

# Equity Trustees Limited

## 2015 AGM



### Chairman and Managing Director

### Address to Shareholders

#### Slide 1: 2015 Annual General Meeting

1. Shareholders, ladies and gentlemen, good morning. My name is Tony Killen, I have the honour of being your Chairman.
2. On behalf of my fellow directors, the executives and employees of Equity Trustees it gives me great pleasure to welcome you to the 2015 Annual General Meeting (AGM) of the company. A quorum is present and I declare the meeting open.
3. The notice of meeting has previously been circulated and I propose that it be taken as read.
4. We have received an apology from xxx. Are there any apologies from the floor?

#### Slide 2: Board of Directors

5. I would like to introduce my colleagues on the Board. The membership of the Board has not changed since the last AGM, and the composition of the Board will be discussed in a later agenda item.
6. Mr Robin Burns has been our Managing Director since March 2010, and is a member of the Board Investment Committee.
7. Mr David Groves, a Director since November 2000, is our Deputy Chairman and is a member of our Audit & Compliance Committee, Remuneration, Human Resources and Nominations Committee, and Board Investment Committee. Like all the non-executive directors, David is also a member of the new Board Risk Committee, which I chair, and as all the non-executives serve on this new Committee I will not mention it every time as I review each director's individual responsibilities.

8. Ms Alice Williams joined the Board in September 2007 and is Chair of the Remuneration, Human Resources and Nominations Committee. Alice is also a member of the Board Investment Committee.
9. The Honourable Jeffrey Kennett AC joined the Board in September 2008 and is a member of the Remuneration, Human Resources and Nominations Committee.
10. Ms Anne O'Donnell joined the Board in September 2010. Anne is a member of the Audit & Compliance Committee and Remuneration, Human Resources and Nominations Committee.
11. Mr Kevin Eley joined the Board in November 2011. Kevin is Chair of the Audit & Compliance Committee.
12. Mr Mick O'Brien joined the Board in August in 2014. Mick is Chair of the Board Investment Committee and a member of the Audit & Compliance Committee.
13. Also representing the company here today is our Company Secretary, Mr Phil Maddox, as are a number of other executives.
14. I also take the opportunity to welcome in the audience today Mr Craig Henderson from Allens, our legal advisers and Messrs Neil Brown, Mark Stretton and Mark Ekkel from Deloitte, our auditors. These two firms have long standing relationships with the company and we appreciate their continuing support and assistance.

### **Slide 3: Agenda**

15. This is the agenda for today's meeting. Firstly, I will review in summary the company's activities and results for the financial year to 30 June 2015 and provide some commentary on the current financial year, insofar as we are able to predict this given both the fact we are only a few months in, and the market volatility which I will refer to later.
16. Secondly, Mr Burns will provide some more detail and information on our operations, performance and strategic directions. From that, we will move to the formal business of the meeting – there are four items – and there will then be an opportunity for questions. We will also be addressing questions from Shareholders submitted prior to the meeting on the question form provided.
17. You will also have received an invitation to attend a meeting to consider a Scheme of Arrangement for the establishment of a new holding company for the Equity

Trustees' Group. That meeting will commence at 12pm or as soon after that time as this Annual General Meeting has been concluded or adjourned. Finally, following the close of the Scheme meeting we will, as usual, serve light refreshments and ask you to join the Directors and management for informal discussion.

#### **Slide 4: Results Overview – FY 2015**

18. Shown on the screen is a copy of a page from our Shareholder Presentation on the results for the 2015 year. As you can see, there are some very positive outcomes displayed and some of these will be explored a little later on. But I would like to move on to discuss the actual focus of activity and key themes for the year.

#### **Slide 5: Significant Outcomes - FY 2015**

19. The major focus for the company in the 2015 year was the completion of the transition into the group and subsequent integration of the very significant acquisition we discussed last year – ANZ Trustees Ltd. (The company has since been renamed Equity Trustees Wealth Services Ltd, or ETWSL, and for consistency we will refer throughout this meeting to it by that abbreviation) I spoke last year about it being a transformative event for the group and we are confident that this opinion remains fully justified.
20. The transition and integration project was completed at the short end of our original timetable, under the originally budgeted cost and has realised the synergies we projected from the acquired cost base. We are also pleased to note that the continuing relationship with the ANZ Bank is healthy and going in the positive direction we anticipated.
21. In addition, despite the very significant effort required to complete the integration, we achieved strong organic revenue growth in both of our operating Business Units. (BUs). The Managing Director will speak in a little more detail about these matters later in today's agenda. During the year we also initiated two other very significant projects, a corporate group re-structure, which will be the subject of the Scheme Meeting later today and a major investment in building a new and comprehensive risk management and compliance framework for the group.
22. At the same time as the scale and complexity of our business has grown, regulatory and external expectations, and market-best standards, have continued to become more demanding, complex and pervasive across many business activities. We

therefore decided that our risk management and compliance functions should be thoroughly overhauled. Work started on this in 2015 and will continue in 2016.

#### **Slide 6: Recent share price comparison**

23. This chart displays how the EQT share price and the ASX All Ordinaries index have each performed since the start of the 2015 financial year. The relative performance of EQT's share price in recent months illustrates that the market continues to regard our performance and strategic directions positively, in a difficult market environment. As I am sure you are all well aware, the share market has been a volatile one over the last year and currently is substantially below where it was trading just a few months ago.
24. During the 2015 financial year the overall ASX recorded a gain of about 1%, much lower than the long-run average, and as a business with a substantial element of asset-based fees in our revenue mix we are directly affected by market values. In fact, our exposure to asset market movements and values is a reasonably complex matrix due to the different activities and fee structures we operate, but overall the ETWSL acquisition, whilst bringing in a high-proportion of enduring revenue, has increased the leverage on our revenue that market movements generate. That leverage has put something of a dampener on the YTD results in the current year given the ASX is currently trading some 3% lower than at 30/6/15 and 11% off its high in the last year.

#### **Slide 7: Profitability – Net profit after tax**

25. Net Profit After Tax (NPAT) grew by 75% for the year, to \$17 million, inclusive of the net costs of the integration project and the significant increase in annual non-cash amortisation charges which we will now bear. The Operating result was up by 104% after tax and the Operating Margin increased from 27% to 35%.

## **Slide 8: Dividends**

26. The Board declared a final dividend of 48 cents per share (cps), taking the total for the year to 94 cps, the same as in the previous year. Considerations in the Board's decision on the dividend were multi-faceted – good operating performance, a strong balance sheet and confidence in the company's prospects had to be balanced against the group's capital needs and our desire to manage closer to our target payout ratio. At the current share price the 2015 total dividend represents a grossed-up yield of approximately 6.35%, close to market averages.

## **Slide 9: The Board (part 1)**

27. One of a Board's key tasks is to ensure that it is well structured and set-up to manage and monitor the company's performance and guide its strategic directions and decisions into the future. To this end during the year we undertook an audit of director skills and experience, professional and technical qualifications and behavioural attributes. This will also feed into future board succession planning.
28. We engaged an experienced external consultant to help in this process. It is pleasing to be able to state that the results of this skills matrix assessment process were positive; the review concluded that as it is currently constituted the Board has an appropriate mix of skills, expertise, diversity and experience to perform its role properly, serve all stakeholders and add the value we expect. The review also served to meet our own governance and external regulatory obligations and policies.
29. The group's operations demand a very active engagement from the Board. You will have seen in the Annual Report that in the 2015 year the directors achieved an overall attendance record of 99% at board and committee meetings.
30. In terms of those Committees, we have again implemented a number of changes. As part of the major project regarding risk management and compliance that I spoke about earlier we established a new Committee – the Risk Committee – which I Chair and at least in its initial phase will consist of all non-executive directors. In due course it is likely that the membership of this Committee will reduce, as it settles into a regular agenda.

### **Slide 10: The Board (part 2)**

31. I stepped down from the Remuneration, Human Resources and Nominations Committee, and David Groves and Anne O'Donnell joined it, with Alice Williams taking the Chair. David Groves joined the Board Investment Committee, which is now chaired by Mick O'Brien, and Kevin Eley took on the role of chair for the Audit & Compliance Committee. These changes were effected partially to ensure a reasonable spread of workload but also to facilitate development opportunities for directors and reflect specific areas of interest and expertise.

### **Slide 11: Corporate restructure**

32. For some time we have discussed the additional capital obligations on the group as a result of the introduction by ASIC of increased minimum capital requirements for Responsible Entities. As Equity Trustees Limited is not just a holding company but an operating entity, with both ASIC and APRA licenses and capital standards, the current group structure is effectively an impediment in developing a funding mix that recognises the attractions of an appropriate balance between debt and equity.
33. This is a prime reason for the proposed Scheme of Arrangement, which will be the subject of a separate shareholder meeting and vote immediately following this one. I trust that everyone has read the Scheme Booklet in full, but for convenience shown on the screen are the key points from my Chairman's letter which is on pages 7 to 10 of the Booklet.
34. We will not deal with the Scheme itself now, but if it is approved by shareholders there will be a number of further changes in the group's subsidiary company board and committee structures and memberships. However, it is intended that the board of the new overall holding company, which will not be a licensed or operating entity, will be the same as the current Equity Trustees Board – in other words the individuals you see here at the front of the room today.
35. The holding company board will then be in a position to focus on the major strategic and operational matters, opportunities and challenges the group faces. The subsidiary company boards and committees, whose membership will be announced soon, will be dealing more with the operational requirements of the various businesses.

## Slide 12: Looking ahead

36. Operating profits YTD are modestly ahead of last year, but are being impacted by lower investment markets, as was noted earlier. Total profits are also at this stage ahead of last year, with a similar amount of non-recurring expenditure as at this time in the previous year, although for different purposes. Further non-recurring expenditure is necessary to give effect to the corporate restructure, as well as for the risk and compliance project and the repositioning of the superannuation business, which the Managing Director will cover in more detail. As a result of these considerable project activities, overall we expect that for the full year, non-recurring expenditure will not be less than the 2015 figure.
37. It is too early to make any confident predictions about our full year operating performance, given the volatility of investment markets and the resulting impact on our revenue base, but when we come to report our first-half numbers the picture will have become somewhat clearer.
38. Headwinds for the business continue to be languishing investment markets and in the case of Corporate Trustee Services (CTS) the loss of a major distribution client effective next month, flagged earlier this year.
39. On the other hand both our operating BUs – Corporate Trustee Services and Trustee & Wealth Services (TWS) – are operating successfully in terms of client activity and numbers, and the ANZ relationship is developing well to the mutual benefit of both parties.
40. Overall, the Board is satisfied that the company is performing well and making sensible and appropriate decisions to further shareholder and other stakeholder interests.
41. Our overall strategic directions are consistent and focused on our two key business lines. The features and attractions of our products and services in the wealth management and corporate services sectors over the long term remain strong. The growth of the funds management industry and the need for individual advice and assistance to manage and preserve wealth in a complex and volatile environment will both prove beneficial to our business. We are well placed to continue to profit and grow from these opportunities.
42. I now invite the Managing Director to address the meeting. Thank you.

### Slide 13: Mr. Robin Burns, Managing Director Equity Trustees

### Slide 14: Agenda

Mr Robin Burns takes the lectern.

### 2015 AGM Managing Director Presentation

43. Thank you Chairman.

### Slide 15: Operating Highlights

44. The year was another very active and full one for the company. There were a number of major achievements and continued progress in creating an organisation that is set up to take advantage of the opportunities ahead, and meet the goals of our various stakeholder groups. Of course, no complex business operating in a highly competitive environment experiences a clear and easy run towards its goals, and Equity Trustees is no exception. We faced and continue to face some headwinds, challenges and complicating factors.
45. However, in the 2015 year both revenue business units again generated strong organic revenue growth – 17% in the corporate business, CTS, and 15% in the private business, TWS. On top of these we had the substantial acquired revenue from ETWSL. Both the CTS and TWS business units generated healthy operating margins.
46. CTS is a wholesale business and hence enjoyed a higher margin, of 48% in 2015, whereas TWS is a retail or private client business, where we provide high-touch and high-value services, and consequently generated an operating margin of 27%. Across the business as a whole this resulted in a satisfying average 35% operating margin.
47. Total Funds under Management and Administration again also grew strongly, driven partially of course by the acquisition, but overall increased to \$53.2b from the figure at previous year end of \$40b. In CTS the year saw further strong growth in the independent fiduciary side of the business, with a net increase of 14 funds, and a net increase of six in the number of fund manager or institutional clients. In contrast to 2014, we had a strong year in the funds distribution side with net inflows of over \$949m, heavily skewed towards defensive asset products.



I will touch on this activity further a little later. This momentum in the independent fiduciary side of CTS is continuing in the current period, and I am very pleased to note that we reached \$50b of FUM/A in CTS a few weeks ago, despite the market factors.

48. The drive to recreate net growth in the will bank continues, and in 2015 we wrote 416 new wills or estate plans on behalf of private clients, compared to 276 in 2014 and 78 in 2013. We are written into over 50% of these wills as future estate executor and/or administrator, and in due course a number of these will also generate enduring revenue and FUM through testamentary or philanthropic trusts. This expansion in activity is driven by the business-to-business referral relationships we have developed over the last couple of years – we have previously stated that we are working with AON Hewitt, and we are now working also with the ANZ Bank and another one of Australia's largest wealth management companies, and we have had exploratory discussions with others in the same scale. We continue to see this as a key plank in the long-term strategy for the TWS business.
49. A financial services business is essentially a people business – we are all familiar with the business cliché of, “our best assets are our people”, but in our case this cliché is undoubtedly accurate. Along with the valuable intangible asset of our strong reputation – which is in effect an accumulation over many years of what we like to regard as our corporate values – the biggest business input for success is our team. In fact, over 70% of our expenses are employee related in one way or another, and after that the next largest categories are premises, systems, communications and marketing.
50. Consequently, to pursue business success we need to ensure we have a workforce that is highly engaged, motivated, aligned to our desired corporate culture and values, and willing to give us their discretionary effort. We have planned for some time to expand our internal efforts in this area, and implement initiatives and programmes to embed and encourage the client-centric and highly-engaged workforce we need.
51. The two acquisition processes we were heavily engaged in – firstly for The Trust Co and then secondly and successfully for ETWSL - and the integration project, delayed these plans, but once the integration was complete it made sense to restart this process.

Hence in both 2015 and 2016 we are investing in developing the workplace culture and client-focused model that will closely align with and support our business strategies.

- 52. As a highly-regulated entity, but more importantly a fiduciary business touching over \$50b of other people's money, risk management and compliance are critical facets of our role. The first impression of the company that anyone dealing with EQT should form is of integrity. This impression is to some extent created by our history and brand, but should also be backed up by policies, processes and operating structures that 'industrialise' the desired outcomes.
- 53. Therefore In 2015 we commenced investing a substantial amount in creating and implementing a wholly refreshed and renewed risk management framework and compliance model. This involves all levels of the business from the Board down.

#### **Slide 16: Investment in Business Growth, Capabilities**

- 54. We provided information in the 2015 Shareholder Presentation, reproduced on the screen now, of where some of the increased costs the business has incurred in recent periods have been incurred and invested. As you can see, we have put considerably more resources and effort into not just our client and 'front office' areas, but also into support capabilities, and quite significantly in the case of our Enterprise Risk function. I expect that we will incur material one-off costs in the risk and compliance project in the current period, but that it will then moderate to a level that will be more consistent for the longer-term.
- 55. The corporate re-structure project that has been discussed elsewhere is also linked to this activity. Consolidating and simplifying the group's licensing and capital structures will have a positive impact on our risk and compliance framework and make it easier to maintain this at our desired standards into the future.

#### **Slide 17: Group Leadership Team**

- 56. There have again been a number of changes in the executive team since the previous AGM. The team is shown on screen.

- 57. Geoff Walsh joined in April as Chief Risk Officer and is leading the extensive risk and compliance project I have just spoken about. Sonya Clancy, who has the relevant senior executive experience, has taken on responsibility for Marketing and Communications as well as Human Resources.
- 58. This next change is not yet evident as it will occur in the near future, but Terry Ryan will be leaving the company and the role of CFO will be assumed by Philip Gentry when he completes his current employment arrangements. Philip's appointment and his experience and background were detailed in an announcement in October.
- 59. On behalf of the Board and our shareholders I would like to thank Terry for his 12 years of exceptional work with EQT, both as CFO and for much of this time also as Company Secretary. We wish him well in his retirement, and I may quite possibly look forward to his probing and perceptive questions at future AGMs.

#### **Slide 18: Business Update and Summary**

- 60. The Chairman has already commented on the first quarter performance overall.
- 61. At the end of the quarter the total of Funds under Management / Administration in the corporate business was \$46.2b. As usual we have opened a number of new funds and closed some others, and at 30 September the number of funds we are responsible for was 202 on behalf of 84 managers. We continue to expand the range of independent fiduciary roles we perform for our corporate clients and I anticipate we will see continuing growth, as we explore these opportunities and promote our services to potential new types of client.
- 62. The TWS business is performing generally to plan in terms of underlying client activity, but the impact of ASX-linked asset-based fees is having a marked impact on revenue in TWS. At the end of the quarter TWS FUM/A was 4% down on the total at June reflecting the lower value of investment markets. Despite the reduced FUM/A, TWS revenue so far this financial year is comparable to the same period in the 2015 year. The ASX is 6% lower now than the average through the 2015 year and well below levels it reached during that period.

63. CTS revenue is currently ahead of last year's at the same stage, however, the loss of PIMCO's retail distribution FUM next month will have an impact on this specific line of activity in CTS, as the defensive asset products form the lion's share of our distribution FUM, and we will therefore have reduced income in the second half of this year this year from funds distribution relative to 2015.

### **Slide 19: Current Year Priorities**

64. Overall, Equity Trustees is financially strong, has healthy cash flow and has performed well.
65. The biggest project in our corporate history has been completed successfully, and we are in a strong position to generate success from our strategic initiatives. We can be confident about the company's future and prospects. However, there are some headwinds we face in the periods ahead.
66. As I mentioned a few minutes ago, we are incurring substantial expense to remodel the risk and compliance framework and ensure we comply with the recently expanded regulatory obligations. In addition, the corporate restructure project will also generate one-off costs in 2016.
67. Secondly, as I noted a few moments ago the ASX is down on last year's levels and this is having an impact on revenue.
68. The third current operational challenge is the impending loss of CTS distribution revenue, and although I am confident that the independent fiduciary business will continue to grow well, it would be overly confident to expect that CTS can replicate its recent trend of strong growth in revenue and earnings contribution in the current period. The CTS business will, I am sure, continue to perform well and successfully as it refines its focus and model.
69. In the more strategic sense our greatest current challenge is in our superannuation master trust business. The environment for corporate super has changed and developed significantly over recent years and our business has not been well placed to respond to these changes and to grow in this market.

- 70. Consequently, the business has struggled to achieve strategic goals, although it has continued to be a good positive earnings contributor. As a result, we have recently decided to make some significant changes, including outsourcing the administration of the fund.
- 71. There will be one-off impacts in 2016 and into 2017 to implement these changes, but at the end of it we will have a more attractive and competitive product and a slimmer business. At the same time we do see strategic opportunities to protect and even enhance our earnings from superannuation, through winning further independent superannuation trustee roles and increasing the level of assets managed internally.

## Slide 20: Our Role

- 72. On screen you can see what we refer to as our 'Why' statement, which we have adopted internally to encapsulate our *raison d'être* and help us define those business activities and opportunities that will lead to a successful and rewarding future for all our stakeholders. This is really intended for internal use, to help us focus on what we are good at and what we can do for our clients, but it is closely interlinked with our history of fiduciary responsibility and higher duty of care.
- 73. Our overall strategic plans and directions remain consistent - positioning the company as the largest independent listed company with a trustee focus. The core roles we undertake, as a provider of advisory and fiduciary services to private and corporate clients are consistent with where we have come from as an organisation and where we see our strongest opportunities in future.
- 74. We have demonstrated through the recent acquisition and integration projects that we can successfully handle large and complex projects, and at the same time keep our business momentum moving. We would continue to be actively interested in any suitable or complementary acquisitions that support our overall strategic directions and plans.

75. Finally I would like to congratulate and thank our executives, managers and staff for a very good year, in which many of our people put in an exceptional effort and demonstrated a very strong commitment to the company's success and future.

**Mr Killen resumes the lectern.**

### Slide 21: Agenda

76. Thank you Robin.

### Slide 22: Items of Business

77. Four items of formal business are to be considered at today's meeting. The first of these is to receive and consider the financial statements and the reports of the directors and auditor for the year ended 30 June 2015. The second is to adopt the remuneration report for year ended 30 June 2015. The third is to consider the election of directors. The fourth is to consider the grant of a long term incentive award to the Managing Director.

### Slide 23: Items of Ordinary Business – Item 1

78. The first item of business is to receive and consider the financial statements and the reports of the directors and auditor for the year ended 30 June 2015.
79. The financial statements have been formally approved by the Board, audited and lodged with the ASX and ASIC. Therefore, at today's meeting the financial statements are final and presented for your consideration. No vote is required for this item of business.
80. I would also note that in accordance with the *Corporations Act*, questions to the auditor, Deloitte, in relation to the conduct of the audit, may be submitted to the company in advance of the AGM. I can confirm that no such questions have been received.

- 81. This year we invited questions from shareholders to be submitted prior to the meeting. In relation to the business of the AGM we have received one question; and in relation to the Scheme Meeting we have received three questions which we will deal with in that meeting.
- 82. The AGM question we were asked was, “Where does the Board see the Company’s growth opportunity to lie?” I believe we have covered this adequately during my presentation today.
- 83. I therefore now invite questions from shareholders, proxy holders and authorised representatives of shareholders.
- 84. If you would like to comment or ask a question would you kindly show your meeting admittance card, (green or yellow), identify yourself, including who you represent, and be clear and concise.
- 85. Any questions or comments?

<Pause>

- 86. Thank you.
- 87. The financial statement and the reports of the directors for the year ended 30 June 2015 have been received and considered.

#### **Slide 24: Items of Ordinary Business – Item 2**

- 88. The second item of business is to adopt the remuneration report for the year ended 30 June 2015.
- 89. The remuneration report is contained in the Directors’ Report and set out in considerable detail on pages 7 to 15 of the Annual Report. Shareholders now have an opportunity to discuss the remuneration report and to vote upon it. This is a non-binding vote, the result of which your Directors would, if necessary, take into account in their approach to future remuneration reviews.
- 90. I wish to make a number of introductory remarks before opening this item up for discussion.

## **Slide 25: Remuneration**

- 91. In common with most listed companies we monitor executive remuneration against market trends and outcomes. We have aimed to implement an approach that balances and rewards executive remuneration outcomes with other stakeholder interests, including of course and very importantly, those of shareholders. I believe that our remuneration outcomes appropriately consider these various factors, although no organisation will ever regard itself as perfect in designing and implementing a remuneration policy.
- 92. The company made great strides in 2015, both in the integration and other projects, and in continuing organic growth. Consequently a number of incentive targets and objectives were achieved and triggered the payment to executives and staff of a proportion of the maximum available Short Term Incentive (STI) Awards. In total approximately 40% of the maximum possible executive and staff STI awards were paid, compared to 40% in the previous year.
- 93. We have continued to issue Long Term Incentive Awards to executives each year because we believe in the value of longer term alignment of the interests of management and shareholders. The Awards constitute an opportunity to receive shares in the company provided pre-determined performance hurdles are met. The performance of the company for 2015 resulted in a total of 64,608 shares issued to participants in the plan.
- 94. The Employee Share Acquisition Plan (ESAP) has again been implemented and allocations have been made to qualifying staff in all but 1 of the 13 years the ESAP has been in existence. Staff who have participated in the ESAP for the whole of this time and reinvested via the dividend reinvestment plan now have as a result 1,382 shares to their name, currently valued at approximately \$30,400.

## **Slide 26: Tracking Remuneration vs Dividends**

- 95. Those of you who have attended previous AGMs will have seen this chart before. I use it to illustrate the relationship between remuneration paid to senior executives, the non-executive directors' fees and dividends, using 2004 as the base year. The chart compares the cumulative growth in remuneration year-by-year, with the cumulative growth in dividends paid. The values in the chart are multiples of the values applying in the base year.



The cumulative dividends paid to shareholders stand at 33 times the amount of the dividend paid in 2004, and as you can see this compares very positively to the cumulative growth in the remuneration for either the senior executives or the Board.

- 96. I commend the remuneration report for adoption by shareholders and open up the matter for discussion.
- 97. I invite questions from shareholders, proxy holders and authorised representatives of shareholders.
- 98. If you would like to comment or ask a question would you kindly show your meeting admittance card, (blue or yellow), identify yourself, including who you represent, and be clear and concise.
- 99. Are there any questions or comments?

<Pause>

- 100. Thank you.

#### **Slide 27: Items of Ordinary Business – Item 2: Proxies Received**

- 101. I would like to inform the meeting that the proxy position at the outset of the meeting is as shown on the screen.
- 102. In accordance with the Notice of Meeting, Key Management Personnel (KMPs), which includes Directors, and their respective related parties, are excluded from voting on the Remuneration Items except, in limited circumstances, where they hold proxies. These restrictions have been taken into account in the proxy position shown on the screen.
- 103. In relation to Open votes, the Directors of Equity Trustees hold exercisable proxies totalling 135,192 shares which we intend to vote in favour of the resolution.

<Pause>

- 104. I would now like to put this resolution to a vote. Please note this is a non-binding vote, however, we note the potential impact of the 'two strikes' policy.

105. This will be determined by a show of hands. Therefore, if you wish to vote, when asked to do so, please raise your hand showing your blue card. Note that visitors with a white card or joint holders or shareholders with a yellow card are ineligible to vote.

106. For all those in favour, please raise your hand.

<Count>

107. For those against, please raise your hand.

<Count>

108. I declare that the resolution is passed.

109. Thank you.

### **Slide 28: Items of Ordinary Business – Item 3 Election of Directors**

110. In accordance with Rule 49 of the company's constitution, two Directors are retiring and, being eligible, are offering themselves for re-election.

111. Alice Williams and Kevin Eley have been endorsed by the Board for re-election. The Board firmly believes that both Alice and Kevin contribute very well to our discussions and deliberations. Each brings considerable experience and a mix of relevant skills, knowledge and corporate background, over some quite diverse fields. Both participate very actively in their Committee roles.

### **Slide 29: Item of Ordinary Business – Item 3(a) Re-Election of Ms Alice Williams.**

112. Item 3(a) is the re-election of Ms Alice Williams.

113. I invite questions from shareholders, proxy holders and authorised representatives of shareholders.

114. If you would like to comment or ask a question would you kindly show your meeting admittance card, (blue or yellow), identify yourself, including who you represent, and be clear and concise.

115. Are there any questions or comments?

<Pause>

116. Thank you

### **Slide 30: Proxies Received – Re-Election of Ms Alice Williams**

117. I would like to inform the meeting that the proxy position at the outset of the meeting is as shown on the screen.

118. In relation to the Open votes, the directors of Equity Trustees hold proxies totalling 141,942 shares, which we intend to vote in favour of the re-election of Ms Williams.

<Pause>

119. I would now like to put this resolution to a vote.

120. This will be determined by a show of hands. Therefore, if you wish to vote, when asked to do so, please raise your hand showing your blue card. Note that visitors with a white card or joint holders or shareholders with a yellow card are ineligible to vote.

121. For all those in favour, please raise your hand.

<Count>

122. For those against, please raise your hand.

<Count>

123. I declare that the resolution is passed.

124. Thank you.

### **Slide 31: Item of Ordinary Business – Item 3(b) Re-Election of Mr Kevin Eley**

125. Item 3(b) is the re-election of Mr Kevin Eley. Kevin is offering himself for re-election for his second term as a Director.

126. I invite questions from shareholders, proxy holders and authorised representatives of shareholders.

127. If you would like to comment or ask a question would you kindly show your meeting admittance card, (blue or yellow), identify yourself, including who you represent, and be clear and concise.

128. Are there any questions or comments?

<Pause>

129. Thank you

### **Slide 32: Proxies Received – Re-Election of Mr Kevin Eley**

130. I would like to inform the meeting that the proxy position at the outset of the meeting is as shown on the screen.

131. In relation to the Open votes, the directors of Equity Trustees hold proxies totalling 141,942 shares, which we intend to vote in favour of the re-election of Mr Eley.

<Pause>

132. I would now like to put this resolution to a vote.

133. This will be determined by a show of hands. Therefore, if you wish to vote, when asked to do so, please raise your hand showing your blue card. Note that visitors with a white card or joint holders or shareholders with a yellow card are ineligible to vote.

134. For all those in favour, please raise your hand.

<Count>

135. For those against, please raise your hand.

<Count>

136. I declare that the resolution is passed.

137. Thank you.

### **Slide 33: Items of Special Business – Item 4**

138. Item 4 is the approval of the Long Term Incentive Award for the Managing Director, Series 2015/16, with a commencement date of 1 July 2015.
139. This is a continuation of the annual series of recommendations to grant an award under the Long Term Incentive scheme to the Managing Director. The directors regard a Long Term Incentive plan as a key component of the Managing Director's remuneration, and although this is a regular annual occurrence I can advise that the Remuneration, Human Resources & Nominations Committee actively reviews the Managing Director's remuneration arrangements each year and only brings this proposal to the Board and the shareholders as a result of this review process. This directly links his rewards to the outcomes for shareholders, taking into account as it does growth in both Earnings per Share (EPS) and Total Shareholder Return (TSR).

### **Slide 34: Managing Director's LTI 2015/16 Series**

140. The quantum of the award is the same, viz a possible 60% of TEC. This means that the maximum number of shares that could ultimately be vested to the Managing Director under this series would be 17,119. The performance measures – 50% relative TSR and 50% EPS are also the same as last year but there has been one change to the qualification requirement for the EPS measure. In recent years we have used adjusted EPS to normalise the profit by excluding the non-recurring expenses associated with our M&A and integration activities, which have been substantial. From this point the requirement will be based on EPS unadjusted. This re-establishes complete alignment of the incentive opportunity with the company's capacity to pay dividends to shareholders. There have been no changes otherwise to the hurdles for either TSR or EPS.
141. As usual the fine detail of the arrangement is fully outlined in the Notice of Meeting so I won't go into it here.
142. I invite questions from shareholders, proxy holders and authorised representatives of shareholders.
143. If you would like to comment or ask a question would you kindly show your meeting admittance card, (blue or yellow), identify yourself, including who you represent, and be clear and concise.

144. Are there any questions or comments?

<Pause>

145. Thank you

### **Slide 35: Proxies Received – Long Term Incentive Award to Managing Director**

146. I would like to inform the meeting that the proxy position at the outset of the meeting is as shown on the screen.

147. In accordance with the Notice of Meeting Mr Burns and his respective related parties are excluded from this vote except, in limited circumstances, where they hold proxies and Key Management Personnel are subject to restrictions where they hold proxies. These restrictions have been taken into account in the proxy positions shown on the screen.

148. In relation to the Open votes, the directors of Equity Trustees hold exercisable proxies totalling 137,300 shares, which we intend to vote in favour of the Long Term Incentive Award for the Managing Director.

<Pause>

149. I would now like to put this resolution to a vote.

150. This will be determined by a show of hands. Therefore, if you wish to vote, when asked to do so, please raise your hand showing your blue card. Note that visitors with a white card or joint holders or shareholders with a yellow card are ineligible to vote.

151. For all those in favour, please raise your hand.

<Count>

152. For those against, please raise your hand.

<Count>

153. I declare that the resolution is passed.

154. Thank you.

### **Slide 36: Agenda**

155. I would now like to ask if there are any questions from shareholders present today that have not been addressed thus far.

<Pause>

156. Thank you

### **Slide 37: Disclaimer**

### **Slide 38: Thank you**

157. That concludes the formal agenda items at today's AGM.

158. As mentioned at the beginning of the meeting, I would now like to invite you to attend the meeting to consider the Scheme of Arrangement to establish a new holding company for the Equity Trustees' Group. That meeting will commence within five minutes, so please feel free to take a short break.

159. Following the Scheme of Arrangement meeting, I would like you to join us for some light refreshments. Thank you for your attendance and support at today's Annual General Meeting. I declare the meeting closed at xx.xx p.m.

# 2015

## ANNUAL GENERAL MEETING





# Board of Directors



**Mr JA (Tony) Killen OAM**  
*Non-Executive Director, Chairman*



**Mr Robin Burns**  
*Managing Director*



**Mr David Groves**  
*Non-Executive Director,  
Deputy Chairman*



**Ms Alice Williams**  
*Non-Executive Director*



**The Hon Jeffrey Kennett AC**  
*Non-Executive Director*



**Ms Anne O'Donnell**  
*Non-Executive Director*



**Mr Kevin Eley**  
*Non-Executive Director*



**Mr Michael J O'Brien**  
*Non-Executive Director*

# Agenda



Overview and Highlights

Mr Tony Killen

2. Operational Performance

Mr Robin Burns

3. Items of Business

Mr Tony Killen

4. Questions

# Overview – FY2015



Operating profit (after tax) **↑ 104%**

Net profit (after tax) **↑ 75%**

Operating margin up **8% to 35%**

**TWS AND CTS  
EXPERIENCED  
STRONG ORGANIC  
REVENUE GROWTH**

Group Organic  
Revenue growth of

**15%**

**Full year fully franked  
dividend per share**

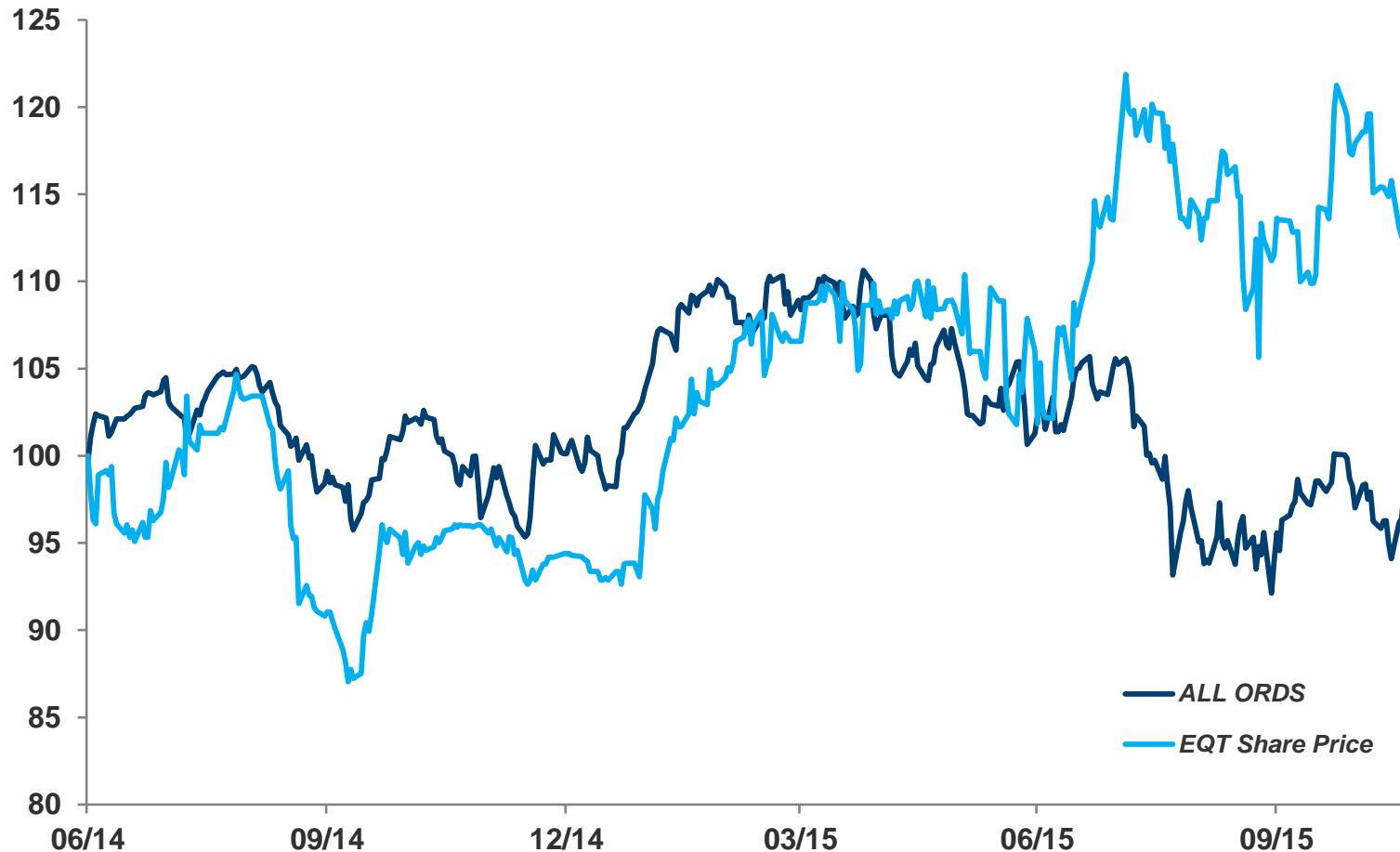
**94¢**

# *Significant Outcomes – 2015*

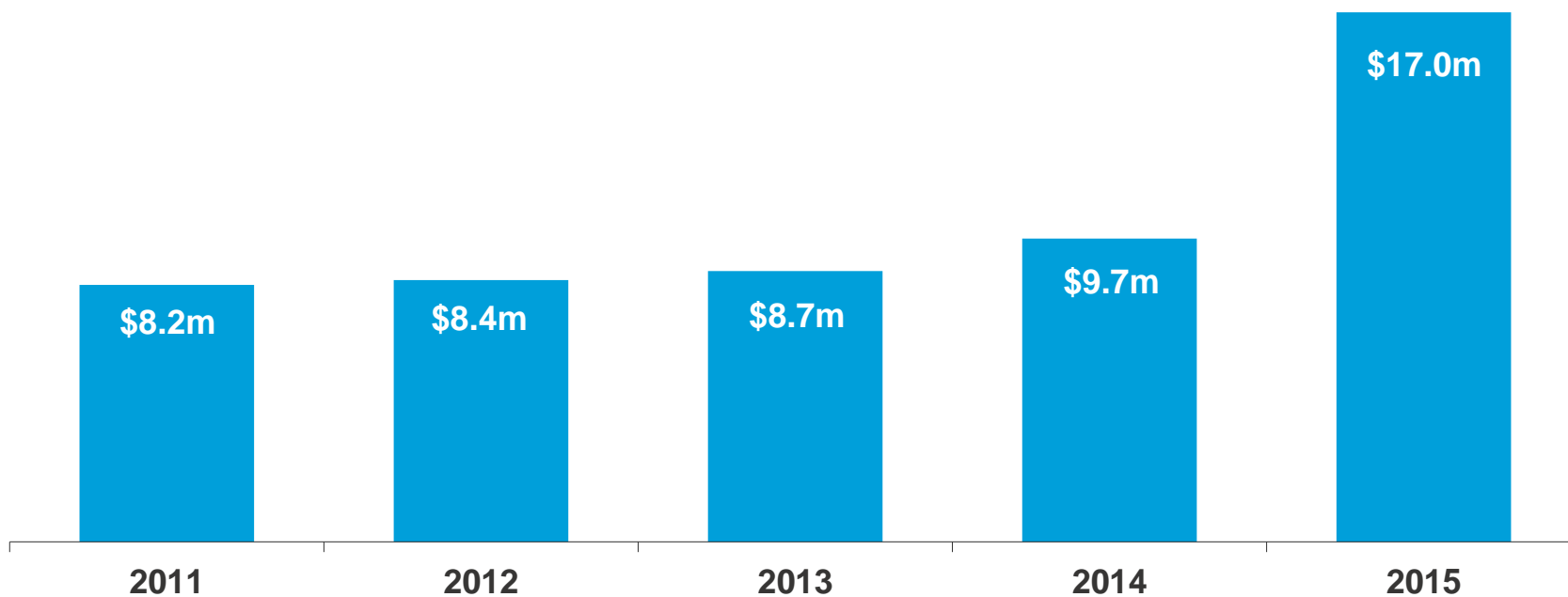


- Successful completion of the ETWSL integration – a transformative event.
- Integration achieved under budget, early, and realised initial goals.
- Relationship with ANZ Bank progressing positively.
- Strong organic revenue growth, in addition to the many major projects worked on during the period.
- Corporate restructure project initiated.
- Initiated a project to implement a totally renewed and contemporary risk and compliance framework and processes.

# Recent Share Price Comparison



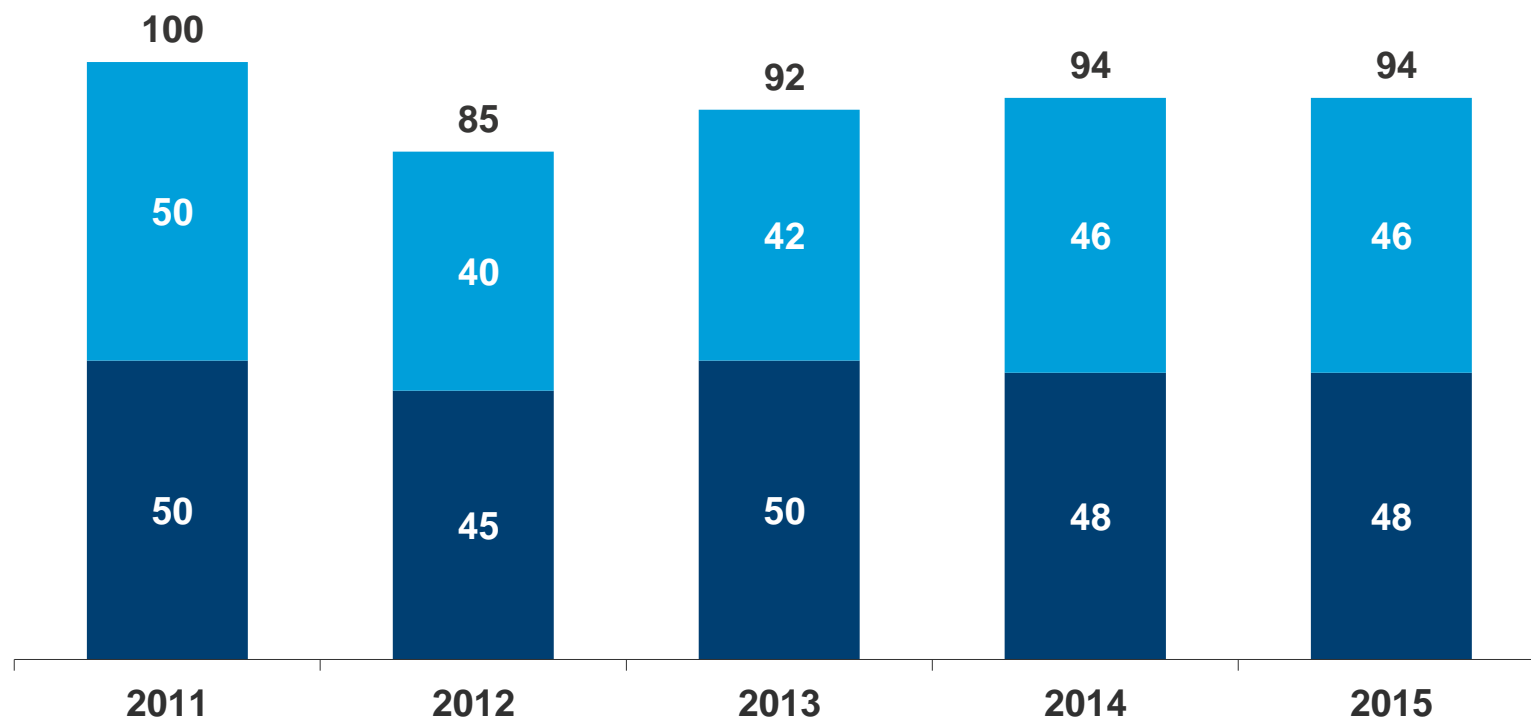
# *Net Profit After Tax up 75% at \$17m*



# *Full year, fully franked dividend*

■ Interim (cps)

■ Final (cps)



# *The Board and Committees*



- Audit of director skills and experience – externally conducted. Positive conclusions re appropriate mix of skills, expertise, diversity and experience.
- The audit and skills matrix process assists in meeting governance and regulatory obligations, as well as succession planning.
- In total, 54 Board and Committee meetings – 99% attendance record.
- New Committee established – Board Risk Committee (BRC). All non-executive Directors are members, Managing Director attends.
- BRC membership will be reviewed once it completes initial processes and settles into a regular agenda.
- Establishment of BRC aligns with project on refreshed risk management framework and compliance processes.



# *The Board and Committees (cont.)*



## ***Committee chairs now are:***

- |  |                |
|--|----------------|
| • Board Investment Committee (BIC)                   | Mick O'Brien   |
| • Audit & Compliance Committee (A&CC)                | Kevin Eley     |
| • Remuneration, HR & Nominations Committee (R,HR&NC) | Alice Williams |
| • Board Risk Committee (BRC)                         | Tony Killen    |

## ***Committee changes:***

- BIC – David Groves joined.
- R,HR&NC – Tony Killen ceased, David Groves and Anne O'Donnell joined.
- BRC – all Non-Executive Directors.

# Corporate Restructure



- Driven by: impact of minimum regulatory capital obligations and inflexibility in funding options.
- Proposed Scheme of Arrangement to create a new, unlicensed and single-purpose holding company.
- Additionally, will facilitate: focused governance; licence consolidation, alignment of business activities to corporate structure.
- New holding company will be able to raise debt – current structure inhibits due to regulatory Net Tangible Assets tests.
- Debt may be attractive for future funding needs given interest rates and strong capacity to service.
- Current Board will become Board of new holding company – to focus on strategic and major operational issues.
- No impact on business activities, strategic directions, client services or employees.

# Looking Ahead



- ASX values impacting revenue vs expectations.
- Both Business Units operating successfully.
- Overall strategic directions are consistent with prior periods
  - Grow CTS business through expansion in range of products and services, and new business wins
  - TWS business offers significant long-term opportunity to build on need for services, advice in private wealth management and wealth transition.
- Current year partly a period of consolidation and re-alignment – to create a strong and stable organisational base to meet future needs of all stakeholders.
- Significant non-recurring expenditure on major projects again to be incurred in 2016.



***Mr Robin Burns***

*Managing Director  
Equity Trustees Limited*

# Agenda



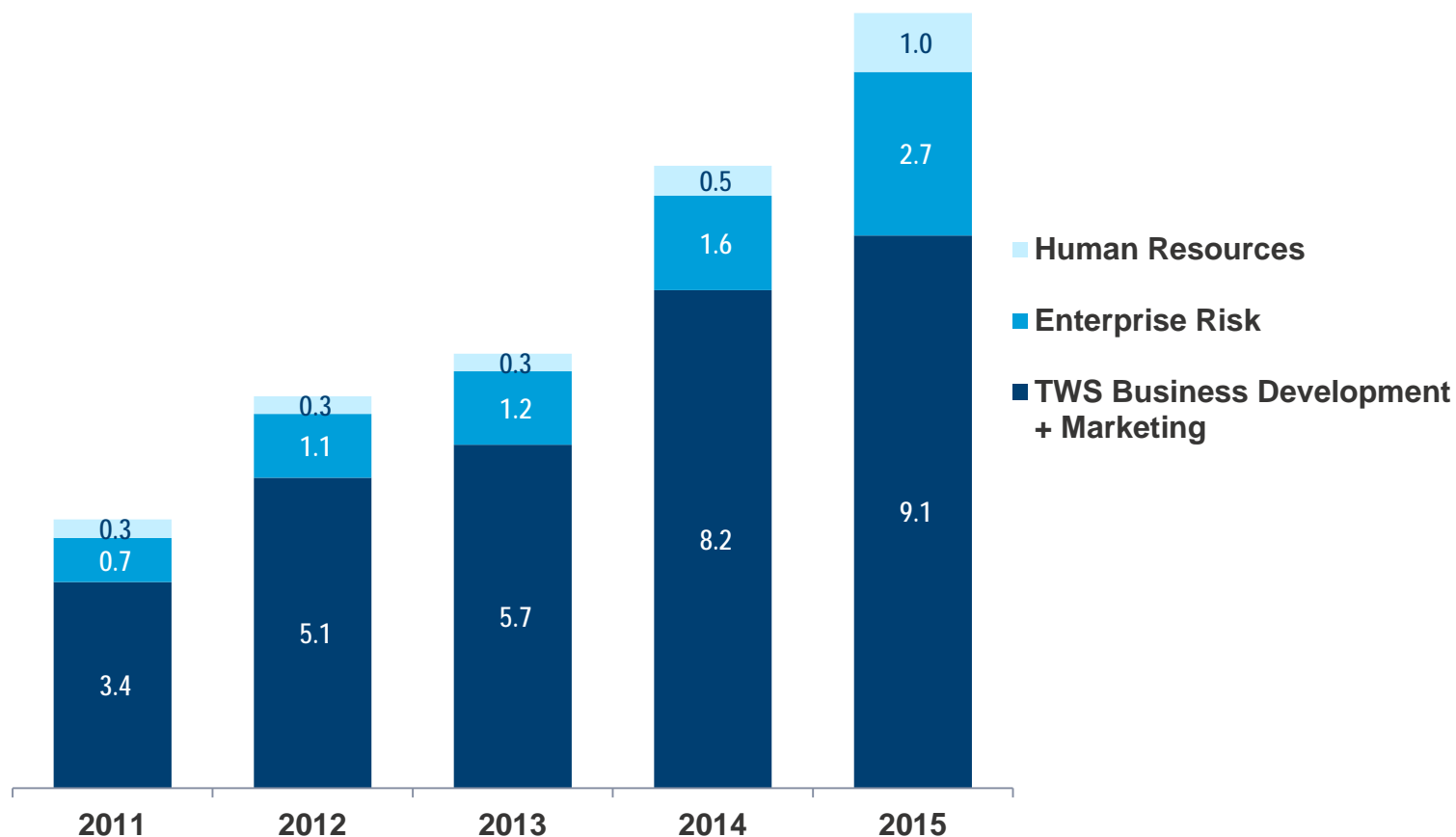
1. Overview and Highlights Mr Tony Killen
- ➔ Operational Performance Mr Robin Burns
3. Items of Business Mr Tony Killen
4. Questions

# Operating Highlights



- Operating revenue growth – 17% in corporate business (CTS), 15% in private client business (TWS) (net of acquisition).
- Operating margin 35%, up from 27%. (CTS 48%, TWS 27%).
- Total Funds under management/administration (FUM/A) grew to \$53b, up from \$40b.
- CTS - net increase 14 in funds served to 199; six in client base, to 82. Net inflows to distributed funds increased sharply, to \$949m.
- TWS drive to grow the will bank continues – 416 new wills in FY15 compared to 276 in FY14 and 78 in FY13.
- Initiated projects to improve operational capability, staff engagement, a more deeply embedded client-centric operating model, corporate restructure, new website, risk and compliance.

# *Investment in Business Growth, Capabilities*



# Group Leadership Team



**Robin Burns**  
Managing Director &  
Chief Executive Officer

**Dr Paul Kasian**  
Head of Asset Management  
Head of Equities

**Terry Ryan**  
Chief Financial Officer  
Corporate Services

**Geoff Walsh**  
Chief Risk Officer  
Enterprise Risk

**Harvey Kalman**  
Executive General Manager  
Corporate Trustee Services

**Ryan Bessemer**  
Chief Operations Officer  
Operations & Technology

**Geoff Rimmer**  
Executive General Manager  
Trustee & Wealth Services

**Sonya Clancy**  
Executive General Manager  
Human Resources  
Marketing & Communications

**Philip Maddox**  
Company Secretary  
Corporate Counsel



# *Business Update and Summary*



- At end of Q1, total FUM/A in CTS was \$46b, up from \$45b at June.
- CTS operated 202 funds at end of September, for 84 clients. Both are increases over June numbers.
- Very successful retention programme for ETWSL clients post-acquisition. TWS FUM/A at end Q1 down 4% from June.
- Lower levels of ASX affecting revenue in related asset-based fee activities – market now is approx. 6% below FY2015 average and well below levels reached during the year.
- CTS distribution business adversely affected, from December, due to major client taking the activity in-house.

# *Current Year Priorities*



- Business is financially strong – cash flow, balance sheet, results, and demonstrated execution capability.
- Continue organic growth initiatives in each BU, particularly leveraging acquired client base.
- Operational improvement projects – a significant level of activity currently underway but expected to be basically complete in early stages of FY2017.
- Significant changes underway for superannuation master trust product – outsource administration and product re-design.
- Positioning as the largest, independent listed company with a trustee focus. Tight strategic focus, building on long-term role, services and values.

Partner with, or be, the trusted adviser –  
helping clients with the financial and  
emotional challenges arising from the  
preservation, growth and inter-generational  
management of (their) wealth

# Agenda



1. Overview and Highlights      Mr Tony Killen
2. Operational Performance      Mr Robin Burns
- ➔ Items of Business      Mr Tony Killen
4. Questions

# *Items of Business*



## **Item 1**

To receive and consider the financial statements and the reports of the Directors and Auditor for the year ended 30 June 2015

## **Item 2**

To adopt the remuneration report for year ended 30 June 2015

## **Item 3**

To consider the election of Directors

## **Item 4**

To consider a grant of a long term incentive award to the Managing Director

# *Item 1*

To receive and consider the financial statements and the reports of the Directors and Auditor for the year ended 30 June 2015.

## *Item 2*



To adopt the remuneration report for  
year ended 30 June 2015.

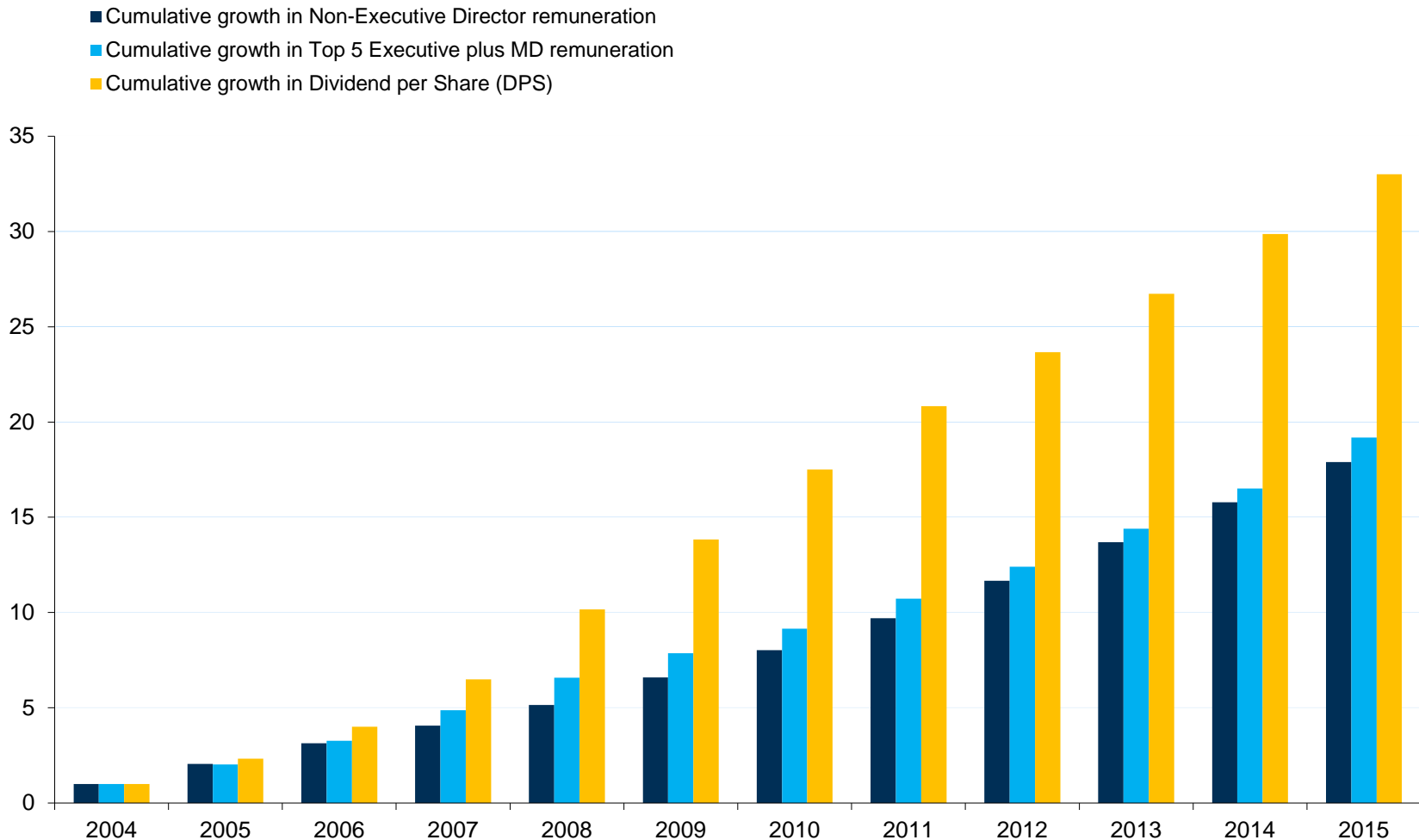
# Remuneration



- Short Term Incentives – 40% of maximum pool paid in 2015 (40% in 2014).
- Long Term Incentive allocations each year:
  - **Series 8 Partially Earned (EPS 96.86% / \*TSR 100%)**  
(ended 30/6/15)
  - **Series 9 Under Assessment**  
(ends 30/6/16)
  - **Series 10 Under Assessment**  
(ends 30/6/17)
  - **Series 11 Commences 1/7/2015**  
(ends 30/6/18)
- Equity Share Acquisition Plan (\$1,000 for eligible staff) awarded again in 2015.
- Share Acquisition Plan. \$5,000 p.a. may be salary sacrificed to buy Equity Trustees shares.
- \*TSR measure relates to Managing Director Long Term Incentive only.



# Tracking Remuneration vs. Dividends



## Item 2



### *To adopt the remuneration report for year ended 30 June 2015*

In respect of Item 2 of ordinary business, the following proxies have been received:

For	Against
<b>10,512,609</b>	<b>380,696 (3.43%)</b>

Open (held by Equity Trustees Directors) = **135,192**

## *Item 3*



To consider the election of Directors.

## *Item 3(a)*



To consider the re-election of Ms Alice Williams.

## Item 3(a)



### *To consider the re-election of Ms Alice Williams*

In respect of item 3(a) of ordinary business, the following proxies have been received:

	For	Against
Ms Alice Williams	11,277,381	2,634

Open (held by Equity Trustees Directors) = **141,942**

## *Item 3(b)*



To consider the re-election of Mr Kevin Eley.

## Item 3(b)



### *To consider the re-election of Mr Kevin Eley*

In respect of Item 3(b) of ordinary business, the following proxies have been received:

	For	Against
Mr Kevin Eley	11,279,825	190

Open (held by Equity Trustees Directors) = **141,942**

## *Item 4*



To consider the grant of a long term incentive award to Managing Director.



# Managing Director's LTI 2015/16 Series



- Quantum: 60% of TEC (\$620k) = \$372k  
Maximum potential issue is 17,119 shares
- Measures: 50% TSR / 50% EPS
- Vesting Scales over three years:

TSR	
Less than 50th percentile	Nil
50th percentile	50%
75th percentile and above	100%
EPS	
Less than 5% (15% over three years)	Nil
5% p.a. (15% over three years)	25%
15% p.a. and above (45% over three years)	100%

- Comparator group for TSR measure is ASX Diversified Financial Services Index which closely aligns to Equity Trustees business activities and peer companies.

## Item 4



### *To consider the grant of a long term incentive award to Managing Director*

In respect of Item 4 being special business, the following proxies have been received:

For	Against
10,786,331	493,189

Open (held by Equity Trustees Directors) = **137,300**

# Agenda



- |    |                         |                |
|----|-------------------------|----------------|
| 1. | Overview and Highlights | Mr Tony Killen |
| 2. | Operational Performance | Mr Robin Burns |
| 3. | Items of Business       | Mr Tony Killen |



Questions

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