

ASX announcement

Wednesday 29 July 2015

Sale of RARE Infrastructure

Highlights

- Shareholders of RARE Infrastructure (“RARE”), including Treasury Group and Northern Lights (“TRG/NL”), have entered into a binding agreement to sell a majority interest in RARE to Legg Mason
- TRG/NL transaction consideration of approximately A\$200m, including upfront cash proceeds of A\$112m, earn-out of up to A\$42m and a 10% retained equity interest, subject to a put/call arrangement after 2 years
- Legg Mason to acquire a controlling stake in RARE, partnering with RARE to further develop the business, particularly in US and European markets
- Transaction completion expected by the end of November 2015, subject to a number of conditions including regulatory approvals, no material adverse effect, selected client acknowledgements and other business related conditions
- After tax proceeds will be utilised to repay external debt, fund our investment pipeline and for potential capital management
- Legg Mason is well placed to fund and support the future growth potential of RARE through leveraging their strong retail distribution network in the US and Europe

Treasury Group / Northern Lights (ASX:TRG, TRG/NL), announces it has entered into a binding sale and purchase agreement to sell its interest in infrastructure asset management boutique RARE to Legg Mason for total consideration of approximately A\$200m, including upfront cash proceeds of A\$112m, an earn-out of up to A\$42m and a 10% retained equity interest in RARE that is subject to a put/call arrangement after 2 years.

TRG/NL CEO, Andrew McGill, commented:

“We recognize that the transaction represents a significant opportunity for RARE, its clients and shareholders. As RARE’s long term partner, we supported the transaction which crystalizes an outstanding investment return for TRG/NL. TRG/NL will use proceeds to repay debt and fund new investments with the flexibility for potential capital management activities in the future.

“As a Group, we are in a solid position, with a strong leadership team in place to continue to partner with talented investment teams, invest in high growth opportunities and leverage our international distribution capabilities.”

TRG Chairman, Michael Fitzpatrick, also commented:

“We have established a unique and successful business model that creates long term partnerships with asset managers to enhance growth and value. While we are not naturally a seller of our boutiques, this transaction presents an attractive monetization opportunity.

“The merger of TRG and NL at the end of last year resulted in a strengthened management and investment team with executives well positioned to source investment opportunities internationally to grow our business strategically. This transaction provides added balance sheet strength and flexibility.”

Transaction Overview

TRG/NL has agreed to sell the majority of its equity stake in RARE under the following conditions and proposed structure:

- Total transaction consideration of approximately A\$200m
- Upfront cash proceeds of A\$112m
- Three year earn-out of up to A\$42m
- 10% retained equity interest in RARE, subject to 2 year differentiated option pricing: Call option at a fixed multiple of RARE revenues and Put option at “fair market value”

In certain circumstances if a material competitor of Legg Mason acquired control of Aurora and therefore Aurora’s interest in RARE, the call option could be exercised earlier by Legg Mason.

RARE management will continue to hold a 15% equity interest in RARE and will continue to run the investment strategy.

The earn-out is based upon the rate of RARE growth over a three-year period. If realized growth over the earn-out period is consistent with historical rates of growth, TRG/NL expects that the full earn-out amount would be achieved.

Strategic Rationale

As RARE's partner for the past 9 years, TRG/NL recognises the unique opportunity for RARE, its clients and ourselves that the transaction represents. Consistent with our partnership approach, it was natural for TRG/NL to support RARE's initiative.

The investment in RARE has delivered a cash on cash return of greater than 33x for shareholders over our ownership period.

The Legg Mason partnership with RARE is the next step in RARE's growth, with TRG/NL participating in the potential upside through its 10% retained interest and earn-out. While RARE has an established retail presence in Australia and Canada, the dedicated global distribution networks of Legg Mason in the US, Asia and Europe are expected to expand its growth horizons.

The sale provides capital to repay external debt, fund new investments and provides balance sheet flexibility for potential capital management. TRG/NL expects to announce details of new investments in the near future.

Process and Completion Timetable

The merger remains subject to the following conditions precedent:

- Regulatory approvals in Australia (Foreign Investment Review Board, FIRB), Canada (Ontario Securities Commission), and UK (Central Bank of Ireland and Financial Conduct Authority);
- No material adverse effect;
- Selected client acknowledgements;
- Price adjustment provisions for material changes in FUM prior to completion; and
- Other conditions precedent customary for a transaction of this nature.

No shareholder approval is necessary for this transaction.

It is expected that all conditions will be satisfied in order for completion to occur by the end of November 2015.

TRG is advised by Gresham Partners, Herbert Smith Freehills and Deloitte.

Conference Call

Investors and analysts are invited to participate in a conference call at 11:00am AEST on 29 July 2015 to be hosted by Treasury Group's CEO Andrew McGill, Finance Director and COO Joseph Ferragina, CEO-elect Tim Carver and CIO Paul Greenwood.

The dial-in details are as follows:

An Investor Conference Call will be held today at 11:00am AEDST.

Location	Local Number
Australia	+61 2 8113 1400
Australia (toll free)	1800 554 798
New Zealand	0800 450 585
Singapore	800 6163 105
Unites Kingdom (London)	+44 203 691 9060
United Kingdom	0808 234 8407
USA (NYC)	+1 914 449 1588
USA other	1866 839 8029

Please quote the Conference ID: 8011553

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About the Merged Group

Treasury Group and Northern Lights Capital Group is a multi-boutique asset management firm dedicated to providing exceptional value to shareholders, investors and partners. We apply our strategic resources, including capital, institutional distribution capabilities and operational expertise to help our partners excel. Treasury Group and Northern Lights Capital Group collectively has approximately A\$49.0 billion under management across a global platform of 19 boutique asset managers, as of 30 June 2015.

Treasury Group Ltd

NORTHERN LIGHTS
CAPITAL GROUP



TREASURY GROUP LIMITED

Sale of RARE Infrastructure

29 July 2015

Transaction Overview



Transaction Overview

- » Legg Mason to acquire a controlling stake in RARE, partnering with RARE to further develop the business, particularly in US and European markets
- » As part of wider Legg Mason/RARE transaction, Treasury Group / Northern Lights (“TRG/NL”) has agreed to sell its interest in RARE for total consideration of approximately A\$200m, comprised of:
 - Gross upfront cash proceeds of A\$112m
 - 3 year earn-out up to \$42m
 - 10% retained equity interest, subject to put/call arrangements after 2 years
- » RARE management and investment team to continue to hold significant equity interest in RARE, with no change in the RARE team post transaction

Strategic Rationale

- » Legg Mason partnership with RARE offers access to US retail distribution, with TRG/NL participation in potential upside through the retained interest and earn-out
- » Although TRG/NL is not a natural seller, transaction presents an opportunity to monetise the RARE investment at an attractive point in the infrastructure cycle
- » Provides capital to repay external debt, fund TRG/NL’s investment pipeline and deliver additional balance sheet flexibility
- » Investment in RARE has delivered outstanding returns on initial cash investment, delivering >33x cash on cash return over 9 years of ownership

Conditions & Timetable

- » Transaction is subject to conditions precedent including regulatory approvals, no material adverse effect, selected client acknowledgements and other business related conditions
- » Completion expected by the end of November 2015

Transaction Details



Ongoing Equity Ownership

- » Retained 10% equity interest structured to provide TRG/NL with continued exposure to equity upsides from FUM growth
 - Customary minority protections and observer status on RARE Board
 - Ability for TRG/NL to put retained RARE interest to Legg Mason after 2 years, and ability for Legg Mason to call TRG/NL's RARE interest after 2 years
 - Differential option pricing: Call at a fixed multiple of RARE revenues; Put at accountant's "fair market value"
- » Legg Mason will hold a majority equity position in RARE post transaction
- » RARE management to continue to hold a 15% equity interest in RARE going forward

Earn-out

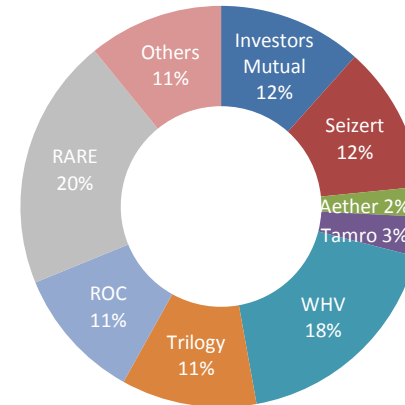
- » Based upon the rate of growth in RARE revenue over a 3 year period
- » Growth over the earn-out period consistent with historical rates of growth would result in the full earn-out being achieved

Impact on Treasury Group & Northern Lights Capital Group

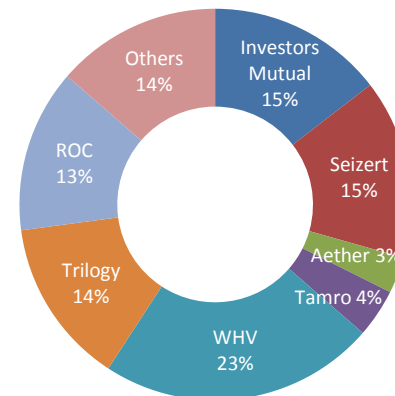


- » Proceeds to be used to repay external debt, fund new investments and provide flexibility for potential capital management
- » TRG/NL expects to soon announce details of new investment in 1 or more growth style opportunities
- » TRG will be taxable on its share of capital gains in FY16 with tax expected to be paid in Dec 2016
- » For 1H15 RARE's pro-forma contribution to TRG/NL portfolio level earnings was 35%

FUM Breakdown by Boutique including RARE (30 June 15)



FUM Breakdown by Boutique excluding RARE (30 June 15)



Conditions & Timetable



- » The transaction remains subject to the satisfaction of a number of conditions precedent, including:
 - Regulatory approvals: Foreign Investment Review Board (Australia), Ontario Securities Commission (Canada), Central Bank of Ireland and Financial Conduct Authority (UK)
 - No material adverse effect
 - Selected client acknowledgements
 - Price adjustment provisions for material changes in FUM prior to completion
 - Other conditions precedent customary for a transaction of this nature
- » No TRG shareholder approval required for transaction
- » Completion expected by the end of November 2015