

BT Investment Management

2014 Half Year Results ending 31 March 2014

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

30 April 2014



1. **Half Year in Review**
2. **FUM flows**
3. **Financials**
4. **Strategy Update**
5. **Questions**
6. **Appendices**

Half Year in Review

STRONG RESULT	• Cash NPAT up 143% pcp • Fee Revenue up 91% pcp: • Management Fees up 40% pcp • Performance Fees up 243% pcp • Cash EPS up 137% pcp • Interim dividend up 100% pcp
GROWTH	• Strong momentum across FUM growth, fee revenue, and margins • Continuing to add capabilities onto global asset management platform • Success of new products delivering growth and margin expansion • Strong flows from UK wholesale funds (OEICS) • US flows building momentum • Strong investment performance supporting growth
GLOBAL	• Global expansion of new teams increasing FUM capacity • Building into new markets • Launched new products in 1H14 • On the ground presence in distribution and investment management in major financial regions globally

Financial Highlights

	1H14	1H13	% Change
→ Cash NPAT	\$83.1m	\$34.2m	↑ 143%
→ Statutory NPAT	\$78.3m	\$22.8m	↑ 243%
→ Fee Revenue	\$255.3m	\$133.8m	↑ 91%
- <i>Base Management Fees</i>	\$137.8m	\$98.1m	↑ 40%
- <i>Performance Fees</i>	\$114.7m	\$33.5m	↑ 243%
→ Operating Expenses	\$152.6m	\$88.7m	↑ 72%
→ Operating Profit Margin	40%	34%	↑ 19%
→ Cash EPS	28.0 cps	11.8 cps	↑ 137%
→ Interim Dividend	16.0 cps	8.0 cps	↑ 100%
→ Average FUM	\$61.3b	\$48.5b	↑ 26%

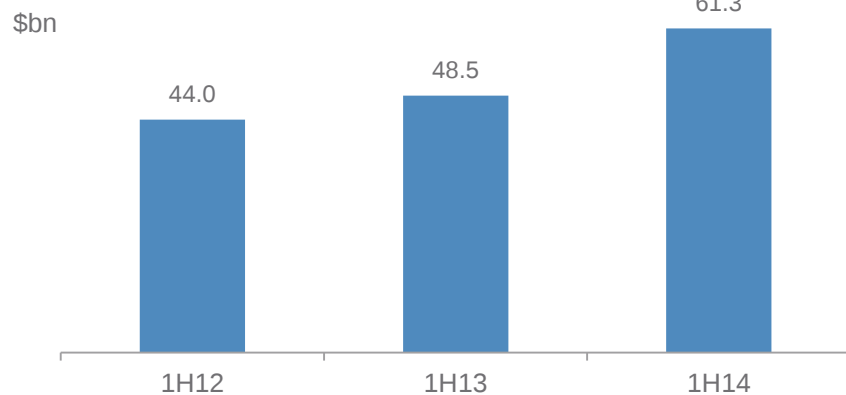
Business Highlights

- Outstanding performance from JOHCM
 - Performance fees of \$113.6m for the 12 months to 31 December 2013
 - Continuing to experience strong inflows in the wholesale¹ channel
- Margin expansion with operating profit margin expanding from 34% in 1H13 to 40% in 1H14
- New product offerings delivering FUM growth
 - Equity Income Series
 - US mutual funds
- JOHCM now managing BTIM's previously sub-advised Asian FUM of \$400m
- Higher markets and lower \$A
 - Average level of S&P/ASX 300 Index up 12% on pcp
 - Average level of MSCI ACWI (GBP) Index up 15% on pcp
 - Average level of AUD vs GBP down 15% on pcp

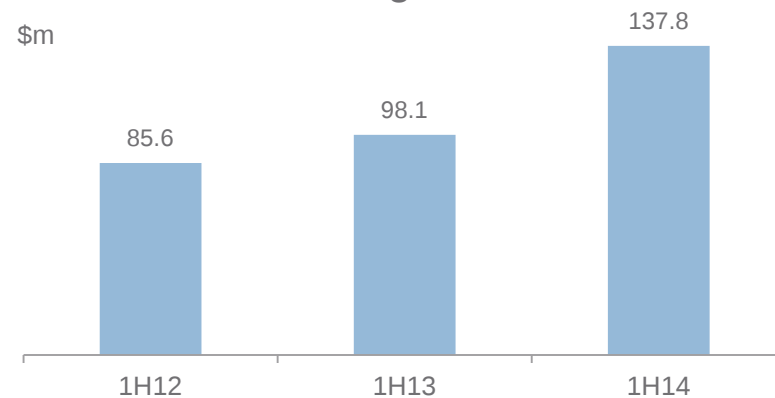
1: Wholesale channel represents platforms, financial planners and private banks

Growth Momentum

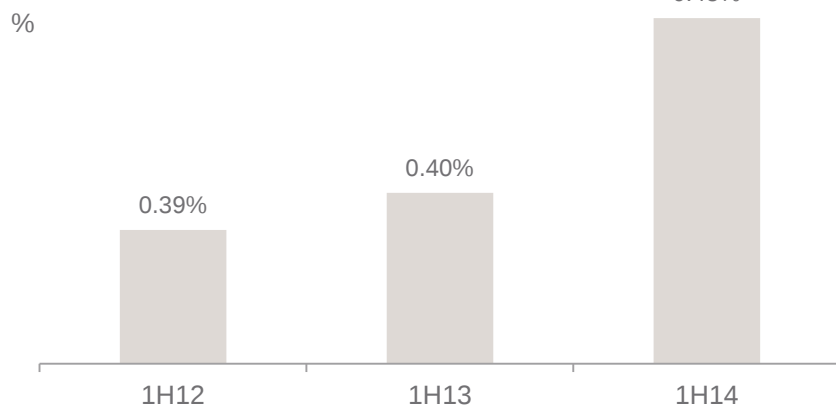
Average FUM



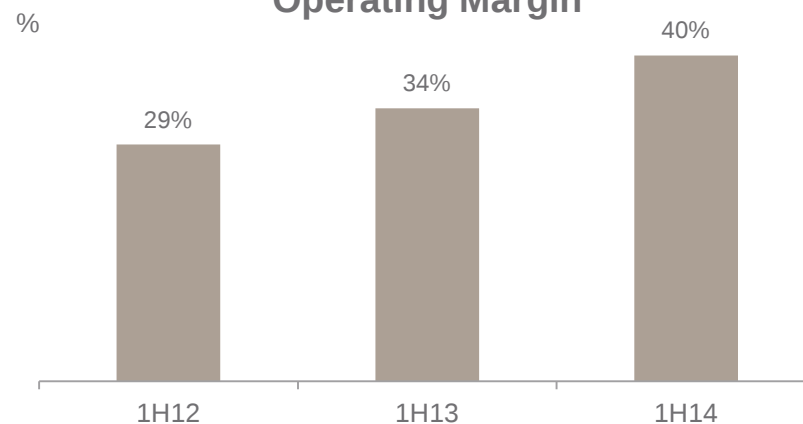
Base Management Fees



Base Fee Margin



Operating Margin



Delivering Investment Strategies¹ Globally

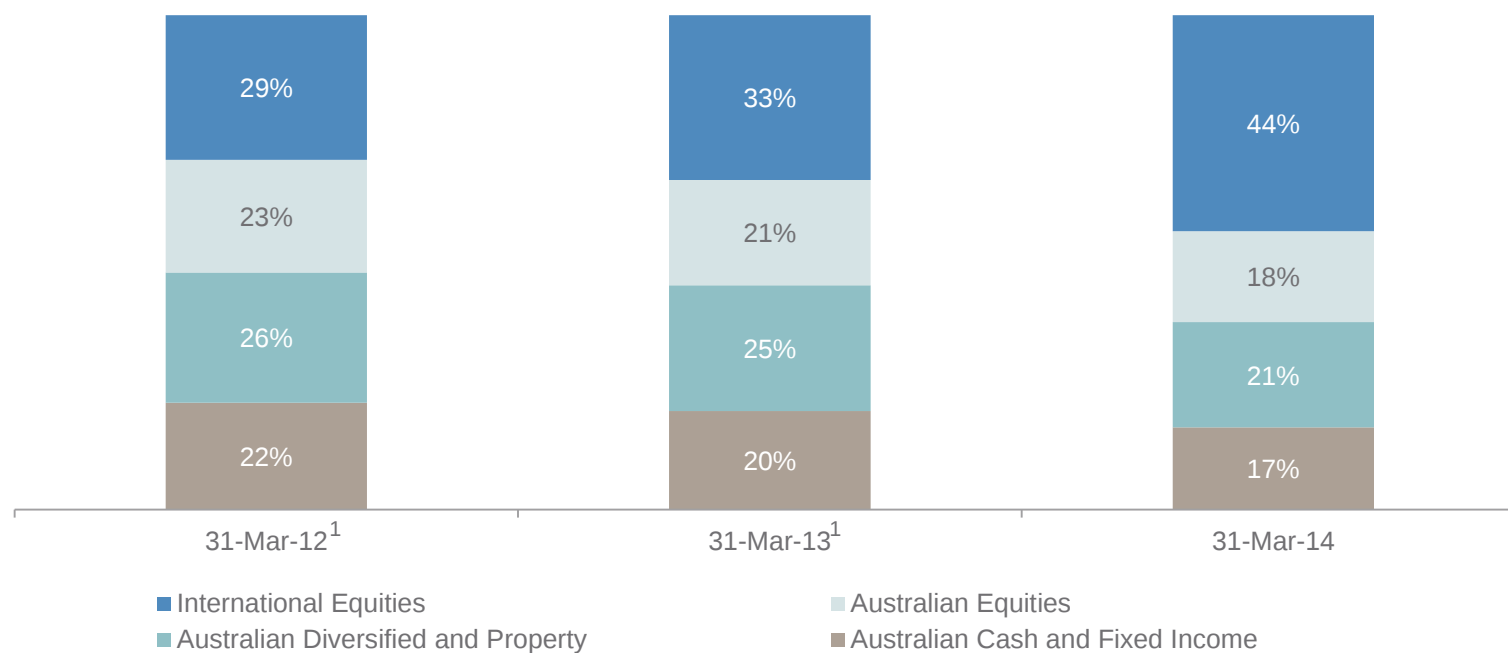


→ Building out on-the-ground investment capabilities, with sales support, across each of the key financial regions globally

1. Investment strategies refer to products distributed in these regions

Diversified Portfolio of Assets

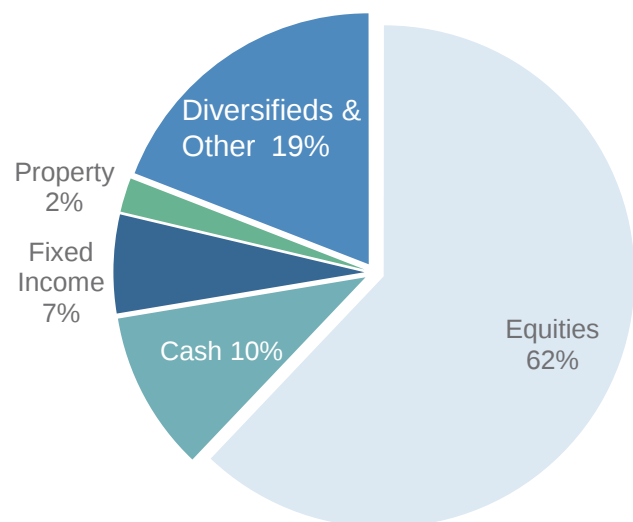
FUM split by Asset Class



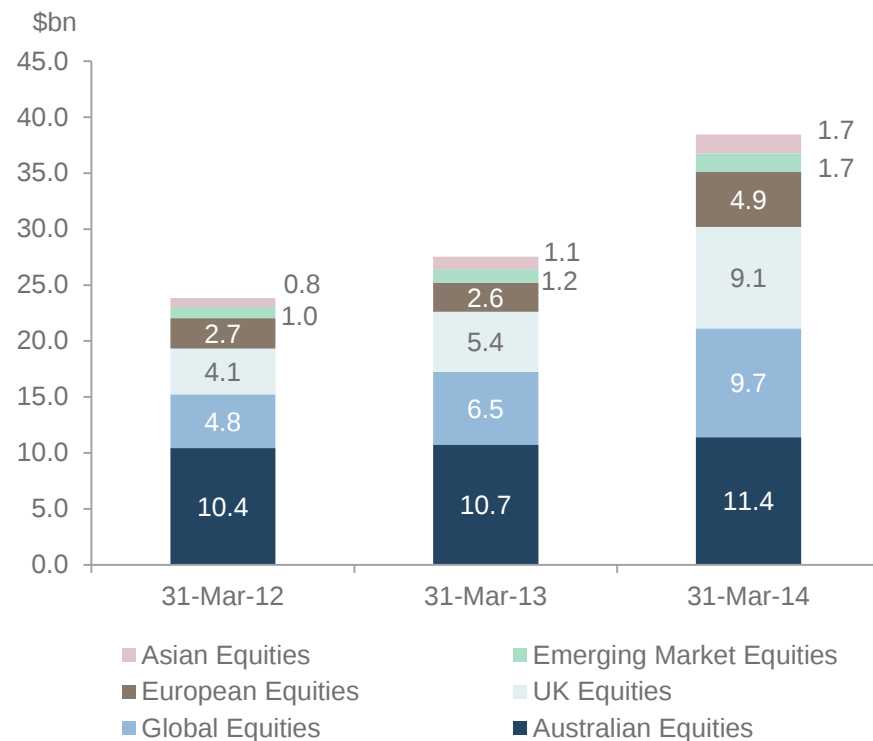
1. 31-Mar-12 & 31-Mar-13 Diversifieds FUM has been reclassified in line with current classification for purposes of comparison

Growth and Diversification within Equities

1H14 FUM by Asset Class

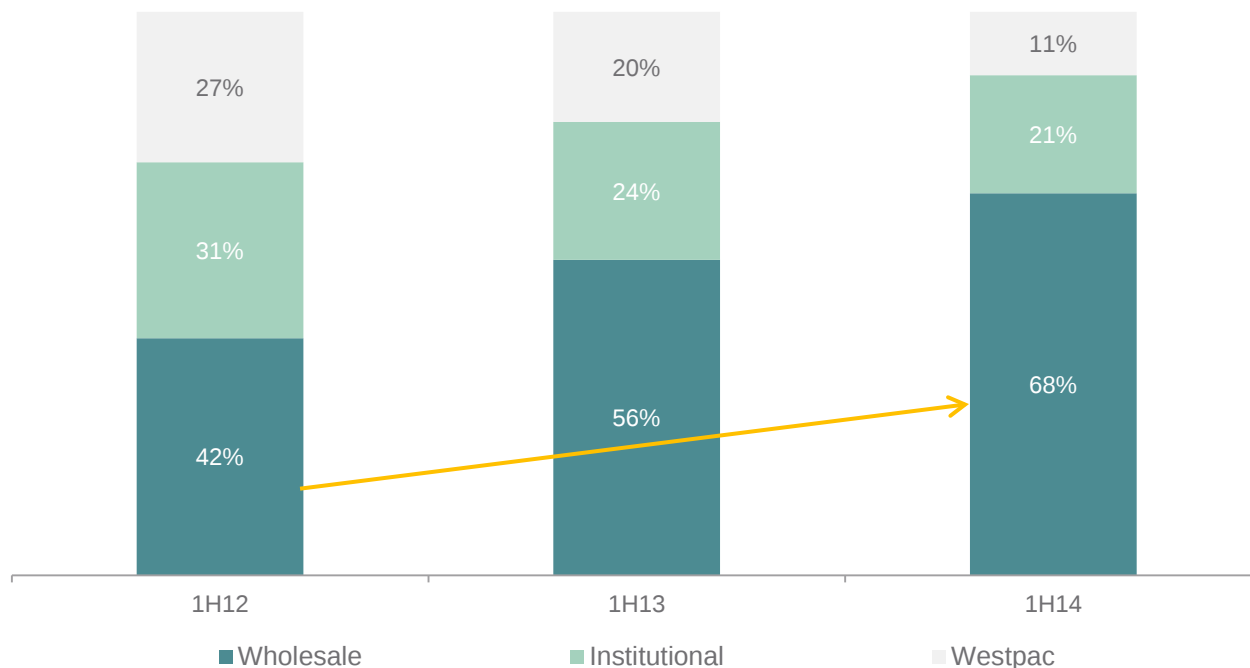


Equities FUM by Region Invested



Growth in Higher Margin Wholesale Channel

Percentage of Fee Revenue by Channel



Westpac

- Superannuation
- Retail
- Managed accounts

Institutional Clients

- Government funds
- Industry funds
- Pension funds
- Corporate funds
- Sovereign funds

Wholesale Clients

- Platforms
- Financial planning groups
- Private banks

Strong Investment Performance

→ 97% of FUM has outperformed¹ over 3 years and 89% over 5 years

Asset Classes	FUM at 31 March 2014 (\$bn)	% of FUM outperformed ¹ 3 Year	% of FUM outperformed ¹ 5 Year
Australian Equities	11.4	100%	68%
International Equities:			
Global	9.7	100%	100%
UK	9.1	100%	100%
Europe	4.9	100%	100%
Emerging Markets	1.7	100%	N/A
Asia	1.7	100%	100%
Property	1.4	100%	99%
Cash	6.4	100%	100%
Fixed Income ²	2.8	89%	100%
Diversified	11.8	98%	89%
Other ²	1.2	0%	4%
Total FUM	62.1	97%	89%

1. Fund performance is pre-fee, pre-tax and relative to the fund benchmark

2. \$1.1bn has been moved from Fixed Income to Other as it is managed to an alternative benchmark

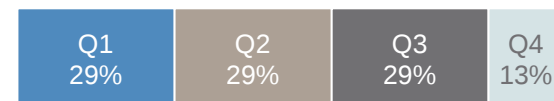
Performance of Core Funds

Relative to Benchmark

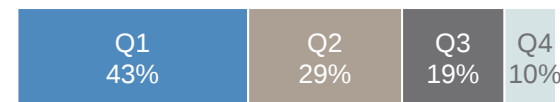
	1 Year (pa)	3 Years (pa)	5 Years (pa)
BT Institutional Core Australian Share Sector Trust	+2.33%	+1.11%	+0.14%
BT Wholesale Focus Australian Share Fund	+4.44%	+0.79%	+0.80%
BT Institutional Imputation Sector Trust	-0.01%	+0.51%	-0.70%
BT Wholesale Australian Long Short Fund	+2.85%	+2.52%	+1.73%
BT Institutional Smaller Companies Sector Trust	+13.40%	+15.35%	+12.59%
BT Wholesale MicroCap Opportunities Fund	+31.66%	+25.62%	+30.83%
BT Institutional Property Sector Trust	-0.46%	+0.38%	+0.62%
BT Institutional Core Global Share Sector Trust	+3.00%	+2.26%	+2.63%
BT Institutional Global Property Sector Trust	+1.83%	+0.81%	+0.53%
BT Wholesale Active Balanced Fund	+1.86%	+0.53%	+0.78%
BT Wholesale Fixed Interest Fund	-0.07%	+0.32%	+0.89%
BT Wholesale Enhanced Cash Fund	+0.76%	+1.36%	+2.11%
JOHCM UK Equity Income Fund	+9.57%	+7.75%	+8.16%
JOHCM UK Opportunities Fund	+2.83%	+4.77%	+1.18%
JOHCM UK Growth Fund	+18.21%	+8.00%	+7.00%
JOHCM UK Dynamic Fund	+12.59%	+8.48%	+7.85%
JOHCM Continental European Fund	+8.09%	+4.86%	+5.52%
JOHCM European Select Values Fund	+2.61%	+5.55%	+9.89%
JOHCM Global Select Fund	+10.17%	+3.82%	+3.08%
JOHCM International Select Fund	+7.62%	+4.51%	+4.34%
JOHCM Emerging Markets Fund	+2.69%	+3.10%	N/A
JOHCM Global Emerging Markets Opportunities Fund	+5.27%	N/A	N/A
JOHCM Japan Fund	-1.92%	+4.07%	+2.68%
JOHCM Asia ex Japan Fund	+2.67%	N/A	N/A
JOHCM Asia ex Japan Small & MidCap Fund	-1.89%	N/A	N/A

% of core funds across quartile rankings

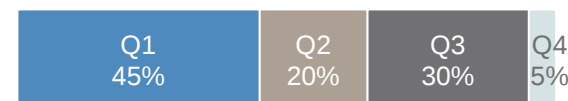
1
Year



3
Year



5
Year



■ Q1 ■ Q2 ■ Q3 ■ Q4

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

Source: Lipper and Mercer fund rankings as at 31 March 2014



Industry Recognition

BTIM (Australia)

- Winner of the “**Best of the Best Fund Manager**” in Australia award by Money Magazine
- Winner of the “**Fund House of the Year Award – Australia**” in the 2014 Asian Investor Investment Performance Awards
- Nominated¹ for Money Management / Lonsec Fund Manager of the Year awards in Australia for:
 - Global Equities Category: **BT Global Emerging Markets Fund**
 - Multi-Sector Category: **BT Future Goals Fund**
 - Asset Allocator of the Year: **BT Future Goals Fund**
 - Retirement Product Innovation Category: **BT Equity Income Series**

JOHCM

- Winner of a Platinum Award - 2014 Portfolio Adviser Fund Awards
 - Equity Income Category: **JOHCM UK Equity Income Fund**
- Winner of a 2013 European Funds Trophy
 - European Large Cap Category: **JOHCM European Select Values Fund**
- Winner of two categories of the 2014 Lipper Funds Award (Austria) – 10 year
 - Equity – Europe ex UK Category: **JOHCM Continental European Fund**
 - Equity – Europe Category: **JOHCM European Select Values Fund**

1. Winners to be announced on 22 May 2014

2. FUM flows

FUM Flows by Channel

\$bn	30-Sep-13 Closing FUM	Net Flows	Other ¹	FX Impact	31-Mar-14 Closing FUM	Breakdown of Net Flows		Fee Margin	
						BTIM	JOHCM	BTIM	JOHCM
Institutional	22.3	(0.7)	1.0	0.3	22.9	(0.4)	(0.3)	0.23%	0.60%
Wholesale	17.6	1.9	0.8	0.6	20.9	0.1	1.8	0.77%	0.67%
Westpac – Other ²	8.8	0.0	0.2	-	9.0	0.0	-	0.30%	
BTIM Group Core Funds	48.7	1.2	2.0	0.9	52.8	(0.3)	1.5		
Westpac - Legacy	9.6	(0.5)	0.2	-	9.3	(0.5)	-	0.32%	
Total BTIM	58.3	0.7	2.2	0.9	62.1	(0.8)	1.5		

- Institutional outflows driven by a combination of cash and fixed income, and global equities
- Wholesale inflows received in the Global/International Select funds, UK Equity Income funds, Japan fund, and the BT Equity Income Series
- Revenue fee margins highest in wholesale channel

1. Other: includes market movement, investment performance & distributions
2. Westpac Other: includes superannuation and managed accounts

FUM Flows by Asset Class

\$bn	30-Sep-13 Closing FUM	Net Flows			31-Mar-14 Closing FUM
		Core	Legacy	Other ¹	
Australian Equities	11.3	0.0	(0.1)	0.2	11.4
International Equities:					
Global	8.5	0.2	0.0	1.0	9.7
UK	7.7	0.6	-	0.8	9.1
Europe	3.9	0.4	0.0	0.6	4.9
Emerging Markets	1.5	0.1	-	0.1	1.7
Asia	1.5	0.2	0.0	0.0	1.7
Property	1.4	0.0	0.0	0.0	1.4
Cash	6.6	(0.1)	0.0	(0.1)	6.4
Fixed Income	4.0	(0.2)	0.0	0.1	3.9
Diversified	11.8	0.0	(0.4)	0.4	11.8
Other	0.1	0.0	-	0.0	0.1
Total FUM	58.3	1.2	(0.5)	3.1	62.1

- Strong inflows into UK and European funds
- Asian flows predominantly into the Japan Fund
- US mutual fund channel driving global flows
- Experienced outflows in cash and fixed income
- Legacy outflows in line with historical rates

1. Other includes market movement, investment performance, distributions & FX

4. Financials

Financial Highlights – 1H14 v 1H13

Strength in the underlying business and performance fees contribute to higher Cash NPAT

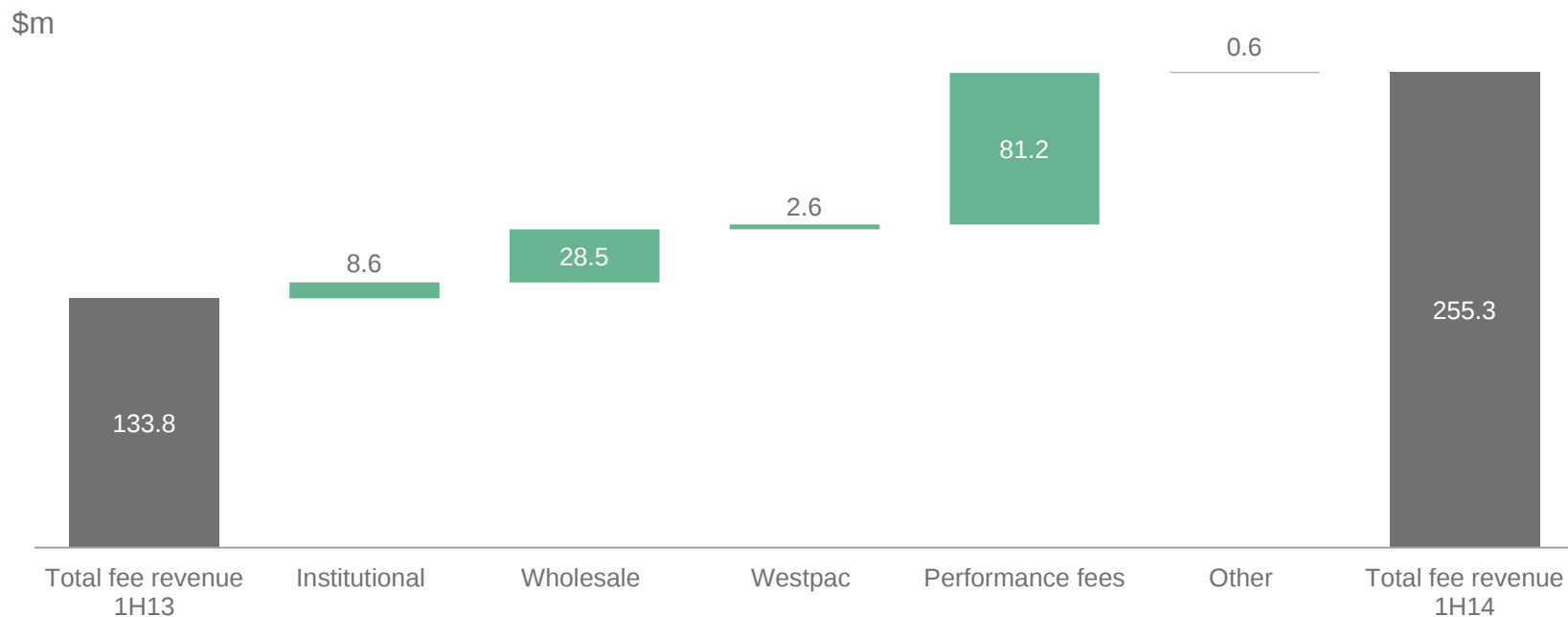
\$m	1H13 ¹	1H14	Mvmt	Change %
Avg FUM (\$b)	48.5	61.3	12.8	26%
Base Fee Margin	0.40%	0.45%	0.05%	12%
Base management fees	98.1	137.8	39.7	40%
Performance fees	33.5	114.7	81.2	243%
Other fee revenue	2.2	2.8	0.6	29%
Total fee revenue	133.8	255.3	121.5	91%
Employee expenses	(66.6)	(125.1)	(58.5)	88%
Operating expenses	(22.1)	(27.5)	(5.4)	24%
Total cash operating expenses	(88.7)	(152.6)	(63.9)	72%
Operating profit	45.1	102.7	57.6	128%
Net investment income	2.1	5.9	3.8	177%
Financing charges	(1.3)	(0.8)	0.5	(37%)
Tax	(11.7)	(24.7)	(13.0)	110%
Cash NPAT	34.2	83.1	48.9	143%
Operating profit margin	34%	40%	6%	19%
Cash EPS (cps)	11.8	28.0	16.2	137%

- Cash NPAT (+143%) and EPS (+137%) on pcp
- Higher average FUM and fee margin expansion driving revenue growth
- Strong performance fees
- Higher employee expenses linked to revenue growth
- Increased operating expenses mainly variable
- Higher net investment income driven by realised seed capital gains
- Operating profit margin improved to 40%

1. Some 1H13 items have been re-classified for consistency purposes

Fee Revenue

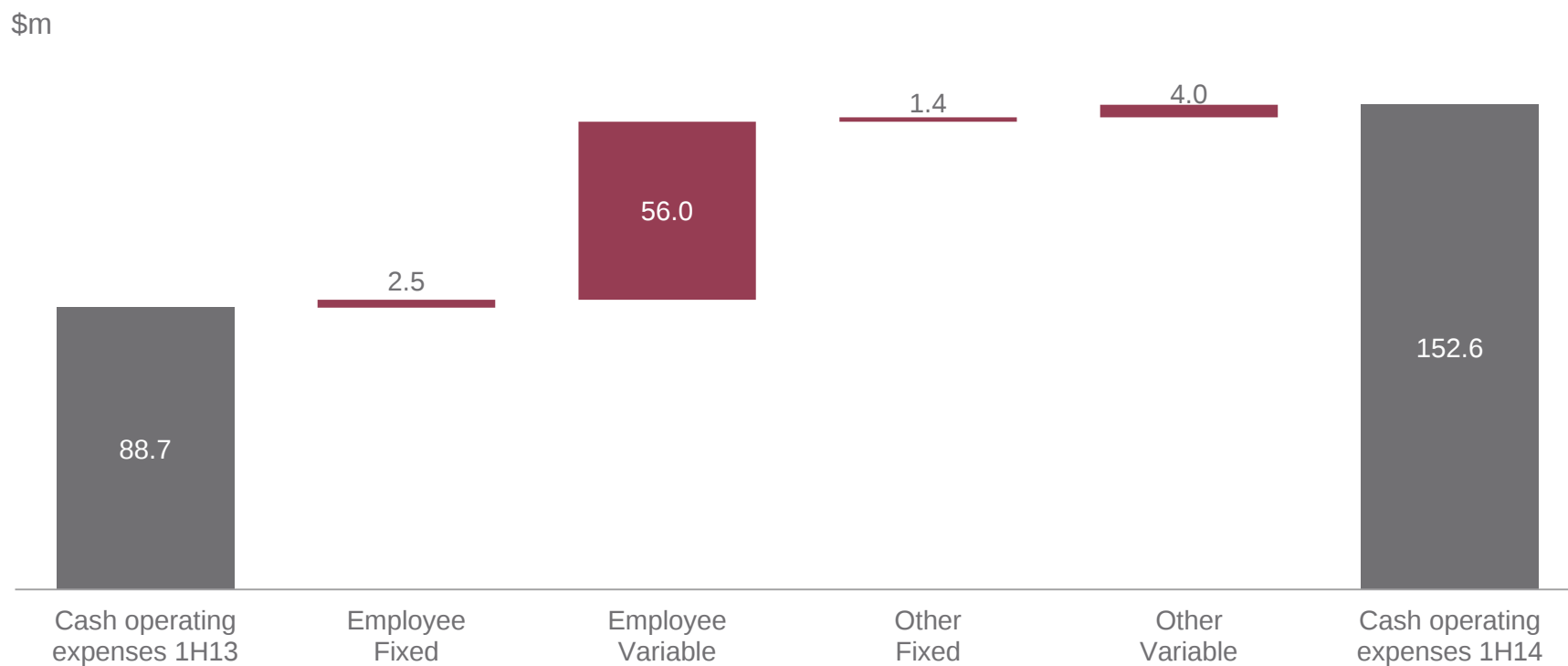
→ Positive increases across all sources of revenue



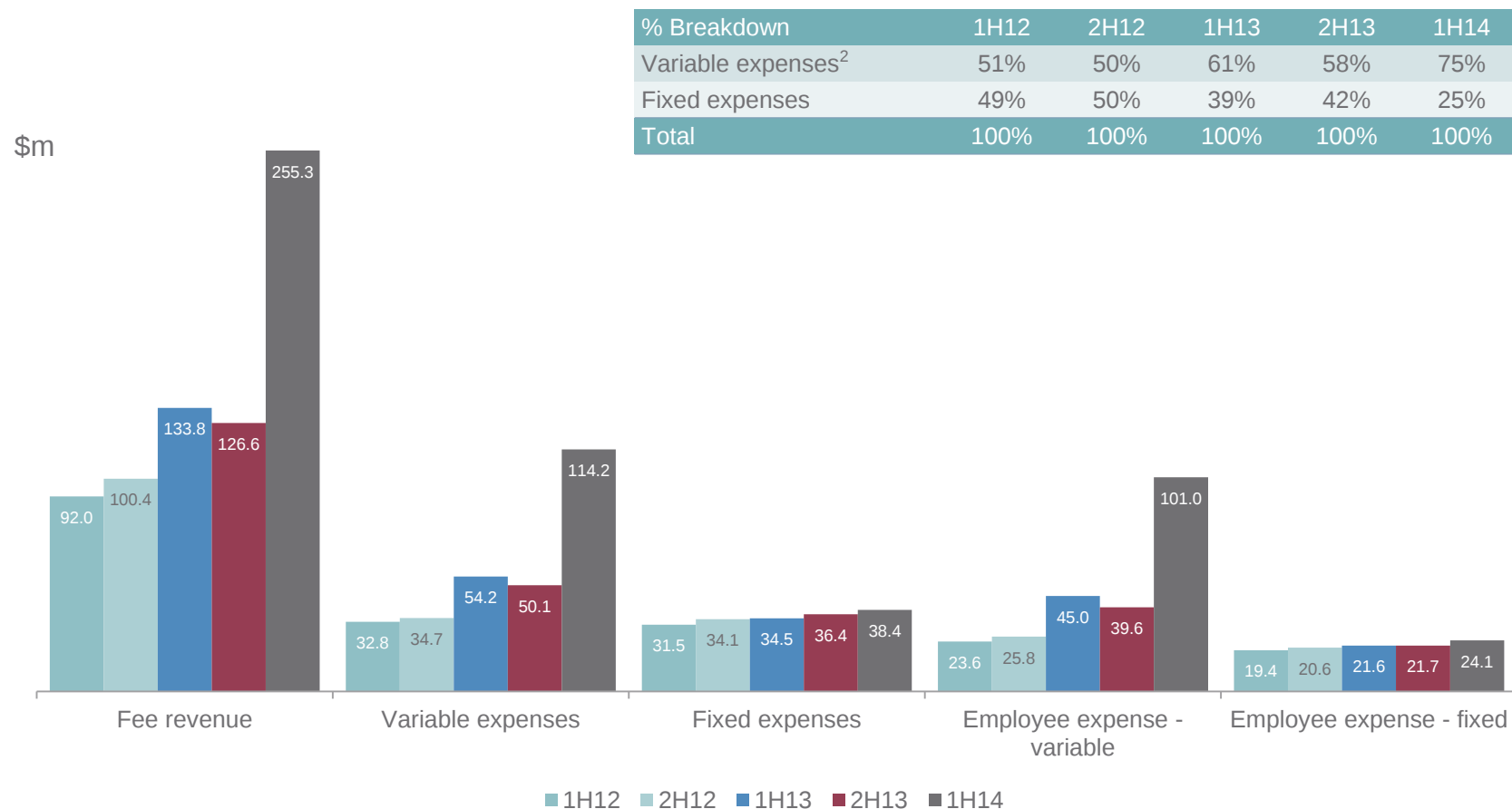
1. Westpac revenue includes legacy book and superannuation/managed account channels

Operating Expenses

→ Variable employee expenses linked to FUM growth and higher performance fees



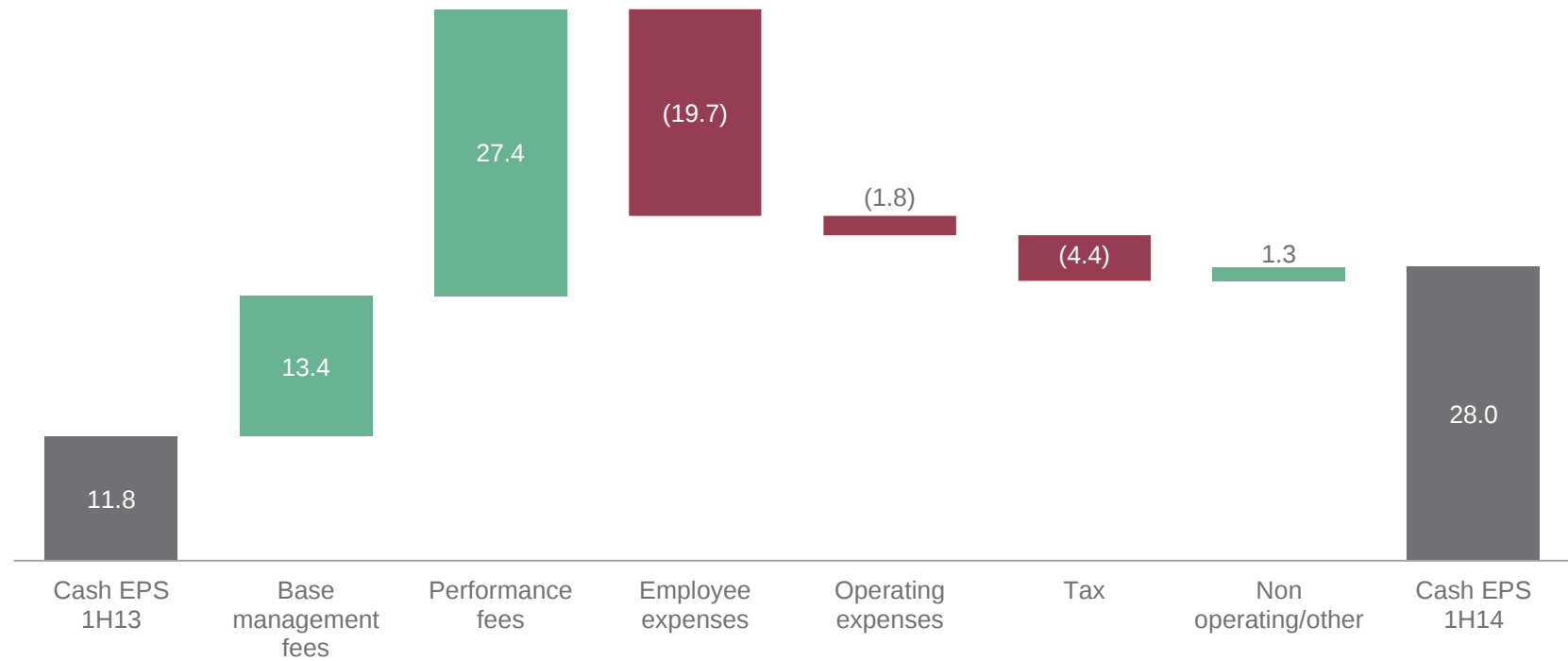
Fixed v Variable Operating Expenses¹



1. Some FY12-13 items have been re-classed for consistency purposes
2. Variable expenses include fund expenses that are linked to FUM and employee expenses that are linked to profit

Cash EPS

(cps)



Balance sheet

\$m	Sep 2013	Mar 2014	Mvmt
Cash	83.6	107.7	24.1
Other current assets	44.6	53.4	8.8
Current assets	128.2	161.1	32.9
Property, plant & equipment	3.1	2.6	(0.5)
Intangible assets	571.9	581.0	9.1
Other non-current assets	63.5	97.3	33.8
Non-current assets	638.5	680.9	42.4
Total assets	766.7	842.0	75.3
Current borrowings ¹	17.4	25.4	8.0
Other current liabilities	91.3	101.4	10.1
Current liabilities	108.7	126.8	18.1
Non-current borrowings ¹	63.9	49.8	(14.1)
Other non-current liabilities	32.6	44.1	11.5
Non-current liabilities	96.5	93.9	(2.6)
Total liabilities	205.2	220.7	15.5
Net assets	561.5	621.3	59.8
Contributed equity	469.8	458.5	(11.3)
Reserves	67.0	88.4	21.4
Retained earnings	24.7	74.4	49.7
Total equity	561.5	621.3	59.8

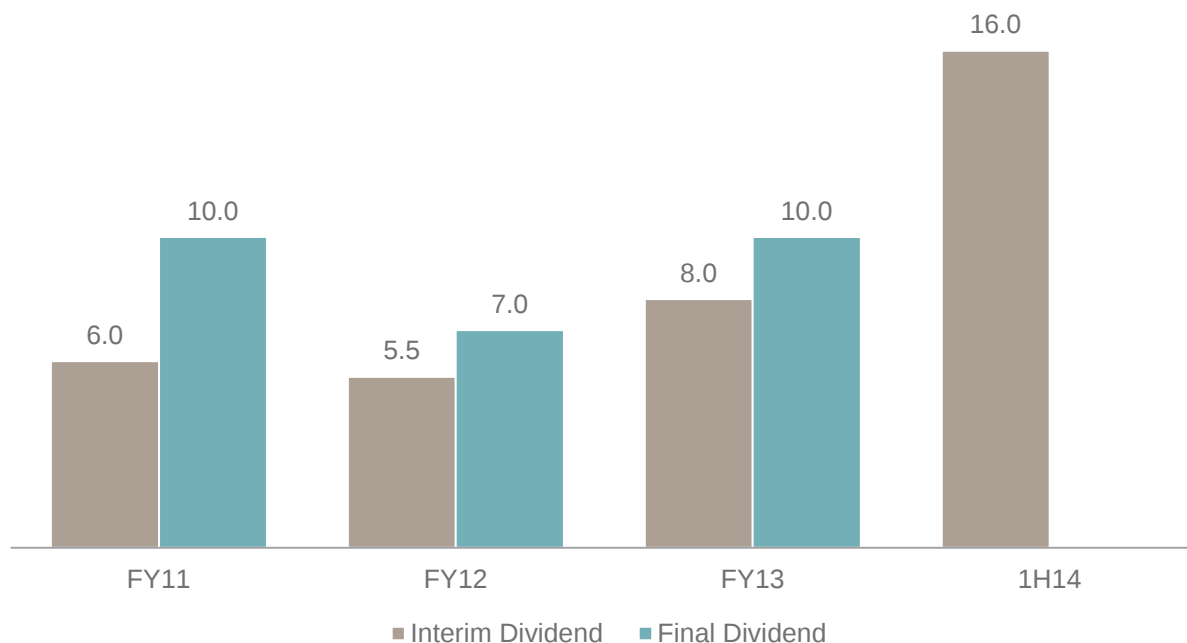
- Strong balance sheet as at 31 Mar 2014
- Net current assets of +\$35m & Net Tangible Assets of +\$68m
- Business generating strong cash flows
- DRP remains active with debt declining
- Net assets continue to grow with profitability

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

Dividends

Interim dividend of 16.0 cents per share, an increase of 100% on pcps

(cps)



- Interim dividend declared of 16.0 cps
- Dividend to be 35% franked
- Increase of 100% on pcps and increase of 60% on final dividend in FY13
- DRP to continue with zero discount to allocation price

5. Strategy Update

Strategy Focus

Strategy platform – continuing to invest in future growth opportunities

Building-out a Global Asset Management Business

**Focus on
increasing
share of higher
margin
channels**

**Build on
current
distribution
channels**

**Expand
investment
capabilities**

**Grow in new
and existing
markets**

Strategy Update

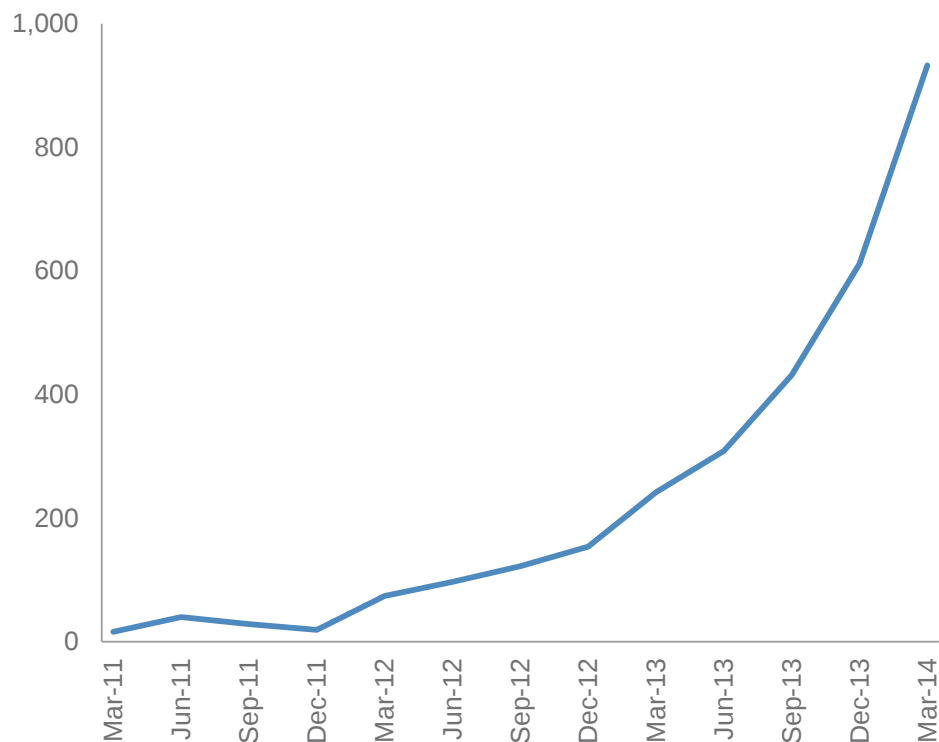
- Strategy on track to continue to deliver sustained growth
- Building out a global asset management business across investments and distribution with a strong operational platform
- Scalable structure with flexibility to add new investment teams over time
- Proven ability to attract and retain high calibre staff
- Seeded and invested in new teams with product development capability to grow in new and existing markets

Strategy Update – Growth Engines

US market provides growth opportunities

- US strategy showing strong FUM growth across multiple products
 - Global Select
 - International Select
 - GEM Opportunities
 - International Small Cap
 - Asia ex-Japan
- FUM raised in US mutual funds in 1H14 – US\$505 million

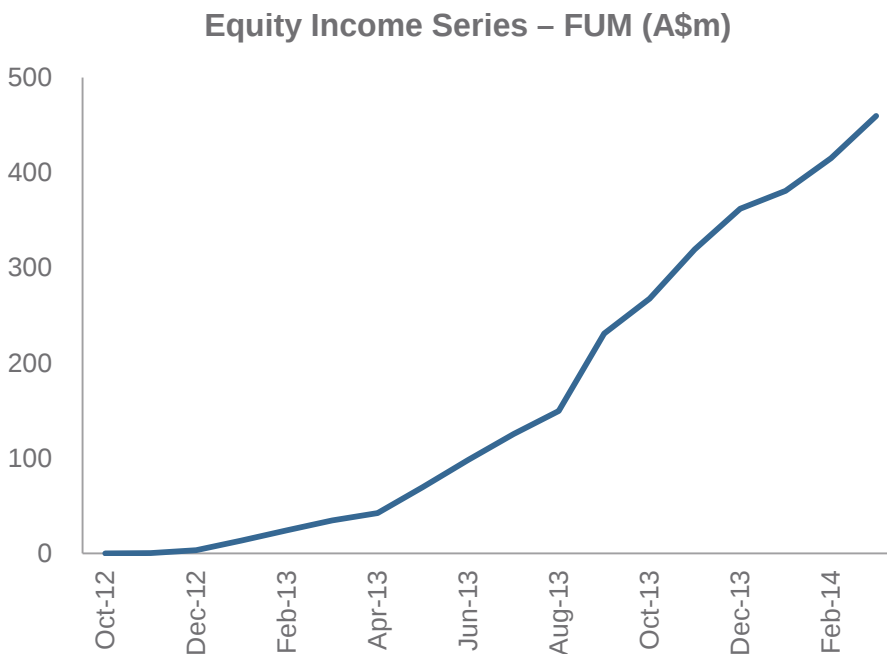
US Mutual Funds - Cumulative Net Flows (US\$m)



Strategy Update – Growth Engines

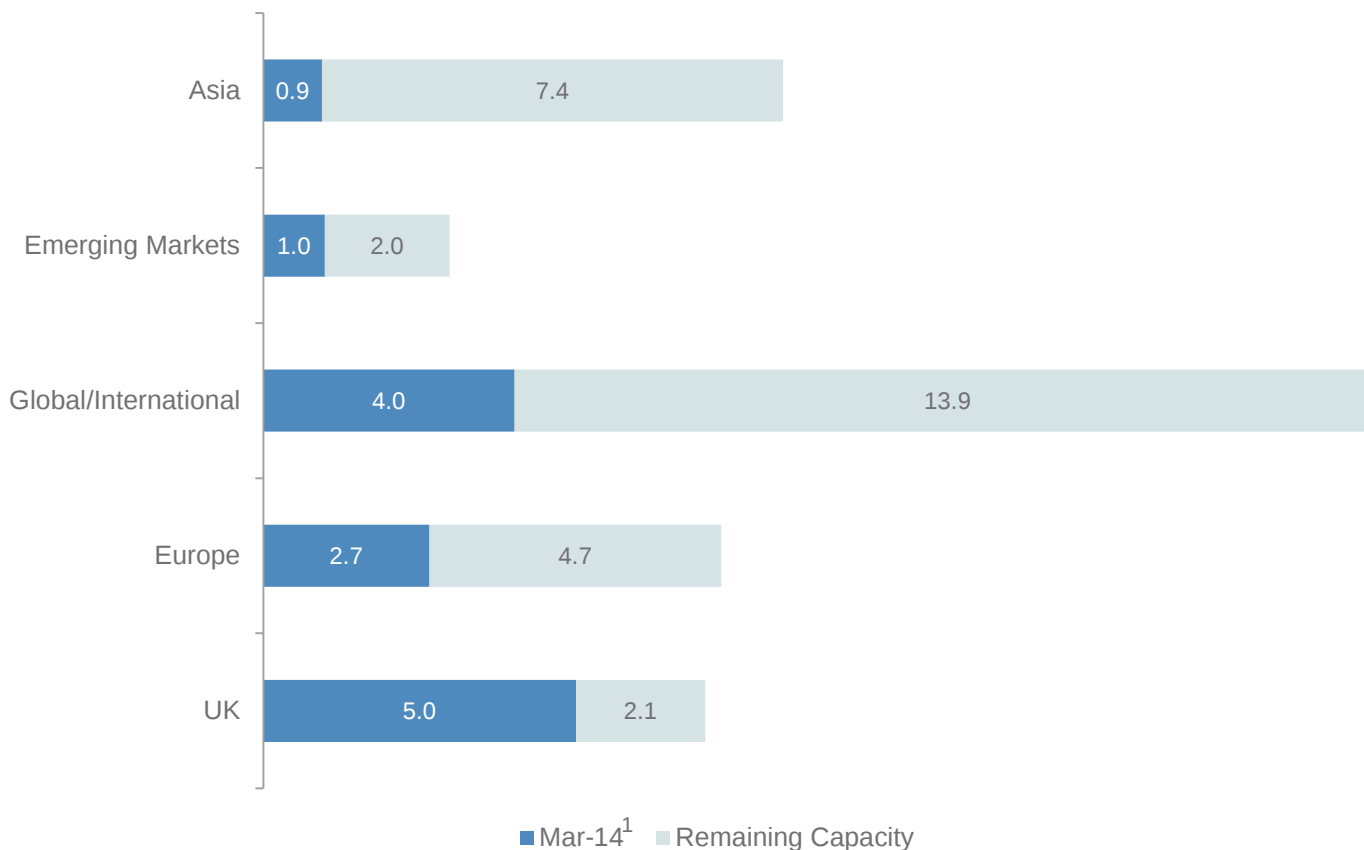
Success of new products adding to growth story

- New products add to FUM capacity and provide for future growth
- Launched 3 new products offshore in 1H14
 - International Small Cap Fund
 - Global Sharia Fund
 - Japan Dividend Growth Fund
- Strong success in new products such as the BT Equity Income Series confirms strategy is on track



JOHCM Fund Capacity (£bn)

Global expansion and addition of new teams increasing FUM capacity



1. FUM shown as at 31 March 2014 includes FUM managed on behalf of BTIM (Australia)

Source: JOHCM as at 31 March 2014

Summary & Outlook

Strong financial position

- Business is in a strong financial position
- Higher markets, higher average FUM, performance fees and net inflows all contributing to growth and margin expansion
- Strength underpinned by the diversity across products, channels, geographies and capabilities
- Investment performance remains strong
- Success of new products adding to growth and margin expansion
- Expansion of capabilities and distribution globally is opening up new growth opportunities
- Given record FUM levels, strong net inflows, building into new markets and the development of new products, we are confident of continued growth

6. Questions

7. Appendices

Segment P&L

1H14							
\$m	1H13 ¹	BTIM	JOHCM	Inter-segment	Group	Mvmt	Change %
Avg FUM (\$b)	48.5	38.0	23.5	(0.2)	61.3	12.8	26%
Margin (mgt fee excludes perf. fee)	0.40%	0.33%	0.64%	-	0.45%	0.05%	12%
Base management fees	98.1	63.1	75.0	(0.3)	137.8	39.7	40%
Performance fees	33.5	1.1	113.6	-	114.7	81.2	243%
Other fee revenue	2.2	1.0	1.8	-	2.8	0.6	29%
Total fee revenue	133.8	65.2	190.4	(0.3)	255.3	121.5	91%
Employee expenses	(66.6)	(29.2)	(95.9)	-	(125.1)	(58.5)	88%
Operating expenses	(22.1)	(18.5)	(9.3)	0.3	(27.5)	(5.4)	24%
Total cash operating expenses	(88.7)	(47.7)	(105.2)	0.3	(152.6)	(63.9)	72%
Operating profit	45.1	17.5	85.2	-	102.7	57.6	128%
Net investment income	2.1	1.3	4.9	(0.3)	5.9	3.8	177%
Financing charges	(1.3)	(0.5)	(0.6)	0.3	(0.8)	0.5	(37%)
Tax	(11.7)	(5.6)	(19.1)	-	(24.7)	(13.0)	110%
Cash NPAT	34.2	12.7	70.4	-	83.1	48.9	143%
Operating profit margin	34%	27%	45%	-	40%	6%	19%

1. Some 1H13 items have been re-classified for consistency purposes

Cash EPS Calculation

Number of Shares

(m)	1H13	1H14
Weighted average ordinary shares on issue	271.7	281.0
Weighted average converting notes on issue	17.0	15.7
Weighted average fully diluted shares on issue	288.7	296.7

Cash EPS Calculation

	1H13	1H14
Cash Net Profit After Tax (\$m)	34.2	83.1
Weighted average ordinary shares on issue (m)	271.7	281.0
Weighted average fully diluted shares on issue (m)	288.7	296.7
EPS based on Cash NPAT (cps)	11.8	28.0

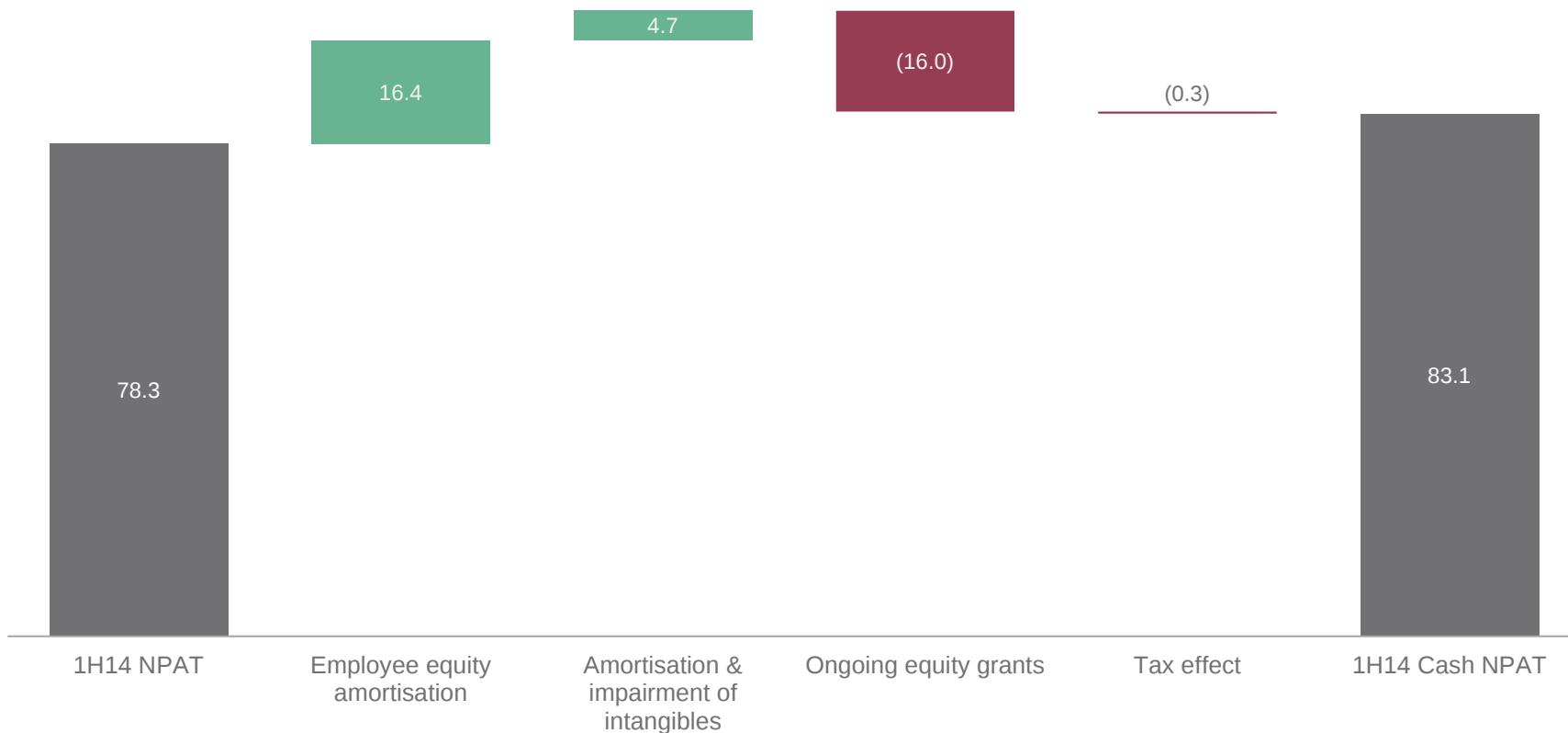
Performance fees

Fund	FUM \$m 31 Mar 14	Performance period to	Benchmark	Participation Rate %
BTIM				
BT Wholesale Australian Long Short Fund ¹	219	30 June	S&P/ASX 200 Accum Index	15%
BT Wholesale Microcap Opportunities Fund ¹	195	30 June	S&P/ASX Small Ord Accum Index	20%
BT Wholesale Focus Australian Share Fund	129	30 June	S&P/ASX 300 Accum Index	15%
BT Wholesale Mid Cap Fund ¹	36	30 June	BT Midcap Customised Index	20%
JOHCM ²				
UK Equity Income Fund ¹	4,615	31 December	FTSE All-Share TR Index	15%
Global Select Fund	2,543	31 December	MSCI ACWI NR Index (net dividends reinvested)	15%
UK Opportunities Fund	2,293	31 December	FTSE All-Share TR Index	15%
European Select Values Fund ¹	1,790	31 December	MSCI Europe NR Index (net dividends reinvested)	15%
Continental European Fund ¹	1,785	31 December	MSCI Europe ex UK NR Index (net dividends reinvested)	15%
Japan Fund	1,088	31 December	TOPIX TR Index	15%
UK Growth Fund ¹	580	31 December	FTSE All-Share TR Index	15%
UK Dynamic Fund ¹	270	31 December	FTSE All-Share TR Index	15%
Global Emerging Markets Opportunities Fund	167	31 December	MSCI Emerging Markets NR Index (net dividends reinvested)	15%
Asia ex Japan Fund ¹	161	31 December	MSCI AC Asia ex Japan NR Index (net dividends reinvested)	15%
Global Emerging Markets Fund	86	31 December	MSCI Emerging Markets NR Index (net dividends reinvested)	15%
Asia ex Japan Small and Mid Cap Fund	26	31 December	MSCI AC Asia ex Japan Small Cap NR Index (net dividends reinvested)	15%
Global Opportunities Fund ¹	20	31 December	MSCI ACWI NR Index (net dividends reinvested)	15%
All European Dynamic Growth Fund	18	31 December	MSCI Europe NR Index (net dividends reinvested)	15%
Japan Dividend Growth Fund	4	31 December	TOPIX TR 100 Index	15%
Total funds with performance fees		16,025		

BTIM performance fees accrued in funds but not realised until 30 June 2014 \$m **6.7³**

1. Funds above their high water mark as at 31 March 2014
2. JOHCM includes OEIC FUM converted at 31 March 2014 spot rate of 0.5549
3. BTIM also earned \$1.1m performance fees in 1H14 for mandates with a 31 December performance period. These have been recognised in the 1H14 result.

Adjustments from Statutory NPAT to Cash NPAT



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