



3 September 2013

IOOF SUBMITS PROPOSAL TO ACQUIRE THE TRUST COMPANY LIMITED

IOOF Holdings Limited (ASX:IFL) (“**IOOF**”) has submitted a proposal to acquire 100% of the shares in The Trust Company Limited (ASX:TRU) (“**Trust**”) by way of a Scheme of Arrangement (the “**IOOF Proposal**”).

IOOF believes its Proposal to be superior to the current offer for Trust by Perpetual Limited (“**Perpetual Offer**”¹) and that it represents an attractive premium for Trust shareholders.

Under the IOOF Proposal, Trust shareholders will receive:

- share consideration of 0.74 IOOF shares per Trust share (“**IOOF Share Consideration**”²) or guaranteed minimum cash consideration; and
- a special dividend of \$0.22 per Trust share (“**Special Dividend**”) (expected to be fully franked).

The guaranteed minimum cash consideration will be the higher of \$6.03 or the cash equivalent value of the IOOF Share Consideration (“**Guaranteed Minimum Cash Consideration**”).

In addition, IOOF supports Trust shareholders receiving an interim dividend from Trust of up to \$0.17 per share (which may be franked) which the Trust Board may wish to declare in October 2013 (“**Interim Dividend**”).

IOOF Proposal	Share Consideration alternative ³	Guaranteed Minimum Cash Consideration alternative ⁴
Share Consideration	6.34	6.03 (or better)
Special Dividend	0.22	0.22
Consideration value (\$ per share)	6.56	6.25 (or better)
Trust Interim Dividend	(up to) 0.17	(up to) 0.17
Value to Trust shareholders (\$ per share)	6.73	6.42 (or better)

Key Highlights of the IOOF Proposal:

- Enhances the position of the combined company as the second largest trustee corporation in Australia⁵ and is expected to deliver significant value to both Trust and IOOF shareholders
- Consistent with IOOF’s stated strategy of growth through value accretive acquisitions
- Creates an opportunity for Trust shareholders to own shares in a leading independent financial services company with:
 - diversified earnings, increased scale and liquidity
 - a strong track record of delivering significant shareholder returns

- Materially exceeds the Perpetual Offer and provides a value in excess of the \$6.03 - \$6.29 per share range assessed by the Independent Expert, Lonergan Edwards & Associates, as appointed by the Trust Board.

Mr Christopher Kelaher, IOOF's Managing Director said: "Our Proposal to Trust will deliver superior value and greater certainty to Trust shareholders. Under the IOOF Proposal, Trust shareholders are able to receive consideration either in cash or in IOOF shares, may receive additional franked dividends and will have an offer that is in excess of Trust's Independent Expert's valuation range. Importantly, our Proposal is not conditional on ACCC approval.

"Trust shareholders who elect to receive IOOF share consideration will benefit from future participation in the IOOF Group including its strong fiduciary heritage, diversified earnings, significant scale and increased liquidity. Since IOOF's acquisition of Australian Wealth Management in April 2009, IOOF has delivered superior total shareholder returns of over 147%, significantly exceeding the total shareholder returns of most of its competitors.

"Trust's business will provide increased scale to IOOF's existing Trustee and Estates business, Australian Executor Trustees Limited, with the Trust Services division of the combined business expected to contribute 13%⁶ of Underlying NPAT following the transaction. The expanded group will be positively positioned to take advantage of future growth opportunities through targeting growth markets, such as trustee services catering for native title trusts and national disability trusts.

"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 businesses and extracting synergies.

"The IOOF Proposal is expected to generate synergies of at least \$14 million per annum through the elimination of duplicated activities and costs, and is anticipated to be EPS accretive in the first full year post acquisition."

The Offer

Under the IOOF Proposal, Trust shareholders will receive:

- the IOOF Share Consideration of 0.74 IOOF shares per Trust share or the Guaranteed Minimum Cash Consideration; and
- the Special Dividend of \$0.22 per Trust share (expected to be fully franked).

The Guaranteed Minimum Cash Consideration will be the higher of \$6.03 or the cash equivalent value of the IOOF Share Consideration.

The Guaranteed Minimum Cash Consideration will be subject to a maximum cap of \$100 million of total cash to be paid by IOOF and will be scaled back proportionally if total demand for the Guaranteed Minimum Cash Consideration exceeds \$100 million so that electing Trust shareholders will receive the balance of their consideration as IOOF Share Consideration. In addition, IOOF supports Trust shareholders receiving an Interim Dividend from Trust of up to \$0.17 per share (which may be franked) which the Trust Board may wish to declare in October 2013. Under the Perpetual Offer payment of an Interim Dividend is not permitted.

A Superior Proposal

In IOOF's view, the IOOF Proposal is superior to the Perpetual Offer in the following respects:

- higher price per Trust share (currently equivalent to \$6.56 per share);

- Guaranteed Minimum Cash Consideration alternative (equivalent to no less than \$6.25 per share). Shareholders electing cash will also receive the upside from a positive movement in IOOF's share price;
- the IOOF Proposal is not conditional on ACCC approval;
- allows Trust, if the Board of Trust wishes, to pay an Interim Dividend of up to \$0.17 per share (which may be franked). Including this Interim Dividend the IOOF Proposal has a total equivalent value of \$6.73 per share representing an attractive premium of 41.7% to the closing share price of Trust on 20 February 2013, the date of the last unaffected trading in Trust shares prior to the announcement by Equity Trustees Limited of a takeover offer for Trust; and
- a substantially higher total available cash pool of \$100 million compared with \$60 million under the Perpetual Offer.

A comparison of the IOOF Proposal with the Perpetual Offer based on volume weighted average prices for both companies over a 1 month period is shown below.

	IOOF Proposal		Perpetual Offer ⁷
	Share Consideration alternative ³	Guaranteed Minimum Cash Consideration alternative ⁴	
Share Consideration	6.34	6.03 (or better)	5.84
Special Dividend	0.22	0.22	0.22
Consideration value (\$ per share)	6.56	6.25 (or better)	6.06
Trust Interim Dividend (up to)	0.17	(up to) 0.17	-
Value to Trust shareholders (\$ per share)	6.73	6.42 (or better)	6.06
Premium to Perpetual Offer %	11.0%	5.9%	n/a

Based on the closing prices of IOOF and Perpetual on 30 August 2013⁸, the IOOF Proposal is valued at \$6.68 per Trust share and the Perpetual Offer is valued at \$5.97 per Trust share.

Benefits for Trust shareholders

The IOOF Proposal will be attractive to Trust shareholders for a number of reasons including:

- **Attractive premium:** Based on IOOF's 1 month volume weighted average price of \$8.57 the current total implied value of the IOOF Proposal would provide Trust shareholders with \$6.73 per Trust share, representing an attractive premium of 41.7% to the Trust share price on 20 February 2013. 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 the Independent Expert's range:** The value per Trust share under the IOOF Proposal 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;
- **IOOF shares are attractive:** Trust shareholders who elect to receive the IOOF Share Consideration will receive a number of additional benefits including;

- participation in a Company with diversified earnings, a strong track record of delivering attractive returns to shareholders and paying fully franked dividends with a target payout ratio of 60-90% of underlying earnings;
- highly liquid shares with a 12 month annual market turnover of ~76%; and
- 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:** Trust shareholders will have the option to receive a total of at least \$6.42 based on Guaranteed Minimum Cash Consideration plus the Special Dividend and Trust Interim Dividend. 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; and
- **Strong Fiduciary Heritage:** IOOF has a strong fiduciary heritage. IOOF's own trustee business, Australian Equity Trustees, is highly complementary with Trust. The IOOF Proposal will provide Trust's clients with access to a larger Trustee business and a broader range of wealth management products and services. The employees of Trust may also benefit from enhanced career and development opportunities across IOOF's enlarged Trustee business and across the broader IOOF Group.

Timing

IOOF has submitted to the Trust Board a Scheme Implementation Agreement ("**IOOF SIA**") by which the IOOF Proposal would be effected. The IOOF SIA is almost identical to that signed by Trust and Perpetual on 7 May 2013 (the "**Perpetual SIA**"). The only differences to the Perpetual SIA are intended to reflect the change of parties, the improved consideration and the lower conditionality of the IOOF Proposal.

The IOOF Proposal is capable of immediate acceptance by Trust and remains open for acceptance until 9:00 am on Saturday 7 September 2013.

To accept the IOOF Proposal, Trust needs only to execute and deliver to IOOF the IOOF SIA and announce to the ASX that the Trust Directors unanimously recommend the IOOF Proposal, in the absence of a superior proposal.

IOOF notes that Trust may be required, or may propose, to allow Perpetual three business days to provide a matching or superior proposal. IOOF has requested that the Board of Trust take advice urgently from its legal and financial advisors and determine urgently whether in its view the IOOF Proposal is superior to the Perpetual Offer, and advise Perpetual and IOOF of its view.

IOOF believes that, amongst other things, to match the IOOF Proposal, Perpetual would have to remove the ACCC condition precedent in its offer so that Perpetual takes the risk that the ACCC may require Perpetual to sell the Trust business, or any part thereof (thereby moving the ACCC risk from Trust shareholders to Perpetual shareholders).

If the IOOF Proposal is accepted by the Trust Board of Directors by 9:00 am 7 September 2013, IOOF envisages that a Scheme Meeting of Trust shareholders will be held in November 2013 to vote on the IOOF Proposal.

IOOF has appointed Nomura as its financial adviser and Corrs Chambers Westgarth as its legal adviser.

For further information please contact:

IOOF

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About IOOF Holdings Limited

The IOOF Group is one of Australia's largest independent providers of wealth creation products and services with offices in every state.

The Group offers the following services:

- Wealth Management
- Superannuation
- Investment Management
- Asset Management
- Estate Planning
- Corporate Trust

The Group's products and services are designed to accompany the lives of approximately 650,000 Australians from wealth accumulation into retirement and across to the next generation.

At 30 June 2013, IOOF had \$120.2 billion in Funds Under Management, Administration Advice, and Supervision.

IOOF operates under a variety of brands including Australian Executor Trustees (AET), Bridges Financial Services, Consultum Financial Advisers, Lonsdale Financial Group, My Adviser, Perennial Investment Partners Limited, Spectrum Super, Pursuit, Plan B Wealth Management, Wealth Builder and Ord Minnett.

¹ Terms of the Perpetual Offer as contained in the Scheme Implementation Agreement signed by Perpetual Limited and Trust on 7 May 2013.

² 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.

³ 0.74 x the IOOF 1 month volume weighted average price of \$8.57 as of 30 August 2013, plus the Special Dividend of \$0.22 per share plus an Interim Dividend of \$0.17 per share. 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, hence Trust shareholders will not receive this dividend.

⁴ The higher of \$6.03 or 0.74 x the IOOF 1 month volume weighted average price of \$8.57 as of 30 August 2013, plus the Special Dividend of \$0.22 per share plus an Interim Dividend of \$0.17 per share.

⁵ Measured by total funds under supervision for trustee corporations.

⁶ Excludes synergies, assessed to be at least \$14m per annum.

⁷ 0.1495 x the Perpetual 1 month volume weighted average price of \$39.08 as of 30 August 2013, plus a special dividend of \$0.22 per share.

⁸ IOOF closing price of \$8.50 and Perpetual closing price of \$38.45 as of 30 August 2013.