



IOOF submits Proposal to acquire The Trust Company

3 September 2013

Contents



- **Overview**
- **Benefits to Trust shareholders**
- **Benefits to IOOF shareholders**
- **Next steps and conclusion**

Overview

IOOF's Proposal to acquire The Trust Company



- IOOF has submitted a proposal to acquire The Trust Company (“Trust”)
- Under the IOOF Proposal, shareholders in Trust will receive their choice of either:
 - 0.74 IOOF shares per Trust share, or
 - a Guaranteed Minimum Cash Consideration
- A Special Dividend of \$0.22 per Trust share (expected to be fully franked) will also be paid to Trust shareholders
- The Guaranteed Minimum Cash Consideration will be \$6.03 per Trust share, or the cash equivalent value of 0.74 IOOF shares per Trust share, whichever is the higher. The Guaranteed Minimum Cash Consideration will be subject to a maximum cap of \$100m of total cash to be paid by IOOF and will be scaled back to the extent that demand for the Guaranteed Minimum Cash Consideration exceeds \$100m
- IOOF will also encourage the Board of Trust to declare to Trust shareholders in October 2013 an Interim Dividend of up to \$0.17 per Trust Share. Payment of an Interim Dividend by Trust is not permitted under the offer for Trust by Perpetual Limited (“Perpetual Offer”)

Comparison of IOOF Proposal and Perpetual Offer

Based on volume weighted average price over a 1 month period

	 Share Consideration	 Guaranteed Minimum Cash Consideration	Perpetual Offer
Share Consideration	\$6.34	\$6.03 or better	\$5.84
Special dividend	\$0.22	\$0.22	\$0.22
Consideration value	\$6.56	\$6.25 or better	\$6.06
Trust Interim Dividend	up to \$0.17	up to \$0.17	-
Value per Trust share	\$6.73	\$6.42 or better	\$6.06

Note: VWAP = volume weighted average price. 0.74 IOOF shares based on the 1 month VWAP of \$8.57 as at 30 August 2013 equals \$6.34. The IOOF Share Consideration will be calculated with reference to the exchange ratio of 0.74 IOOF shares for each Trust share and the volume weighted average price per IOOF share over the five trading days following the date the Scheme becomes effective. IOOF has declared a dividend of \$0.225 for which the record date is 24 September 2013. The IOOF Proposal will not be concluded prior to 24 September 2013, hence Trust shareholders will not receive this dividend. “Perpetual Offer” reflects the exchange ratio of 0.1495 Perpetual shares and a special dividend of \$0.22 per share as contained in the Scheme Implementation Agreement signed by Perpetual Limited and Trust on 7 May 2013 and Perpetual 1 month VWAP of \$39.08 as at 30 August 2013.

The IOOF Proposal contains a Guaranteed Minimum Cash Consideration alternative



- **Trust shareholders who choose the cash alternative will receive the higher of:**
 - the cash equivalent value of 0.74 IOOF shares; or
 - cash of \$6.03

plus a \$0.22 Special Dividend, expected to be fully franked

plus, for Trust shareholders on the register at the relevant record date, a Trust Interim Dividend of up to \$0.17
- **The Guaranteed Minimum Cash Consideration is subject to a maximum total of \$100 million after which there will be a proportional cash scale back and Trust shareholders will receive the balance of their consideration in IOOF Share Consideration**
- **The maximum cash component of up to \$100 million available to electing Trust shareholders will be funded through existing and (if required) new IOOF cash and bank debt facilities**
- **Allows Trust shareholders to participate in any upside from the movement in IOOF’s share price but places an effective “floor” on the minimum cash amount per share (\$6.25) that a shareholder can receive (with the Guaranteed Minimum Cash Consideration subject to scale back)**

The IOOF Proposal is superior to the current Perpetual Offer



- **The IOOF Proposal is superior to the Perpetual Offer:**
 - **Higher price** per Trust share (IOOF share consideration currently equivalent to \$6.56 per share which includes a Special Dividend of \$0.22)
 - **Guaranteed Minimum Cash Consideration alternative** equivalent to no less than \$6.25 per share including the Special Dividend. Shareholders electing cash can also receive the upside from a positive movement in IOOF's share price
 - **The IOOF Proposal is not conditional on ACCC approval**
 - **Allows Trust to declare an Interim Dividend** in October of up to \$0.17 per share for those Trust shareholders on the register at the relevant record date
 - **Substantially higher available total available cash pool of \$100m compared with \$60m under the Perpetual Offer**

		Perpetual 
Value per Trust share	\$6.73	\$6.06
Value per Trust share under the Guaranteed Minimum Cash Consideration alternative	\$6.42 (or better)	✘
Upside value potential (benefit from positive movement in share price)	✓	✓
Interim Dividend to Trust shareholders	\$0.17	✘
Total cash available	\$100m	\$60m
No ACCC condition	✓	✘
Strong track record of synergy realisation	✓	–

Key highlights of the IOOF Proposal



- **Materially exceeds the Perpetual Offer**
- **Recognises the value of Trust with an offer in excess of the Independent Expert's range**
- **Lower conditionality as the IOOF Proposal is not subject to ACCC approval**
- **Acceptance of the IOOF Proposal would enhance the position of the combined company as the second largest trustee corporation in Australia and is expected to deliver significant value to both Trust and IOOF shareholders**
- **Creates an opportunity for Trust shareholders to own shares in a leading independent financial services company with diversified earnings, increased scale and liquidity and a strong track record of delivering significant shareholder returns**
- **Consistent with IOOF's stated strategy of growth through value accretive acquisitions**

Benefits to Trust shareholders

The IOOF Proposal is value enhancing for Trust shareholders



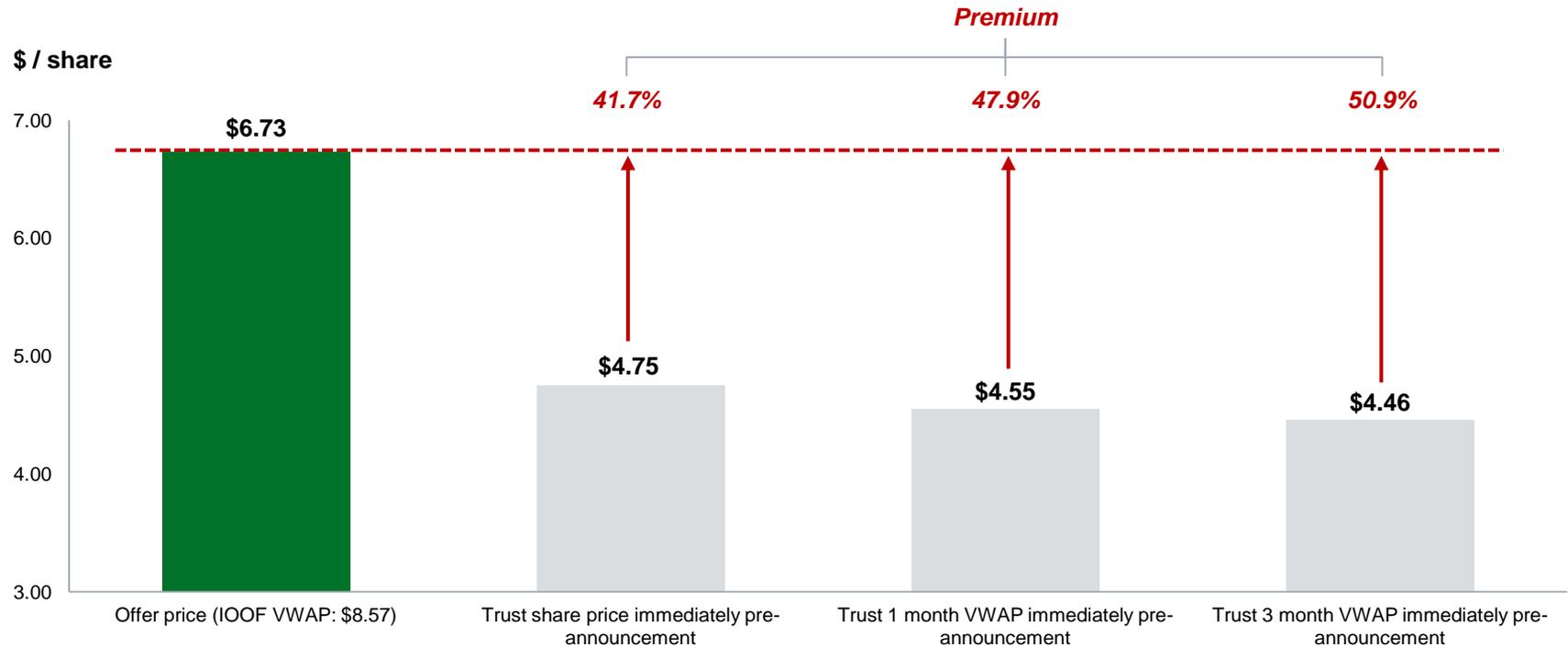
- **A significant premium to the Trust share price**
 - Total value of \$6.73 (includes IOOF Share Consideration plus Special Dividend plus Trust Interim Dividend), represents a premium of 41.7% to the Trust closing share price on 20 February 2013, the last unaffected share price before Equity Trustees Limited announced its intention to make a takeover offer for Trust
 - Trust shareholders who are able to capture the benefit of any franking credits attached to the \$0.22 Special Dividend and Interim Dividend will realise additional value
- **Value in excess of Independent Expert's range**
 - Total value of \$6.73 exceeds the value of Trust shares of \$6.03 - \$6.29 as assessed by the Independent Expert Lonergan Edwards & Associates appointed by the Board of Trust in connection with the takeover from Equity Trustees Limited, partly because synergies from the IOOF Proposal are anticipated to be at least \$14 million per annum pre-tax
- **Opportunity to become a shareholder in a leading independent financial services company**
 - Strong track record of delivering superior shareholder returns
 - Highly liquid shares with a 12 month annual market turnover of ~76%
 - Consistent payments of fully franked dividends with a target payout ratio of 60-90% of underlying earnings
 - IOOF is currently included within the ASX Top 100 listed companies by market capitalisation and accordingly IOOF shares are expected to be included within the S&P/ASX 100 Index in the coming weeks which it is anticipated will enhance investor demand for IOOF shares
- **Guaranteed Minimum Cash Consideration provides greater certainty**
 - Including the Special Dividend and Trust Interim Dividend, shareholders can receive a minimum of \$6.42 in cash
 - If the IOOF share price increases, Trust shareholders will receive more cash under the cash alternative
- **Low conditionality**
 - Due diligence on Trust was completed by IOOF in May 2013 so the IOOF Proposal is not conditional on due diligence. The IOOF Proposal also does not contain a condition precedent requiring ACCC approval
- **IOOF has a strong fiduciary heritage with a highly complementary business through Australian Executor Trustees**
 - The transaction will provide Trust clients with access to a larger Trustee business and a broader range of wealth management products and services



An attractive premium is offered

The IOOF Share Consideration, Trust Special Dividend and Interim Dividend of \$6.73 represents a significant premium to Trust's share price before the EQT announcement

Premia summary



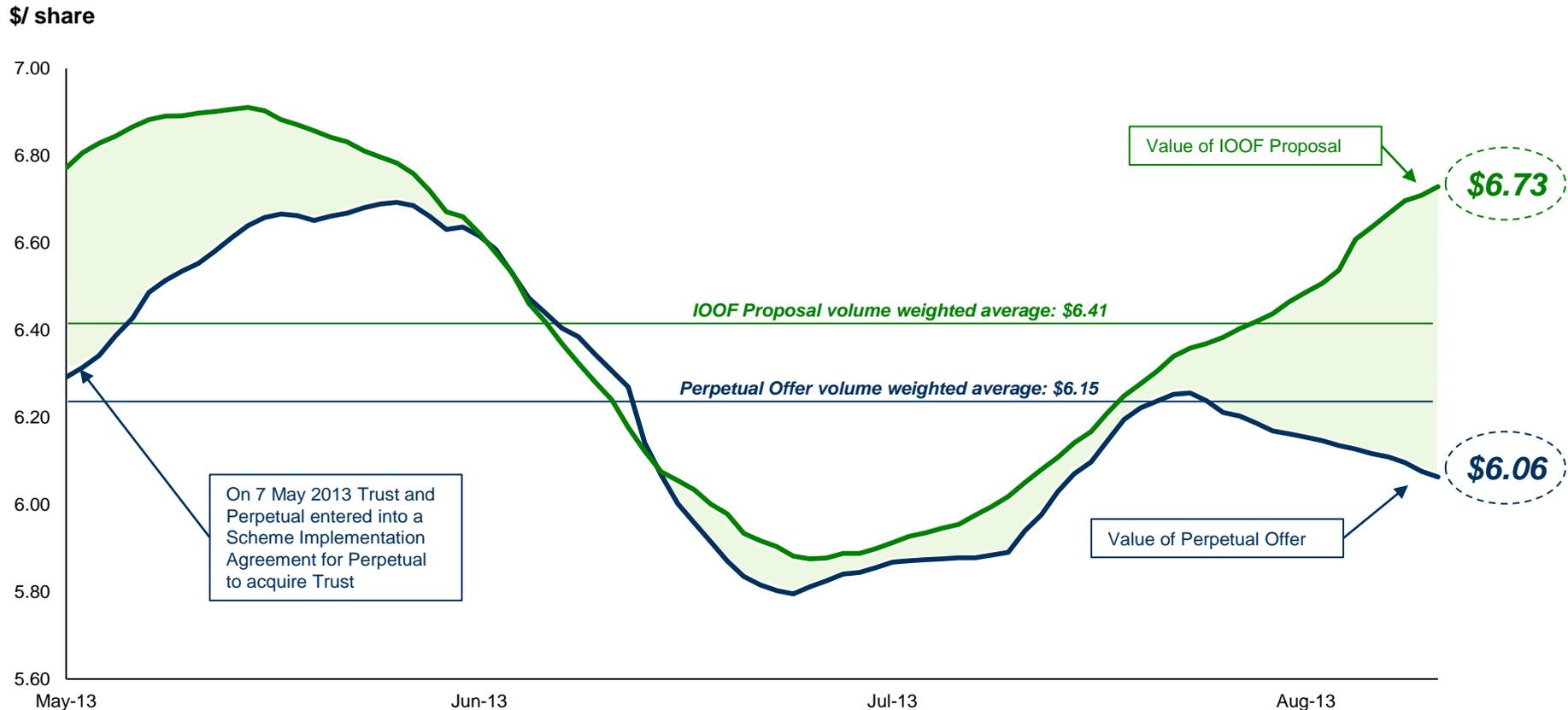
Source: IRESS, as at 30 August 2013; company filings.

Note: IOOF volume weighted average price as at 30 August 2013. Pre-announcement share price, 1 month volume weighted average price and 3 month volume weighted average price calculated as at 20 February 2013, the last trading day prior to the announcement of Equity Trustees' offer on 21 February 2013.

The value of the IOOF Proposal has been consistently higher than the Perpetual Offer



Illustrative comparison of implied offer values for Trust on a VWAP basis



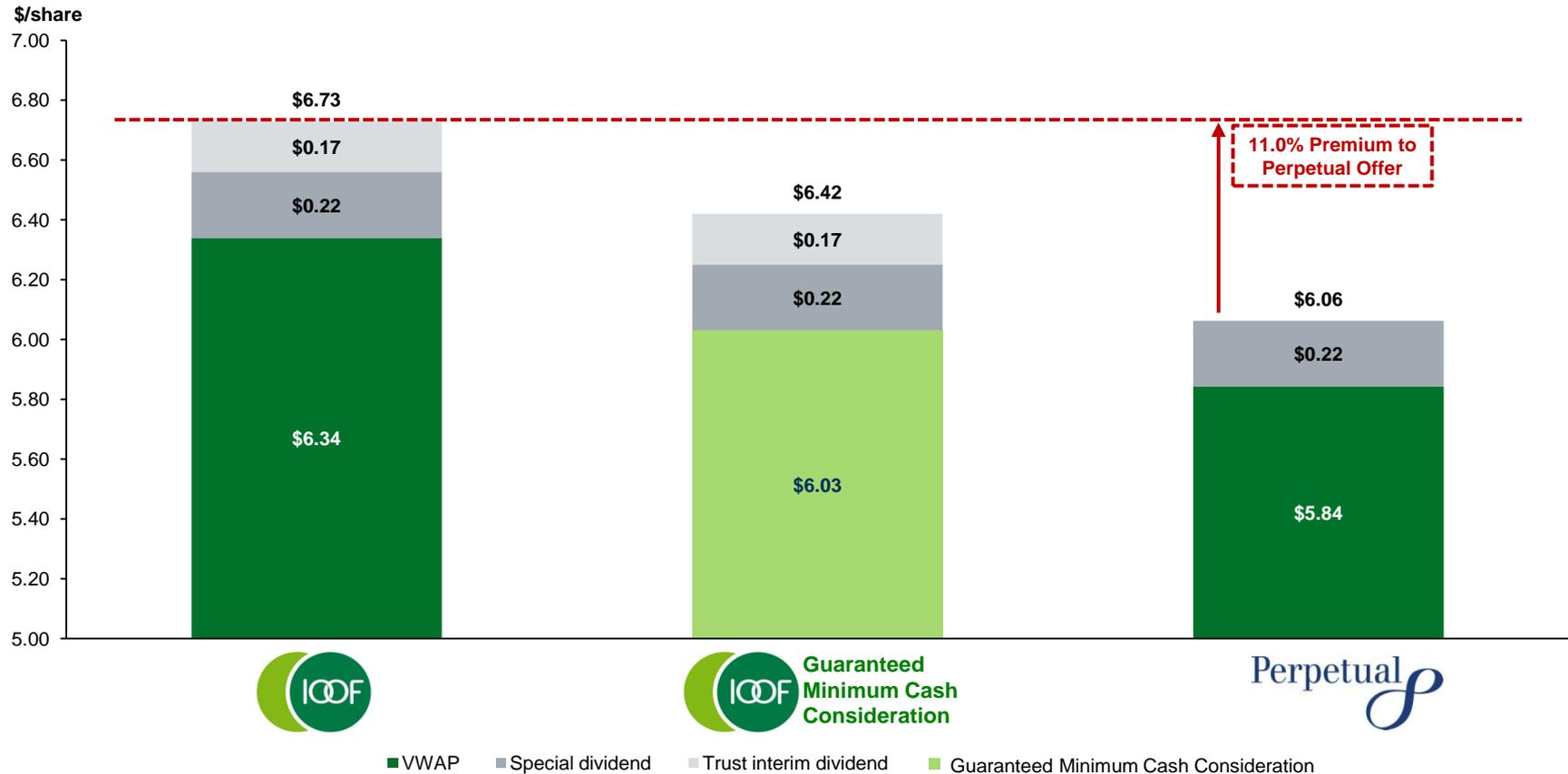
Source: IRESS, as at 30 August 2013.

Note: Line chart based on rolling 1 month volume weighted average price (assumes 23 trading days per month) of Perpetual and IOOF. Reflects IOOF exchange ratio of 0.74 plus a Special Dividend of \$0.22 and Trust Interim Dividend of \$0.17; Perpetual exchange ratio of 0.1495 plus a special dividend of \$0.22. Combined value for Trust shareholders on the register per the relevant record date. IOOF Proposal volume weighted average of \$6.41 and Perpetual Offer volume weighted average of \$6.15 based on the period 7 May 2013 to 30 August 2013.

The IOOF Proposal is currently 11% higher than the Perpetual Offer



The IOOF Share Consideration, Trust Special Dividend and Interim Dividend of \$6.73 represents a material premium to the Perpetual Offer



Source: IRESS, as at 30 August 2013; company filings.

Note: Perpetual Offer based on Perpetual's 1 month volume weighted average price of \$38.45 as at 30 August 2013 and the terms of the Perpetual Offer from the Scheme Implementation Agreement dated 7 May 2013 of 0.1495 Perpetual shares per Trust share and a special dividend of \$0.22 per Trust share. IOOF Proposal based on IOOF's 1 month volume weighted average price as at 30 August 2013 of \$8.57.

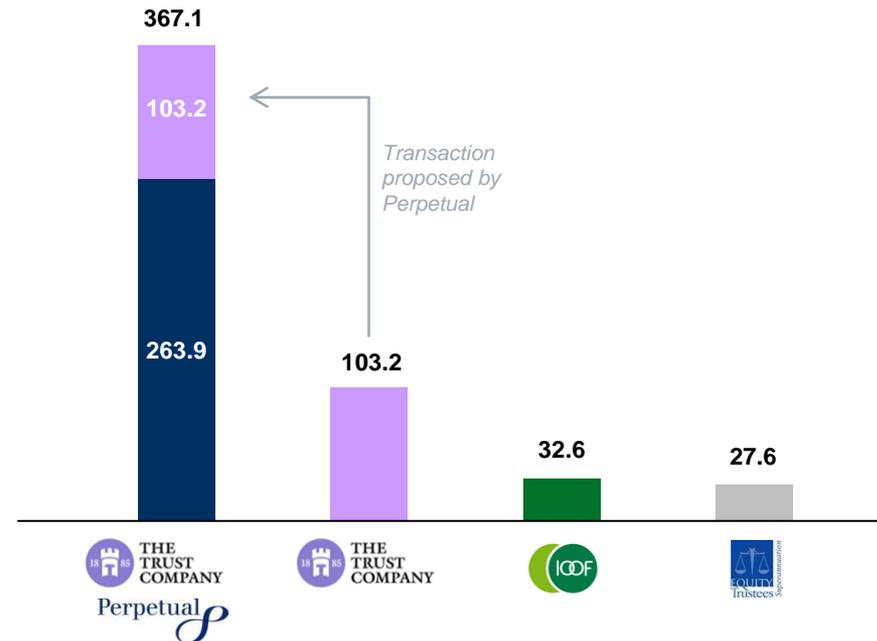
The ACCC has raised issues regarding the Perpetual Offer



- The Perpetual Offer is subject to receiving ACCC approval
- On 16 May 2013, the ACCC announced that it would conduct a review of Perpetual's proposed acquisition of Trust
- On 1 August 2013, the ACCC published a Statement of Issues and it has sought further submissions from the market
- The ACCC is currently scheduled to make a final determination on 19 September 2013, however the ACCC notes that this timing may change
- The full 24-page ACCC Statement of Issues is available on the ACCC website: www.accc.gov.au

Trustee corporation industry participants as assessed by IOOF

Ranked by Funds Under Supervision (A\$bn)



"...the ACCC's preliminary view is that the proposed acquisition [by Perpetual of Trust] has the potential to result in overall harm to competition by further strengthening the position of Perpetual in the supply of at least some corporate trust services..."

Source: ACCC Statement of Issues, 1 August 2013, paragraph 106

Note: Smaller trustee corporations are excluded from the chart on this page, BNY Mellon has been excluded from the chart as it does not publicly disclose its FUS. The chart represents IOOF's view of industry participants and is not necessarily representative of the ACCC's view.

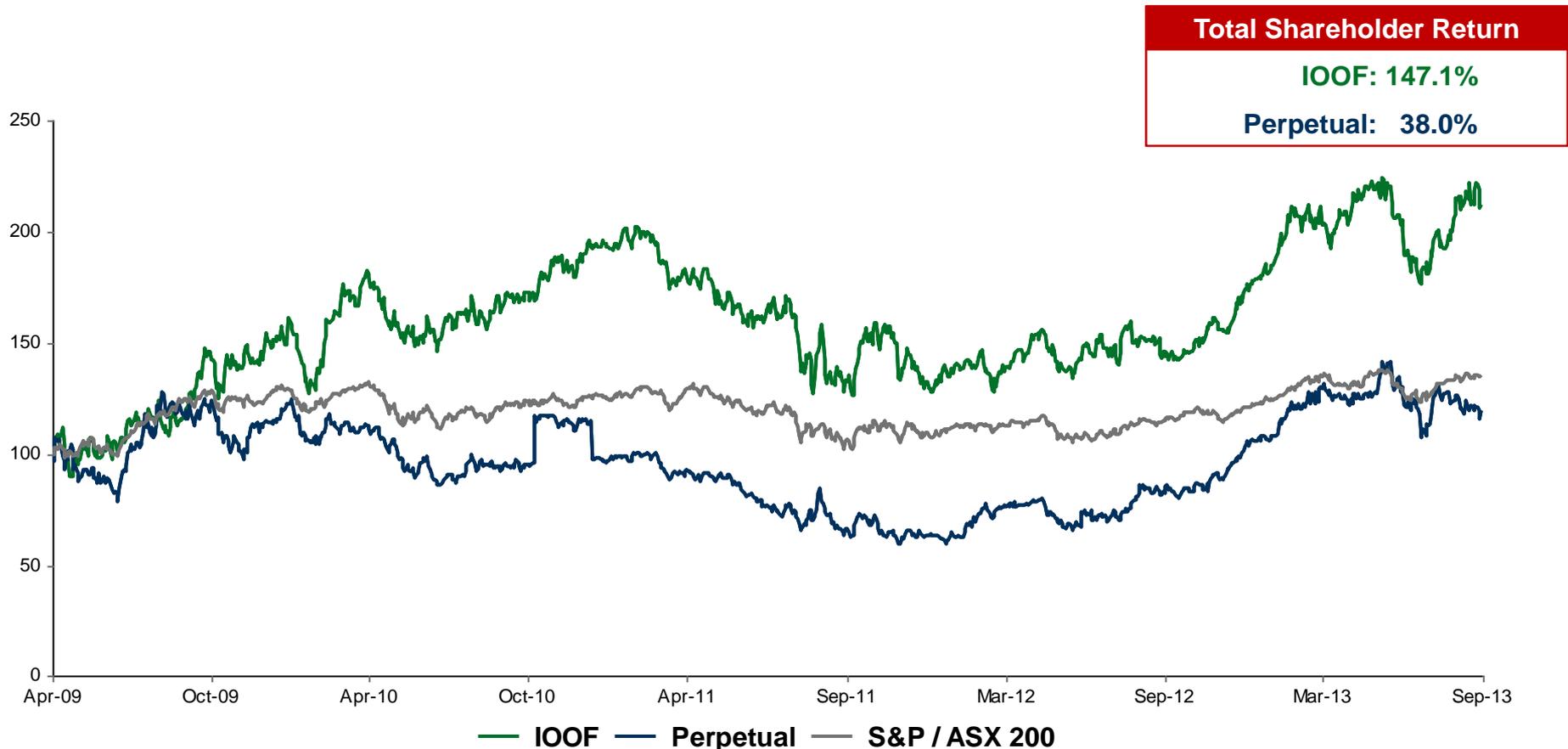
Source: Perpetual trustee services FUS of \$367.1 includes \$259.4bn of Corporate Trust FUA per Perpetual FY13 Results Presentation and \$4.5bn of Private Wealth FUA based on IOOF assumption that half of Perpetual's \$9.0bn of Private (\$4.5bn) relates to trustee services; Trust FUS of \$103.2bn per Trust FY13 Results Presentation (includes \$3.6bn of Australian Personal Clients FUMAS, \$99.6m of Australian Corporate Clients FUM and excludes \$8.0bn of Singapore Corporate Clients FUM); Equity Trustees FUS of \$27.6bn per Equity Trustees FY13 Results Presentation (includes \$0.4bn of Trust & Estate FUA, \$0.5bn of Philanthropy FUA, \$1.5bn of Superannuation FUA and \$25.3bn of Responsible entity FUA; excludes \$3.8bn of Funds Management FUM and \$0.9bn of Wealth Advice FUA).

IOOF has consistently delivered strong shareholder returns



Since IOOF's acquisition of Australian Wealth Management in April 2009, IOOF has delivered superior total shareholder returns compared to the market and Perpetual

Share price development since AWM acquisition



Source: Factset, as at 30 August 2013.

Note: Share prices indexed to 100 since 30 April 2009, the day of completion of IOOF's acquisition of Australian Wealth Management. Total Shareholder Return based on total share price appreciation and dividend payments over the period. Excludes dividends declared but not yet paid for 2H2013 as the record date has not yet passed.

Benefits to IOOF shareholders

The IOOF Proposal will be accretive for IOOF shareholders within a year



- Transaction is anticipated to be EPS accretive in the first full year following the acquisition
- Consistent with IOOF's stated strategy of making strategically attractive and value accretive bolt-on acquisitions
- Strengthens IOOF's "cradle to grave" wealth management proposition
- Highly complementary acquisition that enhances the position of the combined company as the second largest trustee corporation in Australia
 - Full service client proposition that leverages the strengths of each business
 - Positions the group positively for future growth opportunities
- IOOF has a strong track record of successfully integrating acquisitions and generating synergies
- Synergies from the proposed acquisition are anticipated to be at least \$14m per annum pre-tax

Trust is one of Australia's leading trustee companies



Trust, a leading Australian trustee services player, has been providing fiduciary services for over 125 years



Corporate Client Services

- Corporate Client Services business in Australia and Singapore includes
 - Responsible Entity
 - Debt Capital Markets Trustee
 - Property and Infrastructure Custody
 - Superannuation Compliance and Trustee
- In New Zealand, through the wholly owned subsidiary Guardian Trust, Trust offers trustee services for:
 - Debt Securities
 - Securitisation
 - Unit Trust
 - Superannuation and KiwiSaver

FUMAS: \$162.4bn

Personal Client Services

- Wide ranging advice and expertise in Personal Client Services in Australia and New Zealand (through the wholly owned subsidiary Guardian Trust), including:
 - Estate Planning and Administration
 - Lifestyle Care and Executor Assist
 - Funds Management and Product Development
 - Financial Advice
 - Health and Personal Injury Services
 - Native Title
 - Philanthropy

FUMAS: \$6.1bn

IOOF has a trustee business which is complementary with Trust's business



IOOF's Trustee Services business is called Australian Executor Trustees

IOOF			
Financial Advice and Distribution	Platform Management and Administration	Investment Management	Trustee Services
<ul style="list-style-type: none"> Provides financial planning advice supported by investment research, training and compliance support services Over 900 advisers aligned to IOOF Need for financial advice increasing 	<ul style="list-style-type: none"> Administers investment and superannuation funds, administrations and services provided to financial advisers and clients IOOF's platforms are highly regarded – top 4 position in Wealth Insights adviser survey since 2010 	<ul style="list-style-type: none"> Multi-manager capabilities through MultiMix Sells investment bonds via WealthBuilder Active asset management capabilities through Perennial 	<ul style="list-style-type: none"> Offers traditional trustee services including estate planning, estate administration and fiduciary services such as acting trustee for native title, compensation, charitable and testamentary funds Corporate trust business provides custodian, security trustee and agency services as well as acting in structured finance and staff equity transactions Largest provider of small APRA Funds <div style="text-align: center;">  <p>Australian Executor Trustees</p> </div>
FUMAS: \$30.2bn	FUMAS: \$28.5bn	FUMAS: \$28.8bn	FUMAS: \$32.6bn

Note: IOOF figures as at 30 June 2013.

The acquisition will leverage each company's strengths



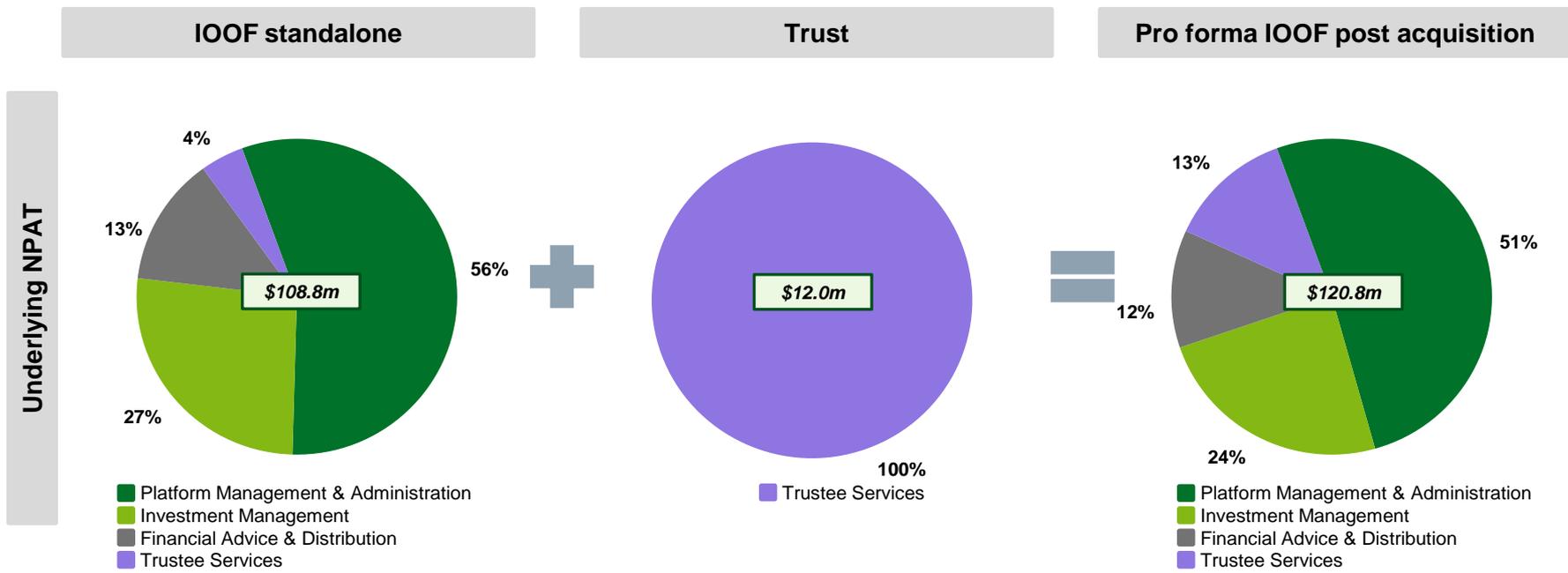
- ✓ Full suite of platform / investment capabilities
- ✓ Relative strength in Victoria and South Australia
- ✓ Securitisation capabilities
- ✓ Successful fiduciary services business with unique “partnering” offering
- ✓ Demonstrated track record on IT initiatives and delivery
- ✓ Only provider of new SAF business with strong FUMAS flows

- ✓ Growing international business (e.g. Asia; infrastructure)
- ✓ Relative strength in New South Wales
- ✓ Complements IOOF's existing New Zealand footprint
- ✓ RE services with strong and varied clients
- ✓ Strong Corporate Client Services
- ✓ Successful Enhanced Philanthropy offering
- ✓ Successful fiduciary services model



Acquiring Trust provides enhanced diversification of earnings for IOOF

IOOF's trustee business currently represents 4% of Underlying NPAT. Acquiring Trust will increase IOOF's trustee earnings considerably



Source: Company filings. FY2013 underlying NPAT for IOOF as at 30 June 2013 and FY2013 underlying NPAT for Trust as at 28 February 2013.

Note: IOOF percentage contribution to UNPAT by segment excludes \$18.8m of corporate costs. Pro forma IOOF post acquisition Underlying NPAT of \$120.8m excludes synergies estimated to be at least \$14m per annum pre-tax.

The Trustee business is an attractive business and furthers IOOF's strategy



The IOOF Proposal supports IOOF's aim of being the true independent participant in the Australian financial services industry

- **The combined business will be able to leverage opportunities provided by improved scale**
- **The combined business will be well positioned to capitalise on future growth, driven by**
 - Growth in superannuation assets
 - Growth in demand in new segments (e.g. native title trusts; compensation and related disability trusts)
 - Increased complexity of compliance requirements and Government regulation
 - Growing need of debt and securitisation issuance
 - Increasing Asian capital markets flows and global infrastructure investment into Australia
 - The ageing of the Australian population
- **IOOF has its own trustee corporation subsidiary which is one of IOOF's four integrated businesses**
- **The acquisition of Trust builds on IOOF's integrated business model and strategy to grow through strategically attractive and value accretive acquisitions**
- **IOOF has a strong track record of successfully integrating acquired business and extracting optimal synergies**

Next steps and conclusion

The Board of Trust is reviewing the two proposals



- **The Board of Trust has advised IOOF that it will consider the IOOF Proposal as soon as possible. If the Board concludes that the IOOF Proposal is superior, it must give Perpetual 3 business days to match or exceed the terms of the IOOF Proposal**
 - This protocol was agreed in Trust's Scheme Implementation Agreement with Perpetual. After this notice period, the Board of Trust will be free to accept the terms of the IOOF Proposal, should they choose to do so
- **IOOF believes that to match its Proposal would require Perpetual, amongst other things, to remove the ACCC condition precedent in its Offer so that Perpetual itself takes the risk that the ACCC may require it to sell the Trust business, or parts thereof, later if the ACCC blocks the deal, thus moving the ACCC risk from Trust shareholders to Perpetual shareholders**
- **The IOOF Proposal will remain open for acceptance by the Trust Board of Directors until 9:00 am on Saturday 7 September 2013**
- **IOOF has proposed to Trust a Scheme Implementation Agreement which is virtually identical to the Perpetual Agreement**
 - The differences reflect higher price and greater certainty
- **There is no need for due diligence because IOOF has already completed extensive due diligence on Trust and Trust has also concluded its due diligence review of IOOF**
- **To accept the IOOF Proposal, Trust needs simply to sign the IOOF Scheme Implementation Agreement and announce to the ASX that the Trust Directors unanimously recommend the IOOF Proposal, in the absence of a superior proposal**

Conclusion



- **The IOOF Proposal is attractive to both Trust and IOOF shareholders**
- **The offer is in excess of Trust Independent Expert's valuation range**
- **The IOOF Proposal is superior to the Perpetual Offer**
 - Higher price
 - Guaranteed Minimum Cash Consideration, with upside if the IOOF share price increases
 - No ACCC condition precedent
 - Allows Trust to declare an Interim Dividend of up to \$0.17 per share
 - Higher total available cash amount
- **Creates an opportunity for Trust shareholders to own shares in a leading independent financial services company:**
 - Diversified earnings, increased scale and liquidity
 - Strong track record of delivering significant shareholder returns
- **The IOOF Proposal is consistent with IOOF's strategy and value accretive**
- **Enhances the position of the combined company as the second largest trustee corporation in Australia**

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