

**THE TRUST COMPANY CONTINUES TO UNANIMOUSLY RECOMMEND
PERPETUAL PROPOSAL**

TAKE NO ACTION IN RELATION TO REVISED EQUITY TRUSTEES OFFER

Background

At a meeting to be held on 28 November 2013, shareholders of The Trust Company Limited ("The Trust Company") will be asked to consider a proposal from Perpetual Limited ("Perpetual") to acquire 100% of the shares in The Trust Company ("Perpetual Proposal"). A scheme booklet relating to the Perpetual Proposal has been sent to all shareholders. The Directors of The Trust Company have unanimously recommended that shareholders vote in favour of the Perpetual Proposal, in the absence of a superior proposal.

On 13 November 2013, Equity Trustees Limited ("Equity Trustees") announced a revised takeover offer ("Revised Equity Trustees Offer") for shares in The Trust Company:

- Increasing its previous offer ratio from 37 to 39 Equity Trustees shares for every 100 shares in The Trust Company; and
- Declaring the offer free from all conditions.

The Trust Company continues to unanimously recommend the Perpetual Proposal

The Board of The Trust Company has considered the Revised Equity Trustees Offer, including obtaining an updated opinion from the Independent Expert, Lonergan Edwards. A copy of the updated opinion is set out in the Attachment.

Your Directors remain of the view that the Perpetual Proposal is in the best interests of shareholders in The Trust Company, noting in particular:

- 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;
- The Revised Equity Trustees Offer represents an effective increase in value to shareholders of only 2% on the previous offer by Equity Trustees, notwithstanding that the offer ratio has been increased by 5%;

	Previous Equity Trustees offer	Revised Equity Trustees Offer	% increase
Offer ratio (x)	0.37	0.39	5.4%
% Ownership of combined group by shareholders in The Trust Company	61.0%	62.2%	2.0%

- The Perpetual Proposal continues to represent a significant premium over the Revised Equity Trustees Offer;

Value per share¹ in The Trust Company of the Perpetual Proposal and Revised Equity Trustees Offer



In addition, it is noted that the Independent Expert has 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 if the Scheme proceeds'*.

- The other reasons supporting the Perpetual Proposal, set out in the Scheme Booklet, remain unchanged.

Accordingly, The Trust Company Directors continue to unanimously recommend that shareholders VOTE IN FAVOUR of the Perpetual Proposal.

The Trust Company advises shareholders to reject the Revised Equity Trustees Offer

Shareholders should also be aware that 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 Equity Trustees offer:

- Will miss out on participating in the Perpetual Proposal, if the Perpetual Proposal is approved by shareholders;
- Will not receive CGT rollover relief if Equity Trustees acquires less than 80% of shares in The Trust Company. CGT rollover relief should be available under the Perpetual Proposal for shareholders in respect of Perpetual shares they receive under the proposal;

¹ Value per share represents the total entitlements comprising 0.182 Perpetual shares plus a 22 cent special dividend per share in The Trust Company under the Perpetual Proposal; 0.39 Equity Trustees shares plus a 22 cent special dividend per share in The Trust Company under the Revised Equity Trustees Offer.

- May not receive the 22 cent special dividend contemplated under the Revised Equity Trustees Offer. The Trust Company has not declared any special dividend in relation to the Revised Equity Trustees Offer;
- May receive dividends in the future that are significantly below those estimated by Equity Trustees. In particular, if Equity Trustees acquires less than 100% of the shares in The Trust Company, Equity Trustees' ability to achieve synergies will be affected and potentially significantly. Any reduction in synergies achieved will affect the ability of Equity Trustees to pay the higher dividends it has estimated; and
- May not receive higher long-term value as claimed by Equity Trustees. In this regard, shareholders should note that:
 - Equity Trustees has stated that it considers that there may be cost synergies of up to \$15.0 million per annum. As previously stated, The Trust Company believes an appropriate range for total synergies that may be capable of being realised by the combined group is \$7.5 million up to \$10.0 million;
 - The implied offer value outlined by Equity Trustees in its announcement of the Revised Equity Trustees Offer does not take into account the fact that there are risks associated with realising synergies; and
 - Equity Trustees' assessment of value does not take into account the impact of any potential regulatory capital shortfall if the two companies are combined.

Accordingly, The Trust Company Directors advise shareholders to REJECT the revised offer from Equity Trustees by taking NO ACTION in relation to that offer.

The Trust Company Directors continue to unanimously recommend that shareholders VOTE IN FAVOUR of the Perpetual Proposal.

ENDS

For further information, please contact:

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**THE
TRUST
COMPANY**

The Directors
The Trust Company Limited
Level 15, 20 Bond Street
Sydney NSW 2000

15 November 2013

Subject: Increased offer by Equity Trustees Limited for Trust Company Limited

Scope

- 1 We refer to our Independent Expert's Report (IER) dated 4 October 2013 (the Scheme IER) on the various proposals to acquire 100% control of The Trust Company Limited (Trust Company) in which we concluded that:
 - (a) the scheme proposed by Perpetual Limited (Perpetual) was fair and reasonable to the shareholders of Trust Company; and
 - (b) the Perpetual Scheme was superior to the offer made by Equity Trustees Limited (Equity Trustees) and the proposal from IOOF Holdings Limited (IOOF)¹.
- 2 On 13 November 2013 Equity Trustees increased its offer ratio from 37 to 39 shares in Equity Trustees for every 100 Trust Company shares² (the EQT Offer) and declared its offer unconditional.
- 3 Accordingly you have requested that we consider the revised EQT Offer and provide our opinion on whether the Perpetual Scheme or EQT Offer is superior.

Trust Company

- 4 Based on discussions with management, we advise that we are not aware of any material matters which would change our opinion on the value of Trust Company shares as set out in the Scheme IER.

¹ The IOOF proposal lapsed on 9 September 2013.

² In addition, the Equity Trustees offer (and the terms of the Perpetual Scheme) will allow Trust Company to pay a special dividend of 22 cents per share prior to completion (consistent with the previous offer / proposal).

The EQT Offer

Value of Equity Trustees shares (assuming the EQT Offer is successful)

- 5 The value of the consideration offered by Equity Trustees depends on the value attributed to Equity Trustees shares. In the Scheme IER we adopted a value for Equity Trustees of \$16.00 to \$17.00 per share having regard to:
- (a) the listed market prices of Equity Trustees shares
 - (b) the level of trading in Equity Trustees shares on the ASX
 - (c) the extent to which the listed market price of Equity Trustees may reflect an expectation of corporate activity
 - (d) the value of Equity Trustees shares (assuming its offer is successful) using a capitalisation of EBIT method
 - (e) the price to be paid by IOOF for Trust Company's 13.2% interest in Equity Trustees if the Scheme proceeds of \$16.50 per share.
- 6 The listed market price of Equity Trustees shares since the date of the Scheme IER up to 12 November 2013 (being the last trading day prior to the announcement of the increased EQT Offer) is set out below:

Equity Trustees – recent share trading range					
Start date	End date	High \$	Low \$	Close \$	VWAP \$
4 October 2013	12 November 2013	19.50	17.85	19.30	18.85

- 7 As noted in the Scheme IER, on 19 September 2013 Perpetual announced that it would sell Trust Company's shareholding in Equity Trustees to IOOF in order to obtain ACCC approval for the Perpetual Scheme. While the price at which Perpetual would sell this interest was agreed with IOOF to be \$16.50 per Equity Trustees share, as noted above the listed market price of Equity Trustees shares has subsequently traded above this price. However, in our opinion, it is inappropriate to assess the value of the EQT Offer based on the trading range post 18 September 2013. This is because, 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 if the Perpetual Scheme proceeds, and is therefore not necessarily representative of the portfolio value of a combined Equity Trustees/Trust Company share under the EQT Offer.
- 8 Due to low level of trading in Equity Trustees shares we believe more regard should be had to the portfolio value of a merged Equity Trustees / Trust Company entity based on a capitalisation of EBIT approach. As set out in the Scheme IER we assessed the value of Equity Trustees on this basis at between \$330.1 million and \$349.5 million, as shown below:

Value of Equity Trustees based on EBIT approach (Source: IER dated 4 October 2013) ^{(1) (2)}					
	EBIT	EBIT multiple		Enterprise value	
	\$m	Low	High	Low \$m	High \$m
Core business before synergies	29.7	9.0	9.5	267.3	282.2
Synergies (mid-point) ⁽³⁾	9.0	7.0	7.5	63.0	67.5
Less implementation costs				(9.5)	(9.5)
Enterprise value				320.8	340.2
Plus net cash and investments				9.3	9.3
Value of equity in Equity Trustees ⁽¹⁾				330.1	349.5

Note:

- 1 On a portfolio basis (i.e. excluding a premium for control).
- 2 The rationale for adopting these valuation inputs is set out in paragraphs 308 to 324 of the Scheme IER.
- 3 Refer paragraphs 309 to 315 of the Scheme IER.

- 9 Since the Scheme IER dated 4 October 2013 up to 12 November 2013 we note that the S&P / ASX 200 Diversified Financials Index has increased by around 10%. Further, as noted in the Scheme IER, the market price of Equity Trustees shares has tracked the S&P / ASX 200 Diversified Financials Index closely over recent years. Accordingly, for the purposes of this updated report, we have adopted a value for the equity in Equity Trustees on a portfolio basis (assuming the EQT offer is successful) of \$360 million to \$385 million.
- 10 However, the increase in the offer ratio from 37 to 39 Equity Trustees shares for every 100 Trust Company shares increases the number of Equity Trustees shares on issue (compared to the earlier offer) if the EQT Offer is successful, as calculated below:

Equity Trustees – enlarged share capital if EQT Offer is successful	
	Million
Number of existing Equity Trustees shares on issue ⁽¹⁾	9.34
Number of shares assumed to be cancelled ⁽²⁾	(1.19)
Number of Equity Trustees shares held by existing shareholders	8.15
Number of shares to be issued pursuant to the EQT Offer ⁽³⁾	13.40
Enlarged capital base ⁽¹⁾	21.55

Note:

- 1 Ignoring performance share rights / awards.
- 2 Representing the shareholding of Trust Company in Equity Trustees.
- 3 Being 34.36 million fully diluted shares in Trust Company converted to Equity Trustees shares at the exchange ratio of 0.39 Equity Trustees shares for every one share in Trust Company.

- 11 Based on the higher number of shares on issue³, the resulting portfolio value of Equity Trustees shares (assuming the EQT Offer is successful) is therefore as follows:

³ The higher number of shares on issue reduces the value of EQT shares compared with their value under their previous Equity Trustees offer.

Value per Equity Trustees share – post completion of the EQT Offer		
	Low	High
	\$m	\$m
Portfolio value of Equity Trustees shares post completion of EQT Offer	360.0	385.0
Shares outstanding post completion of the EQT Offer (million) ⁽¹⁾	21.55	21.55
Value per Equity Trustees share post completion of the EQT Offer	\$16.71	\$17.87

Note:

1 As per paragraph 10.

Value of EQT Offer consideration

12 On this basis the value of the EQT Offer consideration is as follows:

Total value of consideration per Trust Company share		
	Low	High
	\$ per share	\$ per share
Assessed value of Equity Trustees shares	16.71	17.87
Offer ratio	0.39	0.39
Assessed value of scrip consideration	6.52	6.97
Special Dividend to be paid by Trust Company under the EQT Offer ⁽¹⁾	0.22	0.22
Total value of EQT Offer consideration	\$6.74	\$7.19

Note:

1 It should be noted that Equity Trustees may only be able to declare this special dividend if it obtains voting control of Trust Company.

The Perpetual Scheme

13 The terms of the Perpetual Scheme have not changed since the date of the Scheme IER.

14 As set out in the Scheme IER we assessed the value of the Total Entitlements to be received by Trust Company shareholders under the Perpetual Scheme as follows:

Value of Total Entitlements per Trust Company share		
	Low	High
	\$ per share	\$ per share
Assessed realisable value of Perpetual shares	37.00	40.00
Scheme ratio	0.182	0.182
Assessed value of Share Consideration	6.73	7.28
Special Dividend to be paid by Trust Company pursuant to the Scheme	0.22	0.22
Value of Total Entitlements	\$6.95	\$7.50

15 In forming the above view we principally had regard to the listed market price of Perpetual shares. This was because, due to the level of share trading, in our view the listed market prices of Perpetual shares are likely to represent a reasonable proxy for the amount that Trust Company shareholders could expect to realise if they sold any Perpetual shares received as consideration either immediately, or in the short-term.

- 16 Since the date of the Scheme IER, we note that the listed market price of Perpetual shares has increased materially as set out below:

Perpetual – recent share trading range					
Start date	End date	High \$	Low \$	Close \$	VWAP \$
4 October 2013	12 November 2013	47.32	39.23	45.85	44.42

- 17 Accordingly, in the event that Perpetual shares prior to the Scheme meeting continue to trade in a range consistent with their most recent levels, the value of the Total Entitlements to Trust Company shareholders will be greater than the range assessed by us in the Scheme IER, as shown below:

Value of Total Entitlements per Trust Company share – sensitivity table only				
Realisable value of Perpetual shares	40.00 ⁽¹⁾	42.00 ⁽²⁾	44.00 ⁽²⁾	46.00 ⁽²⁾
Scheme ratio	0.182	0.182	0.182	0.182
Assessed value of Share Consideration	7.28	7.64	8.01	8.37
Special Dividend	0.22	0.22	0.22	0.22
Value of Total Entitlements	\$7.50	\$7.86	\$8.23	\$8.59

Note:

- 1 Being the high end of the assessed value of Perpetual shares in the Scheme IER.
- 2 Based on recent trading range prior to the date of this letter.

Conclusion

- 18 Given the above, in our opinion, the Perpetual Scheme is superior to the EQT Offer. We therefore remain of the view that the Perpetual Scheme is fair and reasonable and in the best interests of Trust Company shareholders in the absence of a superior proposal.

Other matters

- 19 In preparing this letter we have considered the interests of Trust Company shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 20 The ultimate decision whether to approve the Perpetual Scheme or accept the EQT Offer should be based on each Trust Company shareholder's assessment of their own circumstances. If Trust Company shareholders are in doubt about the action they should take in relation to matters dealt with in this letter, shareholders should seek independent professional advice.
- 21 Trust Company shareholders should also note that any decision to hold Perpetual or Equity Trustees shares beyond the short-term is a separate investment decision. As it is not possible to accurately predict future share price movements, any decision to hold Perpetual or Equity Trustees shares should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.

22 Trust Company shareholders should also read the Scheme IER which is available on Trust Company's website www.thetrustcompany.com.au.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of this letter.
- 4 This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of this letter, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 This letter contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the information in this letter to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this letter. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this letter, LEA is entitled to receive a fee estimated at \$10,000 plus GST.
- 9 Neither LEA nor its directors and officers receive any commissions or other benefits, except for the fees for services referred to above.
- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other

Appendix A

benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared many hundred independent expert's reports.
- 2 This letter was prepared by Mr Edwards and Mr Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 19 years and 27 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This letter has been prepared at the request of the Directors of Trust Company. It is not intended that this letter should serve any purpose other than as an expression of our opinion as to whether or not the Perpetual Scheme is fair and reasonable to and in the best interests of the shareholders of Trust Company.

Interests

- 4 At the date of this letter, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Perpetual Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

Indemnification

- 5 As a condition of LEA's agreement to prepare this letter, Trust Company agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Trust Company which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 6 LEA consents to the release of this letter to Trust Company shareholders.