



# *Treasury Group Limited (TRG)*

*Annual General Meeting  
11 November 2010*

Treasury Group Ltd

# *Agenda*

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- Chairman's Address - Mike Fitzpatrick
- Managing Director's Address - Mark Burgess
- Formal Items of Business
- Questions and Answers

# *Chairman's Address*

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# *Managing Director's Address*

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# A Summary of the Profit and Loss

	12 months to 30 June 2010		
\$'000	2010	2009	% Change
<b>Net profit after tax (TRG shareholders)</b>	<b>11,676</b>	<b>4,946</b>	<b>135.7</b>
<b>NORMALISED NET PROFIT</b>	<b>10,187</b>	<b>7,515</b>	<b>35.6</b>
Basic earnings per share	50.61	21.43	136.2
Dividend per share (fully franked)	26.00	20.00	30.00

## Overview

- Strong recovery in profits
- Net new funds inflow over \$1.4bn
- Expenses controlled – down over 10%
- Addition of 3 new boutique partners

	12 months to 30 June 2010		
\$'000	2010	2009	% Change
Expenses – at TRG	8,492	9,480	-10.5%
Expenses at Fund Managers	32,361	30,516	+6%

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# *Comment on results*

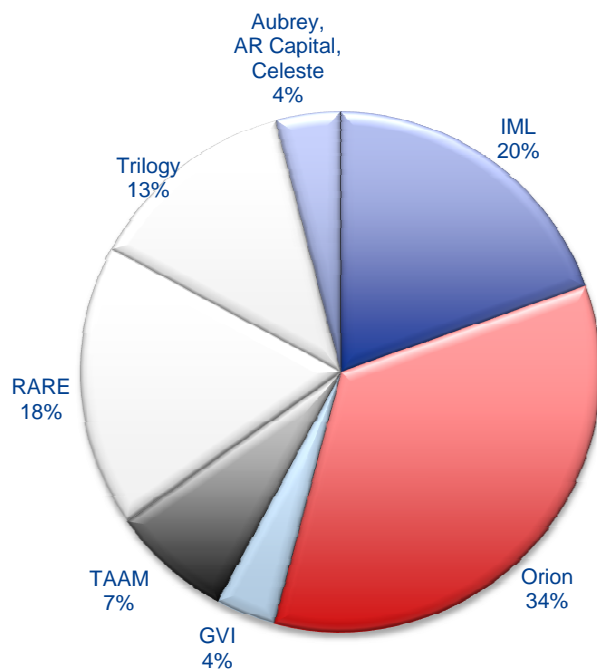
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- **Net new funds flow strong over the year**
  - Institutional flows strong over the 12 months primarily at RARE, Orion and Trilogy
  - Retail investor confidence remains weak. IML saw outflows
- **New boutiques travelling well – strong return on capital**
  - Boutique growth takes 2-3 years
  - TRG was able to partner at attractive valuations with strong investment teams
  - Remain focused on return on invested capital over the cycle
- **Costs controlled**
  - Focus on expense control
  - Manager costs rose modestly in line with improved investment performance, reinvestment in growing businesses
- **Balance sheet remains strong – no debt**

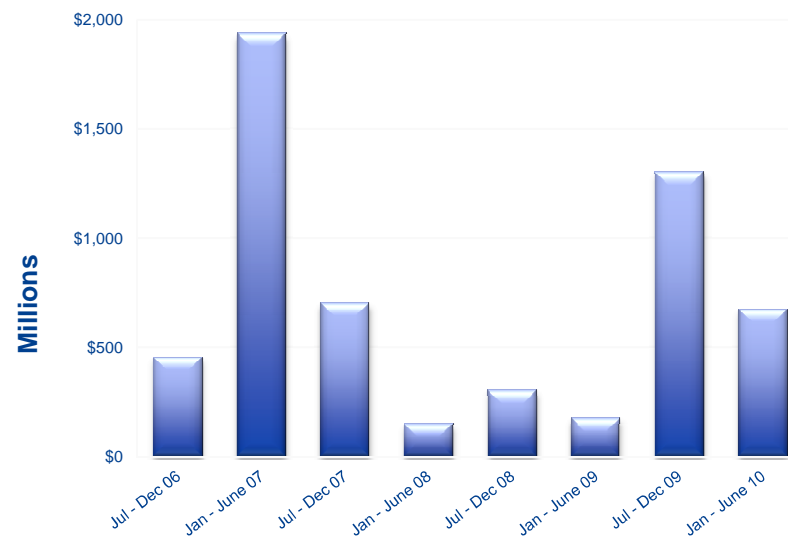
# Strong net new funds flow

- **Net new funds flow strong over the year**
  - TRG continues to diversify assets across managers
  - Net fund inflows of \$650m over the year to September 2010 (excluding new managers)
  - Total assets at \$15.08bn to September 2010
  - Flow primarily to institutional. Retail remains weak.

**FUM to 30 June 2010**



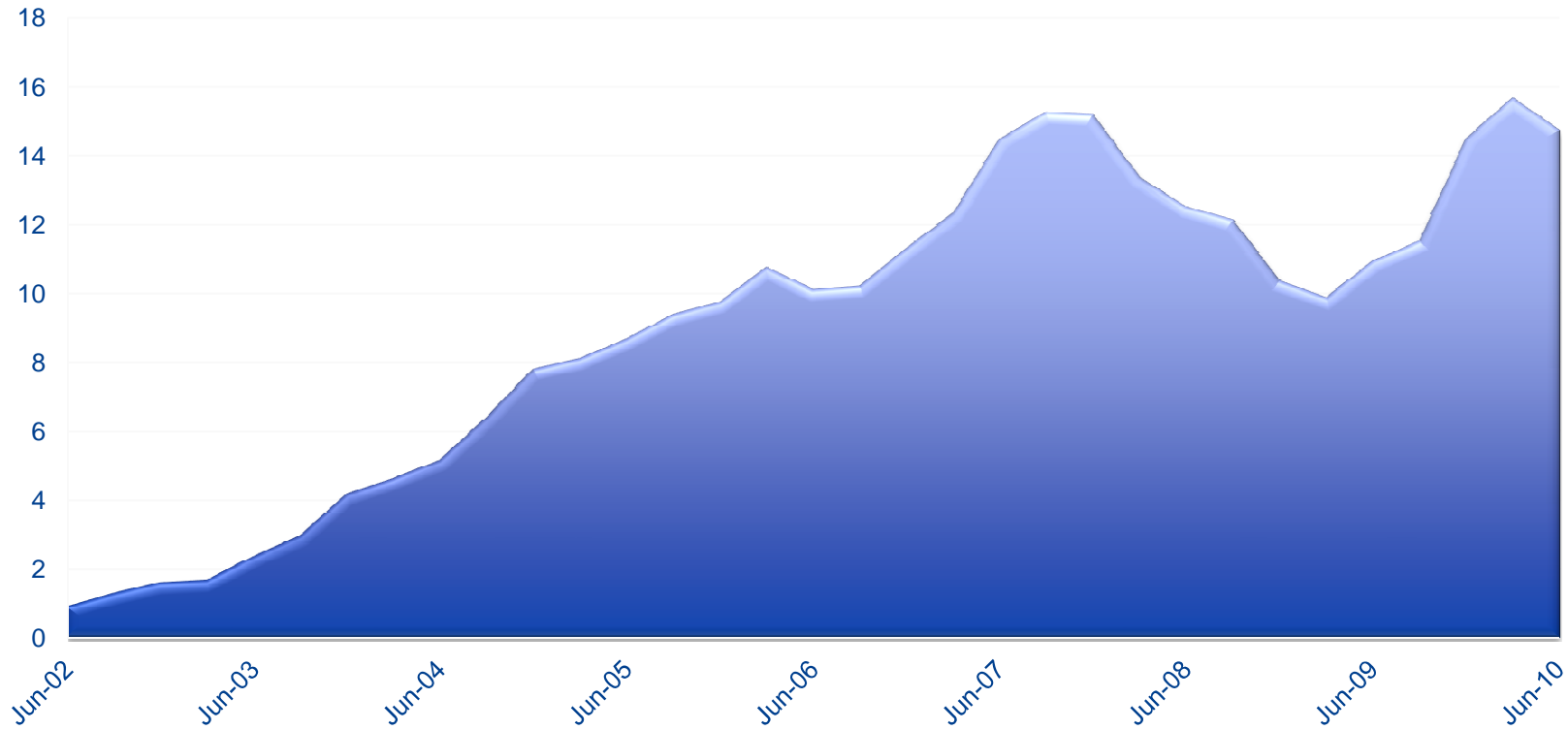
**TRG Net new funds flow  
July 2006 to June 2010**



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# Funds Under Management (FUM)

All managers associated with Treasury Group  
June 2002 to July 2010  
(\$ billions)



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# Capital management & dividends

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- **TRG has a strict approach to capital management**
  - We assess all new partnerships on likely return on capital
  - Although unlikely, we also factor in risk of boutique not achieving performance goals
- **Dividend policy – growth in dividend reflects improved outlook and underlying strength of the business**
  - Dividend increased from 20 cents to 26 cents
  - Some earnings retained as investment environment remains volatile
  - Opportunities exist for further boutiques

	2008	2009	2010
ROE	29.10%	9.21%	21.98%

# *Our business*

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# *Asset management industry is in a period of significant change*

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- **Excess capacity in the manufacturing of asset management products**
  - Development of new boutique incubators
  - Offshore competition
  - TRG can lead the consolidation and take advantage of change
- **Distribution channels are changing**
  - Boutiques need a partner
- **Client demands and regulation require strong support**
  - Boutiques need to partner
- **Continued demand for variety of investment products, styles**
  - Scope for TRG to expand into new asset classes
  - Boutiques work across asset classes

# *Current environment*

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- **Client confidence has returned but remains fragile**
  - Institutional clients have moved to allocate again to growth assets through the year
  - Retail investors remain very cautious globally
- **Fees remains a focus although clients are prepared to pay for higher quality investment outcomes**
  - Although improved returns restored confidence, fees remain a focus
  - Retail market remains uncertain around fee structures
  - High quality active managers able to attract strong fees
- **Policy environment remains uncertain**
  - Controlling costs is important to total returns
  - But offshore experience shows that a “cost reduction” only focus can undermine
    - Customer confidence
    - Distract from more important element of investment returns
    - Importance of long term investing must be a priority

# Three core areas to our business

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## Boutique partners

- Managing client assets is at the core of our business
- Staffed by talented professionals
- Expansion of the number of managers
- Working to enhance existing managers

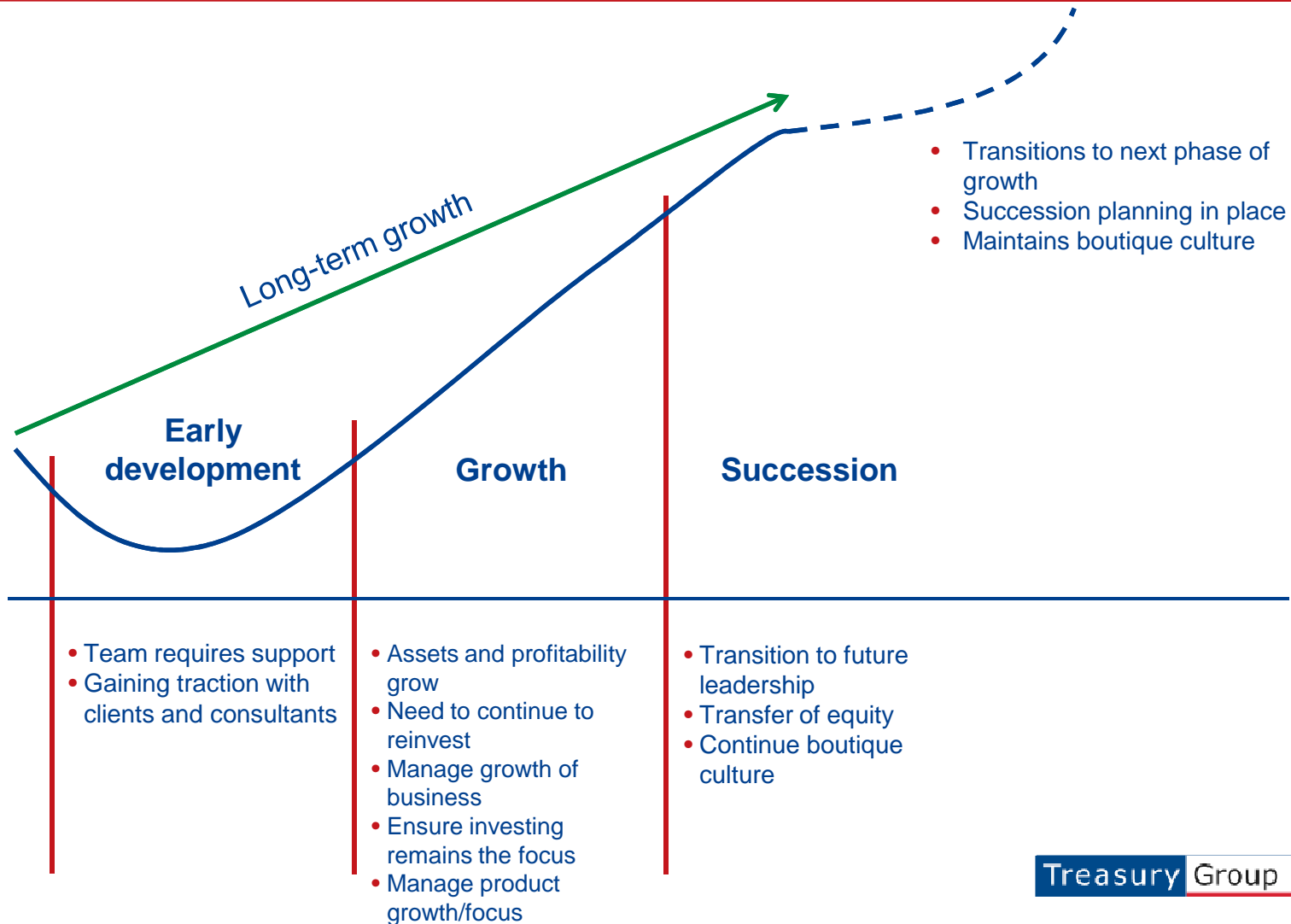
## Distribution

- Institutional and retail
- Domestic and offshore

## TIS business support services

- Highest quality services to our managers
- Risk, Compliance, Finance, HR, Advisory

# Managing the boutiques life cycle



# *Injection of senior talent at IML*

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- **Brings together two leading investment professionals**
  - Hugh Giddy and Anton Tagliaferro – value investment style
- **Deepens the team experience**
  - Adds additional support in team management and product growth
- **Allows for medium term succession planning**
  - Development of equity plan for all investment staff
- **Outstanding investment performance**
  - IML Australian Equity to September 2010



	1 year	3 years	5 years
Quartile Ranking	1	1	2

Source – Intech Investments

# Three new outstanding managers

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- **AR Capital**

- Outstanding Australian equity absolute return fund
- Key principals held senior roles at Credit Suisse and Goldman Sachs



- **Aubrey Capital**

- Edinburgh based global growth equity manager
- Experienced team of senior investment managers from Walter Scott and Stewart Ivory/Colonial First State



- **Celeste Funds Management**

- Australian equity specialist – smaller company focus
- Strong investment record – leading manager in this space
- Client and researcher response to independence under Treasury Group extremely positive



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# *Adding to our leadership and investment talent*

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- **Global Value Investors** – Senior Investment Portfolio Manager & Co-CEO
- **Aubrey Capital Management** – analysts support
- **RARE Infrastructure** – additional analysts, senior UK based advisor on Investment Advisory Board and US based distribution staff
- **AR Capital** – Senior principal focus on resources
- **Treasury Asia Asset Management** – Investment Advisory Council
- **Premium Investors** – Investment Advisory Group

# Manager Snapshot



# *Distribution*

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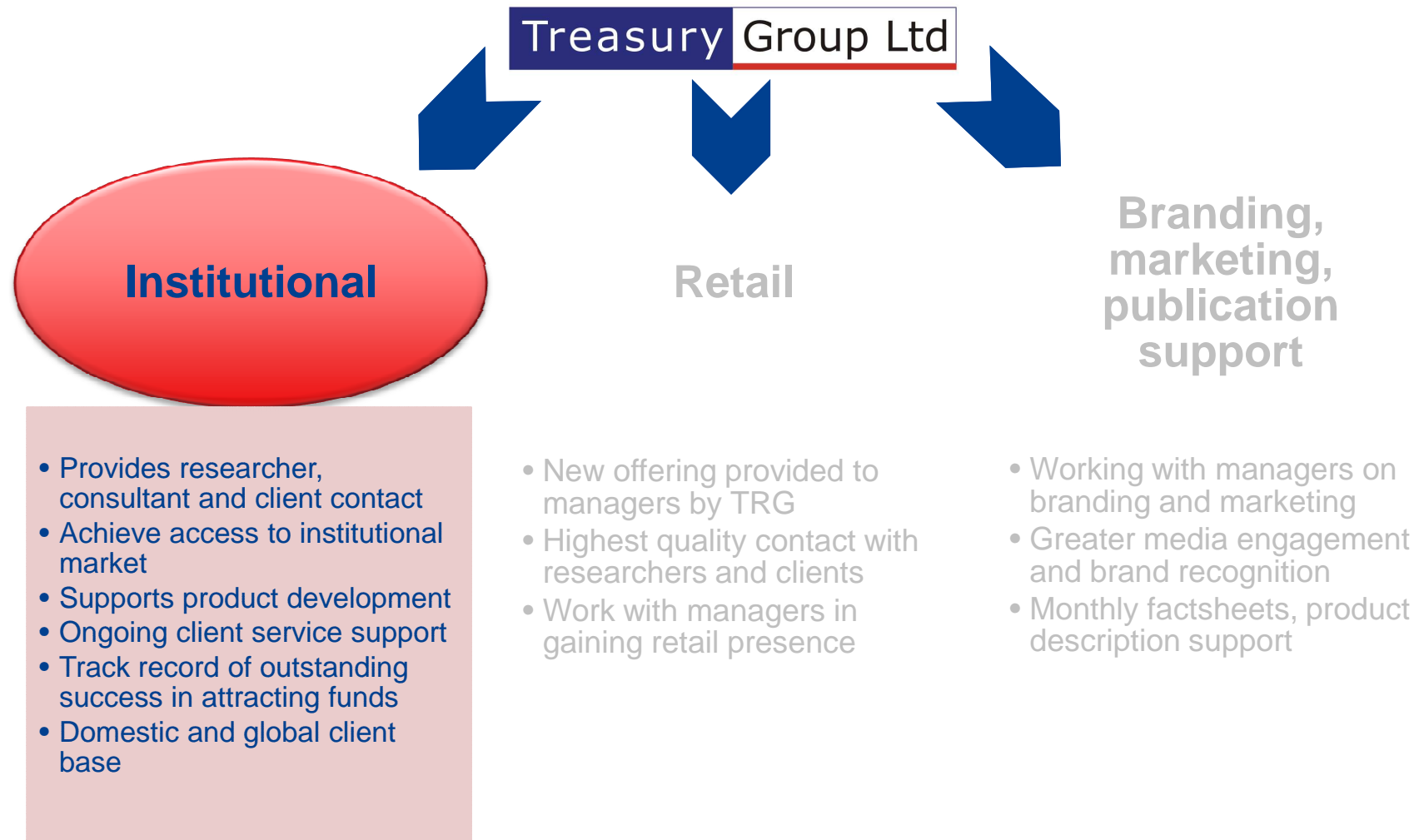
# *Distribution outlook*

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- **Client market is evolving in both institutional and retail**
  - TRG has re-positioned distribution to capture the changing market
- **Institutional market**
  - Investors look for specialist advice
  - Some movement to internal management
  - Clients are prepared to consider wide range of investment options
- **Retail market**
  - Significant change in structure of client base
  - Greater use of research and model gateways, emergence of “white labeling” and other techniques
  - Brand and marketing presence critical

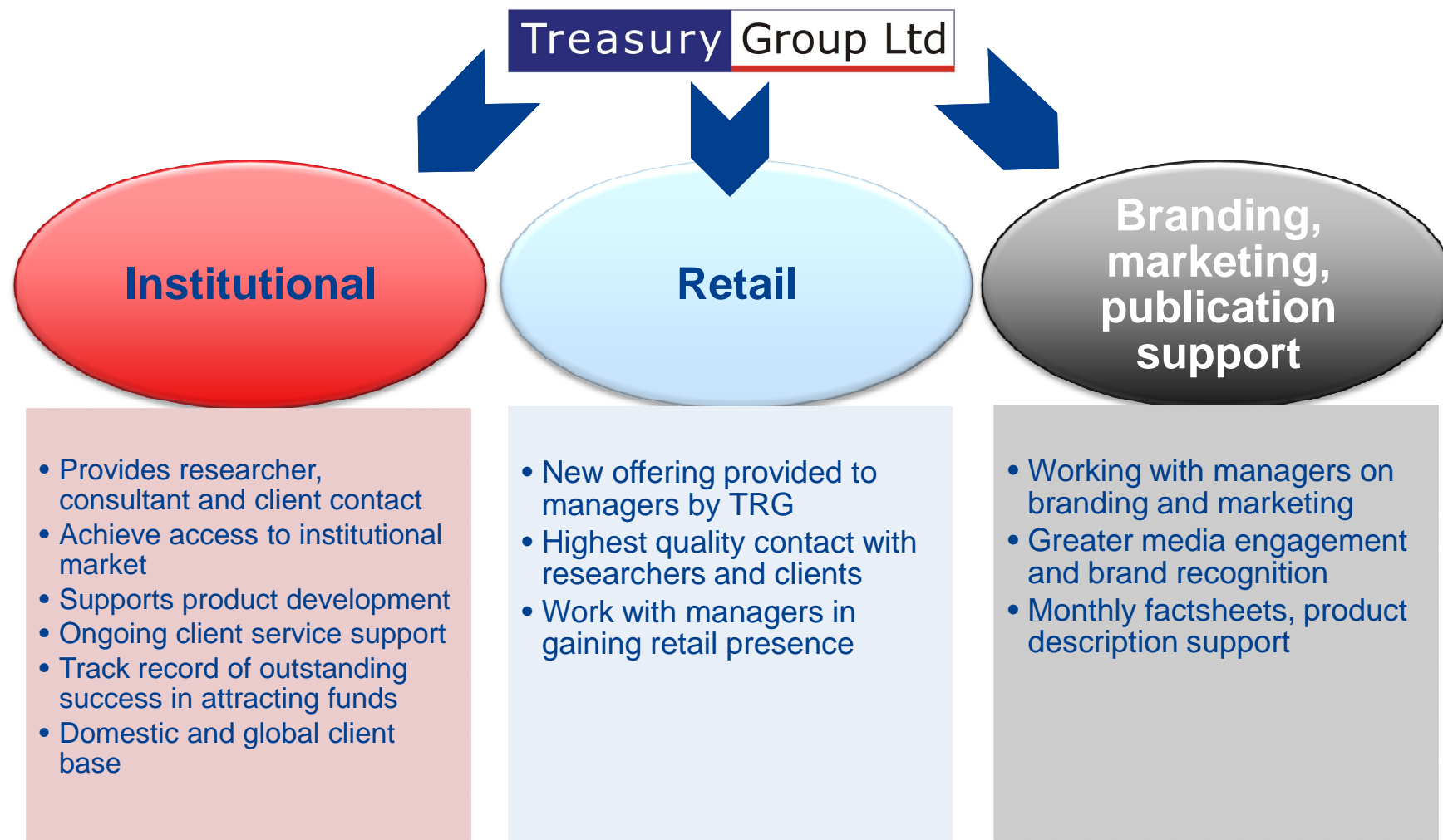
# Distribution – Previous Focus

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# *Distribution – New expanded approach*

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# *Retail distribution*

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- **Treasury Group's retail distribution services to our managers**
  - Researcher, client, platform coverage
  - Managers have actively engaged TRG services
    - Aubrey, AR Capital, Celeste, TAAM
  - Other managers also use TRG contacts / support / advice
  - TRG receives fees for support from manager
- **Hire of outstanding Head of Retail – Peter Walsh**
  - Track record of proven success
  - Highly regarded in the industry
- **Media, branding and publications support**
  - Working on manager publications
  - Media contact and branding

# Media

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## **Investordaily**

AR Capital adds analyst

Temby joins from Thorney Investments

Tue 17 Aug 2010 | by Wouter Klijn

## **Money Management**

Treasury Group turns focus to Premium Investors

7 July 2010 | by Benjamin Levy

## **Financial Standard**

Treasury Group ramps up asset allocation muscle

Wednesday, 7 July 2010 |

by Michael Hobbs

## **Investordaily**

China presenting other Asian opportunities

Thu 19 Aug 2010 | by Darin Tyson-Chan

## **Super Review**

Aubrey builds Australian presence

4 November 2010 | by Chris Kennedy

## **Morningstar.com.au**

Banks will struggle: IML

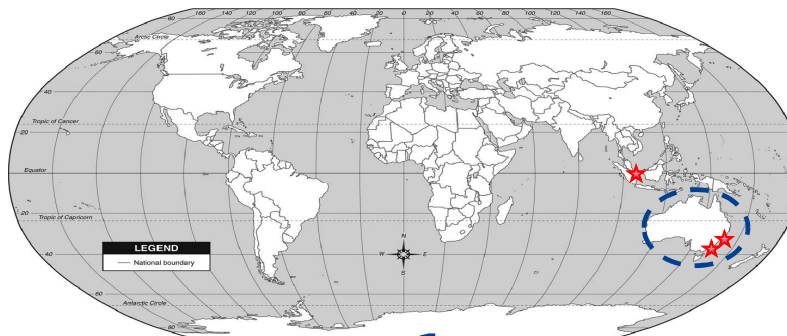
4 November 2010 | Christine St Anne



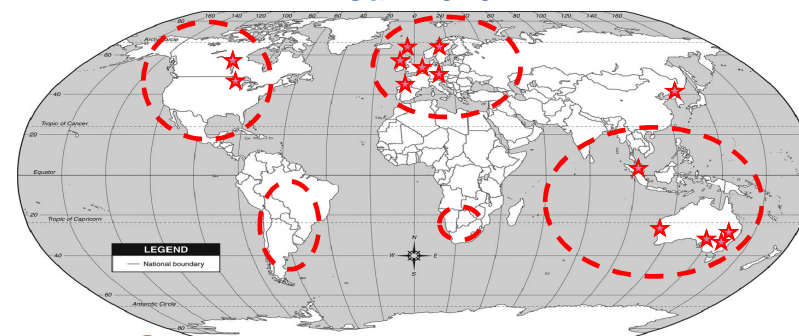
# Institutional distribution offering

- Provides researcher, consultant and client contact
- Works with managers to achieve access to institutional market
- Supports product development
- Ongoing client service support
- Track record

**Distribution focused mostly locally – FUM \$8.6b  
Jun 2005**



**Distribution spans the globe – FUM \$14.5b  
Jun 2010**



Gatekeeper coverage

Clients

Gatekeeper coverage and prospects

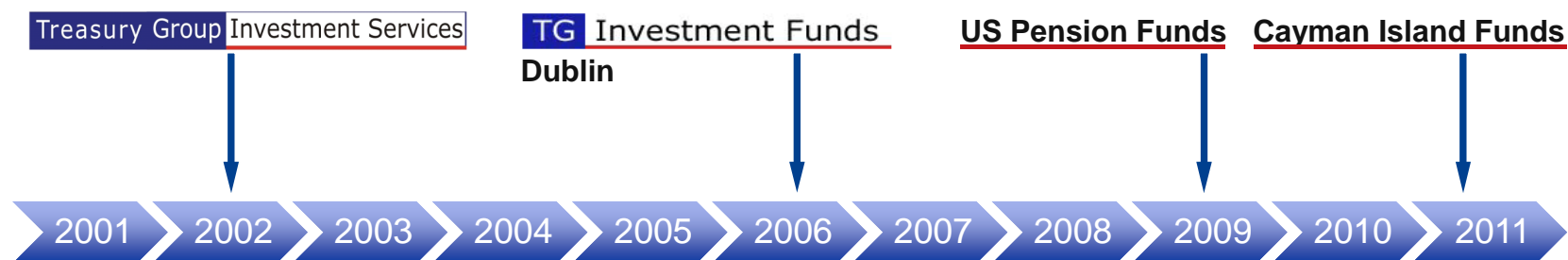
# *Treasury Group Investment Services (TIS)*

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# Treasury Group Investment Services offerings

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- **Support Services**
  - Wider usage of our automated compliance systems across our managers
  - Ongoing expansion of monitoring and training support for our boutiques
  - Highly experienced team of support specialists
- **Global services**
  - UCITS III, ERISA (US pension), Australian funds expertise
  - Addition of Cayman Island funds
  - Greater offshore compliance support capability
- **Achieved further cost savings delivered to boutiques via group buying power**
- **Ongoing delivery of technology based operational efficiencies from our Investment Administrator, RBC Dexia Investor Services Trust**



# *Treasury Group leads Asset Management*

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- ✓ TRG is the leader in boutique funds management
- ✓ We have expanded our services to our existing managers
- ✓ We have skill across all stages of boutique development
- ✓ Our brand and position in the market is strong
- ✓ We have both Australian and offshore presence



# A summary our of managers current business

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- **Investors Mutual**

- Integration of the team has gone well with positive client and consultant feedback positive
- Increased discussion with institutional clients
- Retail outflows continue – market sentiment weak



- **Orion Asset Management**

- Client relationships strong
- Investment performance positive
- Outstanding team



- **RARE Infrastructure**

- Strong investment team with deep resources
- Funds flow strong - recently added distribution staff in Chicago
- Clients both domestic and offshore



- **Global Value Investors**

- Focus on high income equities
- Announced new Co-CEO – to support investment and business management
- Strong and experienced investment team



# A summary our of managers current business

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- **Treasury Asia Asset Management**

- Outstanding team with depth of experience
- Added new senior PM to Australia
- Team based in Singapore and Australia

TREASURY ASIA   
ASSET MANAGEMENT

- **Celeste Funds Management**

- Seasoned Australian small caps manager
- Retail flows solid with increasing interest from new clients
- Outstanding investment performance

  
CELESTE  
Funds Management

- **Aubrey Capital Management**

- Enviably investment performance
- UK retail interest increasing and Australian client interest growing
- Launched Australian and UCITS funds

A U B R E Y  
  
CAPITAL MANAGEMENT

- **AR Capital Management**

- Absolute return Australian equity manager
- New clients during the year and working with offshore and domestic prospects
- New senior principal – deepens team research further

  
Capital Management Pty Ltd

# Summary

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- TRG has navigated well through the GFC and continues to be in a commanding position within the industry
- Strong results with net funds inflow and expenses controlled.
- TRG continues to be approached by large number of high quality investment teams.
- Positioned for continued strong performance

# *Formal Items of Business*

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# *Formal Items of Business*

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## **Item 1:** Financial statements and reports

*“To receive and consider the Financial Report, the Director’s Report and the Auditor’s Report for the year ended 30 June 2010”*

# Formal Items of Business

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## **Item 2:** Re-election of Mr Mike Fitzpatrick

*“That Mr Fitzpatrick, a Director retiring by rotation in accordance with the Company’s constitution and offering himself for re-election, be re-elected”*

Proxies have been received in respect of the resolution as follows:

<b>In favour</b>	<b>Against</b>	<b>Abstention</b>	<b>Proxy’s Discretion</b>
7,835,920	566,780	23,343	168,203

# Formal Items of Business

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## **Item 3:** Election of Dr Jack Jacoby

*“That Dr Jacoby, offering himself for election, under clause 7.1(j) of the Company’s constitution be elected as a Director of the Company”*

Proxies have been received in respect of the resolution as follows:

<b>In favour</b>	<b>Against</b>	<b>Abstention</b>	<b>Proxy’s Discretion</b>
747,639	7,691,189	6,515	148,903

# Formal Items of Business

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## **Item 4:** Adoption of Remuneration Report

*“To adopt the remuneration report forming part of the Directors’ Report for the financial year ended 30 June 2010”*

Proxies have been received in respect of the resolution as follows:

<b>In favour</b>	<b>Against</b>	<b>Abstention</b>	<b>Proxy’s Discretion</b>
7,168,865	626,251	657,835	141,295

# Formal Items of Business

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## **Item 5:** Grant of shares under the Executive Share Plan to Mr Mark Burgess, Managing Director

*“That approval be given in accordance with ASX Listing Rules 10.14 and 10.15 for Mr Mark Burgess to participate in the Executive Share Plan for the Company (ESP) and for the acquisition by Mr Mark Burgess of shares in the Company pursuant to the ESP, within one year of the date of this annual general meeting, on the terms described in the Explanatory Notes accompanying the Notice of Meeting ”*

Proxies have been received in respect of the resolution as follows:

In favour	Against	Abstention	Proxy's Discretion
4,197,101	714,835	3,505,323	49,107

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# *Question and Answers*

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Please join the Board and Management  
for refreshments.

# *FUM by region, retail, distribution*

## **FUM by Region**

<b>Segment</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
Australian Equities	8,239,293,864	7,031,593,333
International Equities	3,797,193,557	2,960,114,371
Alternatives	2,671,134,455	933,419,133
<b>TOTAL</b>	<b>14,707,621,876</b>	<b>10,925,126,837</b>

## **Clients by Region**

<b>Source</b>	<b>%</b>	<b>%</b>
Domestic	91.62	90.08
International	8.38	9.92
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

## **Clients by Type**

<b>Source</b>	<b>%</b>	<b>%</b>
Institutional	77.01	71.06
Retail	22.99	28.94
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>



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