued growth

- Profit result for 1H13 driven by rising management fees and higher performance fees
- Positive start to the calendar year
- Momentum going into 2H13 with average FUM and closing FUM at record levels
- Good investment performance in an improved market
- Performance fees of \$5.0 million for the Australian business have been accrued in funds but do not crystallise until 30 June 2013
- Continue to invest in areas where we believe we can capture growth opportunities

5. Questions

6. Appendices

Segment P&L

\$m	1H12 ¹	1H13 ²		Group	Mvmt	Change %
		BTIM	JOHCM			
Avg FUM (\$bn)	44.0	35.1	13.4	48.5	4.5	10%
Margin (mgt fee excludes perf. fee)	0.39%	0.32%	0.62%	0.40%	0.01%	4%
Base management fees	85.5	56.2	41.5	97.7	12.2	14%
Performance fees	4.3	0.0	33.5	33.5	29.2	678%
Other fee revenue	2.2	0.8	1.4	2.2	(0.0)	(1%)
Total fee revenue	92.0	57.0	76.4	133.4	41.4	45%
Employee expenses	(43.0)	(25.6)	(41.0)	(66.6)	(23.6)	55%
Operating expenses	(21.2)	(16.5)	(5.2)	(21.7)	(0.5)	2%
Total cash operating expenses	(64.2)	(42.1)	(46.2)	(88.3)	(24.1)	38%
Operating profit	27.8	14.9	30.2	45.1	17.3	62%
BTIM/JOHCM establishment costs	(0.8)	-	-	-	0.8	(100%)
Net investment income	1.8	1.4	0.7	2.1	0.3	19%
Financing charges	(1.6)	(0.3)	(1.0)	(1.3)	0.3	(20%)
Tax	(7.5)	(4.9)	(6.8)	(11.7)	(4.2)	57%
Cash NPAT	19.7	11.1	23.1	34.2	14.5	73%
Operating profit margin	30%	26%	40%	34%	4%	12%

1. \$0.9 million has been re-classified between Fee Revenue and Cash Operating Expenses to be consistent with the statutory view
2. Excludes inter-segment revenue & expenses

Performance fees

Fund ¹	FUM \$m 31 Mar 13	Performance fee period to	Benchmark	Participation Rate %
BTIM				
BT Wholesale Australian Long Short Fund	190	30 June	S&P/ASX 200 Accum Index	15%
BT Wholesale Microcap Opportunities Fund*	176	30 June	S&P/ASX Small Ord Accum Index	20%
BT Wholesale Focus Australian Share Fund	130	30 June	S&P/ASX 300 Accum Index	15%
BT Wholesale Mid Cap Fund*	26	30 June	BT Midcap Customised Index	20%

JOHCM²

UK Equity Income Fund*	2,477	31 December	FTSE All-Share TR Index	15%
Global Select Fund*	1,640	31 December	MSCI ACWI NR Index (net dividends reinvested)	15%
UK Opportunities Fund	1,584	31 December	FTSE All-Share TR Index	15%
Continental European Fund*	994	31 December	MSCI Europe ex UK NR Index (net dividends reinvested)	15%
European Select Values Fund*	808	31 December	MSCI Europe NR Index (net dividends reinvested)	15%
Japan Fund*	542	31 December	TOPIX TR Index	15%
UK Growth Fund	358	31 December	FTSE All-Share TR Index	15%
Global Emerging Markets Fund*	176	31 December	MSCI Emerging Markets NR Index (net dividends reinvested)	15%
Global Emerging Markets Opportunities Fund	98	31 December	MSCI Emerging Markets NR Index (net dividends reinvested)	15%
Asia ex Japan Fund*	72	31 December	MSCI AC Asia ex Japan NR Index (net dividends reinvested)	15%
UK Dynamic Fund*	60	31 December	FTSE All-Share TR Index	15%
Asia ex Japan Small and Mid Cap Fund*	13	31 December	MSCI AC Asia ex Japan Small Cap NR Index (net dividends reinvested)	15%
All European Dynamic Growth Fund*	12	31 December	MSCI Europe NR Index (net dividends reinvested)	15%
Global Opportunities Fund	8	31 December	MSCI ACWI NR Index (net dividends reinvested)	15%
European Fund	3	31 December	MSCI Europe NR Index (net dividends reinvested)	15%

Total funds with potential to earn performance fees

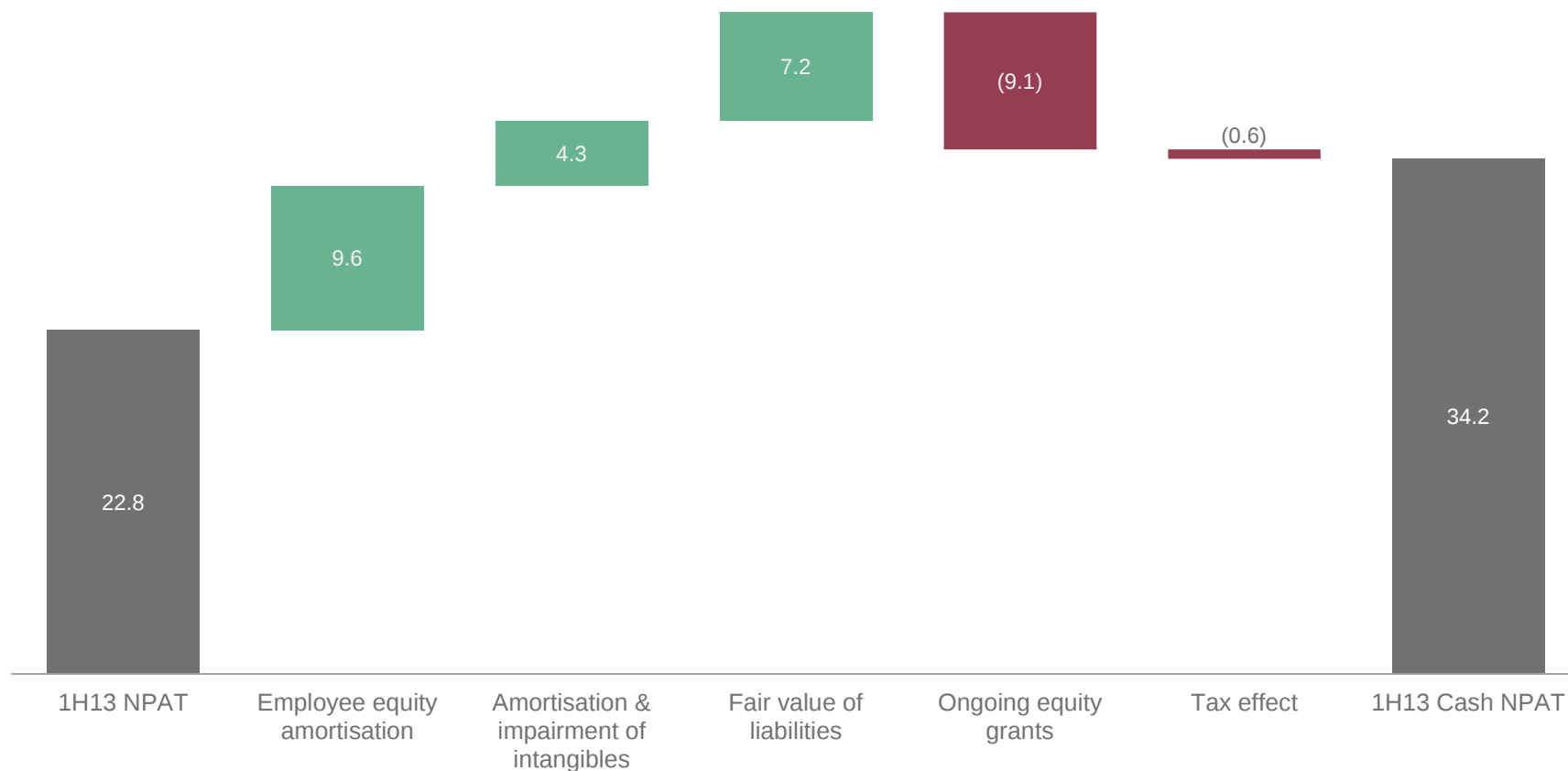
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BTIM performance fees accrued but not yet realised @ 31 Mar 2013 \$m

5.0

1. Funds above their high water mark as at 31 March 2013 are denoted with an asterisk
2. JOHCM includes OEIC FUM converted at a spot rate of 0.6859

Adjustments from Statutory NPAT to Cash NPAT



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