

28 October 2016

### Chairman's and Managing Director's Address to Shareholders

In accordance with Listing Rule 3.13.3, attached is the Chairman's and the Managing Director's address to be delivered to shareholders at the EQT Holdings Limited 2016 Annual General Meeting today.

Also attached is an extract of the slide presentation to be shown at the meeting.

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*Equity Trustees was established in 1888 to provide independent and impartial trustee and executor services to help families throughout Australia protect their wealth. As one of Australia's largest listed independent trustees, we offer a diverse range of services to individuals, families and corporate clients including aged care advice, asset management, estate planning, philanthropic services and responsible entity services for external fund managers.*

*EQT Holdings Limited is a public company listed on the Australian Securities Exchange (ASX: EQT).*

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# EQT Holdings Limited

## ASX Announcement



### Chairman's address

Shareholders, ladies and gentlemen, good morning.

My name is Tony Killen; I have the honour of being your Chairman.

On behalf of my fellow Directors, the Executives and Employees of Equity Trustees, it gives me great pleasure to welcome you to our 2016 Annual General Meeting.

Before we start the formalities, I want to show you a short video that highlights one of the key parts of our business that we are incredibly proud of. [Philanthropy video]

I hope that was insightful and inspiring for you.

A quorum is present and I declare the meeting open. I can confirm that the Notice of Meeting was dispatched to all Shareholders in accordance with the Company's Constitution. I will take the Notice of Meeting as read.

We have received apologies from [xxx]. Are there any apologies from the floor?

I would like to introduce to you my colleagues on the Board.

Mr Mick O'Brien was appointed Managing Director in July this year. Mick joined Equity Trustees in July 2014 as a non-executive director, having been formerly Chief Executive Officer of Invesco Australia and before that, Chief Investment Officer of AXA Australia and New Zealand, where he supervised more than \$28 billion in funds under management. Mick has broad experience in all aspects of wealth management – superannuation, funds management, insurance and advice – spanning 30 years in both retail and institutional markets.

Mick has replaced Mr Robin Burns, who had been our Managing Director since March 2010. Robin initiated many strategically significant projects for the group, including leading the successful and transformative acquisition and integration of ANZ Trustees in 2014 and the large equity raising that funded it. Other substantial achievements included the corporate restructure, through the establishment of a non-operating holding company, and managing the group through a period of unprecedented regulatory change.

We extend to Robin our appreciation for his leadership of the group during a very important and transformational period in its long life and for the many achievements noted.

While mentioning those no longer here, I would like to recognise our previous Deputy Chairman, Mr David Groves, who retired from the Board in December 2015 after 15 years' service. David was Chairman of the Audit and Compliance Committee for 12 years, and a member of the Remuneration, Human Resources and Nominations Committee; the Board Investment Committee; and the Board Risk Committee. We thank David for his outstanding contribution to the progress of our company.

Our newest member of the Board is Mr Glenn Sedgwick, who joined the Board in August 2016. Previously Managing Director of Accenture's Asia Pacific insurance and wealth business, Glenn has more than 30 years' experience in advising boardrooms of listed and unlisted Australian, Chinese and other Asian enterprises in financial services and information technology. His appointment is timely given we are expanding our reach into Asia. Glenn is a member of the Board Audit and the Board Risk Committees.

Ms Alice Williams joined the Board in September 2007 and is Chair of the Remuneration, Human Resources and Nominations Committee and a member of our managed investment schemes Compliance Committee.

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The Honourable Jeffrey Kennett AC joined the Board in September 2008 and is a member of the Remuneration, Human Resources and Nominations Committee and Chair of our managed investment schemes Compliance Committee.

Ms Anne O'Donnell joined the Board in September 2010. Anne is a member of the Board Audit and Board Risk Committees as well as the Remuneration, Human Resources and Nominations Committee.

Mr Kevin Eley joined the Board in November 2011. Kevin is Chair of the Audit Committee and Chair of the Risk Committee.

I have already introduced Mick O'Brien, our Managing Director, and note that Mick is a member of the Board Risk Committee.

Also representing the company here today is our Company Secretary, Ms Carmen Lunderstedt, and a number of other Executive Leadership Team members.

Finally, in the audience I would like to welcome Mr Craig Henderson from Allens, our legal advisers, and Messrs Neil Brown and Mark Stretton from Deloitte, our auditors. These two firms have long standing relationships with the company and we appreciate their continuing support and assistance

Turning to the agenda for today's meeting. First I will review the company's activities and results for the financial year to 30 June 2016. Mick will then update you on our strategy and outlook. Then we'll proceed to the formal part of the meeting, with several items of business.

2016 has been a year of transition for Equity Trustees and a number of significant changes were made to the business:

- We undertook the corporate restructure that you approved last December, involving the establishment of a new non-operating holding company for the group. This restructure is providing greater regulatory capital efficiency, improved funding flexibility and a more focused governance model.
- In Trustee and Wealth Services we outsourced superannuation administration. We also consolidated our superannuation funds to improve efficiency and we implemented a substantially more competitive product offering.
- In Corporate Trustee Services we exited the funds distribution business.
- We are well advanced in undertaking a major upgrade of our risk management and compliance framework and systems, incorporating all regulatory requirements and developed a modern, contemporary risk management capability to support our growth aspirations.
- Finally, the ANZ Trustees' acquisition has provided a range of capabilities that we continue to build on.

We now have a new leadership team in place, capably led by Mick and our Chief Financial Officer and Chief Operating Officer, Philip Gentry. This team is now undertaking a review of the company's operating model, which we anticipate will result in a more efficient business with improved productivity and enhanced outcomes for our customers.

The work we have done to restructure and invest in the business has had an impact on our financial results. The expenditure on non-operating items was \$7.8 million, compared with \$4 million last year.

As a result, operating profit was down slightly by 5%, to \$26.7 million, and net profit was \$13.2 million, down 22%.

# EQT Holdings Limited

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However, the impact of the structural changes masked good organic growth across the business. Underlying revenue increased 6% and total funds under management increased 16%, to \$65 billion.

We have declared a final dividend of 34 cents per share, taking the total for the year to 68 cents per share. In determining the final dividend, we had regard to the significant one-off non-operating costs, solid operating performance, likely future capital needs and prospective trading conditions and performance. This represents a dividend payout ratio of 72% of operating profit after tax and 102% of net profit after tax.

Our balance sheet is strong with a fully funded capital position and low gearing and I am confident that the investment undertaken to improve the business will generate stronger returns going forward.

Trustee & Wealth Services, a market leader in the provision of trust, estates and philanthropic services, reported good organic growth across the business.

Private client numbers increased in all key business segments, and in the philanthropy business, 13 new perpetual charitable trusts were established compared with the long-term average of about four per year.

Funds under management increased by \$750 million, as a result of the superannuation upgrade.

Following its upgrade, the superannuation trustee business has a stronger platform for growth.

Corporate Trustee Services provides a range of responsible entity and other trustee services for managed investment schemes and the corporate market.

CTS maintained its consistent track record of strong organic growth, with funds under supervision up 18%. New fund manager clients increased 17% to now total 96, and the number of funds was up 7% to 212. Funds Under Supervision, for new funds that were established or seeded in the year, almost doubled on the previous year.

The small increase in revenue for CTS reflected this particularly strong organic growth, offset by the exit from funds distribution mid-year. The strategic decision to exit funds distribution followed a key client who decided to take the function in-house and our decision to focus efforts purely on CTS' core fiduciary activities. If not for the loss of distribution revenue, CTS would have achieved double-digit revenue growth.

With this business transition complete, our fully funded capital position, and leadership strength in key markets, Equity Trustees is poised to return to growth in profitability and dividends.

We are now included in the Top 300 companies on the Australian Securities Exchange. This is strong endorsement of our potential and should provide additional support for the stock.

We anticipate further enhancements in productivity and client outcomes from the operating model review and are targeting a significant improvement in profit in 2017.

I now hand over to Mick who will provide an update on strategy and outlook.

# EQT Holdings Limited

## ASX Announcement



### Managing Director's address

Thank you Tony.

Good morning ladies and gentlemen.

I've attended the last two AGMs as a director but I want to let you know what an honour it is for me to address you today as the Managing Director of this company.

Tony has taken you through the results for 2016 and now I want to spend some time talking to you about our plans for the future.

Earlier this month, I made a number of changes to the Leadership Team. The changes formed part of our operating model review and were designed to improve efficiency, better position the business for growth and sharpen our focus on the different customer segments.

Starting from the left of the slide are the three heads of the revenue business units: Harvey Kalman, who leads Corporate Trustee Services and has been with us for 16 years; Ian Westley, who leads Private Clients and has been with us 9 years; and Mark Blair, who leads Superannuation Portfolio Services and joined us a year ago. Tabitha Lovett, who heads our leading Philanthropy business, reports to Ian.

Our Finance and Operations areas have been combined under Philip Gentry, with Ryan Bessemer, Chief Technology Officer, now reporting to Philip. This will allow us to significantly improve our financial oversight of general operating expenses and projects.

Sharni Redenbach has recently joined the company to take on the role of General Manager, Human Resources. Tony mentioned our Company Secretary, Carmen Lunderstedt.

We have Geoff Walsh leading our Enterprise Risk function; Lance Pupelis, leading our Asset Management team and Alicia Patterson, leading our Marketing and Communications team.

Most of the team is here this morning and we welcome you all.

I'm sure most of you are familiar with our lines of business, but for those who aren't, a brief summary.

In Trustee & Wealth Services we provide a full range of services in estate planning and estate management, including the services required to fully support estate management such as trusts, philanthropy, advice, custody and asset management. We also provide a full range of trustee services to superannuation funds. Equity Trustees is the leader in the market in many of these areas.

In our Corporate business we effectively operate two lines of business – Responsible Entity services for fund managers, where we are the clear market leader, and Corporate Trustee services for a broad range of arrangements such as securitisations, debt issuances, escrow agreements and real estate trusts.

Equity Trustees operates in very attractive market segments. I want to quickly share with you some information that confirms that.

Currently there are about half a million people in Australia aged over 85. This number is projected to double over the next 20 years. That's a 3.5% compound annual growth rate. That's an inherently strong growth rate when you consider it doesn't account for any asset growth; for example, it's just the growth in the number of lives above age 85.

There is unprecedented wealth in Australia. Independent surveys project that the amount of wealth that will transition between generations in 2030 will be over \$80 billion per annum. This compares to less than \$10 billion ten years ago.



The wealth is not evenly distributed, and Australia is increasingly seeing people who have such significant wealth that they see the benefit and have the ability to pursue philanthropic endeavours while they are alive.

Finally, in our corporate lines of business, our growth is primarily driven by the growth in superannuation assets. Superannuation assets are projected to grow from 1.1 times GDP to 1.6 times GDP over the next 20 years before reaching a real stationary position when pension payments exceed contributions and earnings. So again, a very healthy real growth rate.

Our strategy is fairly simple because success is all in the implementation. We aim to be a market leader in selected key parts of the wealth management value chain. This statement is just as important for what it doesn't say as what it says. We will not be a diversified player across the full value chain and we are not seeking to focus anywhere that we don't have an opportunity to lead the market.

To be clear, in all our businesses, we are either providing one of, or both of, wealth protection or wealth transition. Our growth drivers for the business are to build on the platform that has been developed in the last couple of years. That means, clear growth initiatives for each line of business, and improving the margins within each line of business.

Finally, there are expansion opportunities, in new markets and with new services.

For Trustee & Wealth Services we will be capitalising on our high value Will Bank. This 'bank', as we call it, holds Wills for about 30,000 lives.

In a number of markets we are targeting a top one or two position. We believe we are approaching that for our new Compensatory trusts. We have just won our first Indigenous trust, bringing our total to six.

We have established our superannuation 'Trustee for Partner' model and are confident we have a competitive position. Finally, while most of our Philanthropic business historically has been testamentary-based, we will increasingly seek to grow our living donor business.

So our growth will be driven by two methods, (1) by being the preferred choice of advisors in an un-conflicted manner and (2) through smart cross-selling of our full range of services across our various client bases.

Equity Trustees granted more than \$70 million in grants to fabulous, worthy recipients last year. We are the equal leader in the Australian market and it is such an important part of the legacy of this business and our generous clients, and something we are very proud of.

During the year we did two things to improve outcomes for clients in this area.

Firstly we launched our 'Empowering Change' program, grouping together our discretionary granting into five clear categories. This program is designed to more efficiently target our granting to achieve a better result.

The slide shows where all our granting was directed during the year.

Second, we appointed an Evaluation Manager to ensure we are constantly reviewing the effectiveness of our grants and achieving a deeper impact with our granting.

These changes will continue to ensure we lead the market in our ability to make a change to the community and make our living donor service as competitive as possible.

For Corporate Trustee Services, where we are the number one provider of Responsible Entity services in Australia, we plan to expand our services into Asia. We will be seeking to build our Corporate Trustee appointments off a low base.

# EQT Holdings Limited

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We see significant opportunity to offer newly designed fund structures on the back of new enabling regulation. The start to FY17 has been very promising with eight new managers and 31 new funds to September. This business has had a very healthy growth rate for many years and we expect that to continue as we aim to double the Funds Under Supervision over the next five years.

Before concluding, I would like to update you on the plans for our premises.

In Melbourne we have signed a long-term lease at the Bourke Street head office, where we will undertake a new contemporary fit-out next year. In Sydney, we have consolidated multiple premises into one office in the CBD.

This will enable us to better service all our clients. The cost of just over \$5 million will be substantially amortised over 10 years and funded comfortably by available cash, a reduction in regulatory capital requirements and borrowings.

We have set ourselves six key targets for the business to 2020. It is these targets which will drive our decisions and our actions... and if achieved, they will deliver strong shareholder returns.

The first is about growth in Funds Under Management, Advice and Administration and Supervision. Currently at \$65 billion, this is an important measure because it captures sales effectiveness and client retention. It is also impacted by market movements that we obviously can't control.

The second is the value of our sales. I say 'value', because some of our services don't make a large margin at the time of delivering a service but they do create significant future value for the business. So we plan to measure and grow that.

The third is operating margin. Currently it's at 32% and we need to improve it. This will be achieved with scale but also a sharp focus on expense management.

The fourth is customer satisfaction. We don't measure this currently but we will and it will drive our future decisions.

The fifth is employee engagement. We do measure this annually and we are currently below median. A company like Equity Trustees should aspire to be at the top of the market.

Finally, the sixth is deepening our community impact. That is a natural goal for this company because community is what we are all about.

If we can achieve our aims with these six targets, we should deliver strong EPS growth and return on equity for our Shareholders.

So in summary, we operate in very favourable market segments. We have had an encouraging start to 2017 and we are starting to capitalise on the investments we made in the business.

Our plan is to lead the market in our chosen segments of the wealth management value chain.

And finally, we are targeting significant improvement in 2017 net profit.

Thank you and I'll now hand back to Tony.



**EQT Holdings Limited  
Annual General Meeting  
28 October 2016**



*Mr Tony Killen OAM*  
*Chairman*





# Equity Trustees Philanthropy

## Empowering Change



# Board of Directors



**Mr JA (Tony) Killen  
OAM**

*Non-Executive Director,  
Chairman*



**Mr Michael J  
O'Brien**

*Managing Director*



**Mr D. Glenn  
Sedgwick**

*Non-Executive Director*



**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*

# *Agenda*



- 2016 Highlights
- Strategy and Outlook
- Items of Business
- Questions

# *A Year of Investment*



- Business restructured
  - Exited non-core activities
  - Invested in the business
- Building on successful ANZ Trustees' integration
- New management team
- Operating model review implementation underway
  - Simplifying the business
  - Improving productivity
  - Enhancing customer outcomes



# *Solid Results*



- Results reflect business transition
  - Operating revenue \$83.7m (-1%)
  - Operating profit before tax \$26.7m (-5%)
  - Net profit \$13.3m (-22%)
- Strong underlying organic growth
  - Underlying revenue growth of 6%
  - Increase in FUMAS\* by 16% to \$65b
- Dividend 68cps – reflects results
- Balance sheet strong

# *Solid Results*



## ***Trustee & Wealth Services***

- Private Clients
  - Compensation trusts up 8%\*
  - Estate management up 3%\*
  - Advice clients up 9%\*
  - Testamentary trusts up 9%\*
- Philanthropy – 13 new Perpetual Charitable Trust Clients
- Super business upgrade – \$750m additional FUM^

\*% increases are based on total client numbers

^ Funds Under Management

# *Solid Results*



## ***Corporate Trustee Services***

- Number of managers – up 17%\*
- Number of funds – up 7%\*
- New funds established/seeded FUS<sup>^</sup> – up 96%\*

\* Compared with FY15

<sup>^</sup> Funds Under Supervision

# *Positioned for Growth*



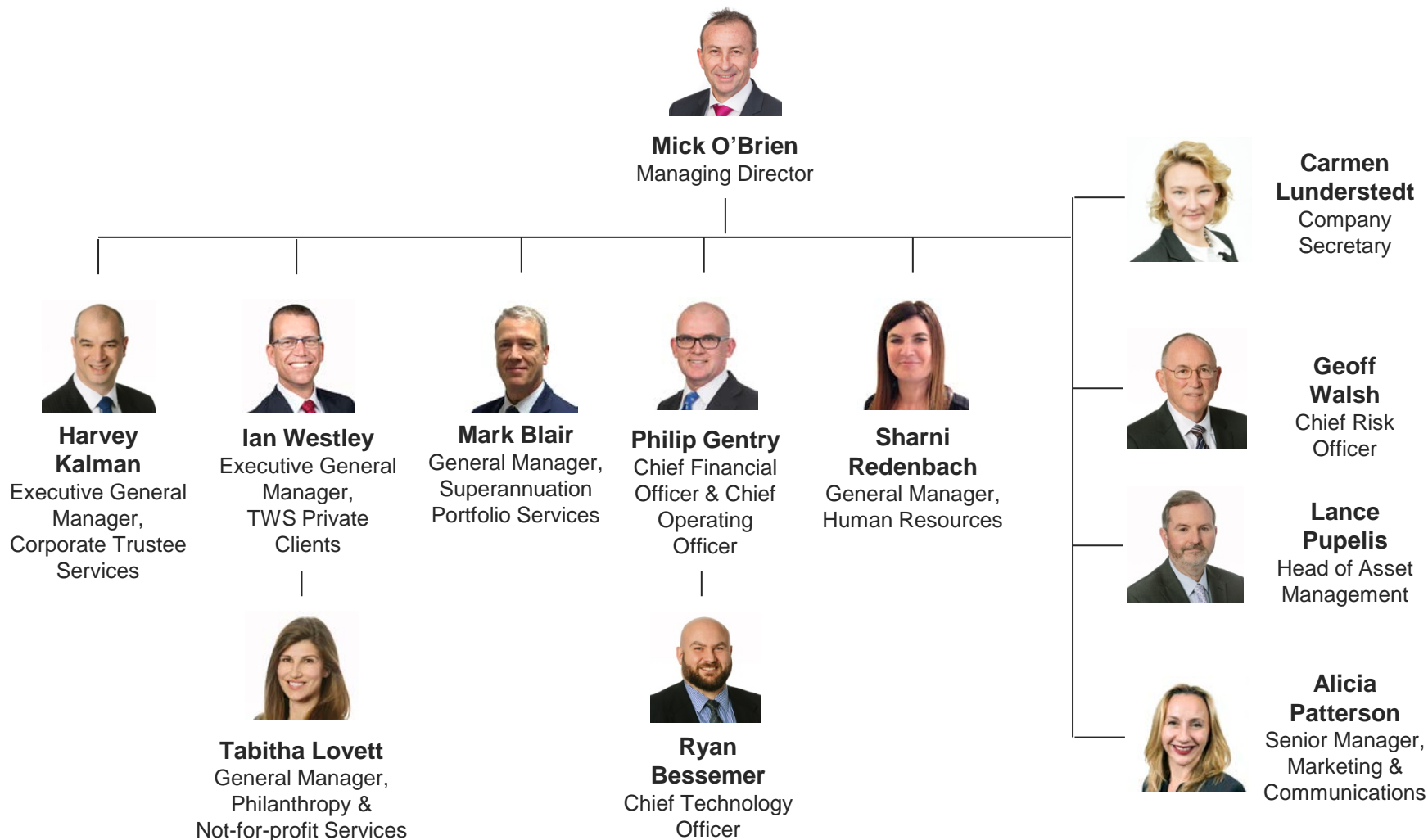
- Transition complete
- Fully funded capital position
- Strong leadership
- Market presence – ASX300
- Return to growth in profitability and dividends
- Further upside from operating model review
- Targeting significant improvement in 2017 net profit

*Mr Mick O'Brien*  
*Managing Director*





# Leadership Team



## ***Trustee & Wealth Services (TWS)***

- Services in estate planning (Wills and powers of attorney), estate management and trusts
- Philanthropy
- Compensatory trusts
- Indigenous trusts
- Advice
- Superannuation
- Asset management
- Custody

## ***Corporate Trustee Services (CTS)***

- Responsible Entity services
- Corporate Trustee appointments

# Highly Attractive Market



Increasing shift towards wealth protection and transfer driven by:

- Demographic changes due to ageing population  
“~500,000 currently over age 85 – will double in 20 years...3.5% CAGR”<sup>1</sup>
- Unprecedented wealth of Australians  
“Intergenerational wealth transfer projected to be \$85b p.a. in 2030”<sup>2</sup>
- Changing wealth plans as wealth grows  
Increasing trend to philanthropy
- Ongoing growth in mandated superannuation  
“1.1x GDP to peak at 1.6x GDP in 20 years”<sup>3</sup>

1. ABS Population Projections 2012 Base  
2. Source: AMP Natsem Income and Wealth Report  
3. Rice Warner Ageing and Capital Flows

## ***Building for Growth***

- Aim to be the market leader in key parts of the wealth value chain
- Wealth protection and wealth transition

## ***Growth Drivers***

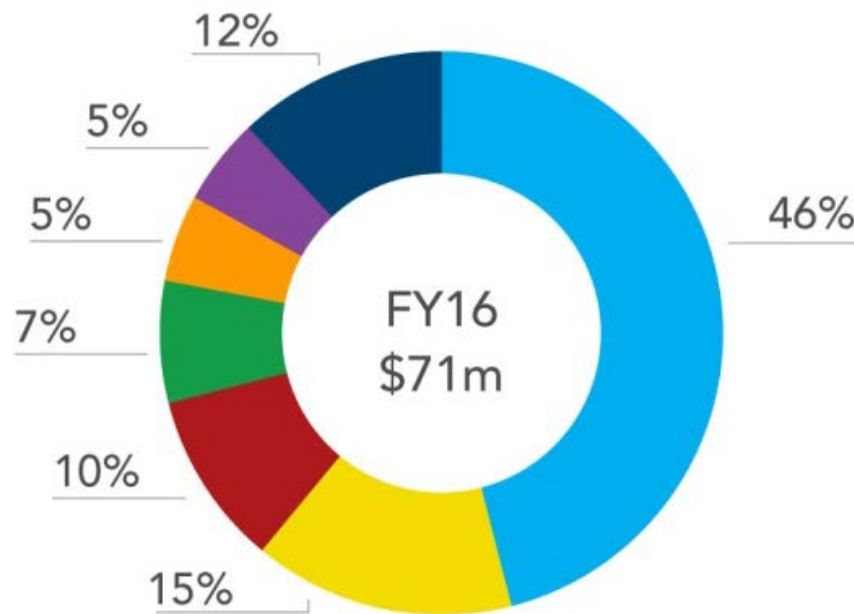
- Building the platform
  - Restructure and reposition
- Driving organic growth
  - Funds under management/advice/supervision and margins
- Expansion opportunities in core markets and businesses



## ***TWS Growth Drivers***

- Grow our long-term, enduring revenue base
  - High value 'Will Bank' – 30,000 Wills written value \$20b+
- Target top 1 or 2 position in selected growth markets
  - Compensation trusts
  - Indigenous trusts
  - Trustee for Partner roles in the superannuation business
  - Living donors for our philanthropy business
- Preferred choice by advisers
- Delivery of client centric services

## Philanthropic distributions of \$71m



Note: Indigenous granting included in each category.

## Streamlined Granting Process



## ***CTS Growth Drivers***

- Expanding into growth markets
  - Responsible Entity services in Asia
  - Bespoke and structured Corporate Trustee appointments
- Significant opportunities with new fund design structures
- Early wins in FY17 – 8 new managers, 31 new funds
- Targeting to more than double FUS\* over next 5 years

## ***Long-term premises solutions for Sydney and Melbourne***

- Multiple Sydney offices consolidated into single premises at 56 Pitt Street, opened 24 October 2016
- Long-term lease signed for 575 Bourke Street, refit to be completed by June 2017
- Premises will provide greater accessibility and comfort for clients, consistent brand-aligned fit-outs and professional employment environment
- Capex costs for both total ~\$5.8m substantially amortised over 10 years and funded by available cash, planned reduction in regulatory capital requirements and borrowings

## Key Targets



Increase total FUMAS\*



Grow sales value



Enhance operating margin



Improve customer satisfaction



Lift employee engagement



Deepen community impact



**Enhanced  
Shareholder  
Returns**



## ***Positioned for Growth***

- Attractive industry fundamentals
- Good revenue growth – encouraging start to 2017
- Capitalising on recent investments
- Leader in chosen sectors of the wealth management value chain
- Targeting significant improvement in 2017 net profit

# *Appendix*



# Managing Director's LTI 2016/17 Series



- **Quantum:** 60% of TEC\* (\$620k) = \$372k; 25,288 shares
- **Measures:** 50% TSR^ / 50% EPS^
- **Measurement:** over three years (additional year for TSR if required):

<b>TSR</b> - < 50th percentile	nil
between 50th and 75th percentile	pro rata between 50% & 100%
>75th percentile	100%

<b>EPS</b> - < 5% p.a.	nil
between 5% and 15% p.a.	pro rata between 25% & 100%
>15% p.a.	100%

- **Comparator group:** for TSR, measure is constituent entities of the ASX Diversified Financial Services Index

\*TEC: Total Employment Cost

^TSR: Total Shareholder Return

+EPS: Earnings Per Share

# Remuneration



- TEC\* set to market competitive position
- Short-term Incentives – 27% of maximum pool paid in 2016 (33% in 2015)
- Long-term Incentive allocations each year:
  - **Series 9 lapsed** (ends 30/06/16)
  - **Series 10 commences 01/07/2014** (ends 30/06/17)
  - **Series 11 commences 01/07/2015** (ends 30/06/18)
  - **Series 12 commences 01/07/2016** (ends 30/06/19)
- Equity Share Acquisition Plan (\$1,000 for eligible staff) awarded again in 2016
- EQT Salary Sacrifice Share Plan \$5,000 p.a. may be salary sacrificed to buy EQT shares
- TSR^ measure relates to Managing Director Long-term Incentive only

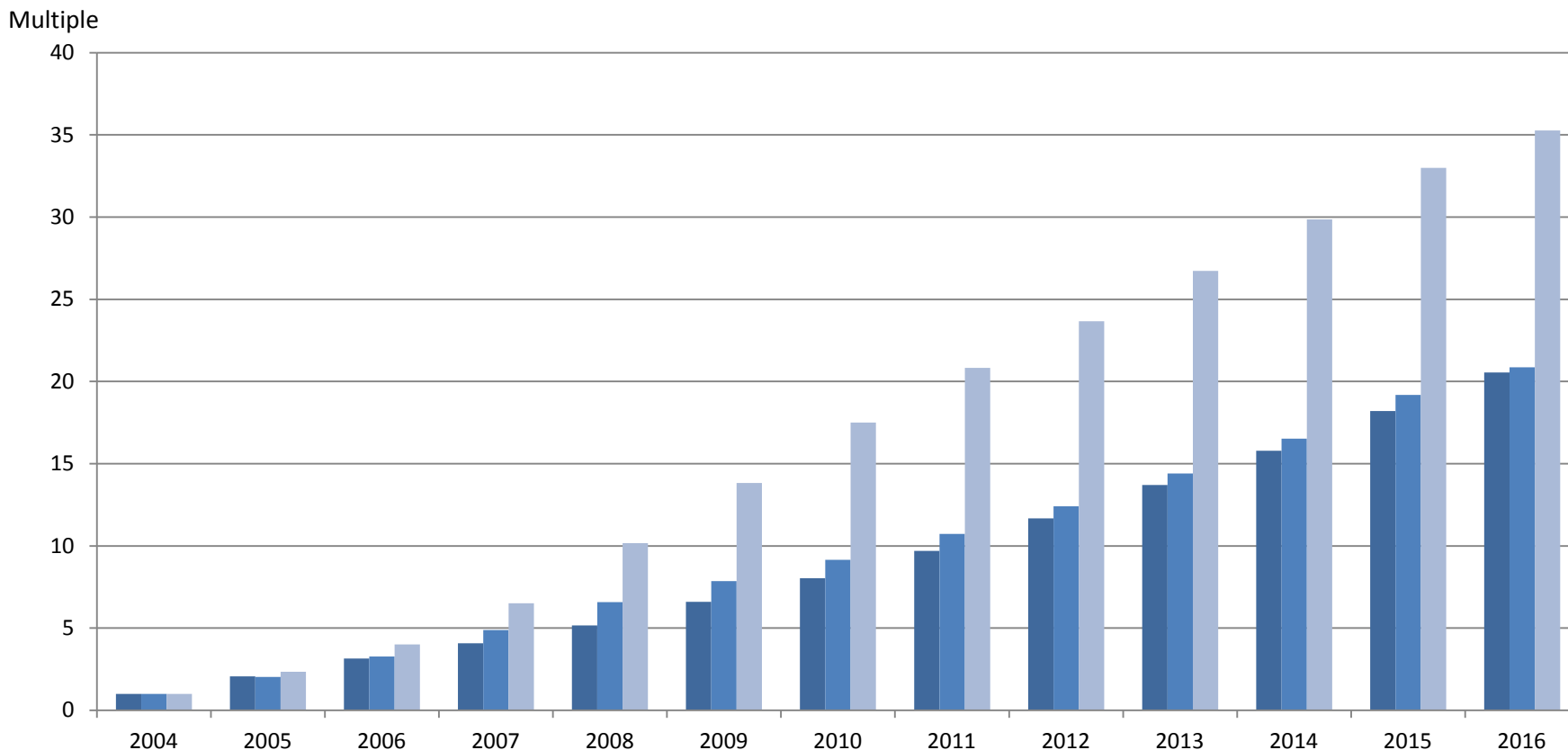
\*TEC: Total Employment Cost

^TSR: Total Shareholder Return

# Tracking Remuneration vs. Dividends



- Cumulation of payments to Non-Executive Director remuneration
- Cumulation of payments to top 5 Executives plus MD remuneration
- Cumulation of payments of Dividend per Share (DPS)



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