TREASURY GROUP LIMITED
ABN 39 006 708 792

PRESENTATION TO

ABN AMRO

DIVERSIFIED FINANCIALS CONFERENCE

"CHALLENGES AND OPPORTUNITIES"

WHAT ARE THE KEY INDUSTRY AND STRATEGIC CHALLENGES AND OPPORTUNITIES FACING YOUR BUSINESS? IN LIGHT OF THESE, WHAT INITIATIVES DO YOU HAVE IN PLACE TO MAINTAIN SUSTAINABLE GROWTH?

DAVID COOPER
MANAGING DIRECTOR
TREASURY GROUP LIMITED

MAY 2006

Thank you for the opportunity to present today.

The pace of change racing across the financial services industry, both locally and offshore, represents the main challenge to the industry and companies like Treasury Group Limited (Treasury Group). To be ahead of the changing market and even play a part in crafting the future of funds management, Treasury Group has had to ensure it remains nimble and capable of making decisions quickly. In addition we have to be able to execute business plans and initiatives with an attention to accuracy and speed. In structuring Treasury Group to be competitive in this environment we have put ourselves in the best possible position to grasp the opportunities that present themselves.

In addressing the question of key industry and strategic challenges and opportunities facing my company, as Managing Director I would summarise them in the following way.

At an industry level the big three factors are:

1. the pace of change in product offerings;

2. the resultant short termism this pace of change brings about; and

3. increasing regulation that can result in increased corporate bureaucracy and market tolerance for that bureaucracy.

At a corporate strategic level the major challenges and opportunities are

1. attracting and retaining a team of people with complimentary skills and experience and the right attitude towards doing business the Treasury Group way;

2. the changing face of global economies and the ease of access to international markets ; and

3. finding ways to differentiate the Treasury Group product offerings from the plethora available at both the wholesale and retail level in domestic and international arenas.

To set the scene I will give you a quick run down on the Treasury Group business model.

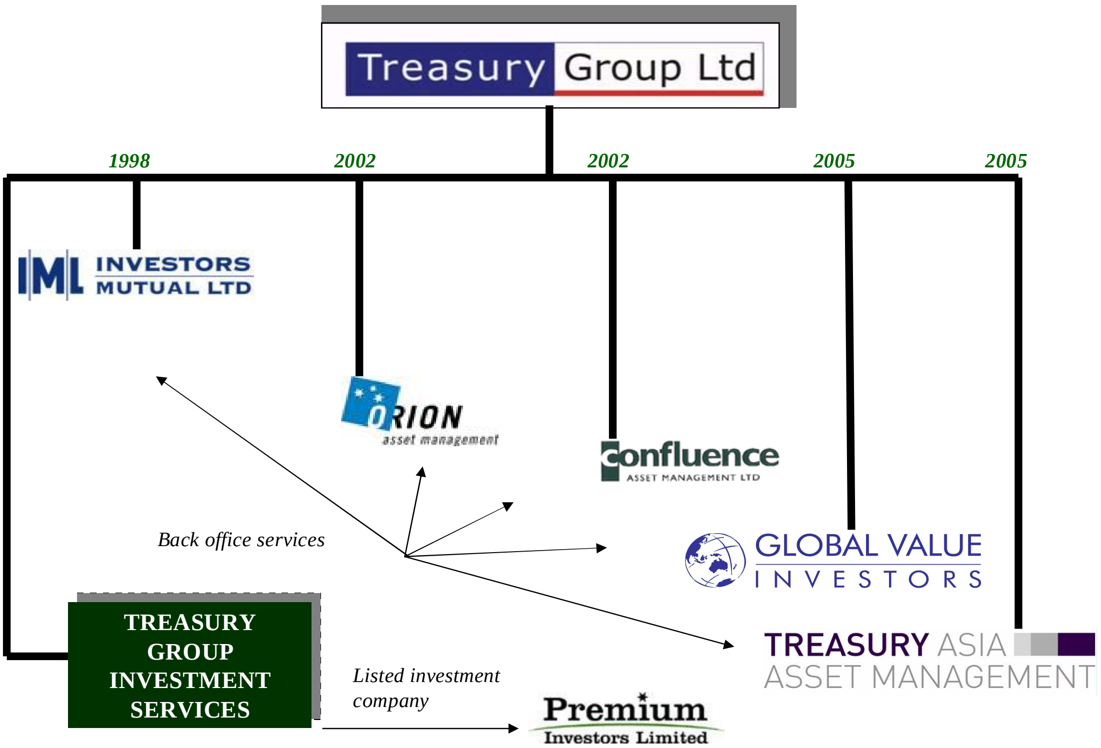
Treasury Group Business Model

Treasury Group invests in and supports the management of small to medium sized asset management companies. The aim is to support talented funds managers in an environment which

- addresses the fund managers long term career goals
- is low on bureaucracy
- is free of the corporate excesses prevalent in larger companies
- aligns the clients interests with those of the team entrusted with managing their funds
- aims for the highest standards of compliance, corporate governance and client service

Treasury Group is solely focused on funds management. This differentiates us in a market that has a number of diversified financial services companies. I will expand on this later.

The organisation chart below details the boutique fund managers with which we are associated.



Challenge/Opportunity: Pace of Industry Change

As recently as ten years ago the funds management industry was still in its infancy. Wrap accounts hadn't even been dreamt up and the internet was still something computer nerds only just dappled in. Technology has allowed this industry to develop in ways unimaginable. As such the ongoing challenge is to constantly stay abreast of changes and developments and ensure that your corporation has the ability to image and implement products and ways of doing business that will be seen as value adding.

Challenge/Opportunity: Regulation, Bureaucracy and people management.

Treasury Group is not anti-bureaucracy as we do believe that some degree of bureaucracy is important. That said the key to managing bureaucracy is to ensure it does not stifle the ability of creative investment individuals to do their job. Sadly the rise of unwanted and unnecessary bureaucracy across the industry represents a major challenge to the industry.

The challenge for the industry in this regard extends to competing corporate interests in the funds management company. Competing departments, like marketing, administration, sales, IT, and HR can all stamp their power over a company with the introduction of unwanted bureaucracy. The industry is plagued with product development overtaking or diverging from the core investment skills of the investment team. How many fund managers do you know who propose to run all asset classes in superior fashion to their peers. One wonders if the corporate agenda to grow assets and fill trendy asset classes has overridden the simple concept of doing "what are we really good at".

From the Treasury Group perspective we started with a positive "can do" attitude and as we have grown have always actively focused on encouraging a culture of execution.

A lot is spoken about the increase in regulation and focus on compliance and that these factors contribute to increased bureaucracy.

They certainly can, but from Treasury Group's perspective, they don't have to! At Treasury Group we view the regulatory environment, both legal and compliance, as a given.

In business, as in all aspects of life more generally, there have always been regulations and compliance requirements, they are just part and parcel of doing business. From where I stand it's all about attitude; corporate and personal attitude.

If you accept that regulation and compliance are usually instigated as a form of protection for ALL market participants to ensure fair play and market integrity, and you have an attitude that accepts responsibility for contributing to the market in such a way that these outcomes prevail, then it follows that you will ensure and respect regulatory compliance.

That said however it is also market participants' right and obligation to ensure that changes to regulatory and compliance requirements continue to evolve in a manner that ensures no one sector of the market is disadvantaged at the expense of another, be that investors, the regulator or investment managers.

So at Treasury Group we focus on the main game which is to grow our business, and we do not become distracted by increased regulation or compliance. As these hurdles arise we assess their requirements and implement compliance methods but continue to focus on our strategic drivers.

Looking closely at the Treasury Group model you can see we have a central supply of back office services that leverage group buying power. This is where a key ingredient or "competitive advantage" exists; namely the investment culture within the boutique is separated from the back office service culture within Treasury Group's wholly owned subsidiary and services company, Treasury Group Investment Services (TIS). A service level agreement exists between the entities so that the back office function treats the investment team as a "client" not just another department.

Strategic Corporate Challenge/Opportunity: People Management

A separate but related challenge in our industry is people management. The scarcest resource we manage is effective/high performing people and Treasury Group addresses this challenge on a number of levels.

It is not a surprise that in the heavily regulated and highly competitive environment we operate in there are increasing layers of people appearing in financial services companies. The trick is to keep the numbers down to as few as possible, effective/high performing individuals.

Treasury Group pays careful attention to what each individual contributes to the company. It's not so much "how educated" a person is but rather how much "knowledge" they bring to the role and the value that is derived from their contribution. At the boutique level we are focused on best of breed managers and in the back office we look for knowledge staff who prefer to be more actively engaged in understanding the business in its entirety rather than just doing their job as a small cog in a big wheel. Put simply it is about having staff with the right attitude and enthusiasm for a fast paced changing environment.

That all sounds good but how do we actually achieve that outcome?

With each new boutique opportunity we focus a lot of attention on the level of experience the key individuals bring to the asset class and style they intend to specialise in. A track record greater than ten years is desirable and we like to assess how they have performed through tough periods. Not everyone has a spectacular ten year plus record so it is important to try and understand how their approach has developed over time and what gives them a competitive advantage in their area of expertise.

In the back office we have mainly finance, accounting, risk and compliance staff. We have no IT department and only one person in HR. IT is fully outsourced across Treasury Group and all its related entities. Portfolio accounting, custody and payroll are also outsourced.

TIS holds an Australian Financial Services (“AFS”) license to act as Responsible Entity for Managed Investment Schemes managed and promoted by companies within the group.

The range of centralised back office services that the boutiques can choose from include:

- Business development
- Risk management and compliance framework
- Investment Management Agreements risk review
- Business Continuity Plan
- Business policies
- Contracts risk review and contracts database maintenance
- Scheme Compliance Plans
- Compliance Committee
- Assisting with audits and returns
- Assistance with and/or arrangement of insurance
- Complaints Resolution
- External Service Provider (ESP) Agreements
- Reporting procedures
- Risk Management Statements
- Website management
- Product Documentation
- Marketing Materials sign off procedures plus templates
- Application for trademark protection
- Human Resources
- Finance & Administration
- Company Secretarial Functions

Challenge/Opportunity: Short termism

The focus on short term results, whether it is investment performance or profit results, is a characteristic of our industry that is unlikely to ever go away and all we can really do is try to manage people's expectations.

With regards to investment products we place importance on carefully communicating the nature of each investment product and how it can play a role in the long term goals of a diversified portfolio. We also consider it inappropriate to sell high short term performance as a reliable guide to long term results.

At the company level we are subject to micro assessment of our half year and full year results and our response is to disclose as much information as possible but make sure we also include the long term business plan. In truth management has little influence over the next profit result. It is the earnings of the coming years that management can have meaningful impact upon.

Challenge/Opportunity: Access to changing global economies and inflated asset prices

With a number of asset classes trading at all-time highs you might consider this a challenge to an industry that has grown considerably off the back of a strong bull market.

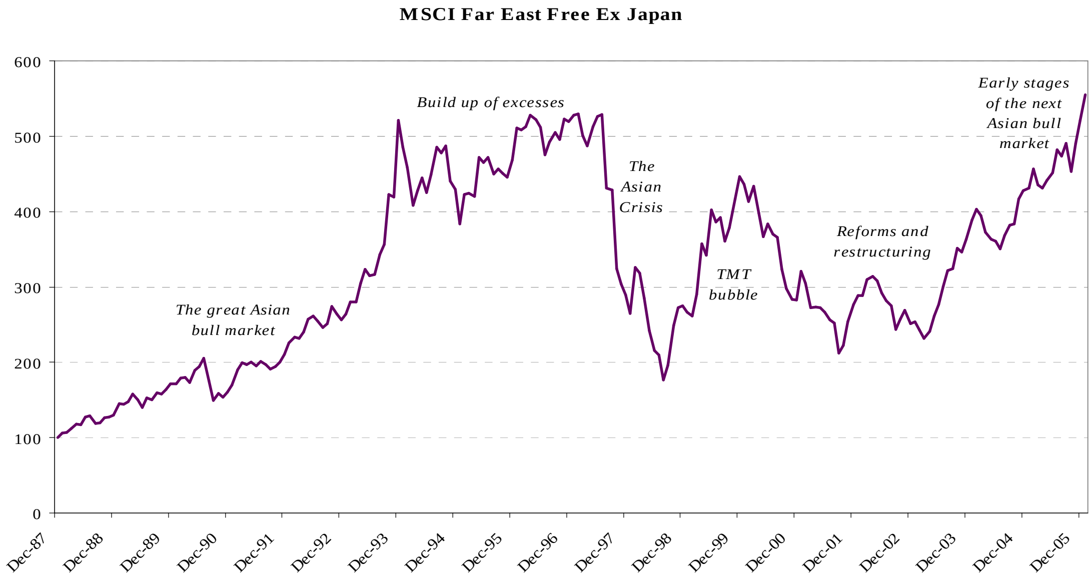
This is not so much a challenge but an opportunity for Treasury Group because it plays right into our hands. With specialist active fund managers we can continually seek out best of breed managers to support and we are not restricted to any asset or investment style.

A good example is our recent move into Asian equities funds management through Treasury Asia Asset Management.

We first recognised that the region had what we considered to be compelling economics and an increasing demand worldwide for quality asset management services. The problem for us was finding someone with ten years plus experience in the region and putting a quality team behind that person.

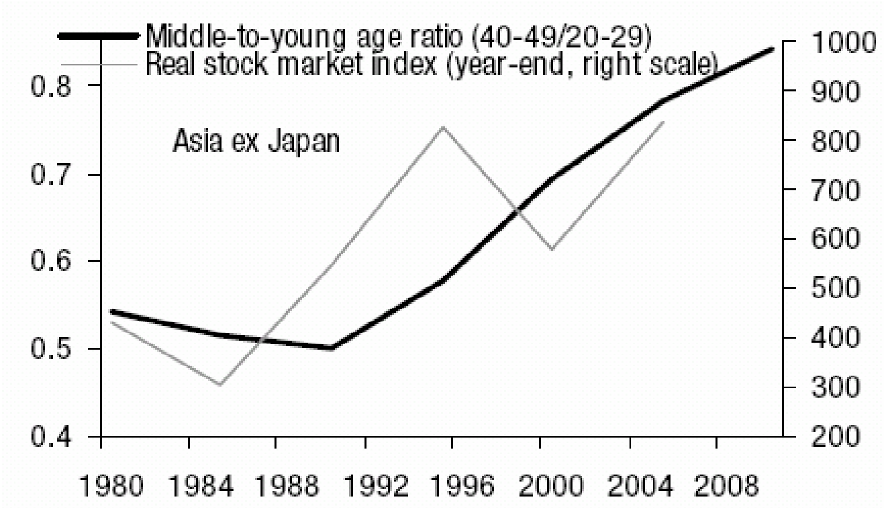
Back to the economics on Asia. A few of the aspects of the region that we found compelling included:

The market appeared to be setting up for its next bull market phase.

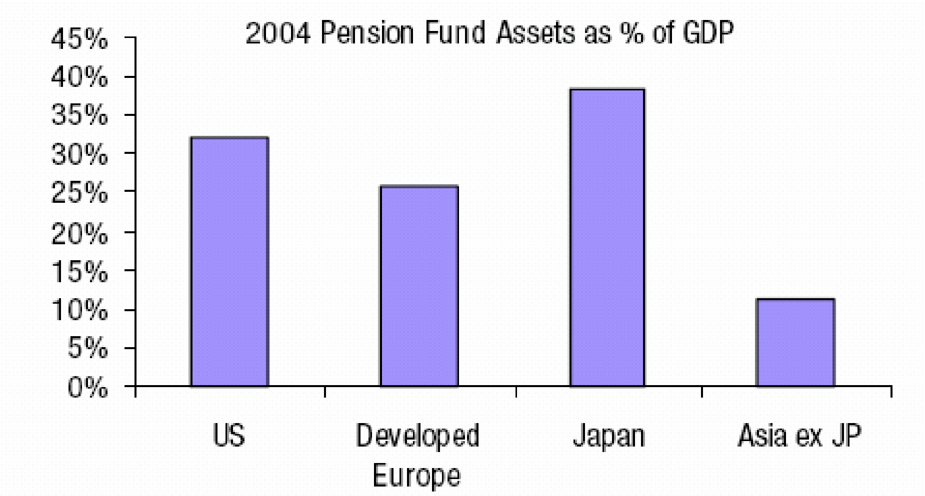


	Asia ex Japan	**Australia**
Share of Global Population	45%	0.3%
Share of Global Nominal GDP	12%	1.5%
Share of Global Equity Markets	5%	2%

- Treasury Group believes this demographic trend is favourable for Asian equity markets.
- Over the long run, real equity returns should move in line with the population ratio of middle to young age ratio.
- The next decade is the coming of the Asian baby boomers



Note: The population ratio for Asia excludes Taiwan as it is not a member of the UN
Source: The United Nations Secretariat, Citigroup Investment Research estimates



Source: Pensions & Investments/Watson Wyatt Global 300 survey, Reuters, Citigroup Investment Research

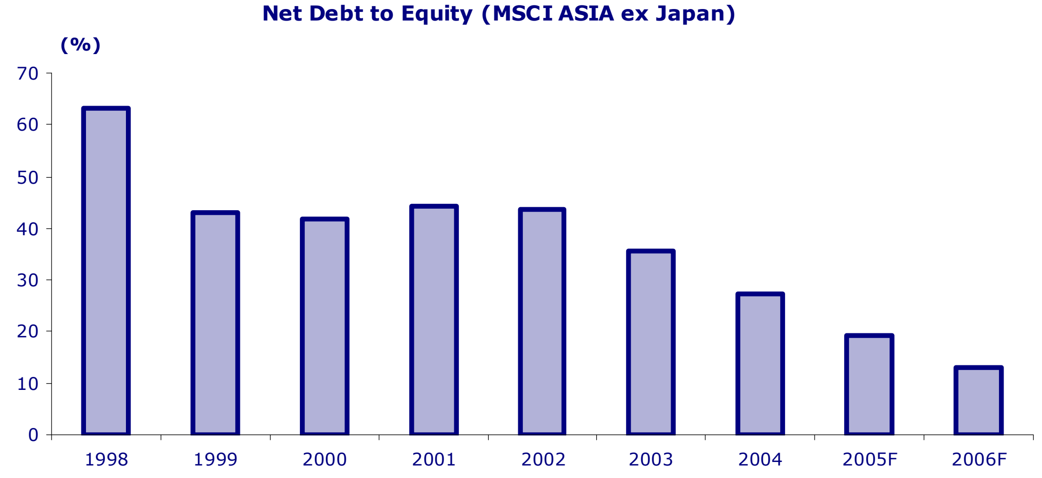
- Treasury Group expects that this favourable demographic trend will see increasing demand for pension funds.
- Treasury Group believes that the Asian pension fund industry is still very underdeveloped. In terms of asset size to GDP Asia is just 11%, compared with 26% for Europe, 32% for US and 38% for Japan.

	Pension Assets (US$bn)		
	2005E	*2010E*	*2015E*
Korea	230	450	740
Malaysia	68	160	260
China	70	170	450
Taiwan	35	85	150
Singapore	75	120	175
Thailand	20	45	120
India	38	130	370
Hong Kong	42	75	120
Indonesia	10	15	150
Philippines	8	15	25
Total	**596**	**1,265**	**2,560**

Source: Sterling Finance

- Asian governments are now introducing pension schemes – replicating the Australian experience.
- Asian Pension FUM is forecast to grow 17% pa until 2015.
- Treasury Group believes this will underpin and drive Asian equity markets over the long term – just as we have seen in Australia.

- Following restructuring, Asia corporate balance sheets are very strong.



The Asian equity team we have partnered with is headed by Peter Sartori and he is ably assisted by Eng-Teck Tan. An advisory link has also been secured with Dr Marc Faber who is famous for his strong views on world economics.

TREASURY ASIA
ASSET MANAGEMENT

Challenge/Opportunity: Finding ways to differentiate the Treasury Group product offerings; local versus offshore asset management services

Another area the funds management industry in Australia has been challenged is in the area of local versus offshore provision of asset management services.

The increasing need for investors to include offshore investments in their portfolios has been a great opportunity for global asset managers to gather assets in Australia. Equally some local boutique asset managers have succeeded in specialising in the management of global equity portfolios. Platinum Asset Management is the standout success and continues to rightly demand the highest level of regard for its ability.

As already discussed Treasury Group has moved into Asian equities. Early in 2005 we also started an international equities boutique under the brand Global Value Investors. This has been an outstanding success for us with good demand across a range of financial planning intermediaries and representation on many of the major platforms.

GLOBAL VALUE
INVESTORS

The product niche that Global Value Investors has filled is through its headline product the GVI Global Industrial Share Fund.

Its approach includes defensive characteristics in falling markets, seeking to provide reasonable capital growth and steady dividend income.

Conclusion

As I stated at the start of this presentation, the pace of change in our industry represents the main challenge and opportunity to companies like Treasury Group. We believe we are well structured to benefit from changes and opportunities as they arise. I have given you a feel for this by outlining the Treasury Group structure and also demonstrating out ability to be opportunistic with the development of international asset management businesses. Treasury Group is entering the most exciting phase in its development and we look forward to keeping the market informed over the coming year. One area I have not mentioned is the change to the treatment of superannuation savings. Clearly these changes have made superannuation more attractive. Treasury Group is well positioned given the majority of clients across our boutiques represent funds sourced from superannuation.

Thank you again for the opportunity to speak today.