Treasury Group Ltd

A.B.N. 39 006 708 792

CHAIRMAN'S ADDRESS
Treasury Group Ltd Annual General Meeting
15 October 2015

Good morning ladies and gentlemen and welcome to the annual general meeting of Treasury Group Ltd. My name is Mike Fitzpatrick, Chairman of Treasury Group.

During the year, we announced the merger with Northern Lights Capital Partners. This deal was executed successfully and completed in November 2014. This was transformational for our business and created a more diversified portfolio, greater leverage, broader management expertise, superior distribution capabilities and other strategic benefits.

Due to this deal and strong momentum in key boutiques, Treasury Group saw another year of strong earnings growth. Underlying profits were $18.7m up by 32.9% from 2014. Our statutory net profit after tax increased to $138.7m.

Treasury Group's 2015 financial result reflected: increased profits at our key boutiques, RARE and IML; strong earnings contribution from Seizert and Aether; as well as growing business momentum at our smaller boutiques, including ROC, Blackcrane, Raven and EAM.

Funds under management finished the year at $49bn, slightly lower than December 2014. This was primarily due to a poor outcome at WHV which was affected by the fall in oil prices, and to a lesser extent del Rey, Seizert and loss of institutional FUM at RARE. Encouragingly, retail net inflows (aggregate) for RARE and IML of $760m for FY15 was an excellent result.

The final dividend for 2015 was 28 cents per share. This brought the total dividend to 52 cents per share for the year, which was higher than prior years and remains fully franked. As illustrated here, we have been able to steadily increase the level of dividend to shareholders over recent years as the underlying profitability of our business has improved.

The dividends paid in relation to the 2015 year, imply a payout ratio of 71%, which is in-line with the Board's policy which is for a payout ratio of 60-80% against underlying profit. The confidence of the Board in the outlook of the Company is reflected in reaffirming this long-term payout ratio target of 60-80%.

As previously stated, we were pleased with the overall level of retail funds inflows experienced at RARE Infrastructure and Investors Mutual during the year. We are seeing increasing appetite from investors to move away from Australian equities; a trend that we think will continue and should benefit the strategic repositioning of our Company towards a greater globally diversified business across many asset classes and asset styles.

Whilst a low interest rate environment was again evident in Australia and the US, changing expectations towards financial year end and afterwards in relation to the outlook for the Chinese economy, and expectations of further declines in commodity prices have significantly impacted the Australian stock market and has started to influence funds flows.

The resources sector which underpinned Australian economic growth for much of the past decade was weaker this year due to falling commodity prices and concerns about the significant new supply coming on line in iron ore, copper and aluminium. The significant slowdown in demand from China for commodities, and broader worries regarding overall economic growth in China has taken its toll on world markets.

Due to the resources slowdown and its impact on the Australian economy, we have seen the Australian dollar depreciate materially in recent months and it has yet to find a normalised trading range.

On the subject of currency movements, I note that a weaker Australian dollar delivers earnings upside to Treasury Group from the increased exposure to US dollar revenues post the Northern Lights merger. Some 45% of portfolio earnings are now denominated in US dollars and this will increase with the sale of RARE.

Whilst important economic drivers have changed, the fundamentals of the funds management industry remain attractive.

After year-end, we announced the successful sale of RARE to Legg Mason. Whilst the sale has not yet completed, the announcement in July was nonetheless a significant milestone in the history of Treasury Group. We were supportive of RARE initiating this transaction and confirm we are selling 75% of our 40% holding; retaining a 10% ongoing ownership. We also have exposure to an earn out of up to A$42m.

This process was highly competitive, with UBS advising RARE, and ultimately the highest price won. We achieved an attractive price, a sound market price and a good outcome.

The use of proceeds will be used on multiple fronts. Our priority is to repay expensive external debt and fund our investment deal pipeline. Capital management initiatives are our third potential use of proceeds.

We have done well out of this partnership and investment. The sale delivered greater than 33x cash on cash returns over the nine years of ownership. We achieved a $200m sale value from $50,000 of initial seed capital and $5m of subordinated debt.

While we note the transaction is conditional, completion is progressing ahead of our expectations with close expected before the end of October versus the previously announced end of November completion date.

Once completed, this sale creates greater balance in earnings and importantly, greater diversification in asset classes with differing strategies.

Before finishing, I would also like to take this opportunity to thank our staff, boutique partners and clients for their support during the year. We look forward to working closely with you again during the upcoming year; as we embark on the next phase of growth. I would like to thank Reub Hayes for his service and contribution to the Board over the last 8 years in his role of Director. Finally, I would also like to thank Andrew McGill for his four years of services as Managing Director and CEO. Over his tenure the business saw significant growth and greater levels of efficiencies, which culminated with the merger with Northern Lights. I extend well wishes for his future endeavours.

I would now like to introduce Tim Carver to present to you.