

Treasury Group Ltd

Investor Presentation

February 2013

Important Information

Disclaimer

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Company Profile

- › **Treasury Group Limited (TRG)** invests in and provides fundamental support to boutique funds management businesses. TRG currently has 8 boutique funds in its portfolio.
- › TRG **specialises in:**
 - Establishing and seeding boutique funds management businesses from inception; and
 - Supporting existing boutique funds management businesses to grow organically and expand to the next phase of their business cycle.
- › Treasury Group is positioned as the “**partner of choice**” for fund managers and is thereby able to attract “**best of breed**” investment professionals.

ASX	TRG
Share price	\$5.80
Shares on issue	23,070,755
Market capitalisation	\$133.8 million
52 week range	\$3.82 - \$5.94
FUM	\$17.0bn
Full year DPS (FY12)	34 cents (fully franked)
EPS (FY12)	29.3 cents

Figures as of 04/02/2013

Business Model

Attract → Support → Grow → Crystallise

- Best of breed fund managers
- Distribution partners
- Credible boutique funds - with significant potential for growth

- Seed funding
- Equity investment
- Sales & distribution network
- Business services support

- Portfolio approach
- Risk managed – diversification
- Incubation
- Scalability
- Selective investments

- Dividends
- Divestment – full or part



RARE

IML INVESTORS
MUTUAL LTD



OCTIS ∞



Business Model

Specialised business model attracts “best of breed fund managers”

Financial resources	Business services support	Sales & distribution capabilities	Majority ownership & operational control	Independent & ASX-listed
Seed funding	Risk management, legal & regulatory compliance	Australian & international networks	Boutiques retain majority ownership & management control – TRG holds only minority interest	Ability to access any distribution channel
Working capital	Secretarial & corporate governance	Flexible collaboration with in-house teams	TRG oversees operations & performance	TRG stock remuneration: <ul style="list-style-type: none"> • Liquidity • Incentive • Staff retention
Financial savings through shared services	Accounting, Finance & Business administration	Cost efficiencies	TRG provides ongoing business mentoring	Compliance with ASX regulatory requirements

Allows investment professionals to focus on what they do best... manage client funds

Business Model

Alpha from superior LT performance underpins growth expectations

- › Superior fund performance – above market benchmarks
- › Strong consultant ratings
- › Awards and nominations



- Fund Manager of the Year for Large Cap Australian Equities (Morningstar, Money Management/Lonsec & Smart Investor)



- Small Cap Fund Manager of the Year 2012 (Professional Planner & Zenith)
- Nominated for a number of industry awards in 2012



- Best Emerging Manager (2011 Australian Hedge Fund Awards)
- Principal recognised as Fund Manager of the Year (S&P, Morningstar)

Investment Proposition

Confidence in TRG's investment case rests on several factors...

- › Compelling commercial model with **scalability**
- › Strong leverage to **robust long-term growth potential** of the funds management industry
- › Risk mitigated via **portfolio diversification strategy**
- › Australia's **premier partner** for boutique fund managers
- › Specialised business model attracts "**best of breed managers**" and leverages their capabilities
- › High quality managers with **above benchmark performance and available capacity**
- › **Strong** Board and management team

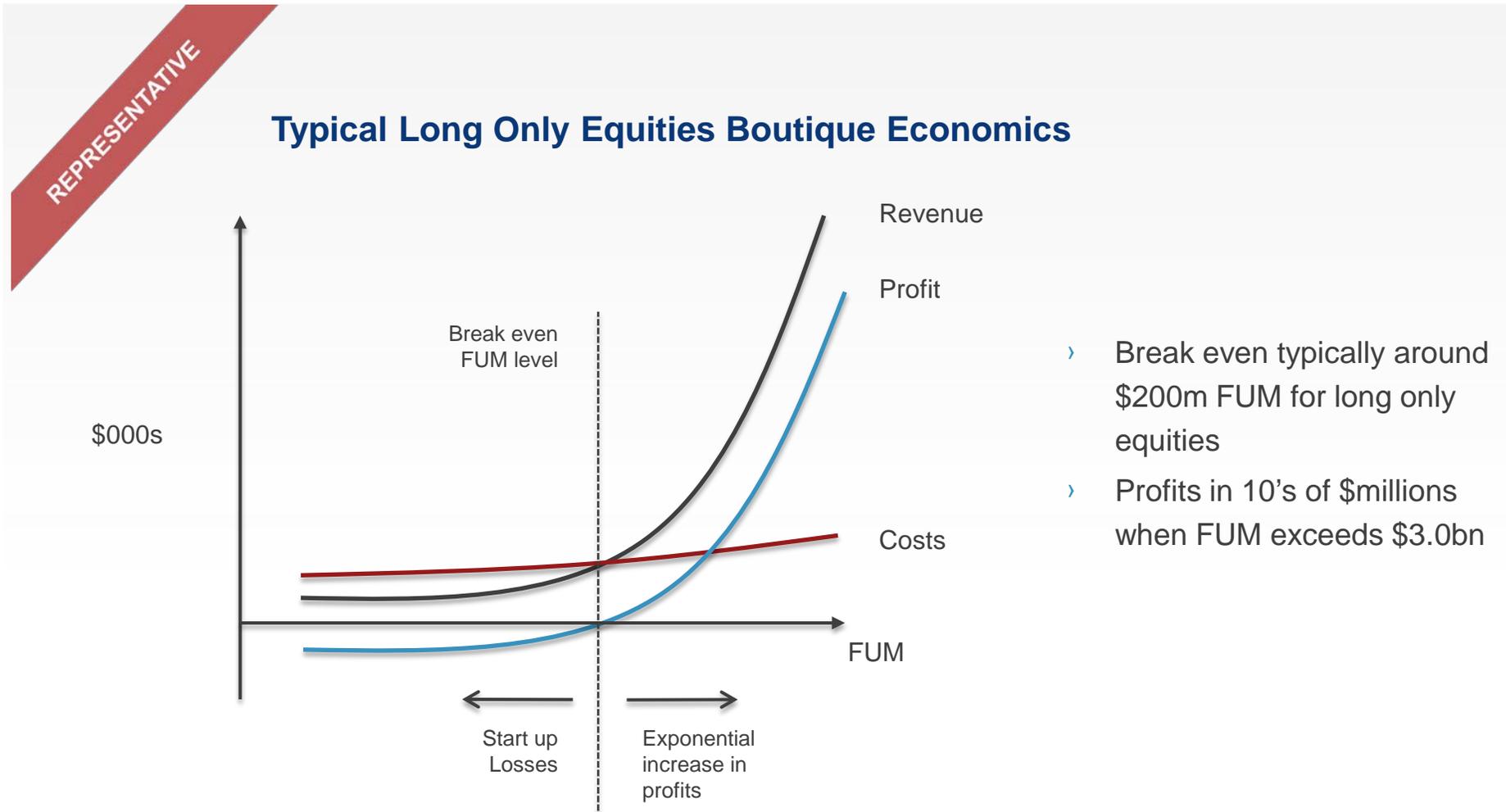
Investment Proposition

Strategy reviewed during FY12 prompting renewed focus on shareholder outcomes

- › 2 new boutiques added to portfolio in FY 12: Evergreen and Octis
- › Premium Investors restructured to address LT issues
 - >\$1.0m abnormal gain to TRG expected in FY13
- › 2 boutiques restructured: GVI, AR Capital
- › Efficiency improved, TRG costs reduced
- › Investment performance across portfolio generally strong
- › Significant funds inflows at IML, RARE and Celeste
- › Investment into review of M&A opportunities

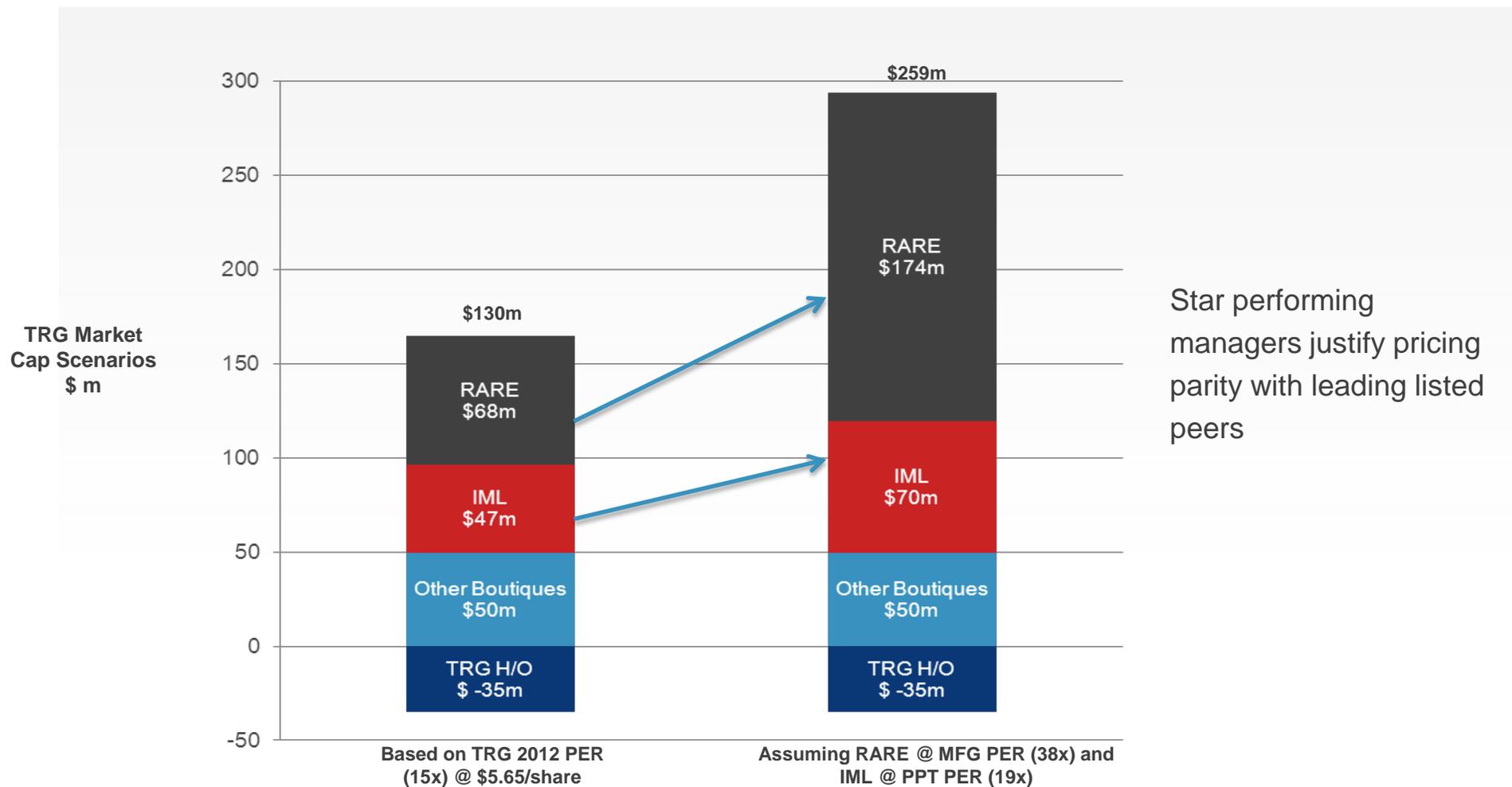
Investment Proposition

Compelling business economics



Investment Proposition

Sum of the parts analysis suggests re-rating upside

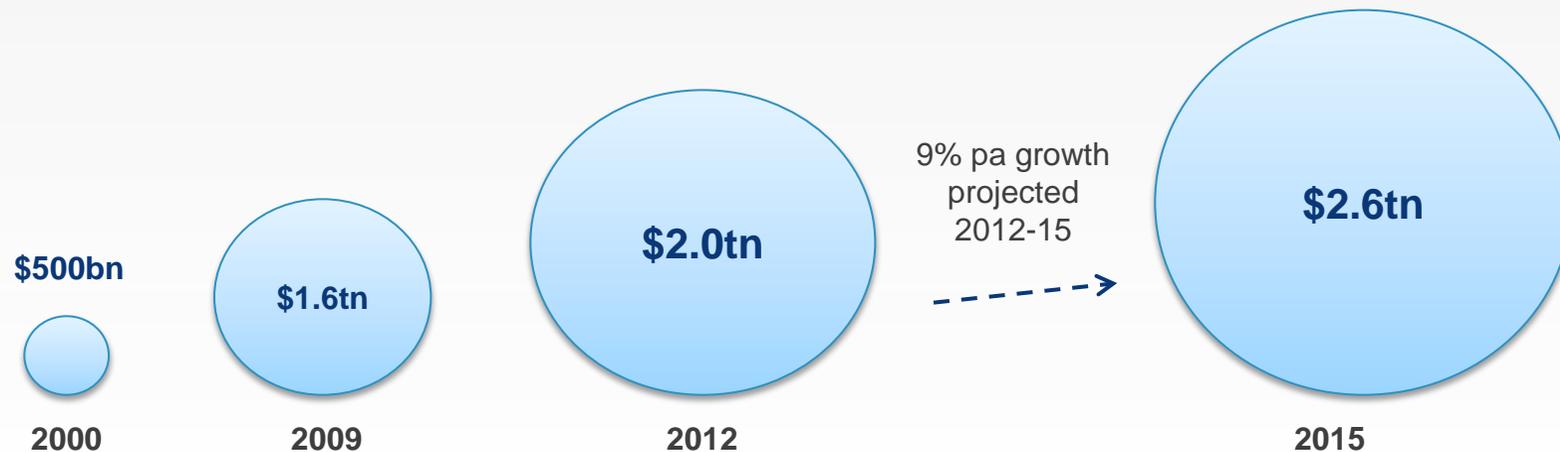


Note: RARE and IML peer multiples are based on MFG and PPT respectively. Sourced from Ord Minnett Dec12 research, adjusted for 15 Jan 2013 share prices

Growth

Strong leverage to the robust long-term growth potential of the funds management industry

Australian Funds Management Industry is large and high growth



- › Australian industry is largest in the Asia Pacific Region and 4th largest in the world
- › Growth underpinned by:
 - Stable economic and regulatory environment
 - Superannuation contributions legislated to increase from 9% to 12% of salary by 2019

Growth

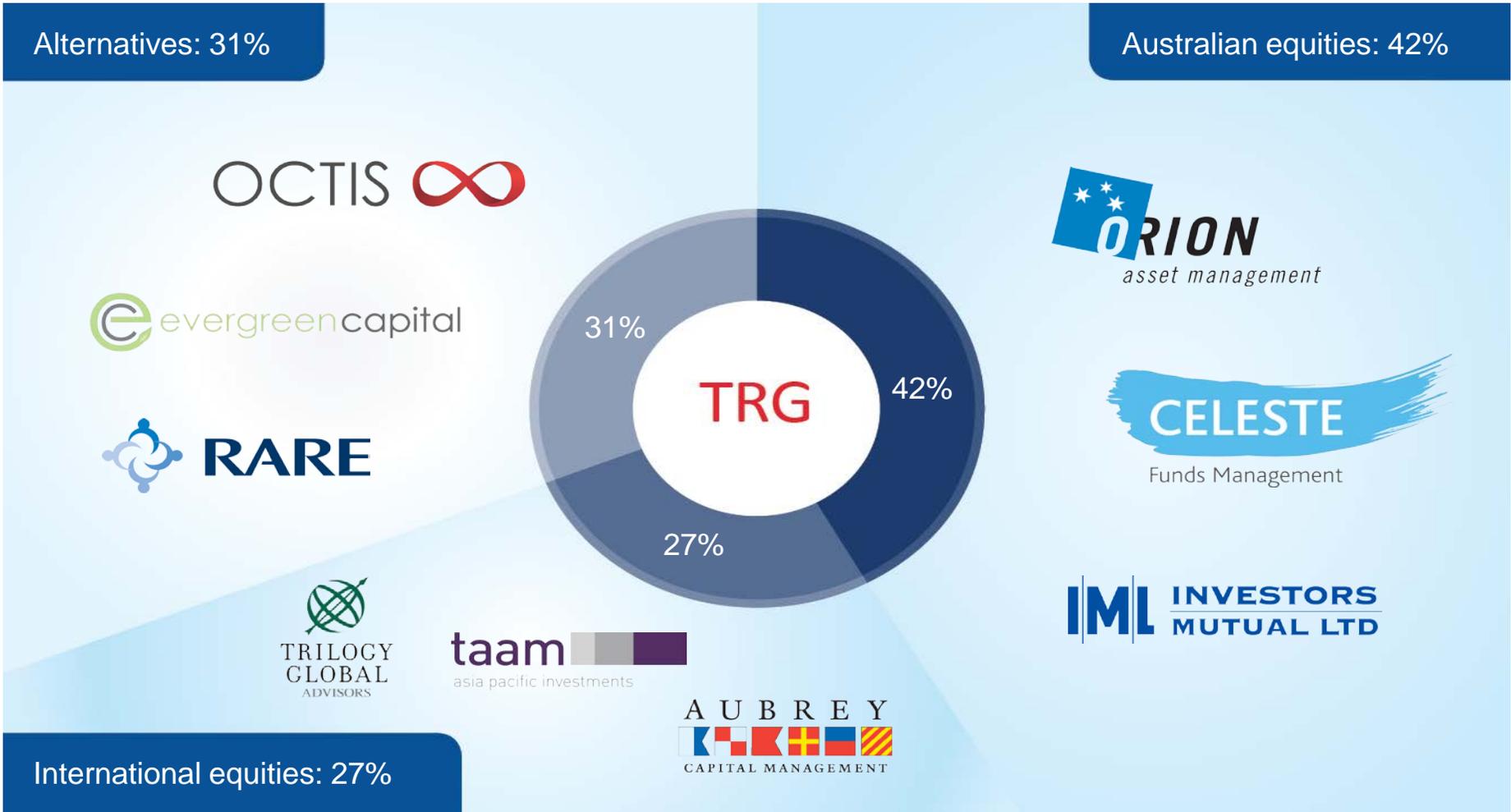
Positioned for growth – superior long-term performance and ratings

Performance Since Inception (%pa) – Net of Fees to end of June 2012

Selected Funds	Net Return	Alpha	Inception Date	Sample Ratings
Aubrey Global Conviction(GBP)	+3.5%	+0.7	Jan 2007	Zenith – Recommended
Celeste Australian Small Companies	+16.5%	+11.4	May 1998	Lonsec – Highly Recommended
Evergreen AERF	+15.7%	+18.6	May 2010	Zenith – Recommended
Investors Mutual – Australian Share	+10.4%	+2.8	Jun 1998	Lonsec – Recommended
OCTIS	+4.7%	+12.5	Oct 2007	Zenith – Recommended
Orion Australian Share	+7.7%	0.0	Jun 2003	Morningstar – Neutral
RARE Infrastructure Value (AUD Hedged)	+5.5%	+3.5	Aug 2006	Lonsec-Highly Recommended
TAAM New Asia	+1.3%	-0.8	Nov 2005	Zenith – Recommended

Diversification

By Asset Class



Diversification

By Investment Style

Investment Style	Value	Style Neutral	Growth (Aust Large Cap)	Growth (International)	Small Cap (Aust. Equity)	Hedge Fund (Long/Short)	Hedge Fund (MultiStrat)	Infrastructure (Listed)
Aubrey				✓				
Rare								✓
TAAM				✓				
Celeste		✓			✓			
IML	✓				✓			
Orion			✓					
OCTIS							✓	
Evergreen						✓		

Diversification

Spread of investor type and low client concentration mitigate risk

- › Mix of investors by type
 - Institutional investors (82%)
 - Retail investors (18%)
- › Mix of investors by location
 - International (11%)
 - Domestic (89%)
- › Low client concentration risk
 - <10% exposure any individual clients (across total TRG FUM)

Summary

Investment case for TRG is soundly based...

- › Strong business model: Australia's premier partner for boutique funds managers
- › Operationally leveraged to growth in FUM
 - Strong industry growth forecast
 - Growth in TRG FUM has historically outpaced the market
 - Addition of new boutiques (2 in FY12)
- › Portfolio diversification mitigates risks
- › TRG strategy refocussed, actions taken
- › Potential to add value via M&A

Company Profile

Company Profile

Strong Board and Management Team



Mr Michael Fitzpatrick
Chairman

- Founder & Former Managing Director of Hastings Funds Management Ltd
- Current Director of Rio Tinto Ltd, Rio Tinto plc, commissioner of the AFL & Director of IML
- Former Director of Credit Suisse First Boston, Chairman of the Victorian Funds Management Corp & Australian Sports Commission



Mr Andrew McGill
Chief Executive Officer

- Over 20 years financial markets experience
- Founding partner of Crescent Capital
- Held senior roles in Macquarie Bank Corporate Finance & private equity teams
- Current Director of IML, TAAM, Orion, Evergreen & Octis



Mr Peter Kennedy
Non-Executive Director

- Over 30 years commercial law experience
- Managing partner with Madgwicks lawyers
- Chairman of TRG Audit & Remuneration Committees, and Director of TRG Group Investment Services



Ms Melda Donnelly
Non-Executive Director

- Founder & former Chair of Centre for Investor Education
- Current Non-Exec Director of Ashmore Group plc and UniSuper
- Former CEO of QLD Investment Corp, Deputy MD of ANZ Funds Management, MD of ANZ Trustees, Deputy Chair of the VIC Funds Management Corp



Reubert Hayes
Non-Executive Director

- Over 41 years experience in investment management & stockbroking research
- Founder & CEO of Ausbil Dexia Ltd
- Co-founder & 12-years CEO of Barclays Bank investment operations in Australia
- Chairman of Nominations Committee



Mr Joseph Ferragina
Chief Financial Officer

- Board member of RARE, Orion, TAAM, Celeste & TIS

Company Profile

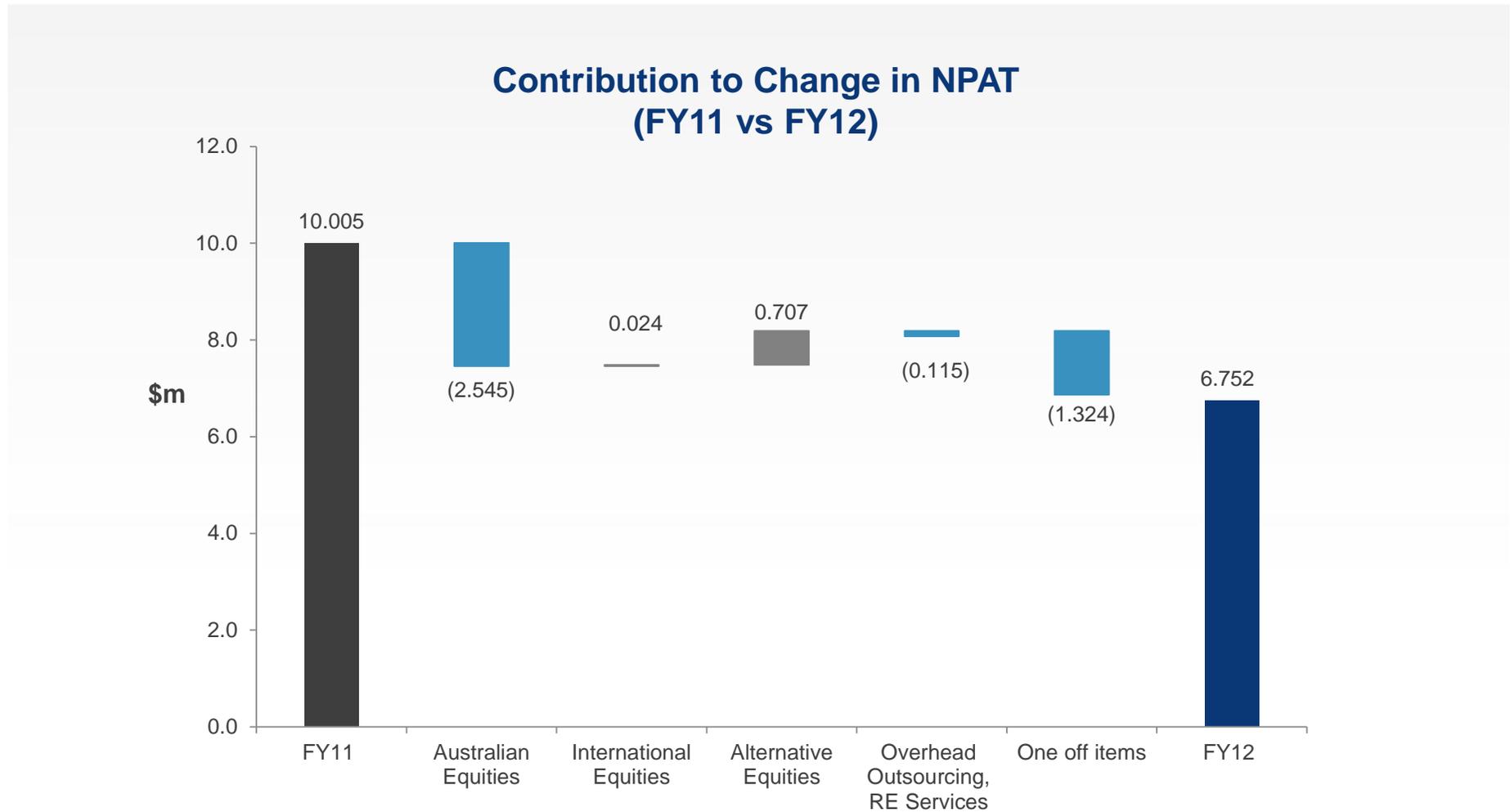
Review of 2012: Financial Results

P&L Highlights (\$m)	2012	2011	% Change
Year end FUM (\$bn)	16.4	16.7	-2.3
Aggregate Boutique Management Fees (\$m)	71.0	74.9	-5.2
Revenue	3.945	4.493	-12.2
Expenses	8.902	8.680	+2.6
Equity Share of Associates NPAT	<u>11.485</u>	<u>14.015</u>	-18.1
Net Profit After Tax	6.752	10.005	-32.5
Normalised NPAT	8.076	9.727	-17.0

- › Funds inflows of \$445m offset by market value declines
- › TRG Revenues lower due to lower interest income and reduction in service fee income
- › Headcount reduction at TRG reduces employment expenses by \$1.3m pa
- › \$1.3m of abnormal expense incurred in 2012 compared to \$0.3m of abnormal gains in 2011

Company Profile

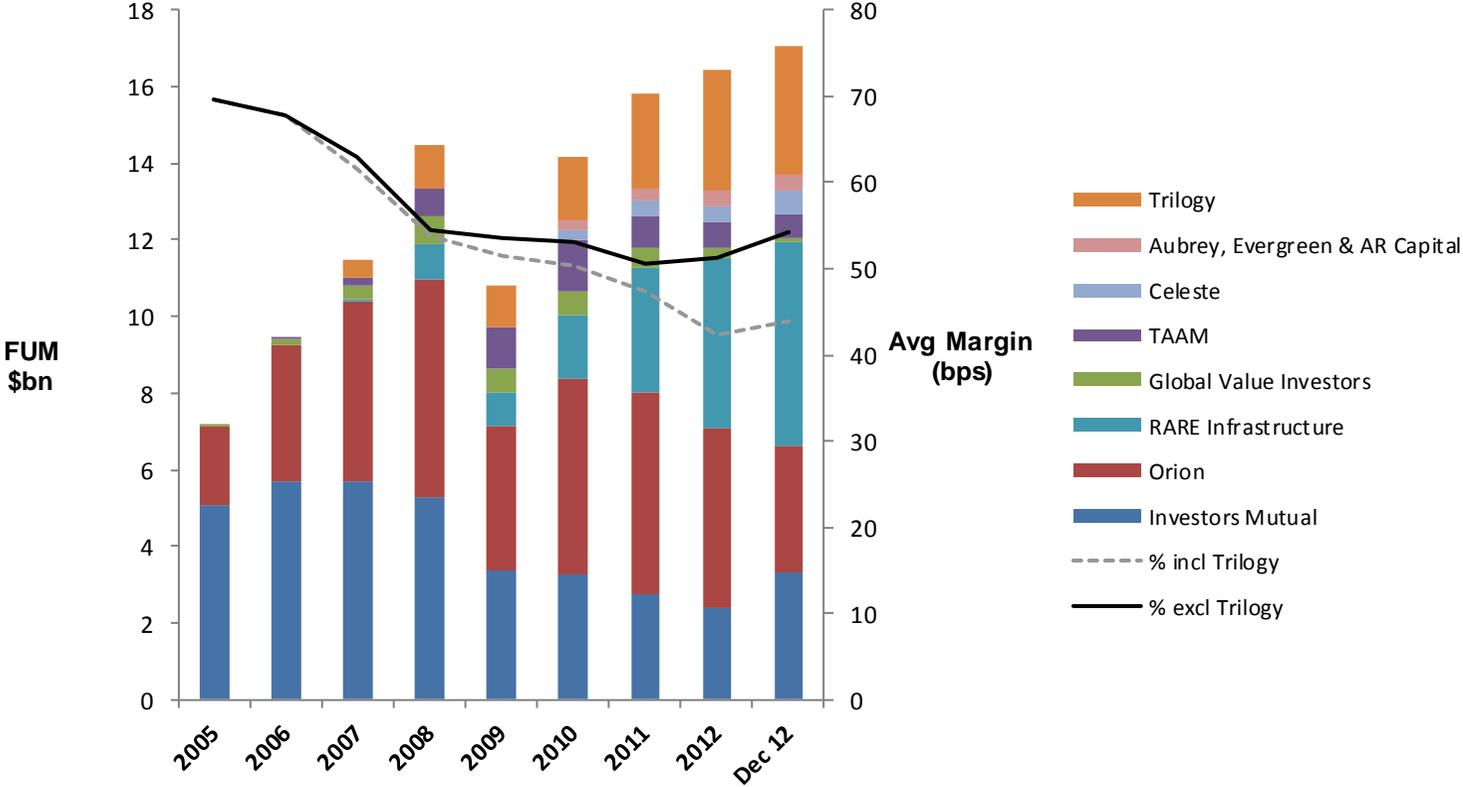
Contribution to NPAT by Business Segment



Company Profile

Composition of FUM

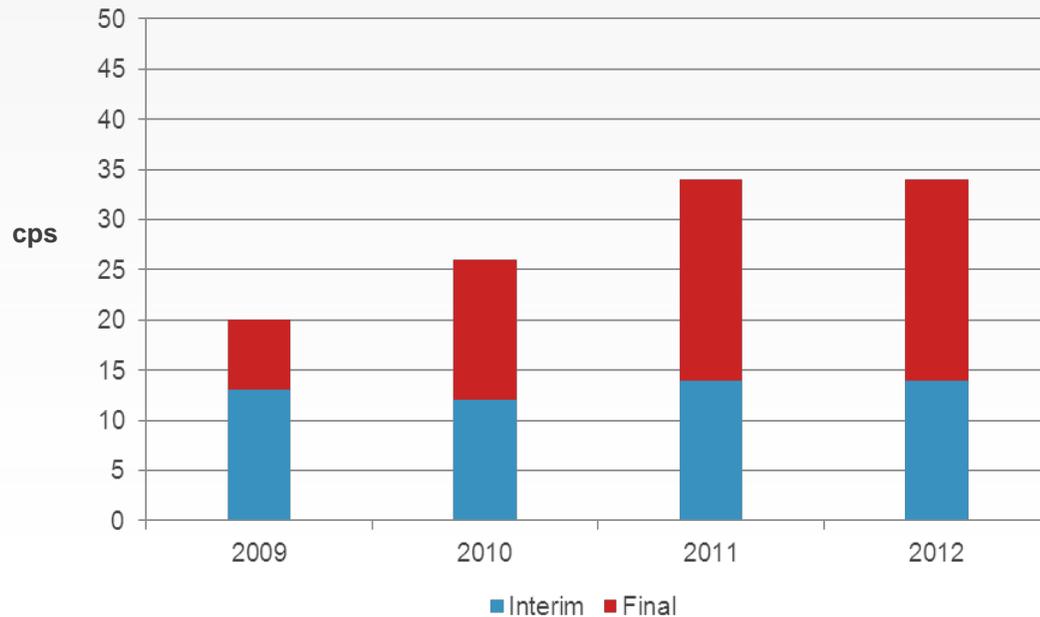
Composition of FUM vs Average Margin



Company Profile

Strong Balance Sheet and Dividend History

Dividend History



- › FY12 dividends of 34 cps full franked
- › Balance sheet liquid and ungeared
 - Cash, Available for Sale Investments and Loans to Partner Boutiques totalled \$21.7m at 30 June 2012

Company Profile

Major Shareholders

	Units	% of Units
1 Squitchy Lane Holdings	2,401,500	10.41
2 RBC Investor Services Australia Nominees Pty Limited <PI Pooled A/C>	2,184,951	9.47
3 Citicorp Nominees Pty Limited	1,702,339	7.38
4 Kattag Holdings Pty Limited <Kattag Family A/C>	1,150,000	4.98
5 UBS Wealth Management Australia Nominees Pty Ltd	1,077,598	4.67
6 Mr Timothy Gerard Ryan	840,000	3.64
7 DSBH Pty Ltd <Cooper Family A/C>	633,000	2.74
8 Perpetual Trustee Company Ltd <Alliance A/C>	613,437	2.66
9 J P Morgan Nominees Australia Limited	577,039	2.50
10 Mr Michael Brendan Patrick De Tocqueville	450,000	1.95
11 Banson Nominees Pty Ltd	370,313	1.61
12 Top Pocket Pty Ltd	311,390	1.35
13 HFM Investments Pty Ltd	250,000	1.08
14 Penswood Pty Ltd <Penswood Super Fund Account>	199,000	0.86
15 Bond Street Custodians Limited <Ganes Value Growth A/C>	182,031	0.76
16 Merrill Lynch (Australia) Nominees Pty Limited	176,802	0.77
17 29 th Marsupial Pty Ltd <The Blue Chip A/C>	172,050	0.75
18 HSBC Custody Nominees (Australia) Limited	141,292	0.61
19 Harkosi Securities Pty Ltd <Super Fund A/C>	140,000	0.61
20 Navigator Australia Ltd <MLC Investment Sett A/C>	119,468	0.52
Total Top holders of Ordinary Fully Paid Shares (Total)	13,692,210	59.35
Total Remaining holders balance	9,378,545	40.65
Total shares on issue	23,070,755	100.00

Mr Andrew McGill

Chief Executive Officer

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