

Wednesday, 23 February 2011

## HALF YEAR RESULTS - 31 December 2010

### Highlights

- **Funds under management up 7% at \$15.5 billion (for the 12 months) with new inflows into boutiques**
- **Normalised net profit maintained and expenses reduced**
- **Interim dividend increased from 12 to 14 cents – rise of 17%**
- **TRG well positioned for growth with no debt, no exposure to exotics and strong manager performance**

### Media Release – Fund Manager Developments

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Treasury Group Limited (ASX:TRG) has today reported a normalised consolidated net profit after tax of \$5.23 million. This compares to the \$5.40 million result from the previous corresponding period and a decline of 3% over the corresponding period.

Total funds under management at 31 December 2010 increased to \$15.51 billion, a growth of \$1.05 billion or 7.3%, on the previous corresponding year.

TRG Managing Director, Mark Burgess, said TRG boutiques were performing well and this was reflected in the overall growth in FUM. “We believe an increase in FUM in excess of \$1 billion is an important measure of the overall strength of our business model and confidence the market has in our managers. Importantly, this growth comes at a time when many managers are reporting outflows and investor sentiment remains cautious.”

Highlights from TRG managers include:

- **RARE** saw continued growth in net new funds flow and the team strengthened with the addition of new senior staff
- **Celeste, Aubrey and AR Capital**, TRG’s newest managers, all showed net inflows
- **TAAM** impacted by the loss of institutional clients but strengthened overall by addition of senior portfolio manager and the development of an advisory panel comprised of some of Asia’s most experienced investors including Marc Faber
- **IML** team has integrated well since the merger with Cannae; performing well and ahead of its value style peers; experiencing increased institutional interest although still experiencing net outflows
- **Premium Investors (PRV)** developed an investment advisory committee and continued strong dividend payments
- **GVI** deepened its team with appointment of Grant Cullens as co-managing director
- **Orion and Trilogy** continued strong growth in funds under management
- New products developed for offshore investors including Aubrey Global Growth Fund, European growth – UCITs III and AR Capital’s Cayman Island Fund (to be launched in 2011)

Full ASX announcement and financial results follow.

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Wednesday 23 February 2011

## TREASURY GROUP LIMITED HALF YEAR RESULTS – 31 DECEMBER 2010

### Overview

Treasury Group (ASX:TRG) today announced a profit of \$5.23 million for the half year ended 31 December 2010, from \$6.42 million reported at the previous corresponding year's equivalent result. The 2009 results were affected by capital movements and other non-operating items.

As with previous results, we encourage shareholders to focus on normalised results.

**TRG reported a normalised consolidated net profit after tax of \$5.23 million. This compares to the \$5.40 million result from the previous corresponding period and a decline of 3% over the year.**

The reduction in earnings was largely driven by a change in tax treatment.

The key developments since the beginning of the new financial year include:

- Launch of new investment products in Dublin (UCITs), a Cayman Fund and local pooled funds;
- Addition of outstanding investment talent
  - Appointment of new co-managing director of Global Value Investors (GVI)
  - Addition of senior portfolio manager to Treasury Asia Asset Management (TAAM) and the development of an advisory panel comprised of some of Asia's most experienced investors
- Growth in FUM at newest funds managers Celeste Funds Management (Celeste), AR Capital management (AR Capital) and Aubrey Capital Management (Aubrey)
- Increased institutional interest in Investors Mutual Limited's (IML) value
- Ongoing tight control of expenses at TRG

Funds under management (FUM) as at 31 December 2010 stood at \$15.51 billion. This was up \$1.05 billion or 7.3% from the FUM base as at 31 December 2009.

**Treasury Group has declared a fully franked interim dividend of 14 cents per share to be paid on 25 March 2011 fully franked. The 17% increase in dividend reflects the Board's confidence in the underlying strength of our business.**

The balance sheet position of the company remains strong with no debt.

A summary of the Profit and Loss is as follows:

\$000	6 months to 31 December		
	2010	2009	% Change
Total revenue	2,234	2,834	(21%)
Equity share of associates	7,302	7,404	(1%)
Expenses	(4,304)	(4,681)	(8%)
<b>Net profit after tax</b>	<b>5,232</b>	<b>6,421</b>	<b>(19%)</b>
<b>NORMALISED NET PROFIT</b>	<b>5,232</b>	<b>5,400</b>	<b>(3%)</b>
Basic earnings per share	22.68	27.83	(19%)
<b>Dividend per share (fully franked)</b>	<b>14.00</b>	<b>12.00</b>	<b>17%</b>

Treasury Group Chairman, Mike Fitzpatrick said:

*“We have made pleasing progress with growth in funds at our new boutiques and continued growth at RARE. The last six months has also seen the recruitment of outstanding talented senior resources at TAAM, GVI and Orion and continued successful integration of the IML team. The company remains in a solid financial position and is actively looking at new opportunities both domestically and offshore”.*

Other developments we would highlight over the 12 months to December include:

- Strong investment performance by IML, outperforming their largest value based competitors. The new deepened investment team continues to perform well
- Further penetration into the retail market, following the development of a TRG retail distribution offering
- Improved performance and strong dividend qualities of Premium Investors – our listed investment company
- Continued diversification of our earnings stream with strong contributions to profitability from Orion Asset Management (Orion), IML and RARE Infrastructure (RARE)
- As foreshadowed at the AGM, David Cooper has agreed to continue on the Board as a Non Executive Director

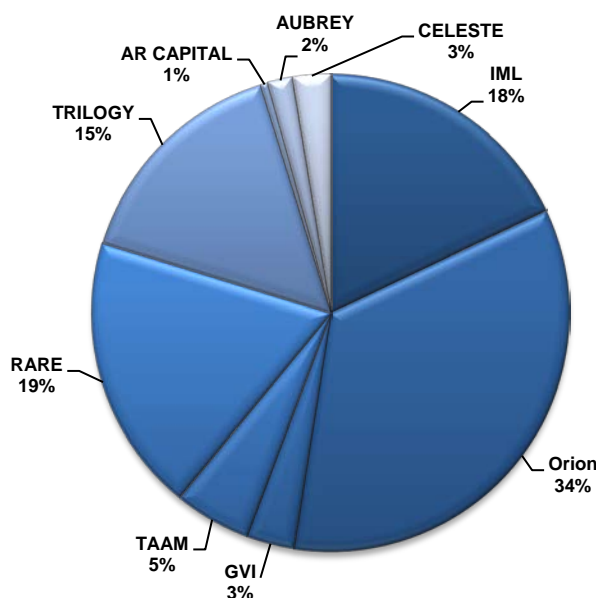
### Funds under management (FUM)

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Total funds under management at 31 December 2010 amounted to \$15.51 billion, an increase of \$1.05 billion or 7.3%, on the previous corresponding year.

RARE saw continued growth in net new funds flow, while the businesses acquired in late 2009, namely Celeste, Aubrey and AR Capital all showed net inflows. TAAM was impacted by the loss of institutional clients. IML saw net outflows in the half as investor sentiment remains weak. With investment performance over the year ahead of its value style peers, we are confident that IML, with the addition of investment and leadership resources in early 2010, has an outstanding competitive position and we look forward to future growth in the business.

FUM BY MANAGER



Our results were flat over the quarter following the strong recovery in normalised profitability in 2010/09 financial year. Half year earnings growth was impacted by sideways trading equity markets over the year, moderate investment flows and some further outflows at IML during the half. This was offset by growth in profitability at a number of our other boutiques, with IML, Orion and RARE forming the core base of profitability.

Our investment teams are generally performing well with pleasing growth in our newest managers (AR Capital, Celeste and Aubrey Capital) over the 12 months. RARE and Trilogy also raised significant assets.

IML's investment performance, when measured against its peers and the market over the 12 months has been outstanding. We are seeing increased institutional client interest although the retail market remains weak with outflows recorded over the half. With the depth of IML's investment team and leadership structure, we believe IML is Australia's leading value oriented investor and we look forward to the future growth prospects for this business.

We have also been pleased to announce the addition of outstanding investment talent at TAAM and GVI. In both cases, this will strengthen their investment offering and support further enhancements to their investment process.

The industry continues to see mixed activity, with retail clients remaining cautious despite recent upward movements in share prices. We believe confidence will improve as markets recover and that the benefits of active investment management have never been more important for clients looking to allocate to growth assets.

Internationally, clients are focused on adding asset classes that can add differentiated investment performance. This benefits boutiques such as RARE (in global listed infrastructure) or where a manager has an interesting investment style or approach (such as Aubrey – global growth style and GVI's focus on dividends). During the half, RARE added a Chicago based distribution resource focused on adding to their US client base. Growth in international clients remains an important strategic target and we look forward to updating shareholders on our progress in this area.

**Our outlook for investment markets remains optimistic as we move into 2011. Our business is now well diversified with earnings driven by three core managers- RARE, IML and Orion, and strong future growth prospects among our other managers. Unlike a fund management group with a single product line (or small number of investment professionals), TRG has a large number of staff working across eight boutique managers offering future growth but with diversification against any one business risk. Our boutiques are staffed by world class investment professionals and we continue to appreciate the great work undertaken by our partners in delivering outstanding investment solutions.**

Looking forward, we see the opportunity to continue to pursue world class investment talent and attract them to the boutique model. In addition we have continued to build out client presence in both the Australian and offshore markets, supporting our existing managers and making our business model attractive to a wide range of managers. We are also looking at alternative asset classes in which we do not yet have a presence.

We look forward to keeping shareholders informed as new opportunities develop.

For further information

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Managing Director  
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Mr Joseph Ferragina  
Chief Financial Officer  
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Notes:

Treasury Group equity accounts all the fund management businesses. The ownership interest in the asset managers is as follows:

Investors Mutual Limited	47.50%
Orion Asset Management	42.00%
Treasury Asia Asset Management	40.00%
Global Value Investors <sup>1</sup>	49.00%
RARE Infrastructure	40.00%
AR Capital Management	30.00%
Celeste Funds Management	39.13%
Aubrey Capital Management <sup>3</sup>	

<sup>1</sup> TRG has a direct interest of 25% and an indirect interest of a further 23.75% following the exercise of options by staff post 31 December 2009.

<sup>2</sup> TRG owns convertible securities that when converted will result in TRG owning a 20% interest. TRG also has two options to acquire a further 10% upon agreed targets being satisfied. TRG does not currently equity account its interest in Aubrey Capital Management

## Detailed Financial Analysis

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Below we offer more detail on our financial results including:

- Normalised Earnings
  - Share of net profit from equity accounted investments
  - Cash flow
  - Tax policy
  - Dividend
  - Detailed disclosure of business profit and loss
    - Treasury Group income statement
    - Aggregate boutique earnings
  - Funds under management – by asset, region and client type
  - Review of operations
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### Normalised Earnings

During the half there were few abnormal items. In the half year ended 30<sup>th</sup> December 2009, the results were distorted by the following items: gain on acquisition of Celeste Funds Management; market to market and realised gains (/losses) and conversion of Cannae Capital Partners convertible note. The following table outlines this in more detail.

NPAT (TRG Shareholders) millions	December 2010	December 2009
<b>Net profit after tax</b>	5.23	6.42
<b>Add back :</b>		
Write off of CCP notes	-	0.13
Restructuring costs in Celeste Funds Management	-	0.09
<b>Less:</b>		
Realised and unrealised gains on investments	-	0.69
Gain on acquisition of Celeste	-	0.55
<b>Normalised NPAT</b>	<b>5.23</b>	<b>5.40</b>

### Share of net profit from equity accounted investments

Share of net profit from equity accounted investments fell marginally by 1%. The Group saw a greater share of contribution to profit from RARE and Orion however this was offset by the lower profitability coming out of IML. Whilst the overall share of profit from associates was slightly lower for this six months, the comparative result in 2009 included a one off gain on acquisition of 0.55 million. The overall profitability from our managers was collectively higher in these six months if this impact is recognised.

## Cash Flow

The cash flows of the group were steady for the six months ended 31 December 2010. Net cash flows from operating activities were up 17% primarily due to the timing of fees received and paid to fund managers within the Group. TRG invested \$3 million in new investment products of managers as seed capital during the period.

The company had \$9.4 million in cash at 31 December 2010 as well as \$8.3 million invested in funds associated with the Group.

## Tax policy

For six months to 31 December 2010 TRG did not recognise any tax benefits resulting from tax losses incurred at the consolidated group. This compares to the previous corresponding period where \$0.58m was recognised in the result. Tax benefit recognised up to 31<sup>st</sup> December 2009, was \$2.5m which is reflected in the balance sheet as a "Deferred Tax Asset". Since 1 January 2010, the tax benefit not recognised is \$1.2m.

## Dividend

On 23 February 2011 Treasury Group declared a fully franked dividend of 14 cents per share with a record date of 4 March 2011 and a payment date of 25 March 2011.

## Detailed disclosure of business profit and loss

- Treasury Group income statement

Detailed below is TRG's consolidated income statement:

Income Statement	6 months to 31 December			
	\$000	2010	2009	% Change
Revenue		2,234	2,834	(21%)
Equity share of associates profit		7,302	7,404	(1%)
Gains/(losses) on investments		-	282	n/a
Employee expenses		(2,742)	(2,836)	(3%)
Funds management and admin expenses		-	(358)	n/a
Other expenses		(1,557)	(1,487)	5%
Profit before tax		5,237	5,839	(10%)
Tax benefit		(5)	583	(101%)
Profit after tax		5,232	6,421	(19%)
Diluted earnings per share (cents)		22.68	27.83	(19%)
Basic earnings per share (cents)		22.68	27.83	(19%)
Dividend per share (fully franked)		14.00	12.00	17%

Although our average assets under management rose year on year, our margins were affected by the change in mix to institutional clients during the market downturn. Retail fund flow has been mixed across the group with outflows in Australian equities. As noted above, we continue to target growth in retail assets as client sentiment improves as markets stabilise.

- Aggregation of Funds Management Businesses

The table below is an aggregation of the profit and loss of each company that is reflected as an associate namely IML, Orion, TAAM, RARE, GVI, Cannae, AR Capital and Celeste Funds Management.

This aggregated information is provided to offer further insight into the underlying operations of our business.

Aggregation of Funds Management Business	6 months to 31 December		
\$000	2010	2009	% Change
Net management fees	36,187	33,838	7%
Other income	1,783	1,739	3%
<b>Gross Profit</b>	<b>37,970</b>	<b>35,577</b>	<b>7%</b>
<b>Expenses</b>			
Staff related expenses	9,593	9,217	4%
Other expenses	6,940	6,317	10%
<b>Total expenses</b>	<b>16,533</b>	<b>15,534</b>	<b>6%</b>
<b>Net Profit Before Tax</b>	<b>21,437</b>	<b>20,043</b>	<b>7%</b>
Income Tax	4,675	5,694	(18%)
<b>Net Profit after Tax</b>	<b>16,762</b>	<b>14,349</b>	<b>17%</b>
TRG's share of after tax profit	<b>7,302</b>	<b>7,404</b>	<b>(1%)</b>

### Funds Under Management (FUM)

The following tables provide further detail of our funds under management overseen by our boutiques or partners by asset type and client source

Segment (\$millions)	31-Dec-10	30-Jun-10	31-Dec-09
Australian equities	8,538.5	8,239.3	9,043.3
International equities	3,973.8	3,797.2	3,801.8
Alternatives	3,001.3	2,671.1	1,619.2
<b>TOTAL</b>	<b>15,513.6</b>	<b>14,707.6</b>	<b>14,464.3</b>

Client Source	31-Dec-10	30-Jun-10	31-Dec-09
Domestic	14,027.3	13,475.5	13,370.9
International	1,486.3	1,232.1	1,093.4
<b>TOTAL</b>	<b>15,513.6</b>	<b>14,707.6</b>	<b>14,464.3</b>

Client Source	31-Dec-10	30-Jun-10	31-Dec-09
Institutional	11,971.8	11,326.4	10,380.0
Retail	3,541.8	3,381.2	4,084.3
<b>TOTAL</b>	<b>15,513.6</b>	<b>14,707.6</b>	<b>14,464.3</b>



## Review of operations:

### Treasury Group Investment Services

#### *Treasury Group Investment Services (TIS) - (100% owned at 31 December 2010)*

Treasury Group through TIS provides its managers with risk and compliance services as well as a Responsible Entity function. TIS are focused solely on supporting our internal managers and offers a high value add to our managers at a moderate charge out rate. TIS is an important value creator in our relationship with our boutiques and through its high quality of services, ensure that the boutiques are supported by the highest quality of compliance controls and business support.

TIS also act as investment manager for a listed investment company, Premium Investors Limited (PRV).

### IML INVESTORS MUTUAL LTD

#### *Investors Mutual Limited (IML) - (47.50% owned at 31 December 2010)*

Investors Mutual outperformed their major value based competitors over the 12 months to December 2010, as the integration of the former Cannae teams with the IML team has continued to add value. The teams have combined well with depth of resources and leadership which is industry leading. We have seen increased institutional client interest and reviews of the IML structure are being undertaken by institutional clients and consultants. The retail market remains soft however with continued outflows over the year. While this partially reflects the weak retail environment, IML is keen to raise their researcher ratings to reflect the depth and quality of the investment team. IML today is one of Australia's strongest value investors with depth of team and succession planning well ahead of competitors. We look forward to future growth in the business.

### ORION asset management

#### *Orion Asset Management Limited (Orion) - (42% owned at 31 December 2010)*

Orion continued to enhance its reputation during the year as the business continues to enjoy solid institutional support. The Orion business is managed by three senior investment professionals who have a collective level of investment experience which is difficult to match in the Australian market. Importantly this gives Orion an outstanding depth of leadership experience. Orion's investment performance has been strong against benchmark over the year, again reflecting the depth and quality of their investment team.

The distribution alliance with Trilogy Global Advisors, a New York based asset management business has remained an attractive option to investors and this business also experienced strong net inflows.

### GLOBAL VALUE INVESTORS

#### *Global Value Investors (GVI) - (49% owned at 31 December 2010)*

During the half year, we were pleased to announce the hiring of a new Co-CEO of GVI, Grant Cullens. Grant comes with a long and successful global equity track record, with exceptional leadership and investment skills. This important hire will further strengthen the IML team. During the half year GVI saw some fund outflows as retail investors remain cautious on the investment outlook.

We are hopeful that confidence will return as investment markets rally and we look forward to working with GVI to achieve net new funds flow.

*Treasury Asia Asset Management (TAAM) - (40% owned at 31 December 2010)*

During the half year TAAM saw three institutional clients withdraw from their funds primarily due to client asset shifts and policy changes. As noted at the AGM and in our funds releases, this has reduced TAAM's current funds under management although global client interest remains strong. To enhance investment performance and strengthen the existing team, TAAM was pleased to announce the hiring of Ken Wan, a senior portfolio manager who had previously worked with the team. Ken has a long and successful history in the management of equity assets and we welcome Ken to the group.



*RARE Infrastructure (RARE) - (40% owned at 31 December 2010)*

RARE has had a very successful twelve months culminating in winning mandates. During the half year, RARE added a new distribution resource based in Chicago to grow the business in the US market. Client interest remains strong. Investment performance remains positive.



*AR Capital Management (AR Capital) - (30% owned at 31 December 2010)*

Over the 12 months to December 2010, AR Capital welcomed a number of new clients. Working with TRG, AR has been able to attract clients to their fundamentally based absolute return investment style. AR has also added an experienced portfolio manager to their team during the 12 months following the departure of a fund manager. The PM has a long and successful track record in Australian equity management.



*Celeste Asset Management (Celeste) - (39% owned at 31 December 2010)*

Celeste joined TRG in late 2009 and is now working with TRG's new retail distribution team to grow assets under management and broaden their client base. Celeste is targeting both retail and institutional clients. Investment returns have been stellar in both absolute terms and against benchmarks. Celeste's focus on small cap Australian equities should offer ongoing opportunities to add significant value against both benchmarks and total investment returns.



*Aubrey Capital Management (Aubrey) - (TRG owns redeemable preference shares entitling it to a 20% ordinary equity in Aubrey)*

Aubrey's performance over the 12 months has been outstanding, significantly outperforming both benchmarks and competitors. Aubrey has also attracted new client funds with increasing interest from UK, European and Australian clients. During the half year, Aubrey launched a new Australian based fund which will allow Australian clients access to Aubrey's unique global growth investment style. We look forward to working with them in continuing to grow assets.



# *Treasury Group Limited*

*Half year results to 31 December 2010*

*Presented by Mark Burgess, Managing Director  
Joe Ferragina, Chief Financial Officer*

Treasury Group Ltd

# A Summary of the profit and loss

	6 months to 31 December 2010		
\$000	2010	2009	% Change
Total revenue	2,234	2,834	(21)
Equity share of associates	7,302	7,404	(1)
Expenses	(4,304)	(4,681)	(8)
<b>Net profit after tax (TRG shareholders)</b>	<b>5,232</b>	<b>6,421</b>	<b>(19)</b>
<b>NORMALISED NET PROFIT</b>	<b>5,232</b>	<b>5,400</b>	<b>(3)</b>
Basic earnings per share	22.68	27.83	(19)
Dividend per share (fully franked)	14.00	12.00	17

## Overview

- FUM at \$15.5bn – up 7% on the year
- Expenses controlled at TRG reduced further
- Source of profits well diversified
- Normalised net profit flat
- Equity markets saw little gain over the year

# *Comment on results*

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- **New fund flows up over 12 months**
  - Net new inflows at RARE and Trilogy
  - New managers (Celeste, Aubrey and AR Capital) saw net inflows over the 12 months
  - Retail market confidence soft
  - Outflows at IML, despite strong relative performance
  - TAAM saw fund outflows
- **Costs controlled**
  - TRG managing expenses over the half
  - Manager expenses see modest rise reflecting addition of investment talent
- **Results flat on normalised basis**
  - Conservative reflection of the tax benefit. Board looking to utilise tax credits
  - Equity markets saw little gain over the year
  - Diversified source of earnings
  - Mix between retail and institutional unchanged over the half

# Dividend policy

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- **Dividend policy – growth in dividend reflects Board’s confidence in underlying business**
  - Dividend increased from 12 to 14 cents (PCP) for the half. Rise of 17% over the year
  - Opportunities continue to exist for new boutiques
  - Capital also utilised in developing new products

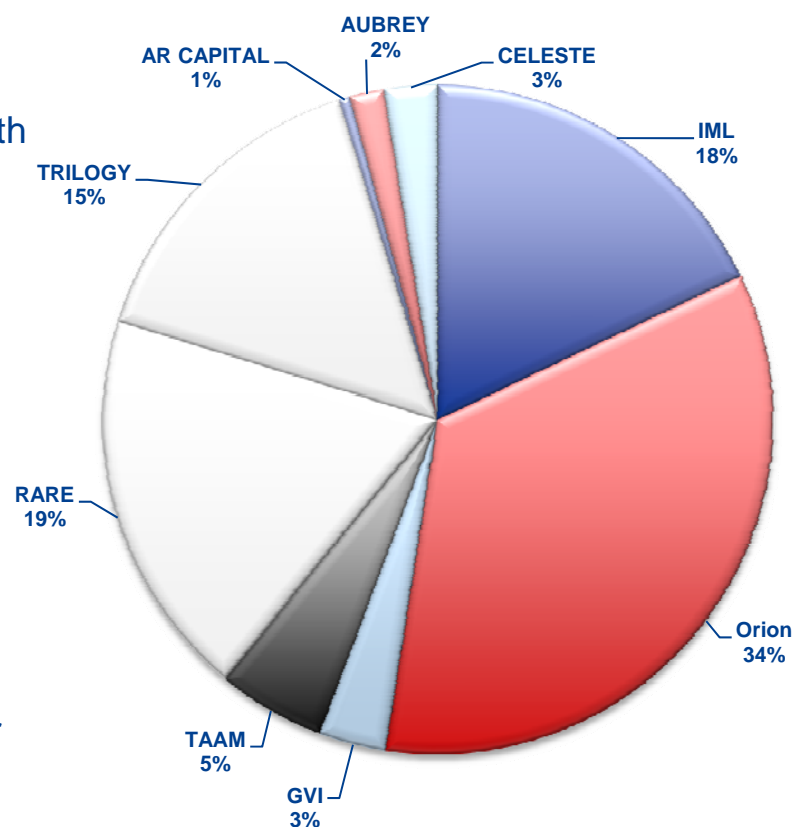
	2008	2009	2010
Dividend – December half year	10 cents	12 cents	14 cents

- **TRG has a strict approach to capital management**
  - We assess all new partnerships on likely return on capital
  - TRG has unrealised tax benefit at head company
  - Board is looking to utilise this asset in future transactions
  - Not taking new tax benefit to account in this six months

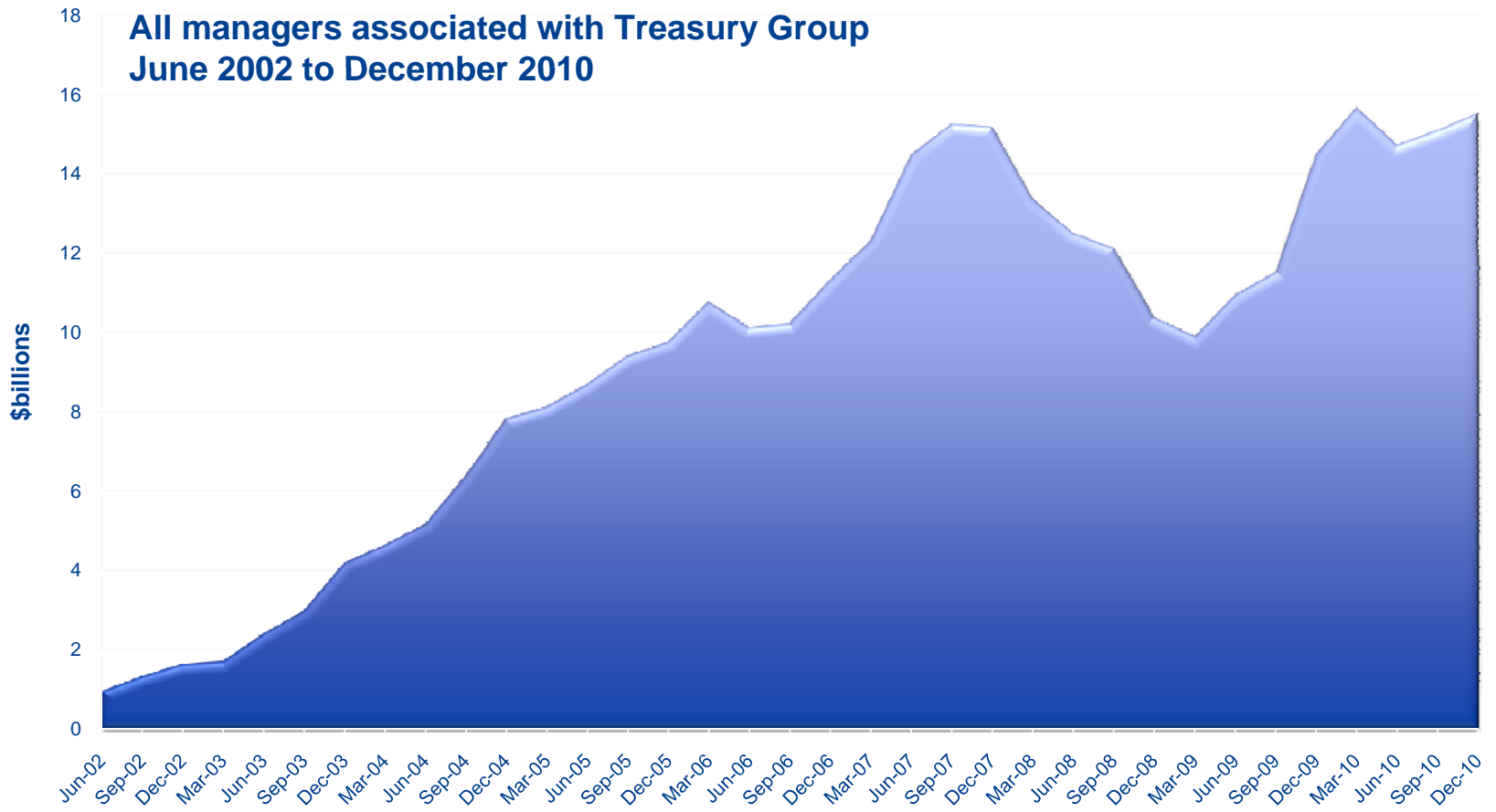
# Funds Under Management (FUM)

- **TRG has well diversified fund base**
  - Profits sourced from diversified base
  - Reduces individual business risk
  - Allows multiple sources for future growth
  - Growth in international clients
- **Net new funds flow strong over the 12 months but slowed in the half**
  - RARE, Trilogy saw strong in net flows
  - Celeste, Aubrey and AR Capital – new funds flow for the year
  - IML: weakened investor confidence resulted in outflows on the half, but investment performance strong
  - TAAM: three client withdrawals due to change in asset allocation and manager mix

FUM at 31<sup>st</sup> December 2010



# FUM



Treasury Group Ltd



# *FUM by region, retail, distribution*

## **FUM by Region**

Segment (\$millions)	31 December 2010	30 June 2010	31 December 2009
Australian Equities	8,538.5	8,239.3	9,043.3
International Equities	3,973.8	3,797.2	3,807.8
Alternatives	3,001.3	2,2671.1	1,619.2
<b>TOTAL</b>	<b>15,513.6</b>	<b>14,707.6</b>	<b>14,464.3</b>

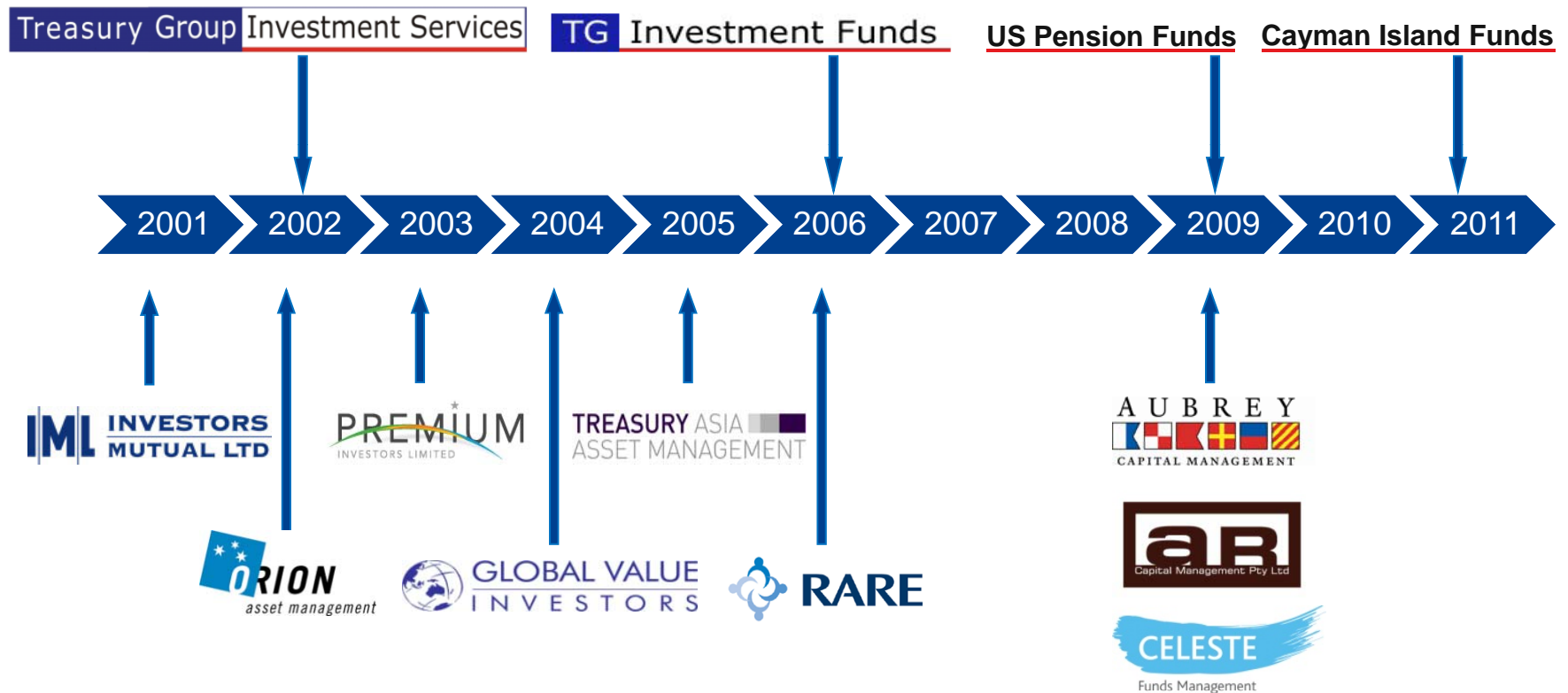
## **Clients by Region**

% of assets			
Domestic	90.4	91.6	92.4
International	9.6	8.4	7.6

## **Clients by type**

% of assets			
Institutional	77.2	77.0	71.8
Retail	22.8	23.0	28.2

# Treasury Group evolution continues



# Key developments over the half to December

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## Launch of new products

- Aubrey Global Growth Fund, European Growth Fund– UCITs III
- Cayman Island – AR Capital scheduled to launch in March quarter 2011
- Australian pooled fund – Aubrey Global Growth Fund
- GVI unhedged product
- Offers clients in Australia and offshore access to existing managers



## Addition of investment talent

- New CO-Managing Director for Global Value investors (GVI)
- New senior PM for TAAM and a new Advisory Committee
- Addition of senior staff at RARE



## Increased institutional interest in IML value funds

- Outperformed large value competitors
- Outstanding short and long term performance
- Attractive after tax returns
- Team performing well



## Ongoing costs focus at TRG

# Key developments over 12 months

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## **IML – strong performance against value based competitors**

- Merger of two teams performing well
- A deeper and more experienced team than most in the market
- Seeing increasing institutional interest
- Retail funds flow – targeting researcher and consultant reviews



## **TRG retail distribution offering**

- TRG provides retail marketing services
- Centralised support to managers
- Working across boutiques to improve retail penetration



## **TRG earnings stream diversified**

- RARE is delivering outstanding growth over the year
- Core earnings stream from Orion, RARE, and IML
- Upside growth prospects from all managers
- Diversified structure reduces single manager risk



## **Premium Investors**

- Yield at current prices attractive
- New Investment Advisory Group - seasoned investors
- PRV asset performance strong

# Manager Review

- **Aubrey Capital Management (Aubrey)**
  - Aubrey began operations in 2006
    - Staffed by experience principals –
    - ex Walter Scott/Stewart Ivory/First State
    - Edinburgh based
    - Growth style investing – offer Global and European funds
  - **Partnered with TRG in 2009**
  - **Funds flow**
    - Seeing increased interest from UK and Europe
    - Early stages of growth in other markets
    - We expect to build over a 2-3 year period
  - **Investment performance outstanding\***



	1 year	2 years	Since inception(pa)
Quartile Ranking	1	1	2
Outperformance	+13.2%	+19.9%	+2.9%

Source: Aubrey Capital Management – MSCI World Accumulation net dividends reinvested (GBP)

**\*IMPORTANT – see note in disclaimer page 18**

Treasury Group Ltd

# Associate Review

- **Premium Investors Limited (PRV)**
  - Listed investment company
  - Invested in Australian and international equities
  - Allows investors access to Treasury Group managers
- **Delivered strong results for investors in 2010**
  - Dividend yield at current market prices of over 8% fully franked
  - Price has risen with markets and recognition of value
- **TRG has enhanced investment process**
  - Convened an Investment Advisory Group
- **TRG has worked with the PRV board to:**
  - Market the fund to new investors
  - Focus on growth in yield



Year to:	Dividend paid	Dividend yield – on average share price	Fully Franked
June 2005	4 cents	4.2%	YES
June 2006	8 cents	8.1%	YES
June 2007	8 cents	7.1%	YES
June 2008	8.5 cents	8.1%	YES
June 2009	4 cents	6.3%	YES
June 2010	5 cents	6.8%	YES
*year to Sept 10	8.5 cents	11.8%	YES

Source: Premium Investors Limited









Treasury Group Ltd

# Market Overview

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- **Investor confidence in the retail market remains mixed**
  - Markets flat over the 12 months
  - Signs of some improvement in sentiment
  - Researcher driven market with platforms dominating new flows – our managers focus on researcher ratings
- **Some fee competition in the market**
  - ETFs gained attention due to marketing but active management remains dominant
  - Our managers offer high quality products and fees reflect this
  - Globally investors are looking for value add
  - TRG is diversified between managers, client type and regions
- **International clients**
  - Clients searching for interesting, value added investment approaches
  - Signs of confidence improving
  - Boutique model attractive to many offshore investors when partnering with solid backer
- **Regulation and policy**
  - Important that Australian regulators focus on total return
  - Retail investors require world class managers to support defined contribution environment

# Manager Snapshot

International	Manager	Investment Style	Joined TRG	Vehicles Available*	Location
	Treasury Asia Asset Management (TAAM)	High Alpha Asian Equities	2005	Pooled Fund, Mandate, UCITS	Singapore
	Global Value Investors (GVI)	Defensive Value Global Equity	2005	Pooled Fund, Mandate	Sydney
	Aubrey Capital Management (Aubrey)	Global Growth, Thematic	2009	Pooled Fund, Mandate	Edinburgh
	RARE Infrastructure Limited (RARE)	Global & Emerging Markets Listed Infrastructure	2006	Pooled Fund, Mandate, UCITS	Sydney US Rep
<b>Australian</b>					
	Investors Mutual Limited (IML)	Australian Equities	2001	Pooled Fund, Mandate	Sydney
	Celeste Funds Management (Celeste)	Australian Small Cap	2009	Pooled Fund, Mandate	Sydney
	Orion Funds Management (Orion)	Australian Equities	2003	Pooled Fund, Mandate	Sydney
<b>Alternative</b>					
	AR Capital Management (AR Capital)	Long/Short Australian Equities	2009	Pooled Fund, Mandate	Melbourne



# Summary

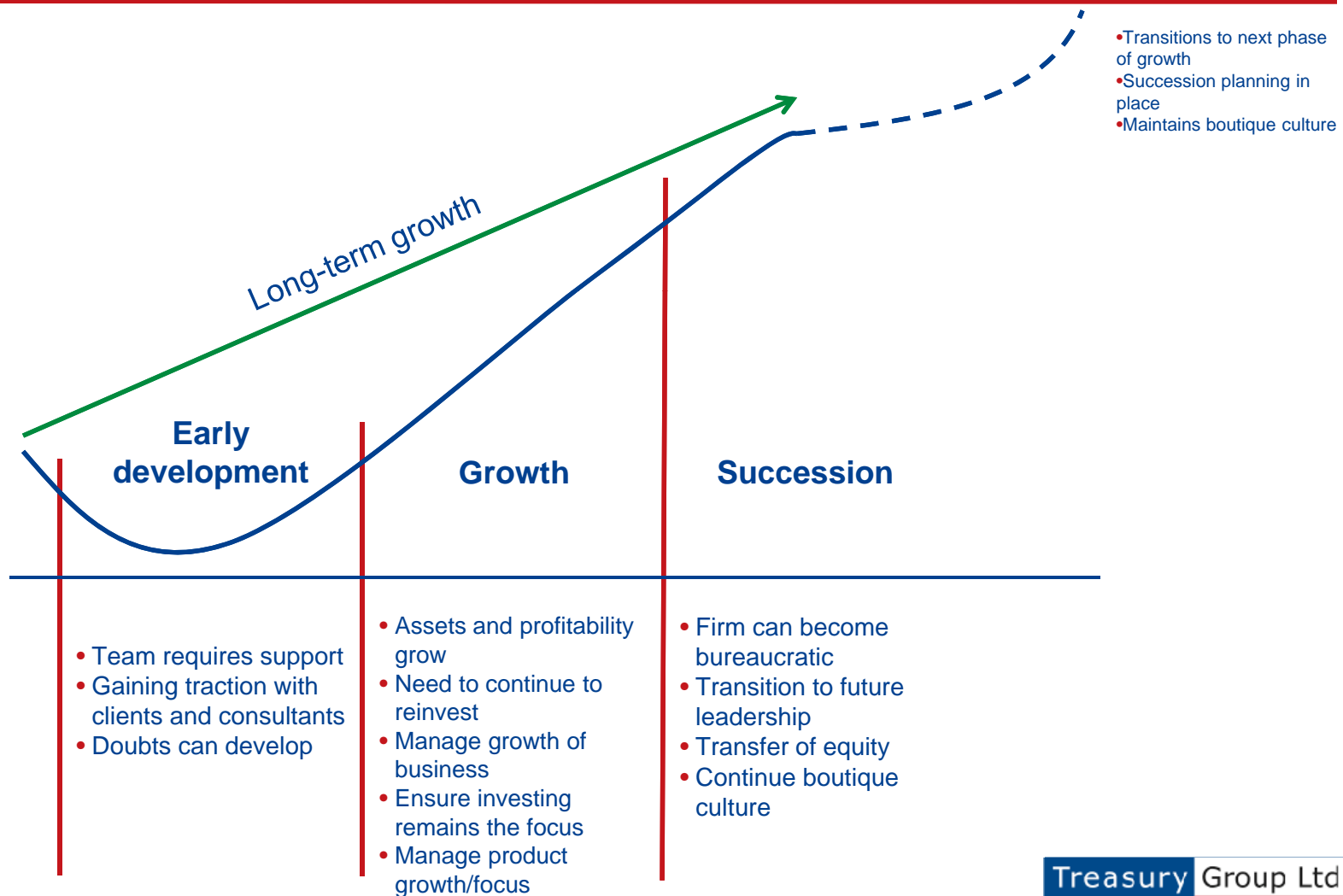
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- **We continue to be approached by high quality investment partners**
- **Underlying net funds flow positive but mixed in the half**
- **Earnings flat on the half as investment markets range trade – diversified source of earnings**
- **TRG has outstanding client base in Australia and offshore**
- **Future growth prospects good for all managers – new partners performing well**

# *Appendix*

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# Managing the boutiques life cycle



# Disclaimer

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**\* Note in relation to data on slide 11, Manager Review – Aubrey Capital Management**

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