

ASX Release 2 October 2015

ASX Release

Notice of future issuance of BT Investment Management Limited (BTIM) ordinary shares as part of the Fund Linked Equity program

Details of notice

BTIM announces an impending issuance of ordinary shares under the Fund Linked Equity (FLE) program of approximately 9.1 million ordinary shares or 3.0% of current issued capital based on current valuations. This represents a partial exercise of the full FLE rights in the program. The exact number of shares to be issued under this partial exercise will not be known until after the 31 December 2015 effective date and will be subject to a number of variables until that time including market movements, fund flows, currency movements and the BTIM share price.

Post conversion, the BTIM shares are subject to vesting restrictions over five years but will have full dividend and voting rights during the vesting period.

While the conversion results in additional BTIM ordinary shares on issue, the FLE program is designed to be cash earnings per share neutral due to the associated reduction in revenue share the fund managers subsequently receive which has a positive contribution to future BTIM earnings provided funds under management (FUM) is maintained.

The new ordinary shares are scheduled for issuance in mid-to-late January 2016.

Background on FLE scheme

One of BTIM's key incentive programs designed to attract and reward fund managers is the FLE scheme which rewards for growth of FUM related to their investment strategies. The FLE scheme allows fund managers to convert part of the revenue generated from the growth in FUM from their investment strategies into BTIM ordinary shares based on a pre-determined formula.

Full details of the operation of the FLE scheme is set out in the Remuneration Report contained in the 2014 Annual Report, together with an update in the Directors Report in the March 2015 interim profit announcement.

Future FLE conversions

The value of BTIM ordinary shares that may be granted for all investment strategies which are part of the FLE scheme, including the current notice, is approximately \$141.2 million as at 31 August 2015.

The number of implied BTIM shares that would be required to meet a \$141.2 million conversion value equates to 14.9 million shares based on a BTIM allocation price of \$9.48 as determined by the FLE scheme rules.

Assuming the investment teams convert their revenue share into BTIM shares in accordance with the program and BTIM meets each conversion by issuing shares, the profile of the issuance of the 14.9 million shares over the coming years can be seen in Table 1.

Table 1

Financial Years	FY16 ²	FY17	FY18	FY19	FY20-22
Number of Shares to be issued (m)	9.1	3.8	0.7	0.9	0.4

Note 2 – includes shares to be issued under current notice

Beyond the current notice, the share issuance profile assumes the FLE conversion occurs in year 7 being the last conversion date for each participant. However under the terms of the FLE scheme the fund manager participants reserve the right to convert into BTIM equity earlier which may change the issuance profile outlined.

For further information on this announcement, please contact:

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Note 1: Cash earnings per share is calculated using BTIM's Cash net profit after tax (NPAT) attributed to BTIM's fully diluted share base including all ordinary shares on issue and converting notes outstanding.

Cash NPAT comprises statutory NPAT adjusted for certain non-cash items including the amortisation of employee equity grants less the after-tax cash costs of ongoing equity grants made in respect of the current year. Other non-cash items adjusted include the after-tax amortisation and impairment of intangibles, and fair value adjustments on equity settled converting notes issued at the time of the JOHCM acquisition. BTIM believes that these non-cash items do not form part of the underlying earnings of the business and Cash NPAT is a more suitable measure of profitability and is used as a driver in BTIM's dividend policy.