

BT Investment Management

2014 Full Year Results ending 30 September 2014

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

30 October 2014



1. **Year in Review**
2. **FUM Flows and Investment Performance**
3. **Financials**
4. **Strategy Update**
5. **Questions**
6. **Appendices**

FY14 Highlights

Record Results

- Fee Revenue up 62% to \$420.7m
- Cash NPAT up 105% to \$127.0m
- Cash EPS up 100% to 42.6 cps
- Dividends up 94% to 35.0 cps

Successfully Executing Growth Strategy

- Offshore expansion
- Fund flow
- Success with new investment strategies
- US strategy
- Investment Performance

Investing for the Future

- Added new investment teams
- Broaden US footprint through the opening of a second office
- Launched new products
- Invested in distribution to support new and growing channels

Financial Highlights

	FY14	FY13	% Change
→ Cash NPAT	\$127.0m	\$61.9m	↑105%
→ Statutory NPAT	\$121.5m	\$51.2m	↑137%
→ Fee Revenue	\$420.7m	\$260.4m	↑62%
- <i>Base Management Fees</i>	\$289.7m	\$212.4m	↑36%
- <i>Base Management Fee Margin</i>	0.46%	0.41%	↑11%
- <i>Performance Fees</i>	\$121.8m	\$43.5m	↑180%
→ Operating Expenses	\$258.5m	\$175.2m	↑48%
→ Operating Profit Margin	39%	33%	↑18%
→ Cash EPS	42.6 cps	21.3 cps	↑100%
→ Total Dividends	35.0 cps	18.0 cps	↑94%
→ Average FUM	\$63.1b	\$51.5b	↑23%

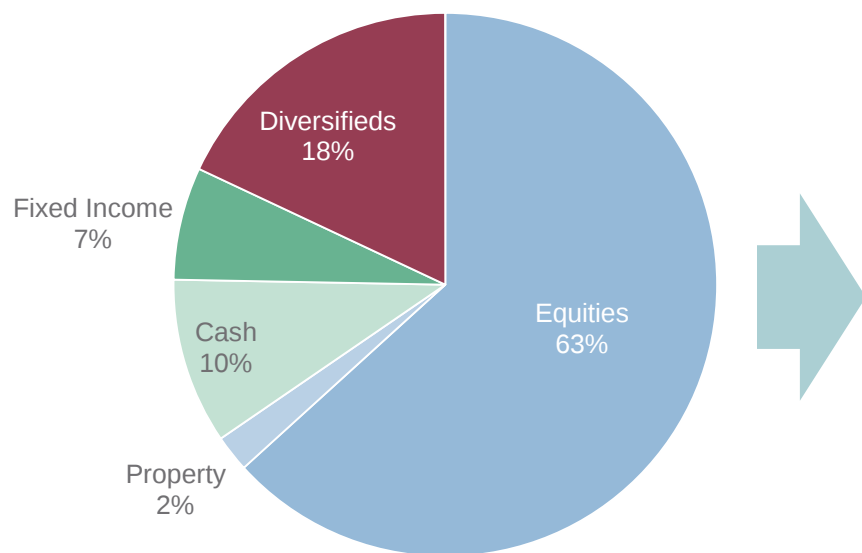
Business Highlights

- Base management fee margin expansion
 - from 41 bps in FY13 to 46 bps in FY14
- Operating profit margin expansion
 - from 33% in FY13 to 39% in FY14
- Performance Fees of \$121.8m
- Strong growth in underlying business
 - Base management fees increased by 36%
 - Wholesale¹ channel flows \$4.1bn
- Continued expansion in offshore markets
 - Momentum building in the US business with A\$1.1bn in net flows in FY14
 - 4 new strategies launched in FY14
- Improved FUM flows in Australia

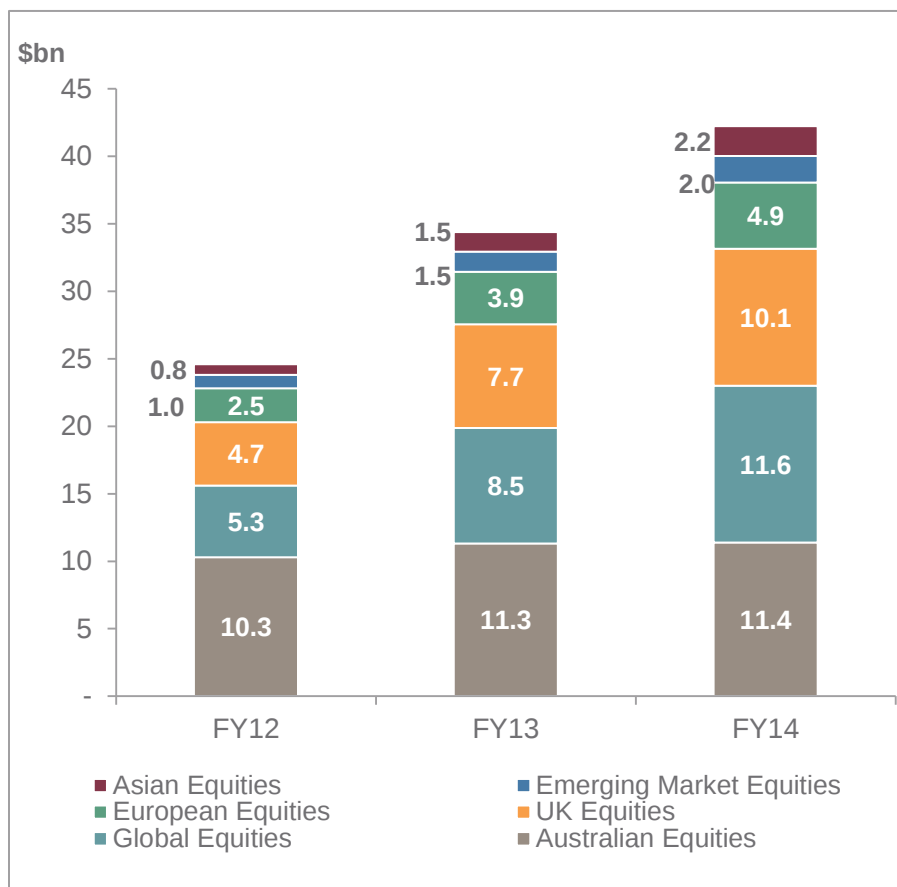
1: Wholesale channel represents platforms, financial planners and private banks

Diversification of Asset Classes

FUM by asset class

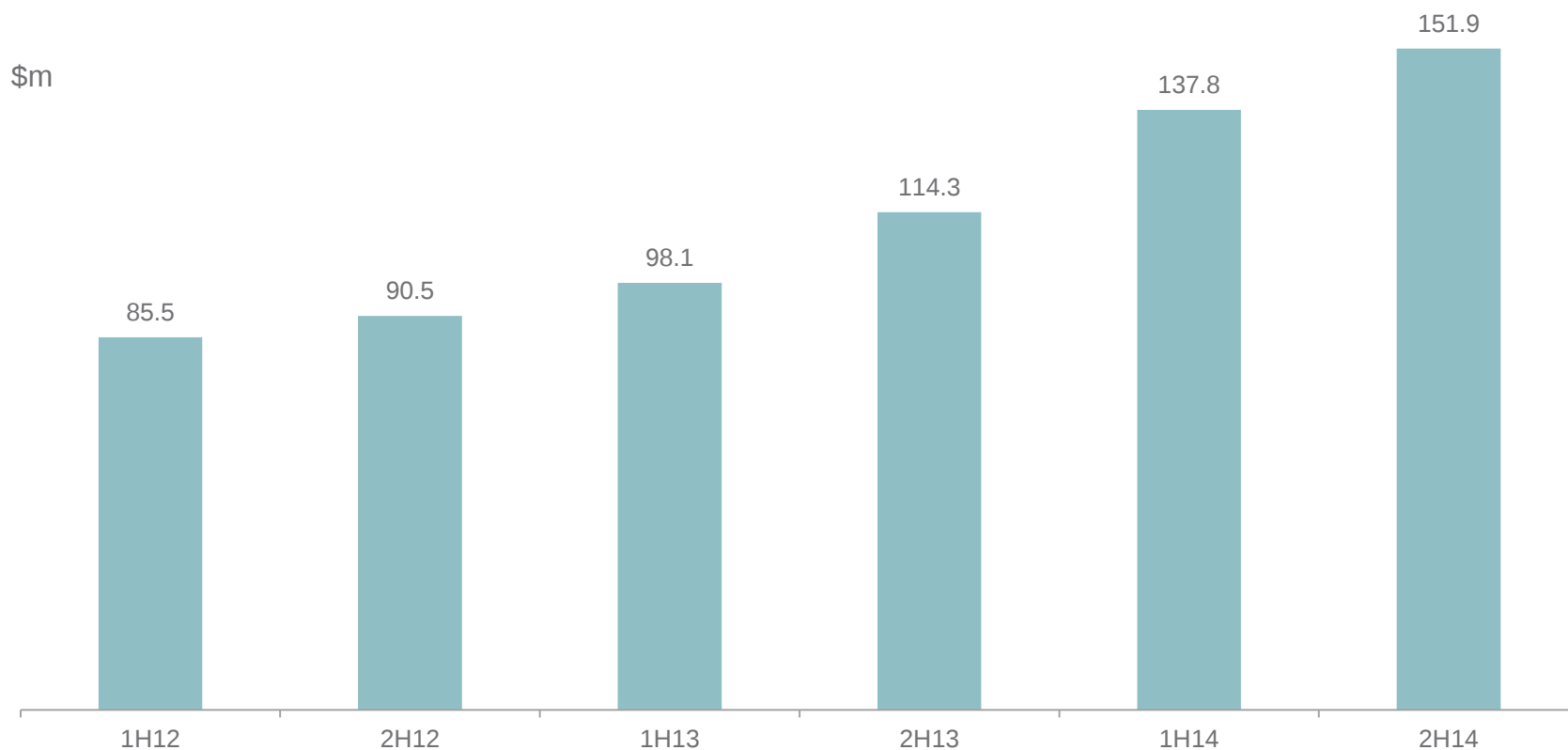


Equities by Region Invested



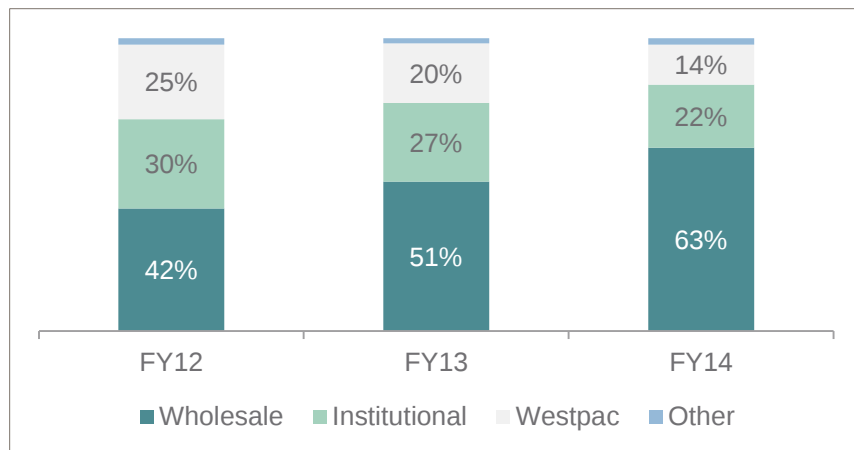
Strong and Steady Growth in Base Management Fees

Base Management Fees since 1H12

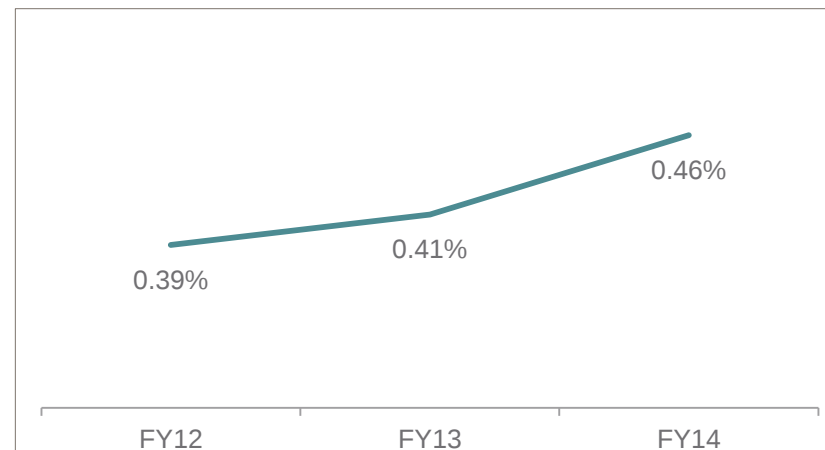


Delivering Margin Expansion

Percentage of Fee Revenue by Channel

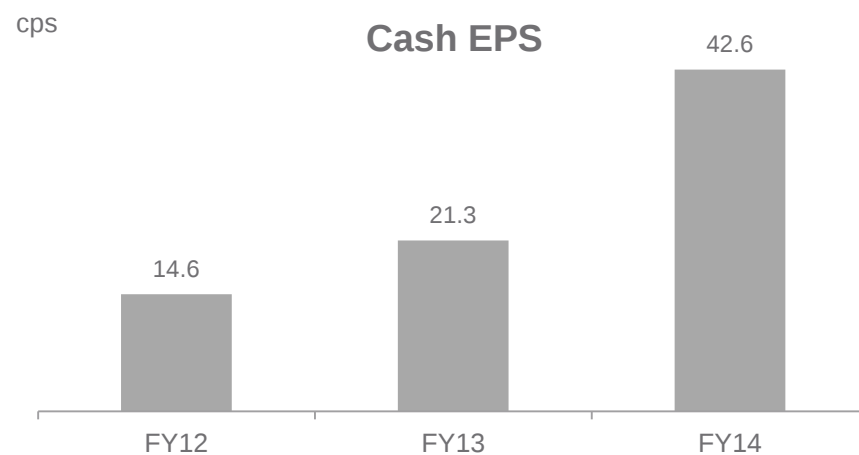
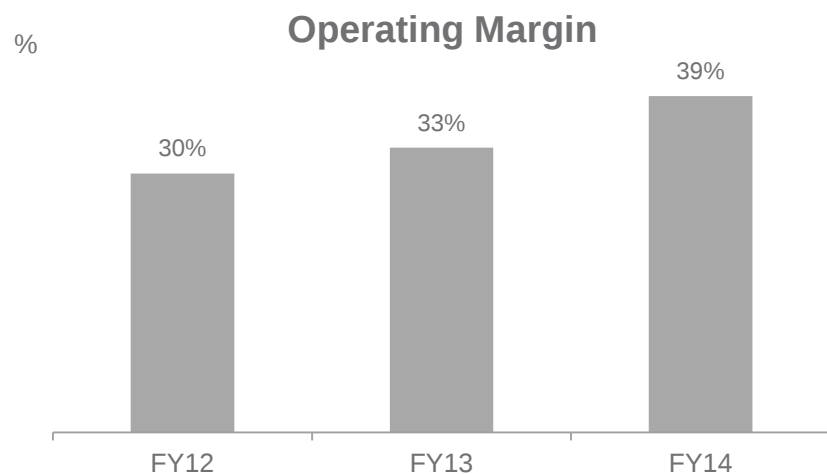
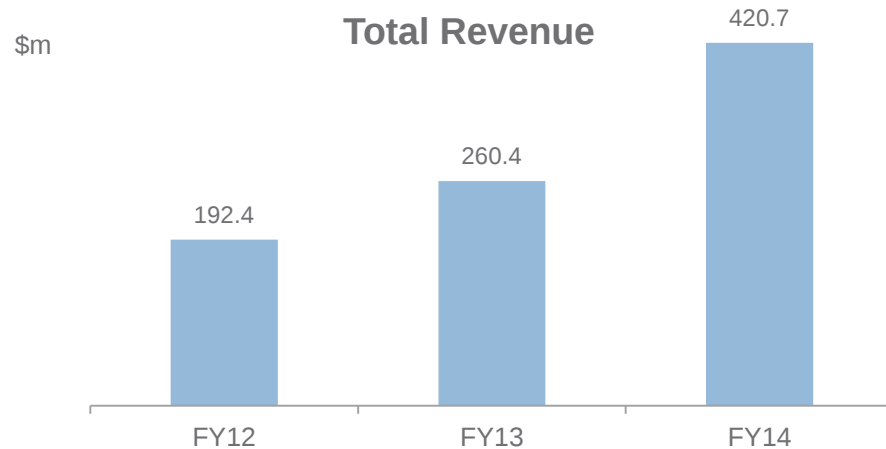
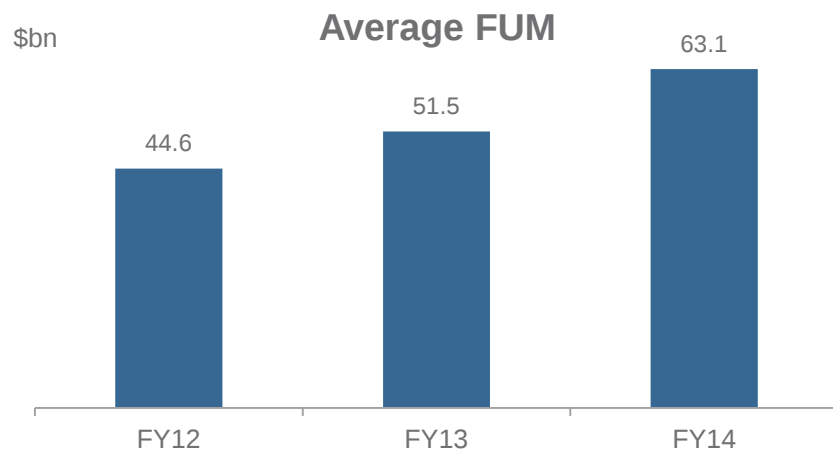


Average Base Management Fee Margin (bps)



- Changing channel mix towards higher margin wholesale channel
- Changing asset mix as equities proportion of book increases
- New higher margin strategies contributing to revenue growth
- Price discipline

Growth Momentum



2. FUM Flows and Investment Performance

FUM Flows by Channel

\$bn	30-Sep-13 Closing FUM	Net Flows	Other ¹	FX Impact	30-Sep-14 Closing FUM	Breakdown of Net Flows		Fee Margin	
						BTIM	JOHCM	BTIM	JOHCM
Institutional	21.9	(0.5)	1.9	0.6	23.9	0.0	(0.5)	0.23%	0.58%
Wholesale	18.0	4.1	1.1	1.1	24.3	0.1	4.0	0.80%	0.68%
Westpac – Other ²	8.8	0.0	0.5	-	9.3	0.0	-	0.31%	na
BTIM Group Core FUM	48.7	3.6	3.5	1.7	57.5	0.1	3.5		
Westpac - Legacy	9.6	(1.1)	0.4	-	8.9	(1.1)		0.32%	na
Total BTIM	58.3	2.5	3.9	1.7	66.4	(1.0)	3.5		

- \$2.5bn of net flows across the Group
 - Represents annualised revenue of \$29m
- \$4.1bn of net flows from the wholesale channel
- Institutional outflows driven by profit taking and rebalancing
- JOHCM flows of \$3.5bn driven by strong demand into OEIC's and US pooled funds
- Westpac legacy funds outflow consistent with previous years

1. Other: includes market movement, investment performance & distributions
2. Westpac Other: includes institutional IMA managing retail and corporate superannuation and managed accounts

FUM Flows by Asset Class

\$bn	30-Sep-13 Closing FUM	Net Flows		Other ¹	30-Sep-14 Closing FUM
		Core	Legacy		
Australian Equities	11.3	0.1	(0.4)	0.4	11.4
International Equities:					
Global	8.5	1.0	(0.1)	2.2	11.6
UK	7.7	1.4	-	1.0	10.1
Europe	3.9	0.5	0.0	0.5	4.9
Emerging Markets	1.5	0.2	-	0.3	2.0
Asia	1.5	0.5	0.0	0.2	2.2
Property	1.4	0.0	(0.1)	0.1	1.4
Cash	6.6	(0.1)	(0.1)	0.1	6.5
Fixed Income	4.0	0.2	(0.1)	0.3	4.4
Diversified	11.8	(0.2)	(0.3)	0.5	11.8
Other	0.1	0.0	0.0	0.0	0.1
Total FUM	58.3	3.6	(1.1)	5.6	66.4

- Positive flows from equities across all regions in Core FUM
- Continued strong demand in offshore equities, in particular Global, UK and Asian equities
- Improvement in flows from core Australian equities
- Market, currency movements and investment performance, added nearly 10% to FUM growth

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

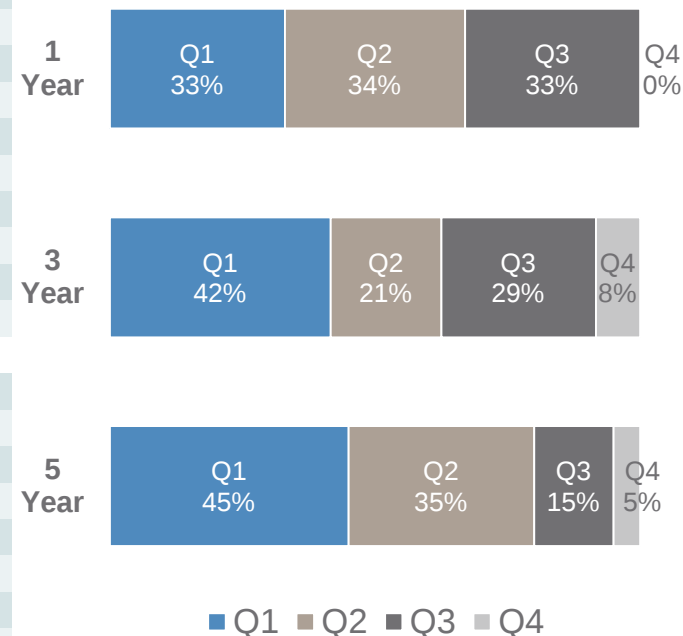
Performance of Core Funds

Relative to Benchmark

	1 Year (pa)	3 Years (pa)	5 Years (pa)
BT Institutional Core Australian Share Sector Trust	+0.13%	+1.19%	+0.84%
BT Wholesale Focus Australian Share Fund	+1.60%	+1.63%	+0.99%
BT Institutional Imputation Sector Trust	-0.05%	+0.22%	-0.07%
BT Wholesale Australian Long Short Fund	+0.23%	+2.27%	+1.40%
BT Institutional Smaller Companies Sector Trust	+5.83%	+13.82%	+12.20%
BT Wholesale MicroCap Opportunities Fund	+21.90%	+27.77%	+26.28%
BT Institutional Property Sector Trust	+0.73%	+0.48%	+0.67%
BT Institutional Core Global Share Sector Trust	+1.99%	+2.23%	+1.86%
BT Institutional Global Property Sector Trust	+0.75%	+0.45%	+0.65%
BT Wholesale Active Balanced Fund	+0.65%	+1.01%	+0.81%
BT Wholesale Fixed Interest Fund	+0.70%	+0.25%	+0.44%
BT Wholesale Enhanced Cash Fund	+1.10%	+1.41%	+1.70%

JOHCM UK Equity Income Fund	+2.85%	+7.99%	+5.11%
JOHCM UK Opportunities Fund	+2.63%	+1.34%	+3.37%
JOHCM UK Growth Fund	+8.02%	+10.72%	+2.95%
JOHCM UK Dynamic Fund	+5.11%	+9.57%	+5.41%
JOHCM Continental European Fund	+4.59%	+3.74%	+4.25%
JOHCM European Select Values Fund	-0.98%	+3.13%	+7.60%
JOHCM Global Select Fund	+11.02%	+6.74%	+5.76%
JOHCM International Select Fund	+10.87%	+7.61%	+7.05%
JOHCM Emerging Markets Fund	+2.38%	+1.88%	N/A
JOHCM Global Emerging Markets Opportunities Fund	+4.02%	+0.21%	N/A
JOHCM Japan Fund	-0.99%	+3.02%	+2.38%
JOHCM Asia ex Japan Fund	+5.80%	+6.75%	N/A
JOHCM Asia ex Japan Small & MidCap Fund	+7.67%	+7.16%	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 30 September 2014

Strong Investment Performance

→ 97% of FUM has outperformed¹ over 3 years and 96% over 5 years

	FUM as at 30 September 2014 (\$bn)	% of FUM outperformed ¹ 3 year	% of FUM outperformed ¹ 5 Year
Australian Equities	11.4	100%	98%
International Equities:			
Global	11.6	99%	100%
UK	10.1	100%	100%
Europe	4.9	100%	100%
Emerging Markets	2.0	100%	N/A
Asia	2.2	80%	100%
Property	1.4	100%	100%
Cash	6.5	100%	100%
Fixed Income ²	3.2	74%	94%
Diversified	11.8	100%	96%
Other ²	1.3	5%	5%
Total FUM	66.4	97%	96%

1. Fund performance is pre-fee, pre-tax and relative to the fund benchmark; % of FUM outperforming relates to FUM with sufficient track record only
2. \$1.2bn has been moved from Fixed Income to Other as it is managed to an alternative benchmark

4. Financials

Financial Highlights

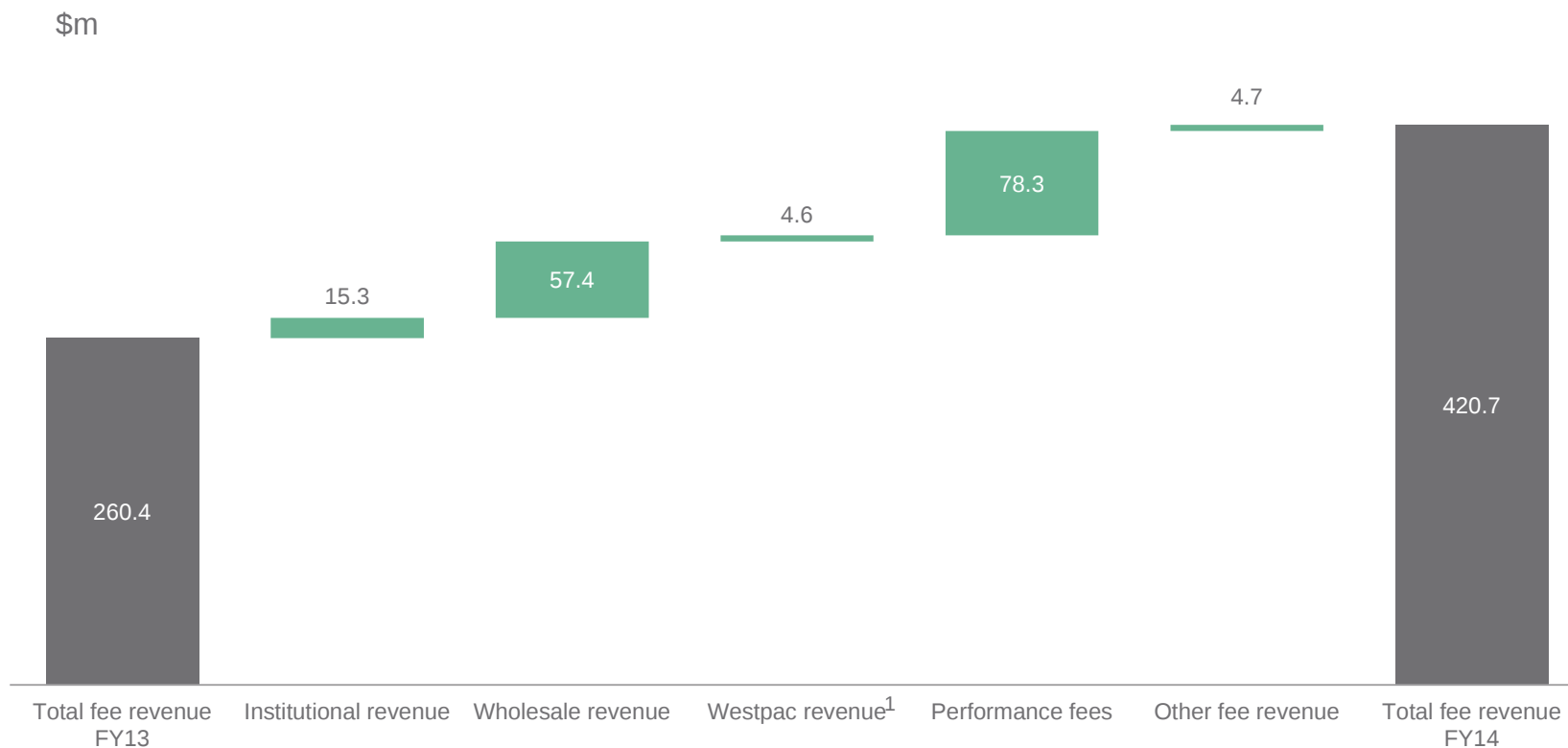
Strength in the base management fees and performance fees contribute to higher Cash NPAT

\$m	FY13	FY14	Mvmt	Change %
Avg FUM (\$b)	51.5	63.1	11.6	23%
Base Fee Margin	0.41%	0.46%	0.05%	11%
Base management fees	212.4	289.7	77.3	36%
Performance fees	43.5	121.8	78.3	180%
Other fee revenue	4.5	9.2	4.7	104%
Total fee revenue	260.4	420.7	160.3	62%
Employee expenses	(127.9)	(203.1)	(75.2)	59%
Operating expenses	(47.3)	(55.4)	(8.1)	17%
Total cash operating expenses	(175.2)	(258.5)	(83.3)	48%
Operating profit	85.2	162.2	77.0	90%
Net investment income	0.7	7.0	6.3	906%
Financing charges	(2.8)	(1.6)	1.2	(44%)
Tax	(21.2)	(40.6)	(19.4)	91%
Cash NPAT	61.9	127.0	65.1	105%
Operating profit margin	33%	39%	6%	18%
Cash EPS (cps)	21.3	42.6	21.3	100%

- Cash NPAT (+105%)
- Higher average FUM and fee margin expansion driving higher base management fees (+36%)
- Outstanding performance fees
- Higher employee expenses linked to revenue growth
- Increased operating expenses driven by new growth initiatives
- Operating profit margin improved by 18%
- Cash EPS (+100%)

Fee Revenue

→ Positive increases across all sources of revenue

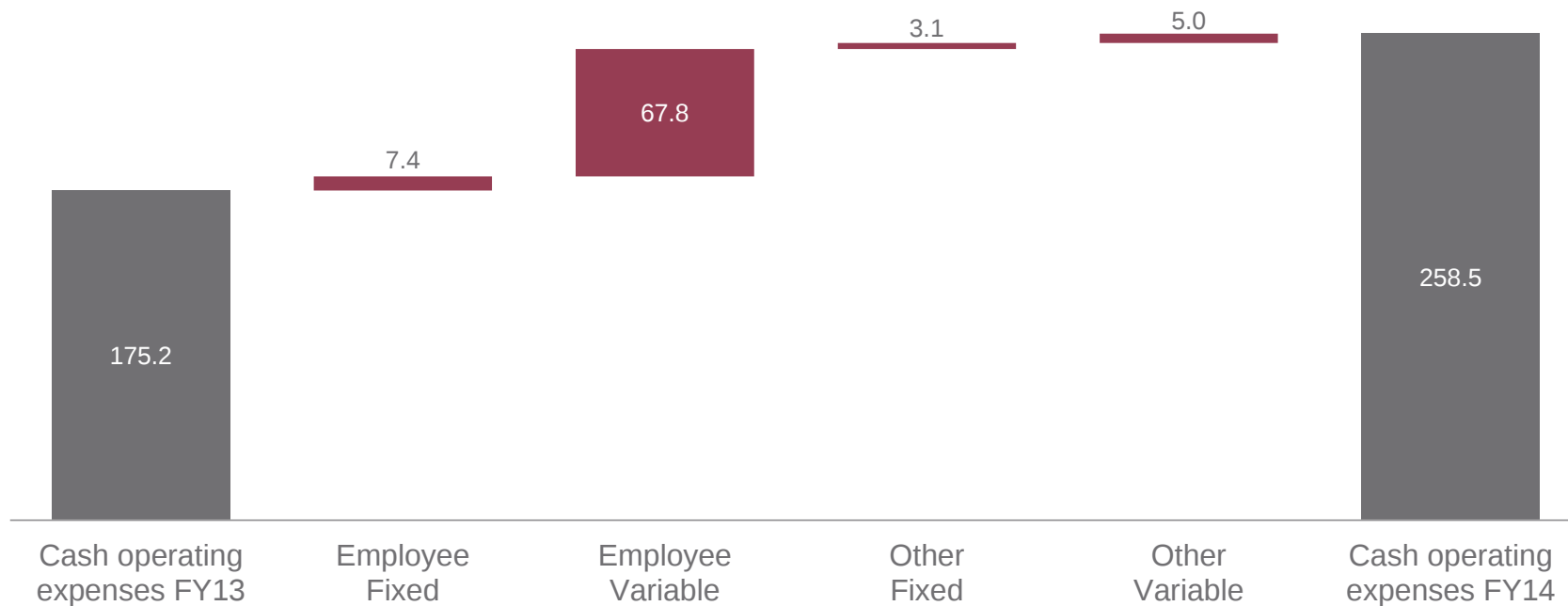


1. Westpac revenue includes legacy book and superannuation/managed account channels

Operating Expenses

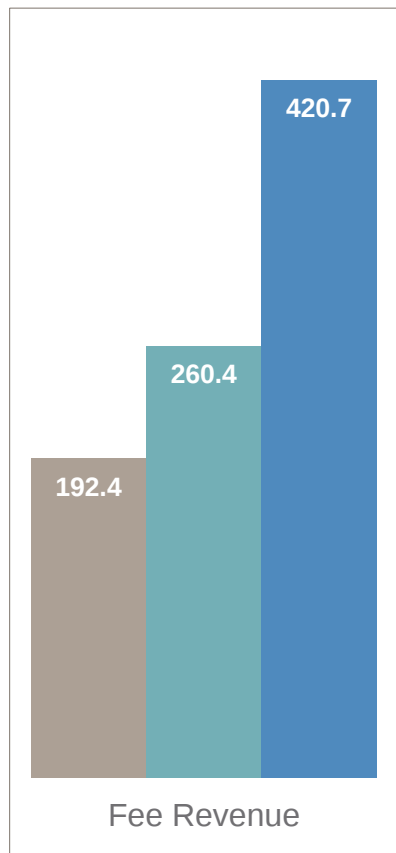
→ Variable employee expenses linked to FUM growth and higher performance fees

\$m

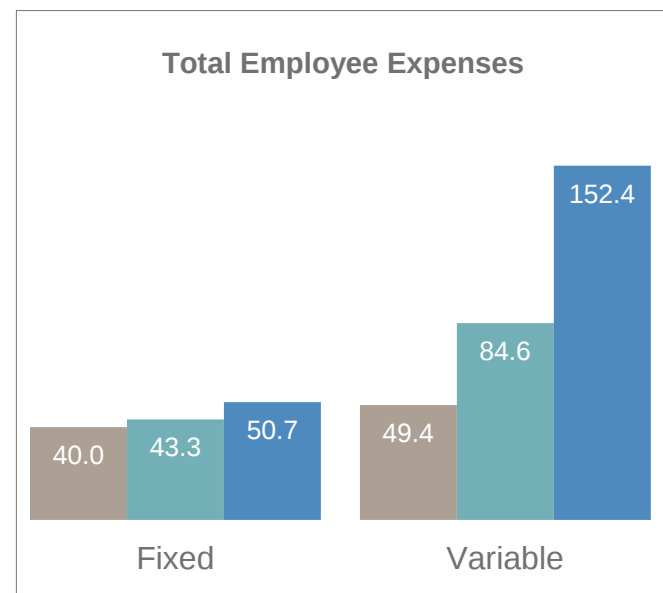
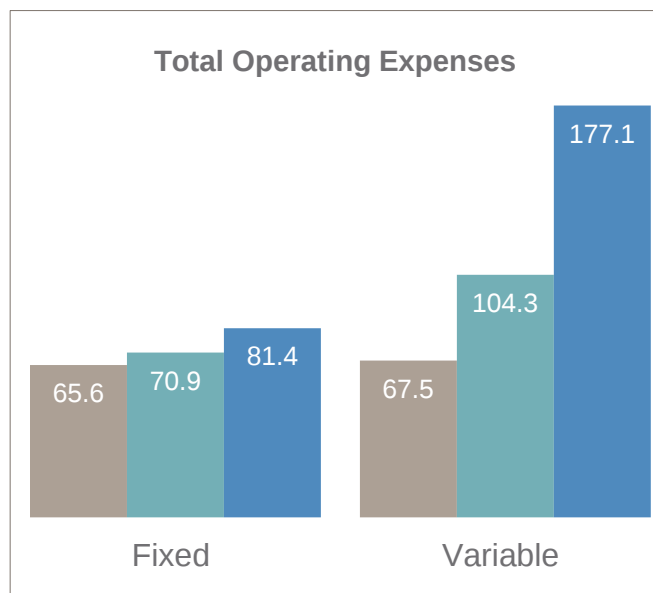


Fixed v Variable Operating Expenses¹

\$m



% Breakdown	FY12	FY13	FY14
Fixed expenses	49%	40%	31%
Variable expenses ²	51%	60%	69%
Total	100%	100%	100%

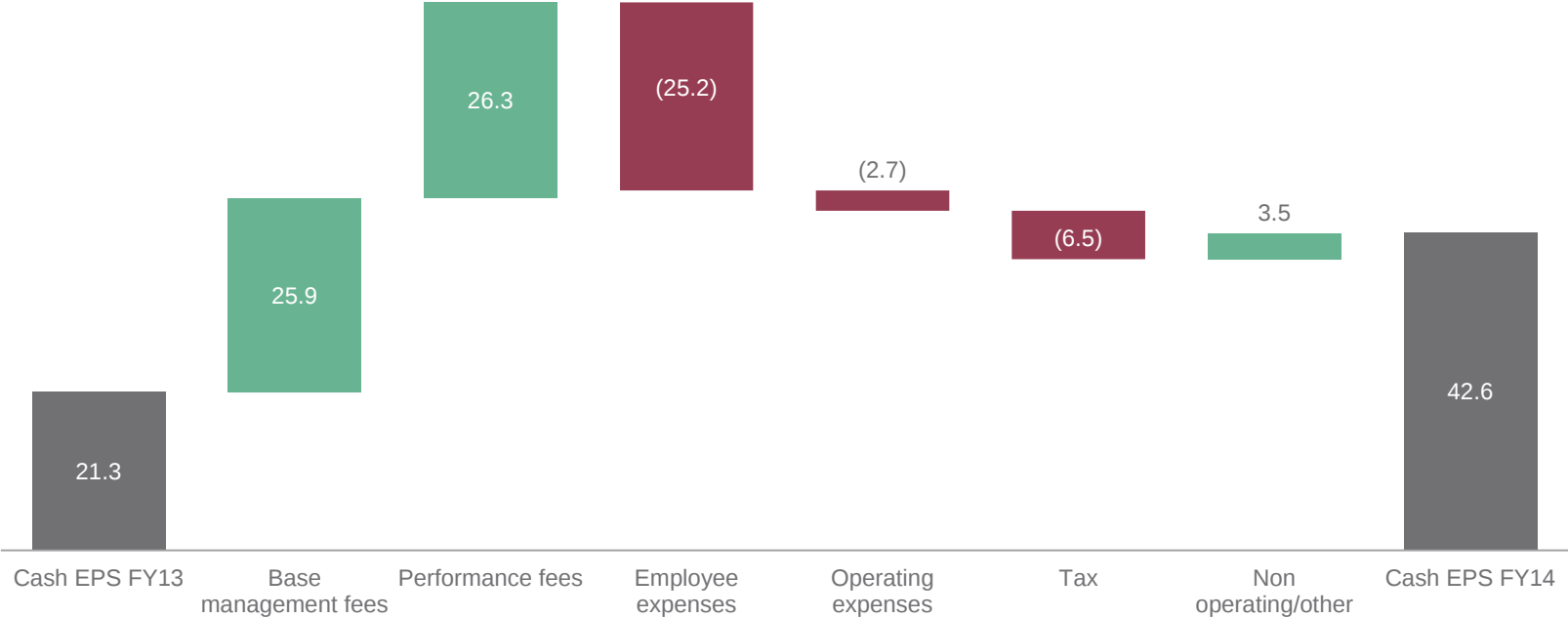


■ FY12 ■ FY13 ■ FY14

1. Some FY12 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)



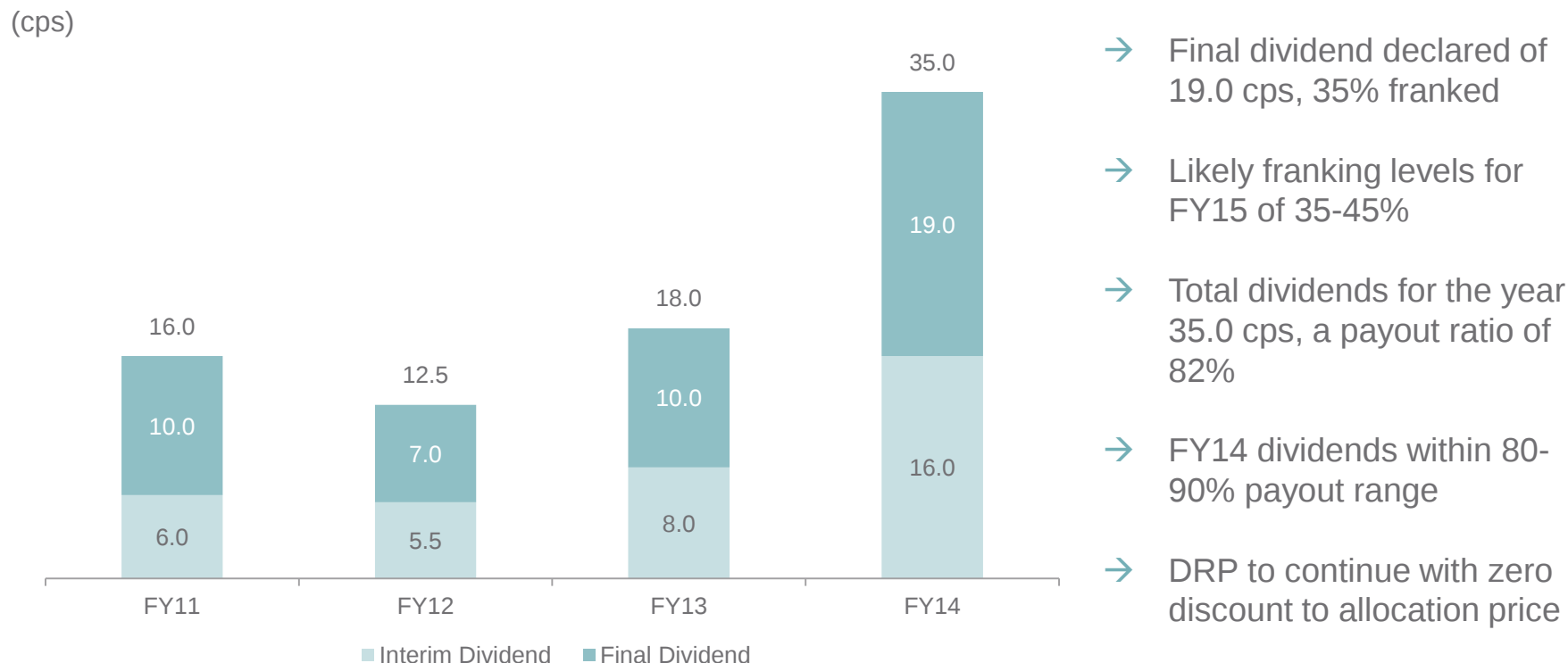
Balance sheet

\$m	Sep 2013	Sep 2014	Mvmt
Cash and cash equivalents	83.6	130.2	46.6
Bank debt and loan notes	(51.3)	(36.1)	15.2
Net cash	32.3	94.1	61.8
Undrawn debt facilities	41.6	59.4	17.8
Total equity	561.5	643.1	81.6
Less: Intangibles and equity settled converting notes	(541.9)	(559.1)	(17.2)
Net Tangible Assets	19.6	84.0	64.4
Gearing Ratios			
Debt / equity	9%	6%	(3%)
Debt / Operating Profit	60%	22%	(38%)
Interest coverage	30x	103x	73x

- Strong balance sheet with healthy 80-90% payout ratio
- Business generating strong cash flows
- Debt progressively paid down
- Net Tangible Assets of \$84.0m
- Net assets continue to grow with profitability

Dividends

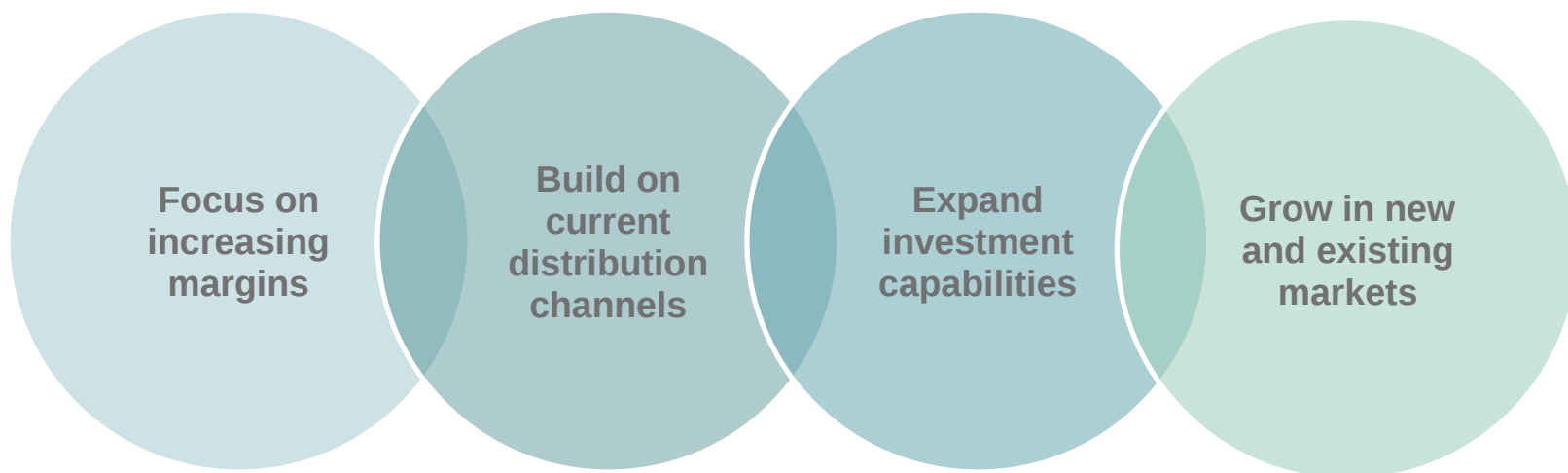
Full year dividends of 35.0 cents per share, an increase of 94% on pcp



5. Strategy Update

Strategy Focus

Building-out a Global Asset Management Business



Strategy Focus

Strategy platform – Building on a proven & successful business model

Focus on increasing margins

- Group profit margin has expanded from 33% to 39%
- Base management fee margin expansion from 41 bps to 46 bps
- \$4.1bn inflows from higher margin wholesale channel
- Newer products continuing to attract strong interest from investors, at a higher margin

Build on current distribution channels

- Expanded sales staff in UK to support European distribution
- Increased sales support in the US to support growth and launch of new products
- Opened up second office in US – Boston
- In Australia, added staff to focus on private client/broker channel

Expand investment capabilities

- Hired Small/Mid-cap US equities team in US
- Expanded emerging markets team
- Staff retention remains high – no investment staff members lost to a competitor in last 7 years
- Engaged in ongoing discussions with potential new teams

Grow in new and existing markets

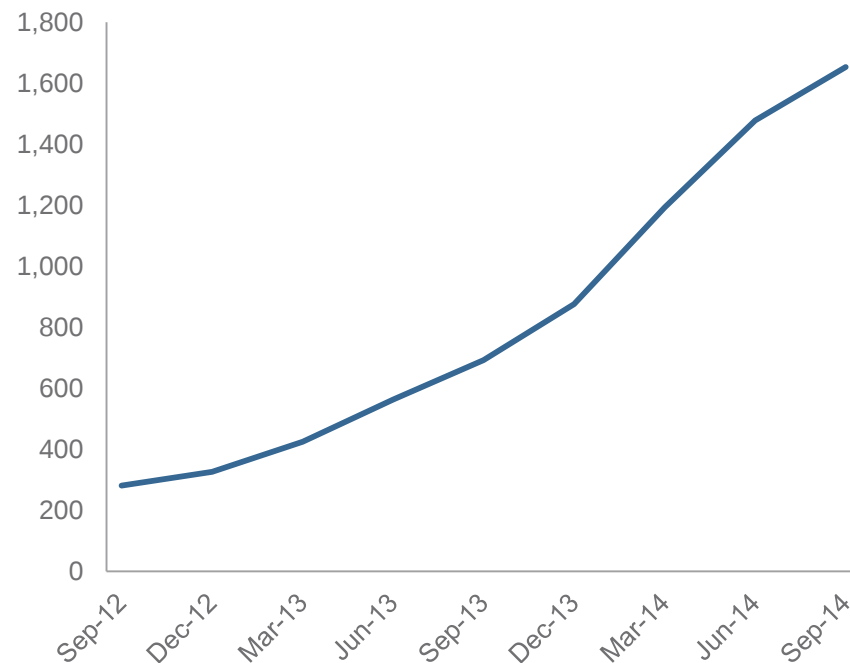
- Launched mutual fund range in the US
- FY14 FUM raised in US pooled vehicles of \$1.1bn
- Japan Dividend Growth Fund launched 1H14
- Launched new product to capture growing Significant Investor Visa market
- Launching new institutional product targeted at improving post-tax returns
- Emerging Markets Small Cap & Global SMID funds – planned launch in 1H15

Strategy Update – Growth Market

US market a key opportunity for growth offshore

- US funds management market estimated at US\$17.1 trillion¹,
- Small Mid-cap US equities team hired
- Trading office established in Boston to support growing US business
- 8 products now offered in the US
 - Global Select
 - International Select
 - International Small Cap
 - Emerging Markets
 - Global Emerging Markets Opportunities
 - Asia Ex-Japan
 - European Select Values
 - US Small/Mid Cap
- FY14 FUM raised in US pooled funds of US\$1.0bn
- Total FUM from US business now at US\$4.9bn

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



1. Investment Company Institute 2013

Strategy Update – Growth Engines

New products and investment strategies delivering FUM and flow

- New products proving successful in generating revenue growth
- 9 new strategies launched in last four years have collectively raised \$3.1bn in FUM
- Planned launches in FY15
 - Global small/mid cap
 - Overlay strategy for the Australian institutional market
 - GEM small cap

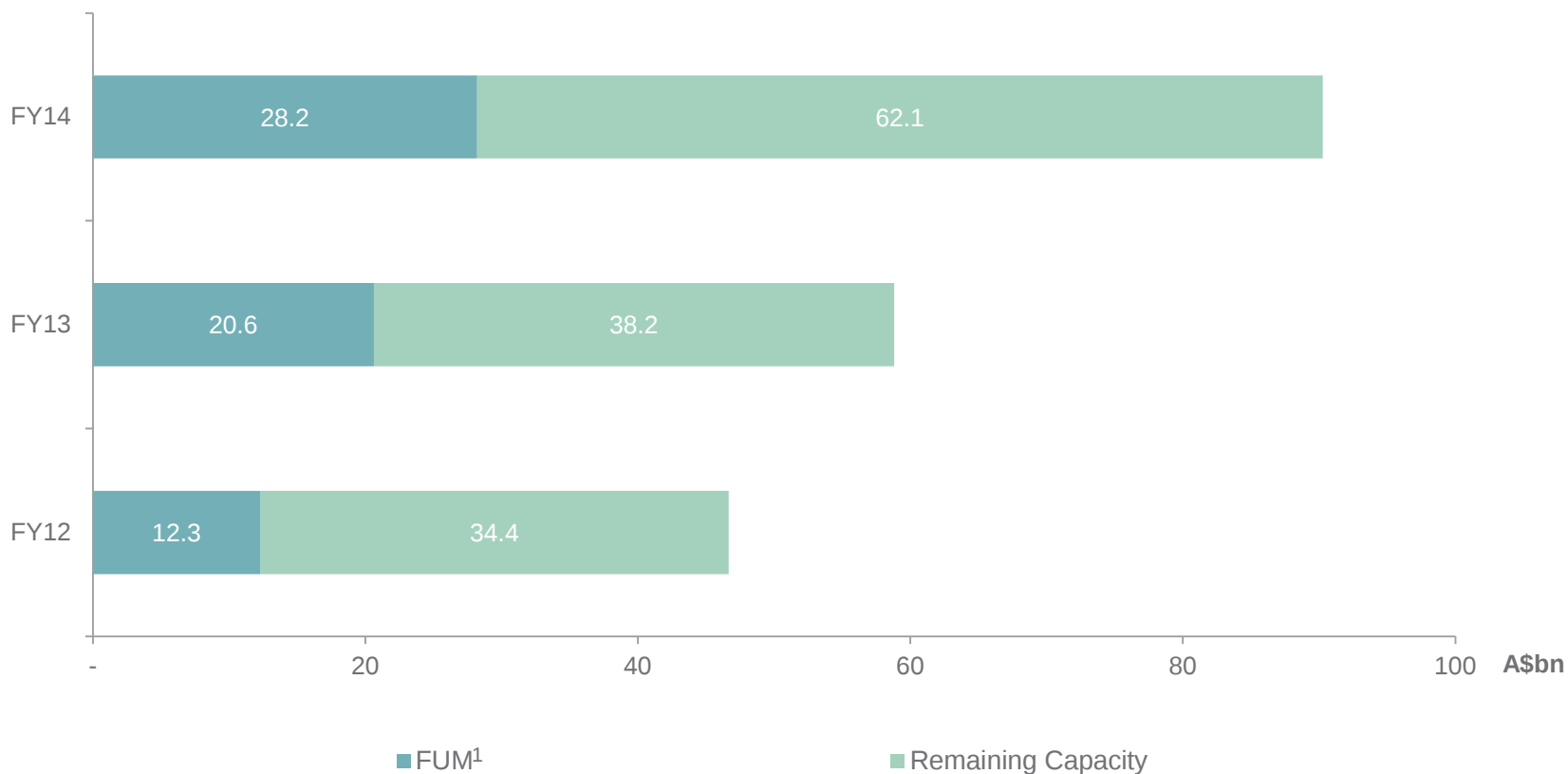
Strategies launched in the last 4 years

	Launch Date	FUM (\$m)
JOHCM Global Emerging Markets Opportunities	Jun 2011	388
BTIM Pure Alpha Fixed Interest	Jul 2011	1,144
JOHCM Asia All Cap	Sep 2011	408
JOHCM Asia Small/Mid Cap	Sep 2011	69
BTIM Equity Income Series	Oct 2012	624
JOHCM Global Opportunities	Jun 2012	221
JOHCM International Small Cap	Oct 2013	116
JOHCM Japan Dividend Growth	Mar 2014	100
JOHCM US Small/Mid Cap	Aug 2014	7
Total		3,077
Average Margin		0.69%

Note: FUM as at 30 September 2014

Investing for Growth

JOHCM Capacity – Growth in FUM and fund capacity



1. Includes FUM managed on behalf of BTIM

Summary and Outlook

Execution of Growth Strategy and Investing for the Future

- Record result underpinned by strong flows, outstanding performance fees, higher markets, and margin expansion
- Expect FY15 performance fees to be lower than this year, given exceptional year in FY14
 - Performance fees of \$27.3m (£14.7m) accrued in JOHCM funds/mandates as at 30 September 2014 and is at risk until 31 December 2014
- Regulation providing challenges for the industry across regions (Volcker, AIFMD, FCA reviews, FoFA, Financial Services Inquiry)
- Investing for growth by adding new teams, launching new strategies and investing in sales distribution
 - Domestically, the focus is on delivering income products for the growing retirement segment and to benefit from investor appetite for yield
 - Offshore, we are building on the early success in the US through new teams and strategies
- We are confident of achieving continued growth in base management fees, subject to market movements

6. Questions

7. Appendices

Segment P&L

\$m	FY14					Mvmt	Change %
	FY13	BTIM	JOHCM	Inter-segment	Group		
Avg FUM (\$b)	51.5	38.5	24.9	(0.3)	63.1	11.6	23%
Margin (mgt fee excludes perf. fee)	0.41%	0.34%	0.65%	-	0.46%	0.05%	11%
Base management fees	212.4	130.3	160.9	(1.5)	289.7	77.3	36%
Performance fees	43.5	8.2	113.6	-	121.8	78.3	180%
Other fee revenue	4.5	3.1	6.8	(0.7)	9.2	4.7	104%
Total fee revenue	260.4	141.6	281.3	(2.2)	420.7	160.3	62%
Employee expenses	(127.9)	(65.1)	(138.1)	0.1	(203.1)	(75.2)	59%
Operating expenses	(47.3)	(37.5)	(20.1)	2.2	(55.4)	(8.1)	17%
Total cash operating expenses	(175.2)	(102.6)	(158.2)	2.3	(258.5)	(83.3)	48%
Operating profit	85.2	39.0	123.1	0.1	162.2	77.0	90%
Net investment income	0.7	2.7	4.8	(0.5)	7.0	6.3	906%
Financing charges	(2.8)	(0.9)	(1.1)	0.4	(1.6)	1.2	(44%)
Tax	(21.2)	(12.7)	(27.9)	-	(40.6)	(19.4)	91%
Cash NPAT	61.9	28.1	98.9	-	127.0	65.1	105%
Operating profit margin	33%	28%	44%	-	39%	6%	18%

Cash EPS Calculation

Number of Shares

(m)	FY13	FY14
Weighted average ordinary shares on issue	273.9	282.2
Weighted average converting notes on issue	16.8	15.6
Weighted average fully diluted shares on issue	290.7	297.8

Cash EPS Calculation

	FY13	FY14
Cash Net Profit After Tax (\$m)	61.9	127.0
Weighted average fully diluted shares on issue (m)	290.7	297.8
Fully Diluted EPS on Cash NPAT basis (cps)	21.3	42.6

Performance fees

Fund	FUM \$m 30 Sep 14	Performance period to	Benchmark	Participation Rate %
BTIM				
BT Wholesale Australian Long Short Fund ¹	222	30 June	S&P/ASX 200 Accum Index	15%
BT Wholesale Microcap Opportunities Fund ¹	194	30 June	S&P/ASX Small Ord Accum Index	20%
BT Wholesale Focus Australian Share Fund	120	30 June	S&P/ASX 300 Accum Index	15%
BT Wholesale Mid Cap Fund ¹	69	30 June	BT Midcap Customised Index	20%
JOHCM ²				
UK Equity Income Fund	4,871	31 December	FTSE All-Share TR Index	15%
Global Select Fund ¹	2,955	31 December	MSCI ACWI NR Index (net dividends reinvested)	15%
UK Opportunities Fund	2,645	31 December	FTSE All-Share TR Index	15%
European Select Values Fund	2,143	31 December	MSCI Europe NR Index (net dividends reinvested)	15%
Continental European Fund ¹	2,030	31 December	MSCI Europe ex UK NR Index (net dividends reinvested)	15%
Japan Fund	1,235	31 December	TOPIX TR Index	15%
UK Growth Fund ¹	646	31 December	FTSE All-Share TR Index	15%
UK Dynamic Fund ¹	510	31 December	FTSE All-Share TR Index	15%
Asia AllCap Fund ¹	258	31 December	MSCI AC Asia ex Japan NR Index (net dividends reinvested)	15%
Global Emerging Markets Opportunities Fund	225	31 December	MSCI Emerging Markets NR Index (net dividends reinvested)	15%
Global Opportunities Fund	221	31 December	MSCI ACWI NR Index (net dividends reinvested)	15%
Japan Dividend Growth Fund ¹	100	31 December	TOPIX 100 TR Index	15%
Global Emerging Markets Fund	79	31 December	MSCI Emerging Markets NR Index (net dividends reinvested)	15%
Asia SMID Fund ¹	31	31 December	MSCI AC Asia ex Japan Small Cap NR Index (net dividends reinvested)	15%
All Europe Dynamic Growth Fund	16	31 December	MSCI Europe NR Index (net dividends reinvested)	15%
Total funds with performance fees	18,569			

JOHCM performance fees accrued but not realised until 31 Dec 2014 \$m³

27.3

1. Funds above their high water mark as at 30 September 2014
2. JOHCM FUM converted at 30 September spot rate of 0.5384
3. JOHCM performance fees include funds and client mandates as at 30 September 2014

Adjustments from Statutory NPAT to Cash NPAT



Disclaimer

This presentation has been prepared by BT Investment Management Limited (BTIM).

While the information in this presentation has been prepared in good faith and with reasonable care, no representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates, opinions or other information contained in the presentation.

This presentation contains forward looking statements. These forward looking statements have been made based upon BTIM's expectations and beliefs concerning future developments and their potential effect upon BTIM and are subject to risks and uncertainty which are, in many instances, beyond BTIM's control. No assurance is given that future developments will be in accordance with BTIM's expectations. Actual results could differ materially from those expected by BTIM.

The information contained in this presentation is not intended to be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending upon their specific investment objectives, financial situation or particular needs.

In this presentation, unless otherwise stated or the context otherwise requires, references to 'dollar amounts', '\$', 'AUD' or 'A\$' are to Australian dollars.