

# Macquarie Corporate Day

Hong Kong and Singapore

Cameron Williamson, Group Chief Financial Officer

7-9 September 2016



# About BT Investment Management

## A growing and successful global asset manager

- Listed Australian company (since 2007)
- An investment business that attracts and retains investment talent to deliver superior returns for clients
- Significant equity participation by fund managers and staff
- Stable investment teams with long-term track record
- Diversified across investment strategies, geographies and clients

BT Investment Management (ASX: BTT)	
<b>Market capitalisation<sup>1</sup></b>	A\$2.7 billion (US\$2.0 billion)
<b>Shareholders</b>	Westpac: 29% Employees: 15% Free float: 56%
<b>AUM<sup>2</sup></b>	A\$79.7 billion
<b>Investment capabilities</b>	<ul style="list-style-type: none"> <li>→ Equities – Australian, UK, European, Asia, US, Global, Emerging Markets</li> <li>→ Income and Fixed Interest</li> <li>→ Multi-asset</li> </ul>
<b>Employees</b>	286 employees in Australia, UK, Europe, US and Asia
<b>Financial year end</b>	30 September

1. As at 1 September 2016

2. As at 30 June 2016

# Business model attracts and retains talent

## ... and drives investment performance

- Investment independence
- Transparent remuneration structure
- Capacity management discipline
- Active management
- Performance driven
- Strong investment culture

Strong team of independent investment professionals

- 79 investment professionals
- 22 investment teams

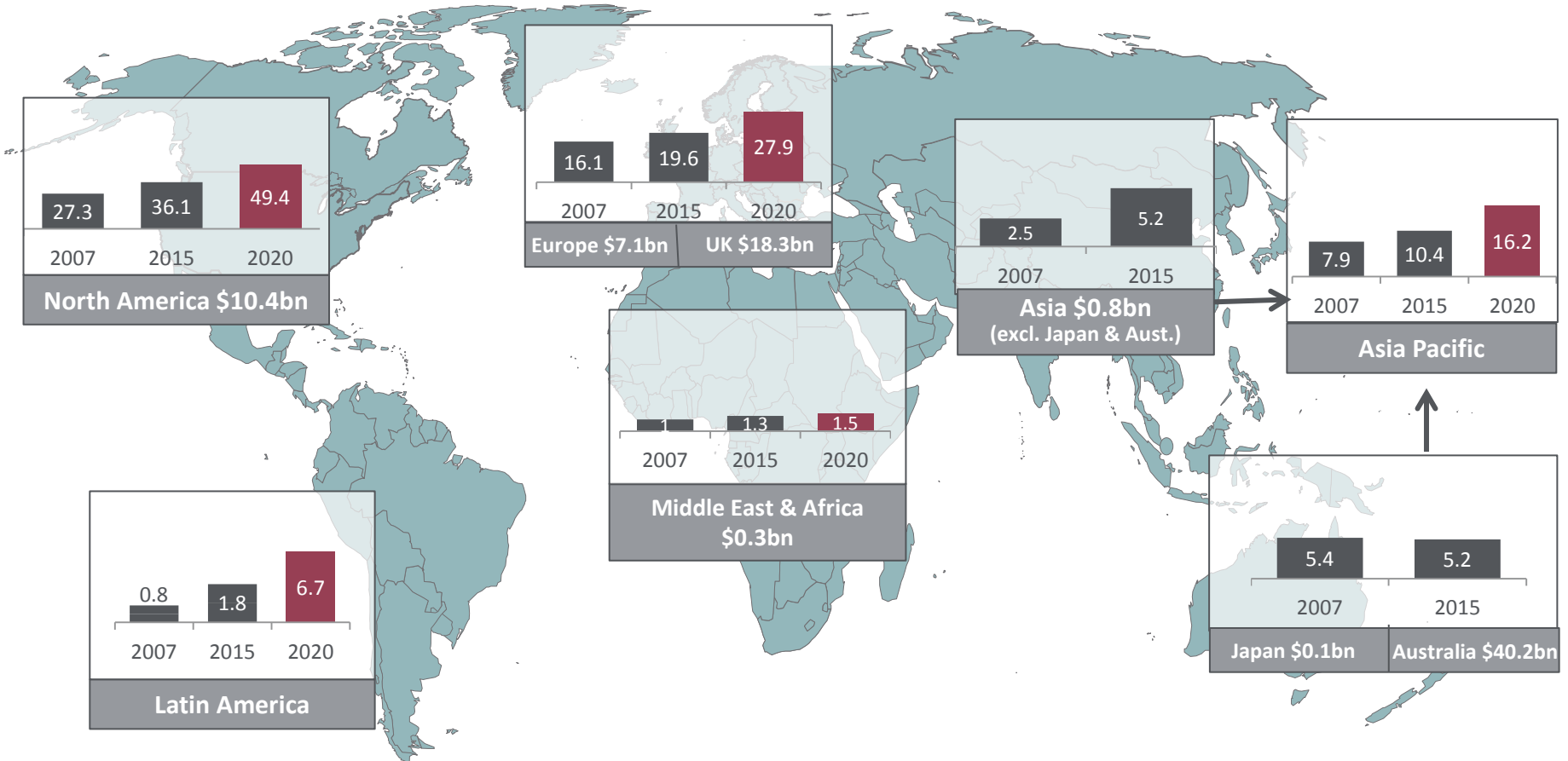
Strong operational platform with management, sales and marketing, distribution, compliance and back office support across Australia, Asia, UK, Europe and US

- 207 FT employees

# Well positioned globally

## Global AUM forecast to exceed A\$100tn by 2020

→ Distributing investment strategies in markets that make up over 90% of global AUM

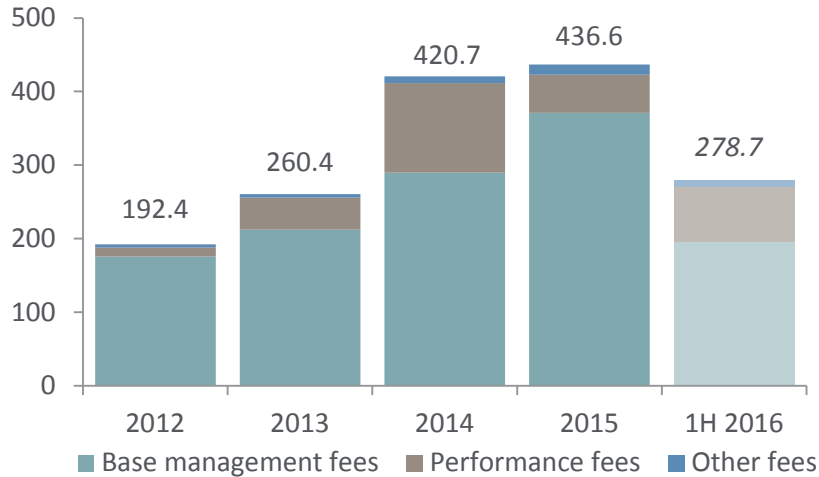


Sources: BCG Global Asset Management 2016 and PWC – Asset Management 2020

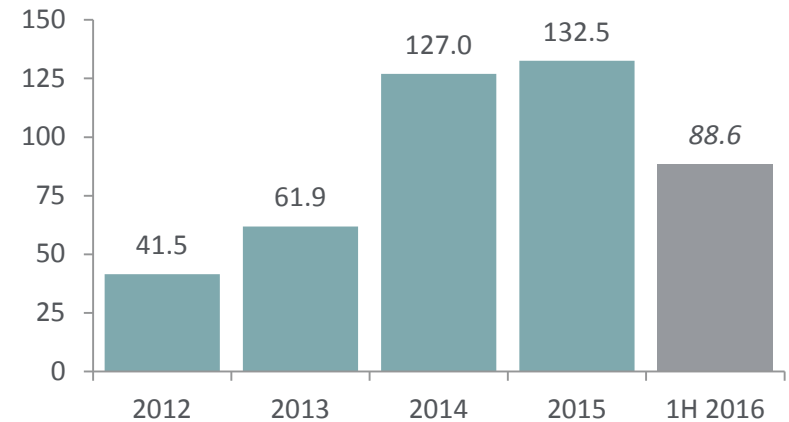
Note: FUM in \$ represents BTIM Group AUM where client is domiciled

# Growth rewarding shareholders

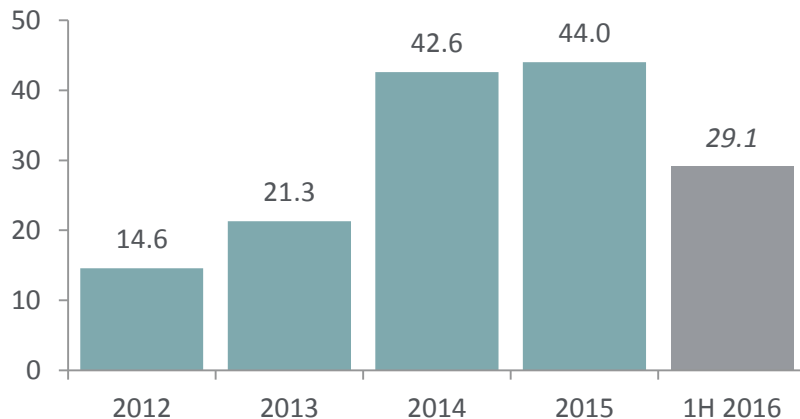
## Revenue (A\$*m*)



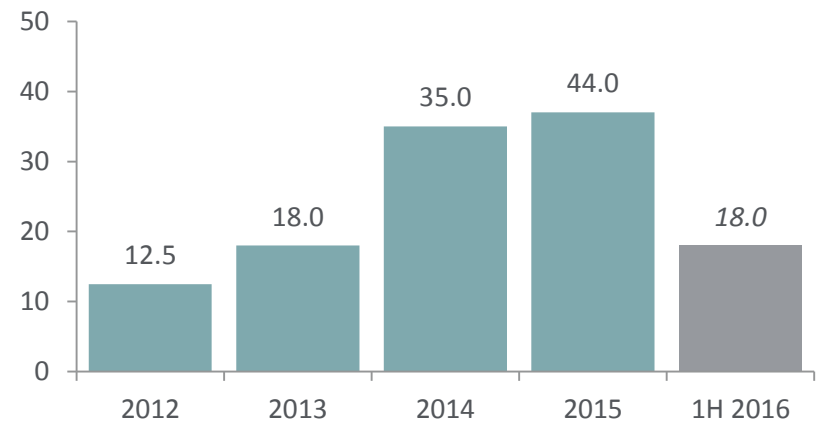
## Cash net profit after tax (A\$*m*)



## Cash earnings per share (A\$*cps*)



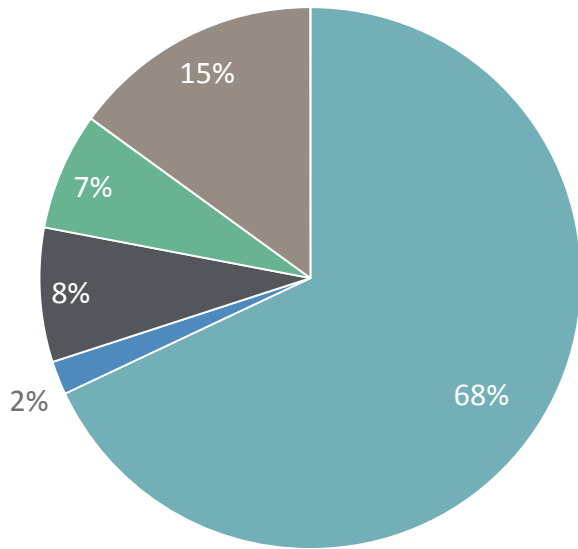
## Dividends per share (A\$*cps*)



# Business diversity

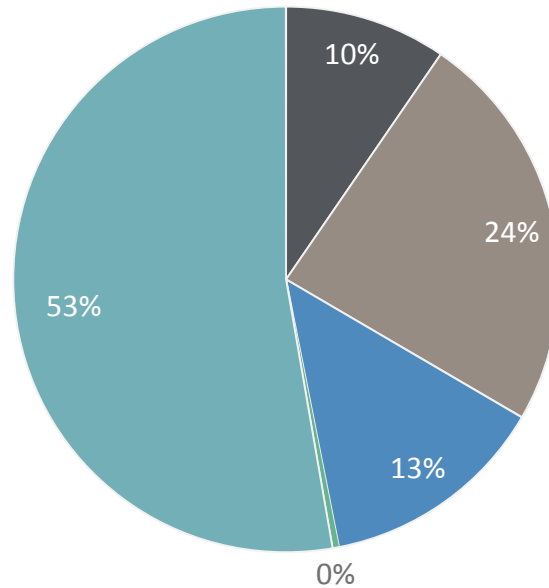
Diverse across asset class, geography and channel

Asset class



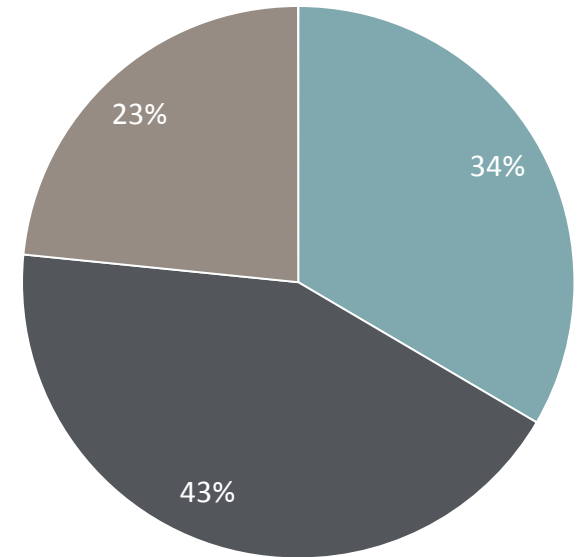
- Equities
- Cash
- Multi-asset
- Property
- Fixed Income

Geography (client domicile)



- Europe
- UK
- US
- Asia
- Australia

Distribution channel



- Institutional
- Wholesale
- Westpac

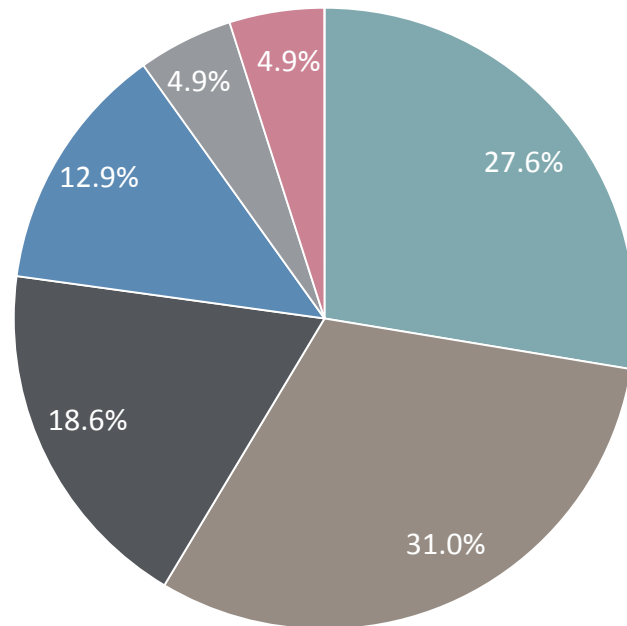
AUM of A\$77.2 billion (at 31 March 2016)

# Equities portfolio

## Exposure across strategies and currency

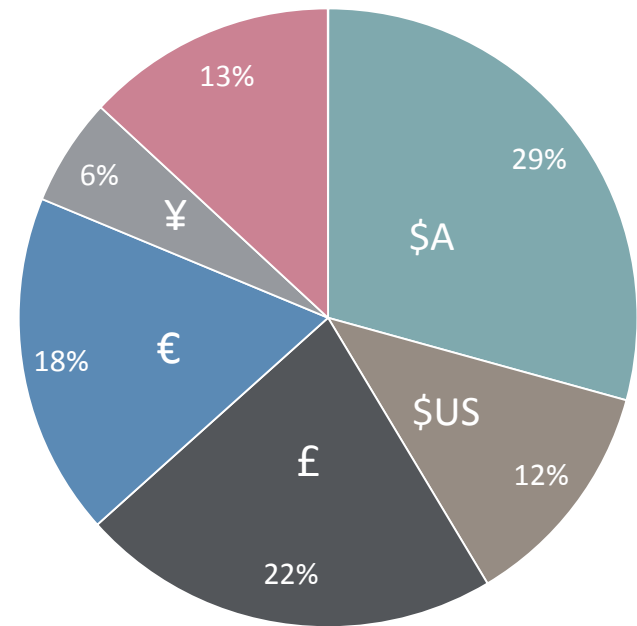
→ Diverse strategies across equities leading to broad-based currency exposure

Equities<sup>1</sup> AUM by strategy (A\$b)



■ Australian Equities      ■ Global Equities  
■ UK Equities                ■ European Equities  
■ Emerging Market Equities   ■ Asian Equities

Equities<sup>1</sup> AUM by currency



■ AUD    ■ USD    ■ GBP    ■ EUR    ■ JPY    ■ Other<sup>2</sup>

1. Includes Multi Asset allocation to equities; Represents closing AUM at 31 March 2016  
 2. Other includes c.20 other currencies, largely emerging markets

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# Growth drivers

## Multiple drivers of growth across the business

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### → Multiple drivers of growth

- Strong long-term investment performance
- Positive market performance and favourable currency movements
- Strong cumulative net flows
- Increasing capacity to earn performance fees
- New products growing AUM
- Fee margin expansion via channel mix
- Expansion into the US market
- Growing global equity and fixed income books



# Investment performance relative to benchmarks

## Continued long-term outperformance

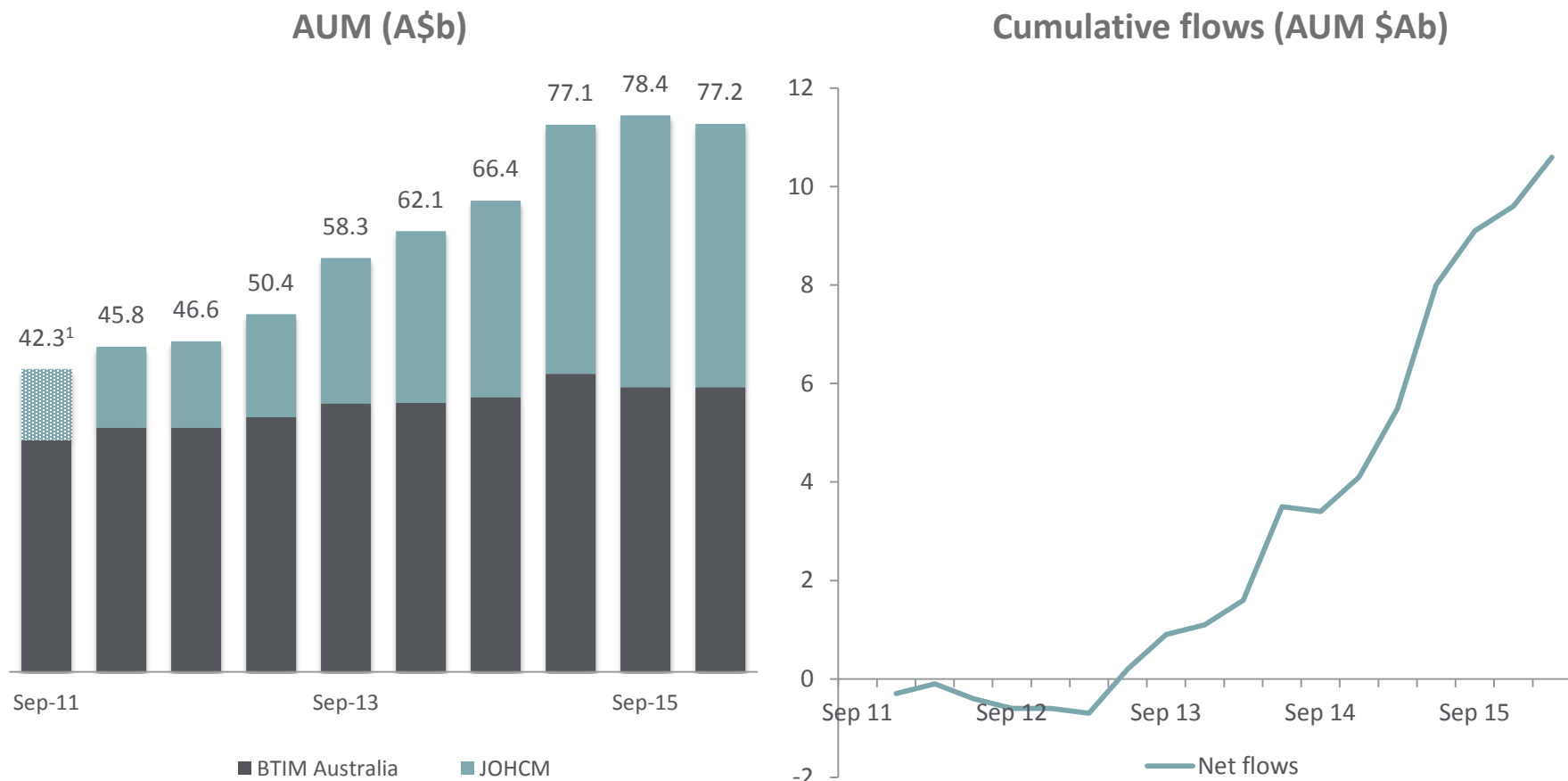
	1 Year (pa)	3 Years (pa)	5 Years (pa)
BT Wholesale Core Australian Share Fund	-2.26%	+0.85%	+1.04%
BT Wholesale Focus Australian Share Fund	-0.85%	+2.81%	+1.91%
BT Wholesale Imputation Fund	-3.89%	-0.94%	-0.25%
BT Wholesale Australian Long Short Fund	-0.97%	+0.99%	+1.77%
BT Wholesale Mid Cap Fund	-2.49%	+3.34%	+4.99%
BT Wholesale Smaller Companies Fund	+2.01%	+4.69%	+10.17%
BT Wholesale MicroCap Opportunities Fund	+8.52%	+20.48%	+22.44%
BT Wholesale Property Securities Fund	+0.00%	-0.02%	+0.14%
BT Wholesale Core Global Share Fund	-2.33%	+0.00%	+0.73%
BT Wholesale Active Balanced Fund	-1.40%	+0.87%	+0.67%
BT Wholesale Conservative Outlook Fund	-0.29%	+0.63%	+0.48%
BT Wholesale Fixed Interest Fund	-0.18%	+0.38%	+0.32%
BT Wholesale Monthly Income Plus Fund	+3.27%	+3.84%	+3.31%
BT Pure Alpha Fixed Income Fund	-1.32%	+0.80%	N/A
BT Wholesale Enhanced Cash Fund	+0.26%	+0.64%	+0.97%

	1 Year (pa)	3 Years (pa)	5 Years (pa)
JOHCM UK Equity Income Fund	-7.93%	+0.46%	+3.32%
JOHCM UK Opportunities Fund	+11.08%	+5.16%	+5.23%
JOHCM UK Growth Fund	-13.24%	-0.46%	+2.13%
JOHCM UK Dynamic Fund	-4.86%	+2.41%	+4.36%
JOHCM Continental European Fund	+3.91%	+4.90%	+4.45%
JOHCM European Select Values Fund	+13.14%	+6.03%	+5.77%
JOHCM Global Select Fund	-5.23%	+3.71%	+2.59%
JOHCM International Select Fund	+3.63%	+7.65%	+6.36%
JOHCM Global Opportunities Fund	+14.05%	+7.17%	N/A
JOHCM Emerging Markets Fund	+5.39%	+3.00%	+3.02%
JOHCM Global Emerging Markets Opportunities Fund	+1.00%	+4.97%	+2.61%
JOHCM Japan Fund	-9.08%	-4.57%	-0.41%
JOHCM Asia ex Japan Fund	+5.56%	+1.86%	N/A
JOHCM Asia ex Japan Small & Mid Cap Fund	+8.97%	+7.08%	N/A

Note: Fund performance is pre-fee, pre-tax and relative to the fund benchmark. Australian domestic funds represent the flagship fund for the asset class. As at 30 June 2016

# Growth in Assets under Management

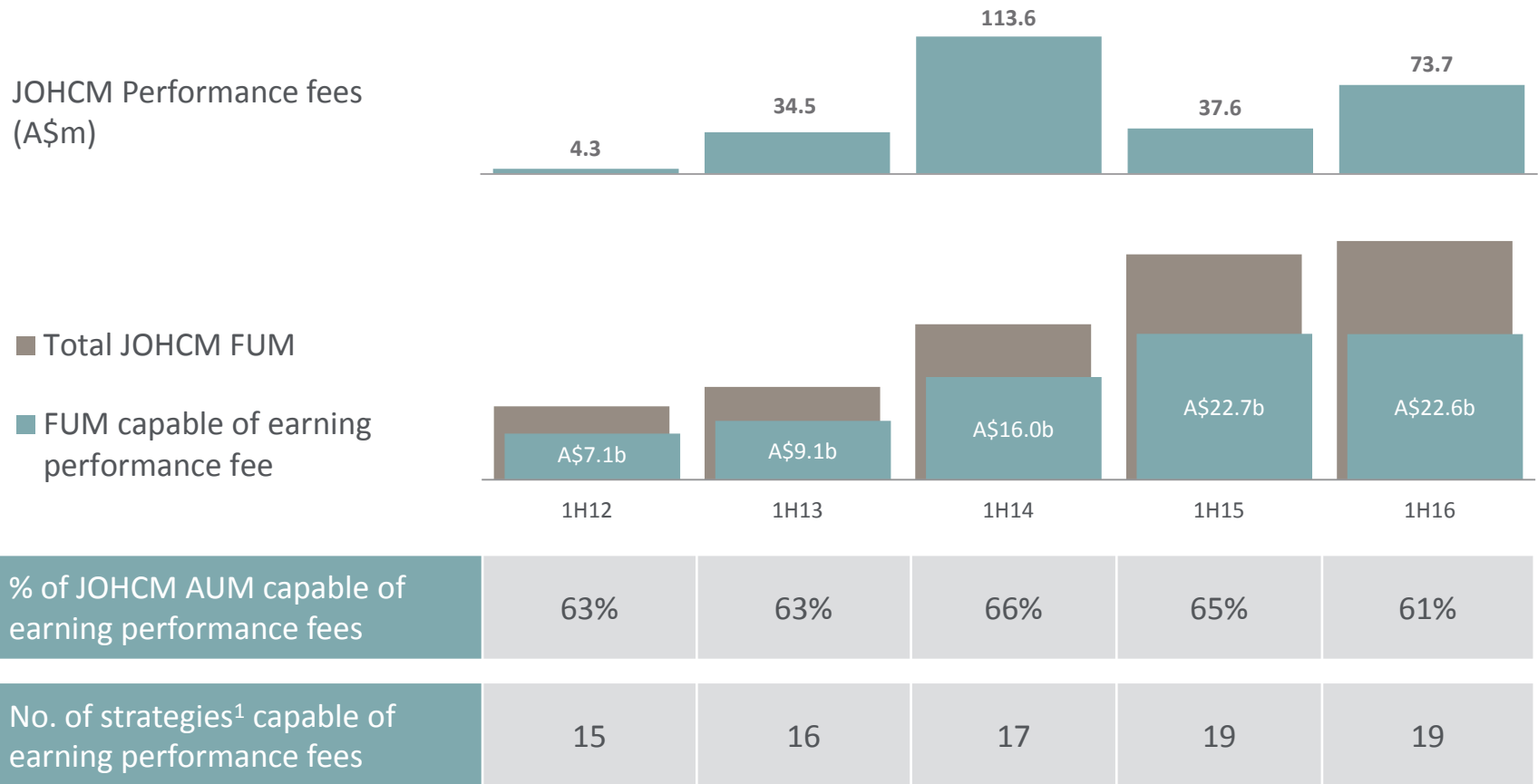
## Strong growth in net flows



1. Includes JOHCM at 30 September 2011, prior to acquisition

# Increasing capacity to earn performance fees

## JOHCM funds

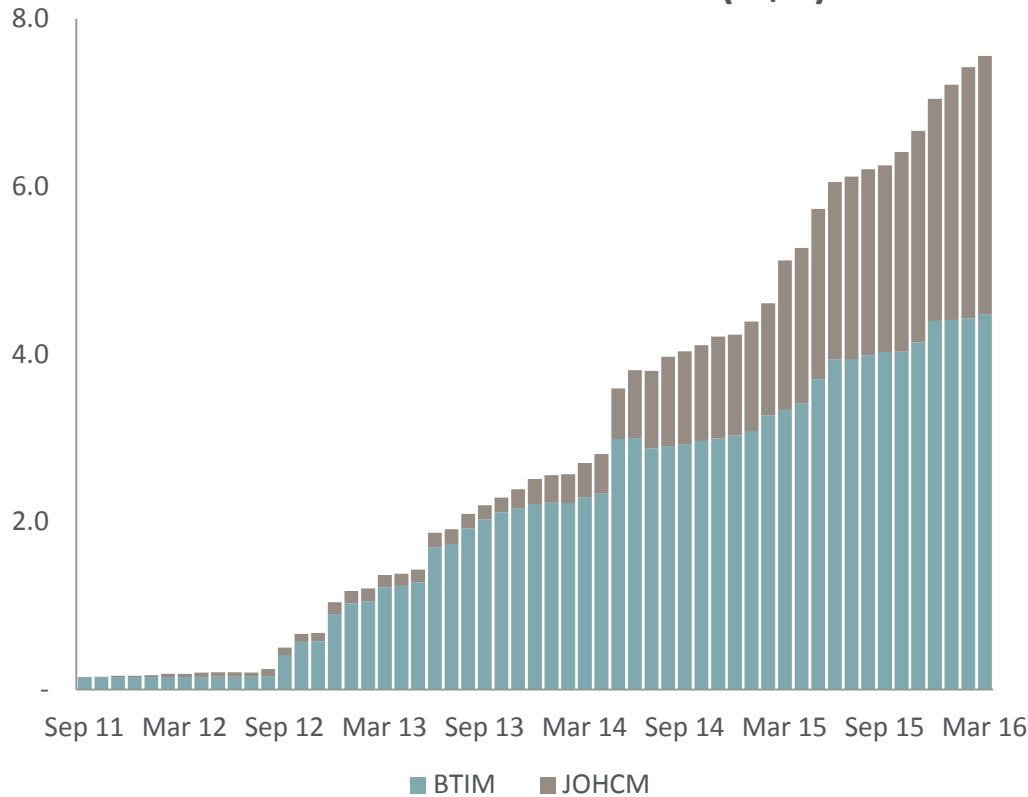


1. Strategies refers to funds and separate mandates

# Organic growth

Investment in new initiatives has raised A\$7.6b in AUM

**New initiatives**  
**Cumulative net flows (A\$b)**



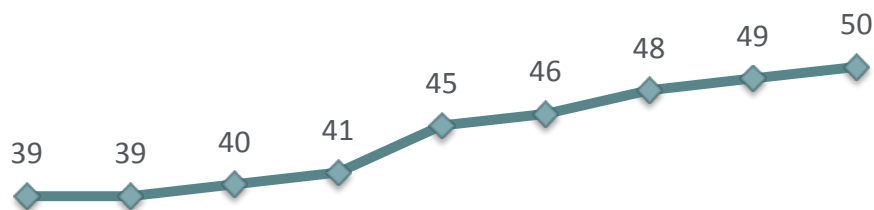
- Investment in new initiatives adding to AUM
- Proven capability in bringing product to market
- Current annualised revenue of new initiatives launched over the last five years is \$40m

Note: New initiatives are new products and investment strategies launched since March 2011

# Increasing revenue margins

## Progressively shifting to higher margin channels

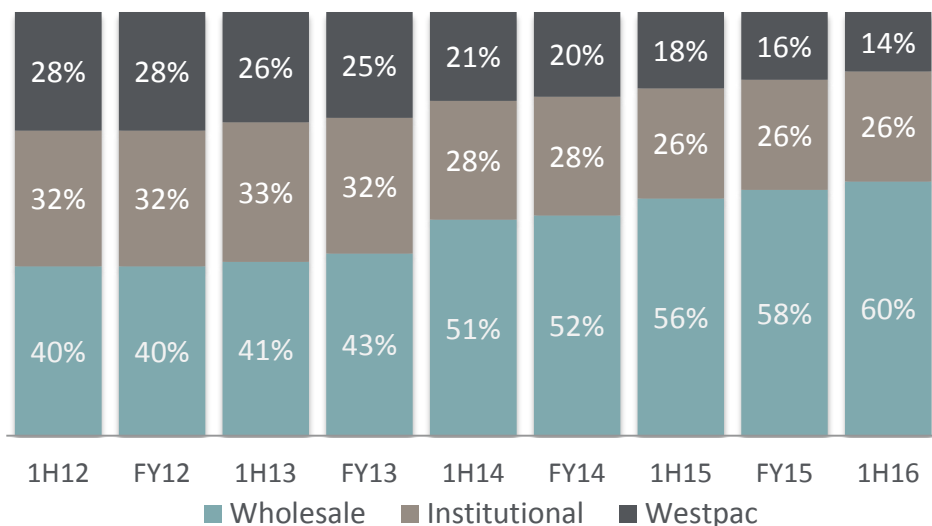
Average base management fee margin (bps)



- Continued increase in average base management fee margins.
- Increased percentage of flows through higher margin wholesale channel

1H12 FY12 1H13 FY13 1H14 FY14 1H15 FY15 1H16

Base management fee by channel



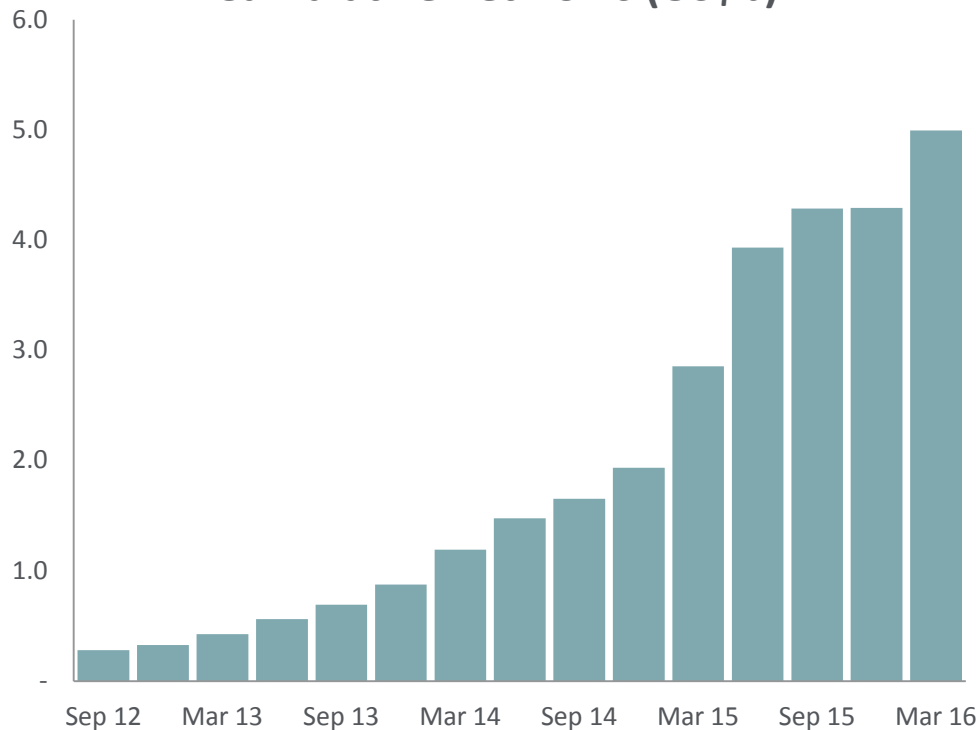
\$b	31 Mar 16 Closing AUM	Fee Margin	
		BTIM	JOHCM
Institutional	27.0	0.25%	0.58%
Wholesale			
Australia	5.6	0.76%	-
OEICs	20.2	-	0.65%
US Pooled	6.6	-	0.81%
Westpac – Other <sup>1</sup>	9.9	0.29%	-
<b>BTIM Group Core Funds</b>	<b>69.3</b>	<b>0.35%</b>	<b>0.66%</b>
Westpac - Legacy	7.9	0.30%	-
<b>Total BTIM Group AUM</b>	<b>77.2</b>	<b>0.34%</b>	<b>0.66%</b>

1. Westpac Other: represents institutional IMA managing retail and corporate superannuation and managed accounts

# Further global expansion

## Building a strong US platform

### US Mutual Funds Cumulative net flows (US\$b)

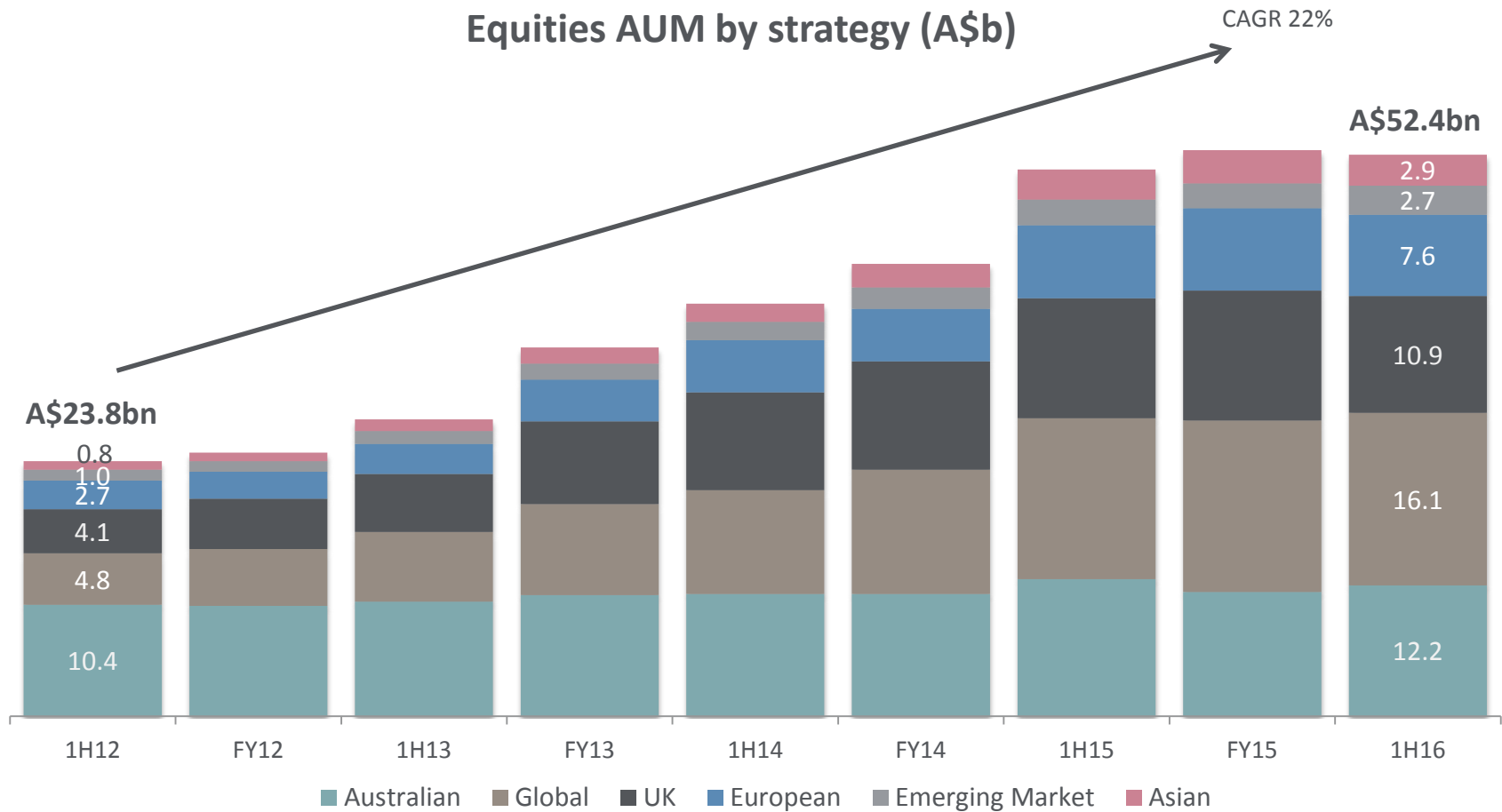


- US funds management market estimated at A\$36.1 trillion<sup>1</sup> – largest region globally
- Total AUM from US business A\$10.4 bn (30 June 2016)
- 7 mutual funds
  - International Smallcap
  - International Select
  - Global Select
  - US SMID
  - Emerging Markets SMID
  - Emerging Markets Opportunities
  - Asia ex-Japan
- Building-out the US business. Currently 20 FT employees:
  - 5 investment professionals
  - 8 sales and distribution
  - 7 operations and support

1. BCG Global Asset Management 2016

# Growing global equities portfolio

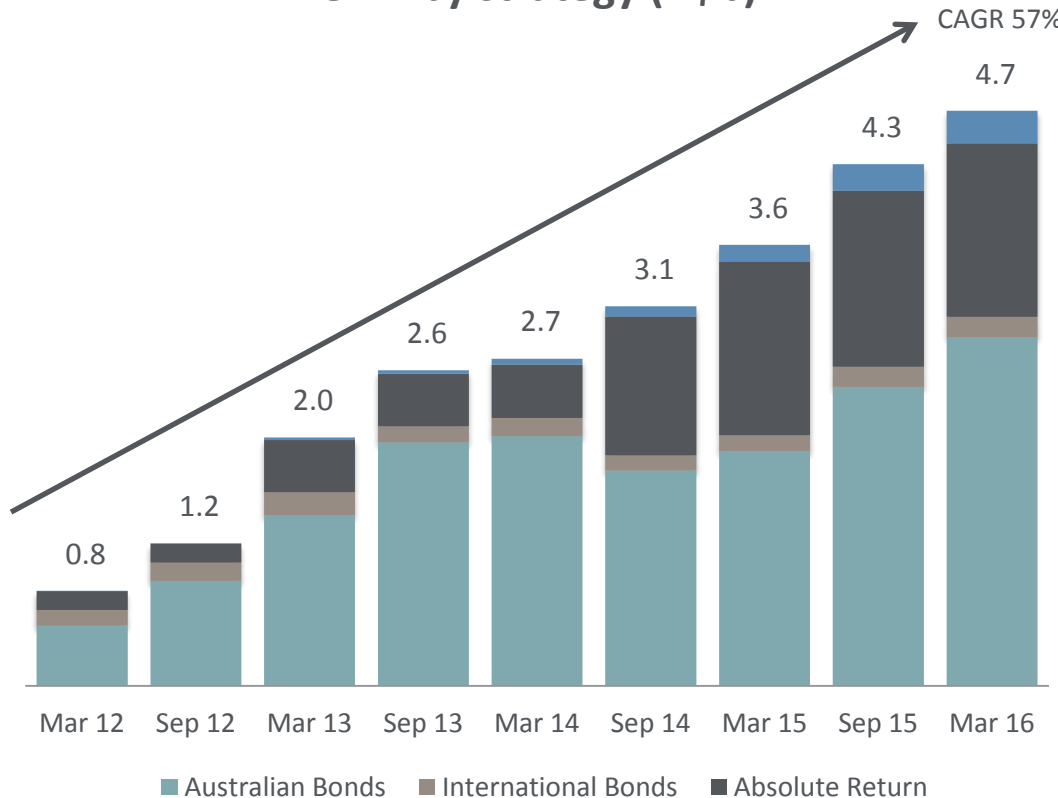
Significant growth in Global, UK and European equities



# Growing fixed income book

## Developing products to meet increasing demand

AUM<sup>1</sup> by strategy (A\$b)



- Demographic changes driving increased demand for income products
- Growth of new products
  - Absolute return
  - Diversified income
- Strong investment performance

1. Excludes cash-like mandates

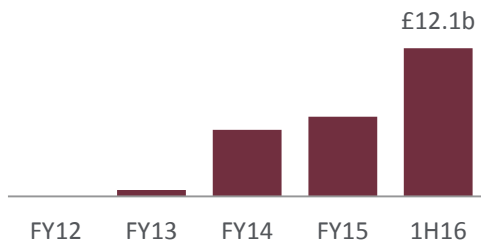


# Capacity management discipline

## Preserving investment performance and building for growth

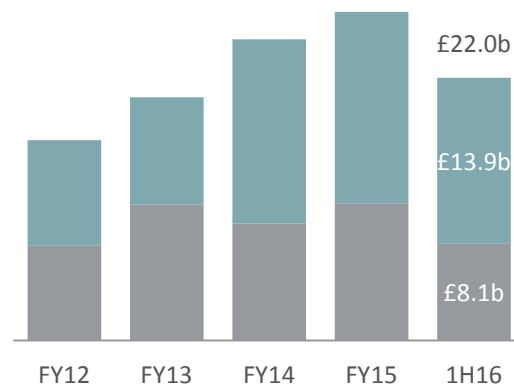
- Managing fund capacity while continuing to build for growth
  - Capacity is managed to ensure investment performance is not compromised
  - Funds are soft-closed at pre-determined AUM levels<sup>1</sup>
  - Ongoing investment in new teams and extension strategies provides for future growth
  - Strong investment performance not compromised by asset growth whilst providing for future growth

### Preserving Performance



AUM of soft closed strategies

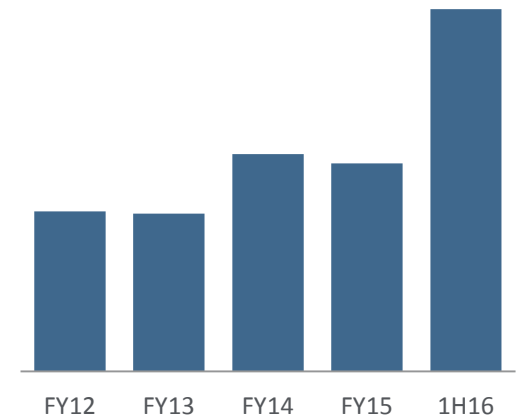
### Current Growth



Capacity of strategies with >3yr track

AUM of open strategies

### Future Growth <sup>£30.0b<sup>2</sup></sup>



Capacity of strategies with <3yr track record

1. Fund capacity levels are set at inception and beta adjusted over time

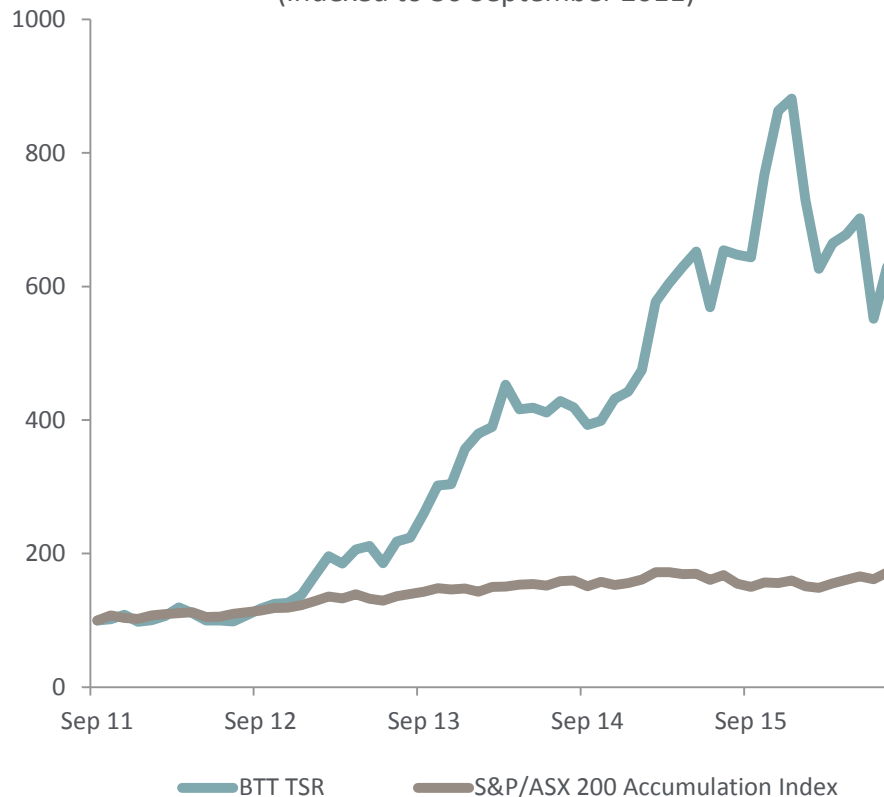
2. Includes £10.7b (A\$20.0b) of Sydney based global equity team but excludes Australian equities and fixed interest  
As at 31 March 2016

# Investing in BT Investment Management

## A successful and growing global asset manager

### Total Shareholder Return

(indexed to 30 September 2011)



- Broad based global investment management business with quality investment strategies
- Diversified exposure across regions, channels, currency and investment styles
- Proven business model that attracts and retains investment professionals
- Strong long-term investment performance
- Future growth opportunities through geographic expansion and new strategies
- Strong cash flow generating business rewarding shareholders

# Appendix

## 1H 2016 Result Summary

# Financial highlights

## Key performance drivers continuing to grow

A\$m	1H15	1H16	Change
Avg AUM (A\$b)	71.2	78.8	+11%
Base fee margin	0.48%	0.50%	+4%
Base management fees	170.4	195.7	+15%
Performance fees	38.0	74.9	+97%
Transaction fees	2.2	7.5	+242%
Other fee revenue	1.2	0.9	-28%
<b>Total fee revenue</b>	<b>211.8</b>	<b>279.0</b>	<b>+32%</b>
Employee expenses	(100.1)	(134.1)	+34%
Operating expenses	(30.9)	(33.5)	+8%
<b>Total cash operating expenses</b>	<b>(131.0)</b>	<b>(167.6)</b>	<b>+28%</b>
<b>Operating profit</b>	<b>80.8</b>	<b>111.4</b>	<b>+38%</b>
Net investment income	3.5	2.2	-36%
Financing charges	(0.6)	(0.4)	-40%
Tax	(17.2)	(24.6)	+43%
<b>Cash NPAT</b>	<b>66.5</b>	<b>88.6</b>	<b>+33%</b>
<b>Operating profit margin</b>	<b>38%</b>	<b>40%</b>	<b>+5%</b>
<b>Cash EPS</b>	<b>22.1</b>	<b>29.1</b>	<b>+32%</b>

- Average AUM +11%
  - Strong net inflows
  - Lower \$A versus pcpc
- Base management fees +15% driven by higher average AUM and expanding fee margins
- Performance fees significantly higher
- Growth in transaction fees from demand for Significant Investor Visa (SIV) product
- Operating expenses higher with increase in variable employee costs on higher revenue
- Increased fixed costs expected in 2H16 vs 1H16
- Cash NPAT +33%, Cash EPS +32%

# Continued net inflows

Positive inflows and market performance offset by stronger AUD

A\$b	30-Sep-15	Net		FX	31-Mar-16	Breakdown of Net Flows		Fee Margin	
	Closing AUM	Flows	Other <sup>1</sup>	Impact	Closing AUM	BTIM	JOHCM	BTIM	JOHCM
Institutional	26.2	1.0	1.3	(1.5)	27.0	0.0	1.0	0.25%	0.58%
Wholesale									
Australia	5.4	0.1	0.1	-	5.6	0.1	-	0.76%	-
OEICs	22.5	0.0	0.9	(3.2)	20.2	-	0.0	-	0.65%
US Pooled	6.0	1.0	0.5	(0.9)	6.6	-	1.0	-	0.81%
Westpac - Other <sup>2</sup>	9.9	0.0	0.0	-	9.9	0.0	-	0.29%	-
<b>BTIM Group Core Funds</b>	<b>70.0</b>	<b>2.1</b>	<b>2.8</b>	<b>(5.6)</b>	<b>69.3</b>	<b>0.1</b>	<b>2.0</b>	<b>0.35%</b>	<b>0.66%</b>
Westpac - Legacy	8.4	(0.6)	0.1	-	7.9	(0.6)	-	0.30%	-
<b>Total BTIM Group AUM</b>	<b>78.4</b>	<b>1.5</b>	<b>2.9</b>	<b>(5.6)</b>	<b>77.2</b>	<b>(0.5)</b>	<b>2.0</b>	<b>0.34%</b>	<b>0.66%</b>

- Net inflows of A\$1.5b despite market volatility
- JOHCM equity funds inflows of A\$2.0b – driven by US pooled funds and segregated mandates
- Stronger A\$ negatively impacted AUM – A\$ appreciated 16% vs GBP from 30 September 2015

1. Other: includes market movement, investment performance & distributions

2. Westpac Other: represents institutional IMA managing retail and corporate superannuation and managed accounts

# AUM and flows by asset class

## Net inflows of A\$2.1 billion in Core funds

A\$b	30-Sep-15 Closing AUM	Net Flows			31-Mar-16 Closing AUM
		Core	Legacy	Other <sup>1</sup>	
Equities					
Australian	11.6	0.4	(0.1)	0.3	<b>12.2</b>
Global/International	16.0	0.7	0.0	(0.6)	<b>16.1</b>
UK	12.1	0.3	-	(1.5)	<b>10.9</b>
European	7.7	0.4	0.0	(0.5)	<b>7.6</b>
Emerging Markets	2.3	0.5	-	(0.1)	<b>2.7</b>
Asian	3.1	0.2	0.0	(0.4)	<b>2.9</b>
Property	1.7	0.0	0.0	0.1	<b>1.8</b>
Cash	6.1	0.2	0.0	0.0	<b>6.3</b>
Fixed Income	5.5	(0.7)	0.0	(0.1)	<b>4.7</b>
Diversified	11.9	0.0	(0.5)	0.1	<b>11.5</b>
Other	0.4	0.1	0.0	0.0	<b>0.5</b>
<b>Total AUM</b>	<b>78.4</b>	<b>2.1</b>	<b>(0.6)</b>	<b>(2.7)</b>	<b>77.2</b>

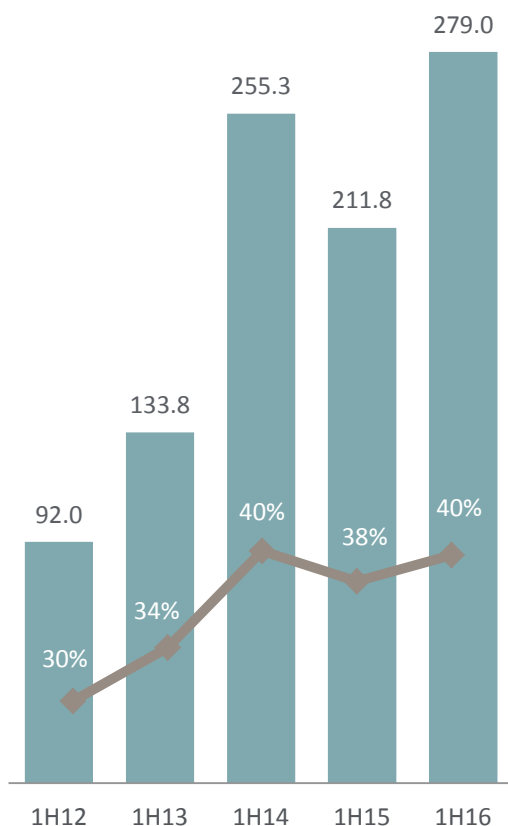
- Positive flows across all equities categories
- Global equities +A\$0.7b, European equities +A\$0.4b, and Australian equities +A\$0.3b
- Fixed income AUM impacted by redemption of low margin cash-like mandate (A\$1.1b)

1. Other includes market movement, investment performance, distributions & FX

# Fixed vs. variable expenses

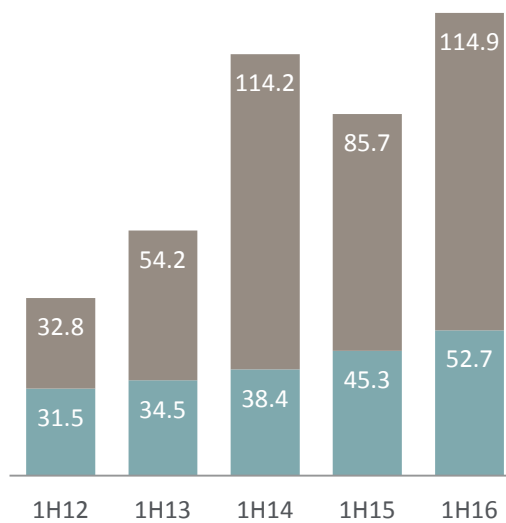
## Revenue growing faster than expenses

Revenue (A\$m) and operating margin (%)

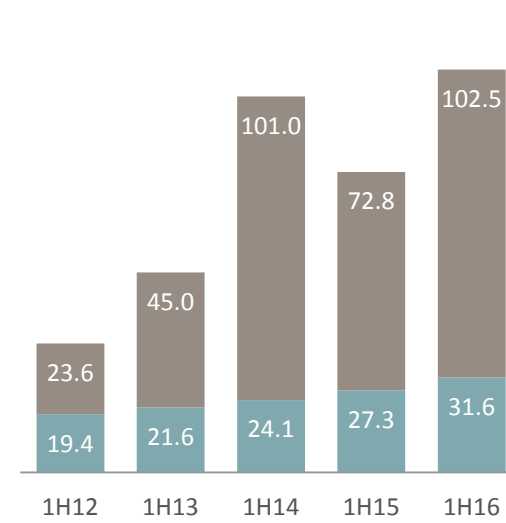


% Breakdown	1H12	1H13	1H14	1H15	1H16
Fixed expenses	49%	39%	25%	35%	31%
Variable expenses <sup>1</sup>	51%	61%	75%	65%	69%
Total	100%	100%	100%	100%	100%

Total operating expenses<sup>2</sup> (A\$m)



Total employee expenses (A\$m)



■ Fixed ■ Variable

1. Variable expenses include fund expenses that are linked to AUM & employee expenses that are linked to profit
2. Total operating expenses includes employee expenses

# Balance sheet strength

A\$m	Mar 2015	Sep 2015	Mar 2016	Change <sup>1</sup>
Cash and cash equivalents	111.0	166.8	147.0	(19.8)
Bank debt and loan notes	(43.0)	(18.0)	(26.4)	(8.4)
<b>Net cash</b>	<b>68.0</b>	<b>148.8</b>	<b>120.6</b>	<b>(28.2)</b>
<b>Undrawn debt facilities</b>	<b>51.3</b>	<b>86.7</b>	<b>58.1</b>	<b>(28.6)</b>
Total equity	688.4	761.9	731.1	(30.8)
Intangibles and equity				
Less: settled converting notes	(583.4)	(622.5)	(578.6)	43.9
<b>Net tangible assets (NTA)</b>	<b>105.0</b>	<b>139.4</b>	<b>152.5</b>	<b>13.1</b>
<b>Gearing Ratios</b>				
Debt / equity	6%	2%	4%	2%
Debt / operating profit	31%	11%	13%	2%
Debt / NTA	41%	13%	17%	4%
Interest coverage	100x	133x	202x	69x

- Balance sheet strong with continued upward NTA trend
- Cash balance seasonally lower however net cash position improving year-on-year
- Loan notes fully redeemed as at 31 March 2016
- Debt facility available for seeding and operational purposes, subject to re-finance by 30 Sep 2016
- Comfortable gearing ratios provide platform for growth
- No significant change to regulatory capital requirements – c.A\$17m

1. Change represents variance between March 2016 and September 2015



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