

Tuesday, 28 August 2007

## TREASURY GROUP ANNOUNCES 20% LIFT IN DIVIDEND

Treasury Group (ASX:TRG) today announced a consolidated net profit after tax of \$18.00 million for the financial year to 30 June 2007, up 25% on the previous year. This result indicates the solid growth across the business and reflected the profit on sale of Treasury Group's 50% interest in Armytage private Limited and a valuation increment on convertible notes owned in RARE Infrastructure.

Total funds under management (FUM) at 30 June 2007 amounted to \$14.46 billion, an increase of \$4.36 billion or 43% on the previous year. The increase in FUM was attributable to strong growth in Orion Asset Management in its own right and through its distribution alliance with US asset manager Trilogy Global Advisors. The increase in FUM was also attributable to growth in Treasury Asia Asset Management and Global Value Investors and some growth in Investors Mutual Limited. The other highlight for the year was the progress and business development of RARE Infrastructure.

Treasury Group has declared a final dividend of 35 cents per share to be paid on 28 September 2007, fully franked. This brings the full year dividend to 60 cents per share fully franked, an increase of 20% on the previous year's dividend of 50 cents.

Treasury Group managing director, David Cooper said, "This past year has seen the company move into its next phase of growth and development. A pleasing feature of the past twelve months has been the development of the new boutiques. That development, combined with another great year for Orion and a steady year for IML, produced an all round solid result".

\$M	12 months to 30 June		
	2007	2006	% Change
Total revenue	58.25	51.61	12.87
Net profit after tax	18.00	14.40	25.00
Basic earnings per share	80.8	65.4 cents	23.55
Dividend per share (fully franked)	60.0 cents	50.0 cents	20.00

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## HIGHLIGHTS OF THE 2007 YEAR

- Net profit after tax increased 25% to \$18.00 million;
- Final fully franked dividend declared of 35 cps, resulting in a 20% increase in the full year dividend of 60 cps (compared to 50 cps in 2006);
- First full year of operation for RARE Infrastructure – funds focused exclusively on investing in global infrastructure securities
- Global Value Investors (GVI) and Treasury Asia Asset Management (TAAM) attained a level of funds under management that resulted in them becoming profitable businesses;
- GVI won the Morningstar Emerging International Fund Manager of the year award for 2007;
- Strong growth in funds under management across the group;
- Formation of the distribution alliance between Orion Asset Management and Trilogy Global Advisors;
- Creation and launch of TG Investment Funds plc, an umbrella company in Dublin offering the ability to launch UCITS-compliant funds;
- Formation of Cannae Capital Partners, a boutique asset management business specialising in Australian and New Zealand equities headed by the highly rated fund manager, Hugh Giddy. Initial marketing indications suggest that the business will have a strong interest from institutional investors

## Financial Summary and Analysis

\$M	12 months to 30 June		
	2007	2006	% Change
<b>Revenue – continuing operations</b>	<b>58.25</b>	<b>51.61</b>	<b>12.87</b>
EBITDA – continuing operations	33.92	29.75	14.02
Depreciation	(0.31)	(0.35)	11.43
<b>EBIT (pre associates)</b>	<b>33.61</b>	<b>29.40</b>	<b>14.32</b>
Interest received	1.75	1.29	35.66
Equity share of associates profit	4.65	4.17	11.51
<b>Profit before tax</b>	<b>40.01</b>	<b>34.86</b>	<b>14.77</b>
Tax expense	(10.86)	(9.24)	-17.53
<b>Profit after tax – continuing operations</b>	<b>29.15</b>	<b>25.62</b>	<b>13.78</b>
Profit after tax - discontinued operations		0.53	n/a
Profit after tax on disposal of discontinued operation	1.25	-	n/a
Minority interests	(12.40)	(11.75)	-5.53
<b>Net profit after tax</b>	<b>18.00</b>	<b>14.40</b>	<b>25.00</b>
<b>Diluted earnings per share (cents)</b>	<b>79.44</b>	<b>63.66</b>	<b>24.79</b>
Basic earnings per share (cents)	80.79	65.39	23.55
<b>Dividend per share (fully franked)</b>	<b>60 cents</b>	<b>50 cents</b>	<b>20.00</b>
<b>Payout ratio</b>	<b>74.3%</b>	<b>76.5%</b>	

## Revenue

Revenue from continuing operations of the group increased 13% from \$51.61m to \$58.25m and reflects the consolidation of results of its 100% owned subsidiary Treasury Group Investment Services as well as the following three fund managers in which Treasury Group has a controlling stake:

<u>Fund Manager</u>	<u>TRG Interest</u>
Investors Mutual Limited	50%
Global Value Investors Limited (GVI)	67%
Treasury Asia Asset Management Limited (TAAM)*	41%

The increase in revenue is due to an increase in the average FUM for the three fund managers referred to above of \$5.9b in 05/06 to \$6.24b in 06/07.

\* The 41% investment in TAAM is consolidated due to Treasury Group's control of the board.

## Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

EBITDA (pre associates) increased by 14% over the year reflecting the following:

1. Improved financial and operational positions of GVI and TAAM. During the course of 06/07 both businesses experienced growing levels of FUM that resulted in reduced losses and eventual break even positions. Both businesses commence 07/08 from a profitable position;
2. Increased employee costs due to increases in headcounts across the managers as well as changes to compensation structures; and
3. Revaluation increment on the investment in RARE Infrastructure of \$1.15 million (pre tax).

## Pre - tax Profit

Profit before tax grew by 15% partly due to solid growth in the share of profits from associates, which increased year on year by \$0.5 million or 12% to \$4.65 million as a result of continued growth from Orion.

Treasury Group equity accounts those entities in which its interest is less than 50%. As at 30 June 2007 these included:

Orion Asset Management Limited	42%
Confluence Asset Management Limited	35%

## Profit on sale of discontinued operation

The profit on sale of discontinued operations reflects the sale by Treasury Group of its 50% interest in Armytage private Limited (ApL) on 11 July 2006.

## Earnings per share

Basic earnings per share (eps) increased 24% from 65.39 cents to 80.79 cents. The increase in earnings per share was impacted by the increase in the number of shares on issue throughout the year from 22,075,258 to 22,582,591 as a result of the exercise of options. The weighted average number of shares on issue increased 1.2% from 22.022m to 22.285m shares.

Diluted eps (including options yet to be exercised) increased 25% from 63.66 cents to 79.44 cents.

## Normalised Earnings

The results for 2006/07 were impacted by the profit on sale of ApL and the revaluation increment on the investment in RARE Infrastructure. If these impacts are ignored, comparable earnings are as follows:

Reported net profit after tax	\$18.004m
After tax profit on sale of ApL	(\$1.250m)
Revaluation increment (after tax)	(\$0.805m)
NPAT excluding one off items	\$15.949m

This represents an increase of 10.8% on the headline NPAT for 2005/06. The contribution of performance fees were 40% less than the contribution to last year's results. This reflects a higher quality of recurring earnings for 2007.

## Cash Flow

The group continues to display strong cash flow characteristics. Net cash flows from operating activities increased by \$3.83 million to \$27.32 million. This was due to increased revenues attributable to managing increased funds as well as dividends from associated businesses. During the year the consolidated group invested \$3.9 million in funds managed by members of the group and redeemed \$3 million from similar type investments. Treasury Group loaned \$2.6 million to an associated business on commercial terms similar to the terms extended to other start up businesses in the group. Treasury Group received \$3.4 million from the exercise of options issued to employees and executives of the group.

## Dividend

On 28 August, the Treasury Group board declared a 35 cents per share (cps) fully franked dividend taking the total dividend for the financial year to 60 cps. This represents a 20% increase on the prior year dividend of 50 cps.

The final dividend will be paid on 28 September, 2007.

## Review of Operations

### *Treasury Group Investment Services (TIS) - (100% owned at 30 June 2007)*

Treasury Group through TIS provides its managers with risk and compliance services as well as a Responsible Entity function. TIS also acts as investment manager for a listed investment company, Premium Investors Limited. During the year, TIS assisted with launching 5 new managed investment schemes for the managers and was appointed as the investment manager, promoter and global distributor for the Dublin based funds operated by TG Investment Funds plc. TIS is now exploring business and licensing requirements in other jurisdictions with a view to expanding the opportunities available to managers in the group.

### *Investors Mutual Limited (IML) - (50% owned at 30 June 2007)*

IML's funds under management increased from \$5.4bn to \$6.0bn over the year. IML launched a new small companies fund and expanded its investment team. IML has stayed true to its value investment philosophy which places it as an attractive investment manager option, based on recently volatility in global equity markets.

### *Orion Asset Management Limited (Orion) - (42% owned at 30 June 2007)*

Orion's solid investment performance continued and Orion's funds under management increased 46% to \$6.0bn on the back of institutional support.

During the year Orion formed a distribution alliance with Trilogy Global Advisors, a New York based asset management business. The Trilogy/Orion alliance launched three new managed investment schemes. In total, the assets under management in those schemes, and in segregated mandates, are in excess of \$648 million.

### *Global Value Investors (GVI) - (67% owned at 30 June 2007)*

GVI has been highly successful in gaining access to a range of major retail platforms as well as other financial planning relationships including Asgard, Navigator, Bridges, BT and Macquarie wraps.

GVI is now well established in the retail market. Over the past year its funds under management have increased to over \$500m and its investment performance continues to be encouraging, exceeding the broader MSCI benchmark.

During the year, GVI won the Morningstar Emerging International Fund Manager of the year award.

### *Treasury Asia Asset Management (TAAM) - (41% owned at 30 June 2007)*

TAAM achieved significant growth in funds under management especially in the last quarter of 06/07. TAAM is now managing mandates on behalf of large blue chip clients and has been awarded strong ratings by a number of leading retail research houses. TAAM launched the first Dublin-based fund in April 2007 and opened a Singapore office in July 2007. Investment performance has been very good and the business has increasing interest from potential offshore clients. TAAM has gained representation on a number of the leading retail platforms and is progressing on the institutional front with solid ratings from the major asset consultants. Management believes that 07/08 will be another strong year of growth for TAAM.

## *RARE Infrastructure (RARE) - (option over 40% of equity at 30 June 2007)*

Established at the end of the 2006 financial year, RARE Infrastructure's investment focus is in listed and unlisted investments in global infrastructure securities. RARE's business objective is to capitalise on the development of infrastructure as a separate and distinct asset class and to provide investors with superior Risk Adjusted Returns to Equity.

RARE has had a very busy year establishing its credentials with the major asset consultants both domestically and overseas, launching a managed investment scheme to provide access for retail clients, as well as securing mandates from some of the major institutions in Australia. It has recently launched a Dublin-based fund and is seeking to establish relationships abroad.

## **Post Balance Date Events**

### *Confluence Asset Management (Confluence) - (35% owned at 30 June 2007)*

Confluence is a small companies specialist. During the year it increased its funds under management by 61% to \$376m. However, while Confluence has more than met its investment objectives since inception, and performance has been strong in the last two years, the business has not attracted the level of support that was anticipated.

The principals have therefore made a commercial decision to wind down the business in an orderly fashion. Campbell Boag has a range of other business interests which he wishes to pursue.

From a Treasury Group perspective, while the decision to close the business is regrettable, from a financial perspective it will not have a material impact on its results.

Confluence is working closely with its clients to transition their portfolios. A substantial part of the trading has been completed and the balance will proceed over the next two to three months. It is expected that the transitions will be completed before the end of December 2007.

### *Cannae Capital Partners (Cannae) – (rights to take up to 40% of equity)*

On 17 July, TRG formed Cannae Capital Partners in conjunction with Hugh Giddy, Andy Forster and David Greer. Cannae will specialise in Australian and New Zealand equities. Management is very excited about partnering with such a highly talented and well regarded team. The business will be in a position to manage money by October 2007 and early interest has been extremely positive.

Treasury Group will take up a 35 percent interest in Cannae by way of exercising a convertible note and other shareholders in Cannae have issued an option to Treasury Group under which it can acquire an additional 5 percent of Cannae to bring its long term equity holding to 40%.

## **The Year Ahead**

A feature of the past twelve months has been the steady performance of Investors Mutual, the growth of Orion Asset Management and our new managers, TAAM, GVI and RARE. We expect this activity to accelerate for the new managers as these businesses generate further interest both domestically and offshore. The focus on developing our international capability will continue in a strategic and considered manner. The group is also planning to add to its distribution capability both on the retail and wholesale levels.

Domestically we are confident that the more established fund managers, Orion and IML, will continue to receive strong support from the market.

Strategically, we remain committed to the support and development of boutique fund managers. Specifically this means providing a reliable and well run back office services plus marketing assistance where required. Growth in funds under management can potentially come from all six fund managers adding to the diversification of the earnings base. We continually remain on the look out for new managers to add to our stable in 2007/08 as long as they meet the stringent criteria in assessing people, processes, investor demand.

At an industry level, we have exposure to the superannuation industry which continues to grow on the back of a strong retirement savings policy supported by both political parties. The heightened awareness of boutique asset management among institutional and retail investors will also enhance Treasury Group's reputation as a leading developer of funds management businesses which should ensure future growth.

## **ENDS**

### **For further information**

#### **Investors**

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# FULL YEAR RESULTS TO END JUNE 2007

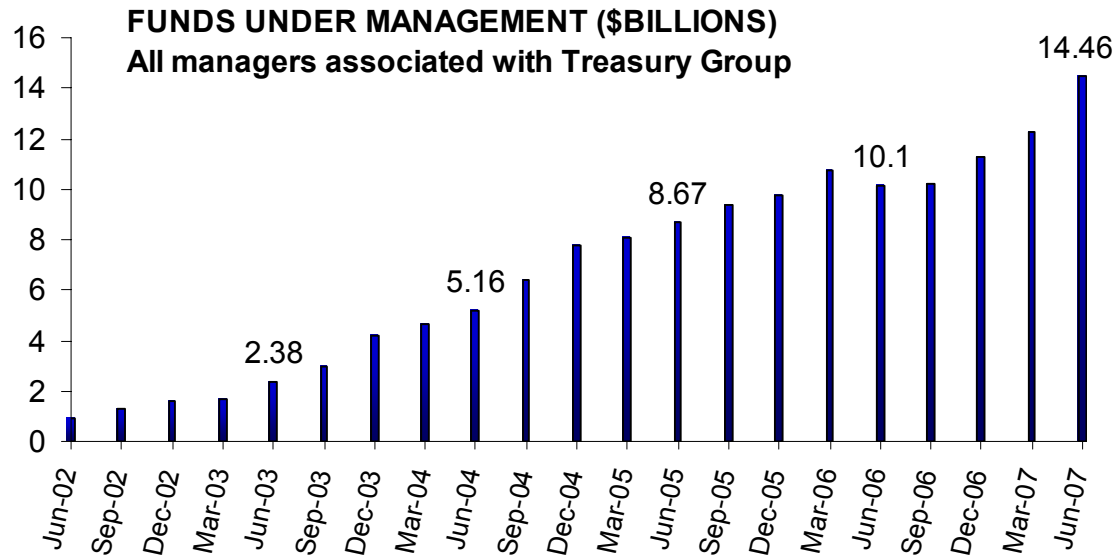
## BUSINESS UPDATE

*Treasury Group is a leading supporter of boutique funds management businesses.*

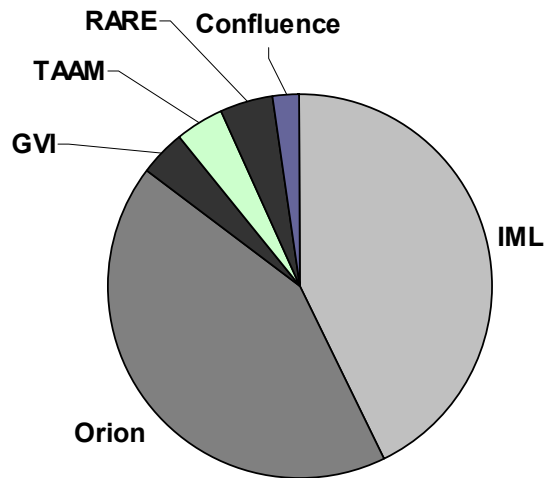


## Summary Financials

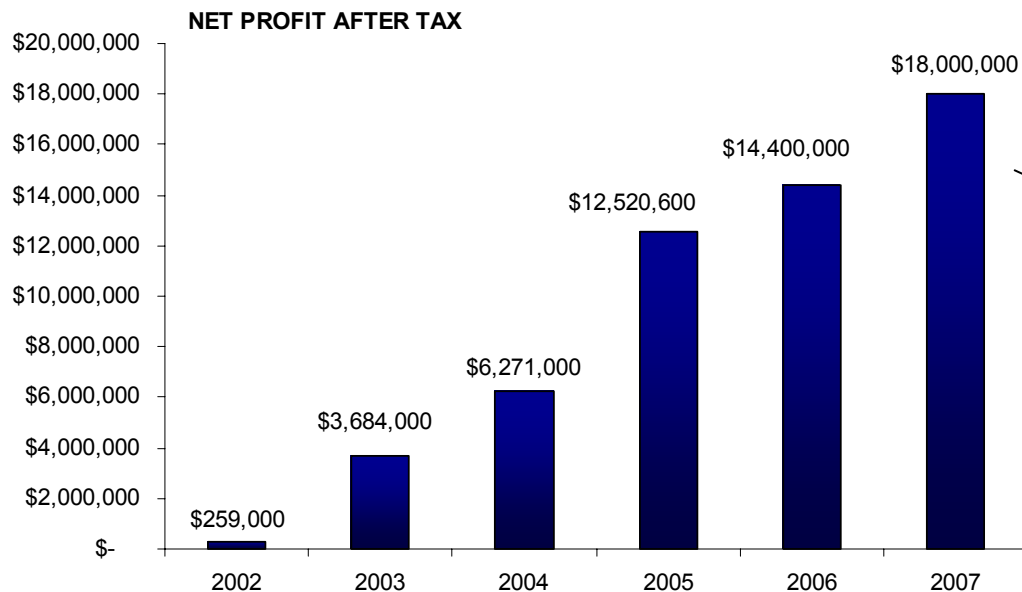
	Year end June 2006	Year end June 2007	Change
Net profit after tax	\$14.4m	\$18.0m	+25%
Full year dividend in cents per share	50c	60c	+20%
Earnings per share	65c	81c	+25%
<b><i>Business size</i></b>			
Group funds under management	\$10.10 Billion	\$14.45 Billion	+43%
Number of investment professionals	30	40	+33%



Funds under management (\$b)

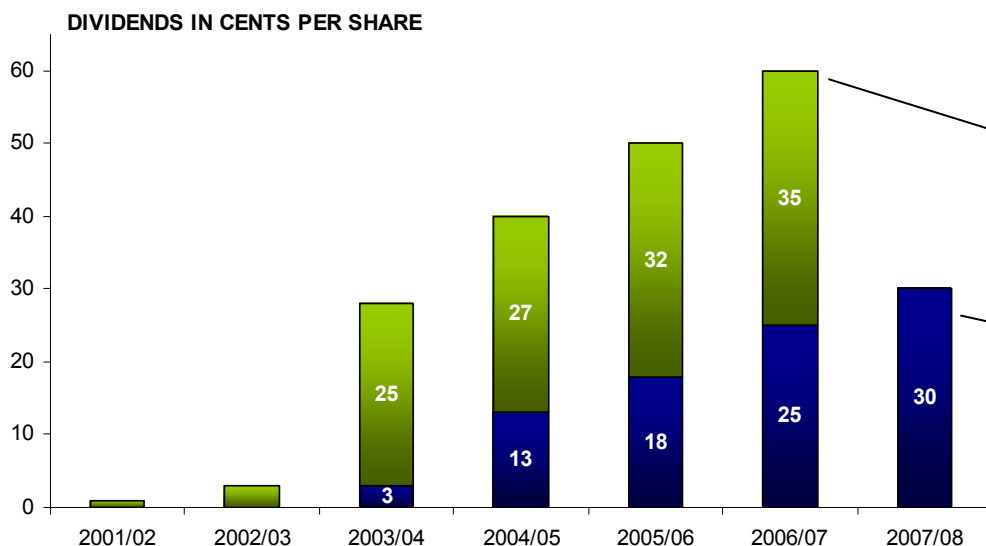


Funds under management (By manager)



Net Profit After Tax

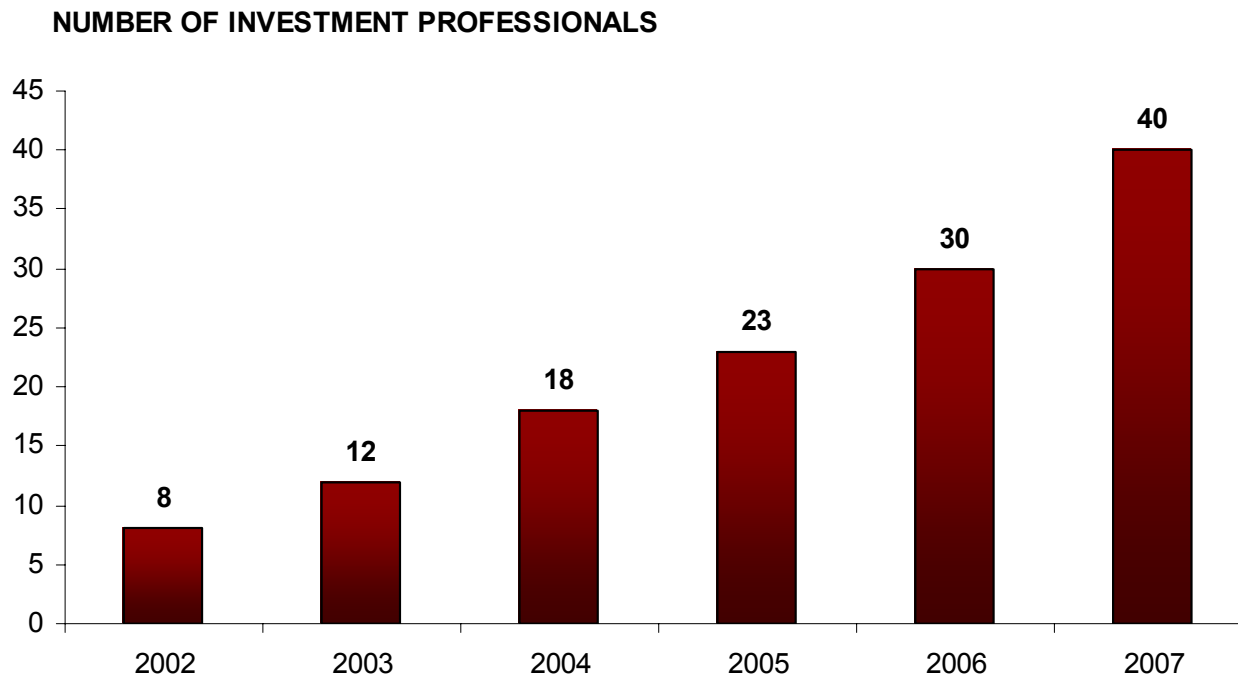
Total net profit after tax of \$18 million. This includes abnormal gains from sale of Armytage and pricing of the RARE convertible note



Dividends

Full year dividend of 60 cents per share

Forecast interim dividend for half year to end Dec 2007



**IML** INVESTORS  
MUTUAL LTD

**ORION**  
asset management

**CANNAE**  
Capital Partners

**GLOBAL VALUE**  
INVESTORS

TREASURY ASIA  
ASSET MANAGEMENT

**RARE**

100% owned

Treasury Group Investment Services

### Boutique support summary

Australia

**Responsible entity of managed funds**

9 funds as at June 2007

**Provider of support services to boutiques**

- ✓ Finance & accounting
- ✓ Compliance and regulatory services
- ✓ Marketing
- ✓ Group buying power for IT, HR, custody, insurance, data services etc
- ✓ Experience in dealing with regulators and external service providers

**Management contract with Premium Investors**

30 June 2007 \$291m

Europe

Treasury Group Ltd

June 2007 investor update

100% owned

Treasury Group Investment Services

## Boutique support summary

Australia

**TG** Investment Funds

Promoter and investment manager

(Irish domiciled managed funds)

Treasury Asia Fund opened 14 Feb 07

RARE infrastructure fund opened 2 July 07

Europe





INVESTORS MUTUAL \$6b FUM

- *Adviser support very good as IML stays a true to label value manager*
- *Additional investment staff recruited*
- *Independent ratings maintained*

ORION ASSET MANAGEMENT \$6b FUM

- *Continued client support*
- *Won quality clients in the past six months*
- *Trilogy alliance a success raising over \$600m*



GLOBAL VALUE INVESTORS \$600m

- *Attained break even during the past 12 months.*
- *Strong product performance and growing adviser support.*
- *Won award for emerging international equities fund manager of the year 2007 by Morningstar.*



GLOBAL VALUE  
INVESTORS



Fund Manager of the Year  
Emerging (International Equities)  
Australia

TREASURY ASIA   
ASSET MANAGEMENT

TREASURY ASIA ASSET MANAGEMENT \$650m

- *Attained break even during the past 12 months.*
- *Strong product performance and growing support from institutional investors locally and offshore.*
- *Won quality clients in Australia and Europe.*
- *Retail exposure growing with strong ratings from independent research houses.*



RARE – GLOBAL LISTED INFRASTRUCTURE \$400M

- *Established at the end of the 2006 financial year, RARE Infrastructure's investment focus is in listed and unlisted investments in global infrastructure securities.*
- *RARE's business objective is to capitalise on the development of infrastructure as a separate and distinct asset class and to provide investors with superior Risk Adjusted Returns to Equity.*
- *RARE has had a very busy year establishing its credentials with the major asset consultants both domestically and overseas, launching a managed investment scheme to provide access for retail clients, as well as securing mandates from some of the major institutions in Australia.*
- *It has recently launched a Dublin based fund and is seeking to establish relationships abroad.*



#### CANNAE CAPITAL PARTNERS

- *A new and exciting boutique*
- *Specializing in active management of Australian equities*
- *Investment team of six headed by the highly regarded Hugh Giddy*
- *Doors expected to open 1 October 2007*

## CONFLUENCE ASSET MANAGEMENT

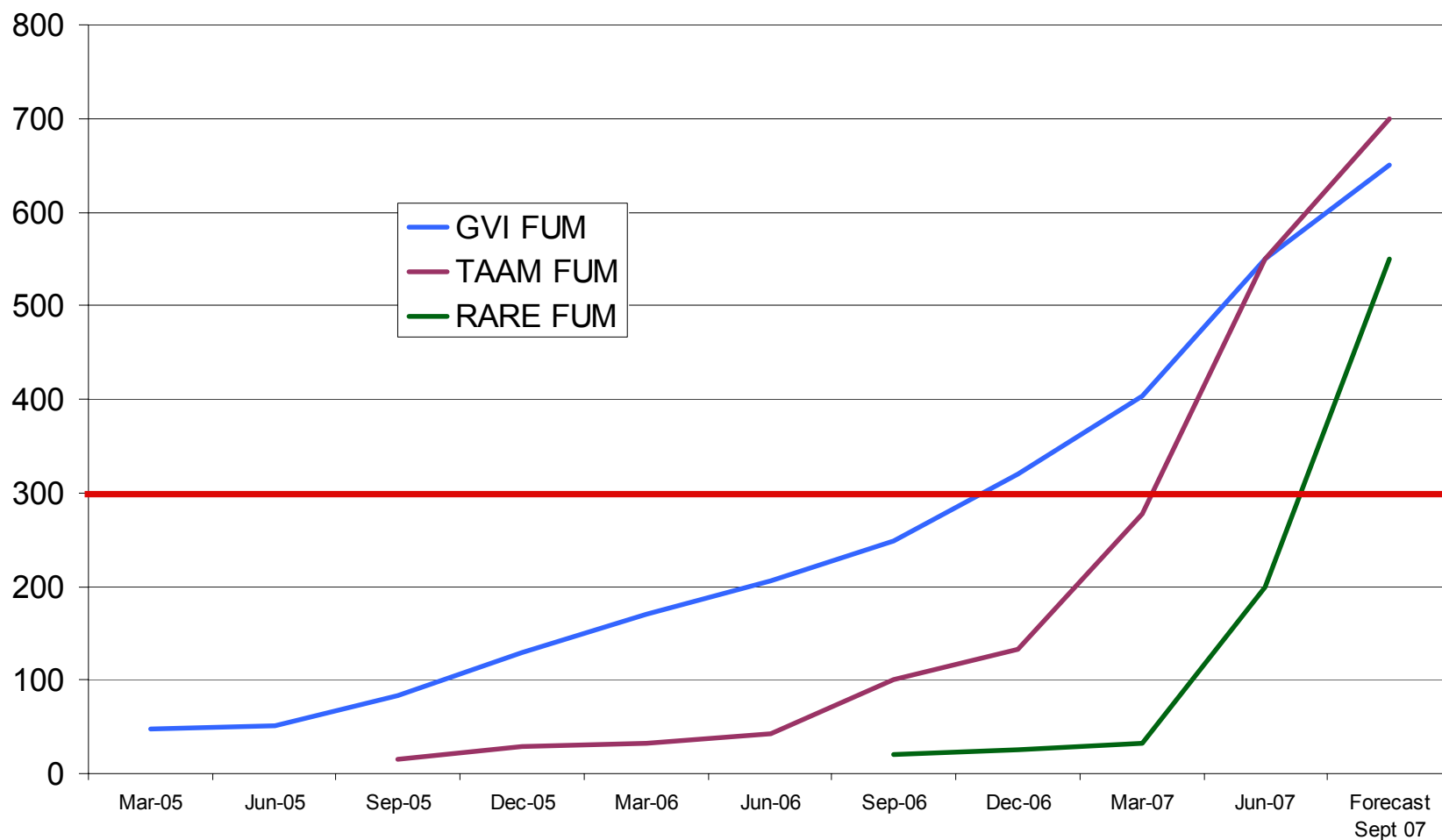
- *Business decision to close*
- *Rationale:*
  - *The business specialized in smaller companies management and was experiencing difficulty in scaling up*
  - *The key executive has other business interests that he would now like to pursue*
- *Treasury Group was pleased to be able to partner with Campbell Boag for four years. Campbell produced outstanding investment returns for all his clients over the past four years.*
- *The impact on Treasury Group earnings is less than 2%*

New boutiques

1. The first big hurdle a boutique faces is the start up.
2. The second big hurdle is getting the business to break-even and in the black!
3. The next slide gives you an appreciation for the achievement of GVI, TAAM and RARE in jumping both these hurdles.

Funds under management  
(\$m)

Growth in the funds under management by the newer boutiques was a feature of the past twelve months



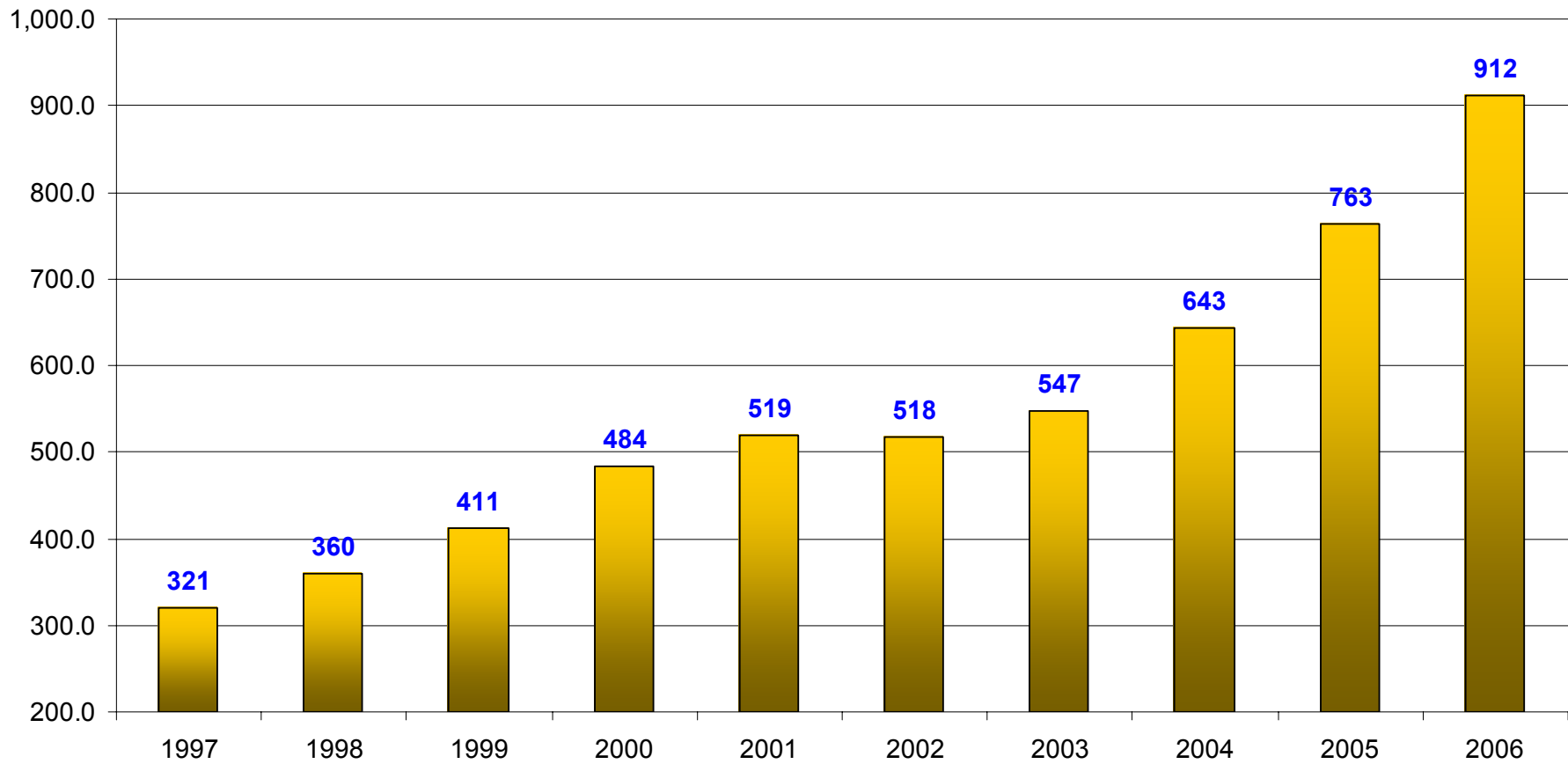
Industry supporting factors

1. Growth in superannuation savings remains strong.
2. The support of boutique investment houses continues to rise with boutiques favoured as most likely to produce superior investment returns.

Growth in superannuation

\$billion

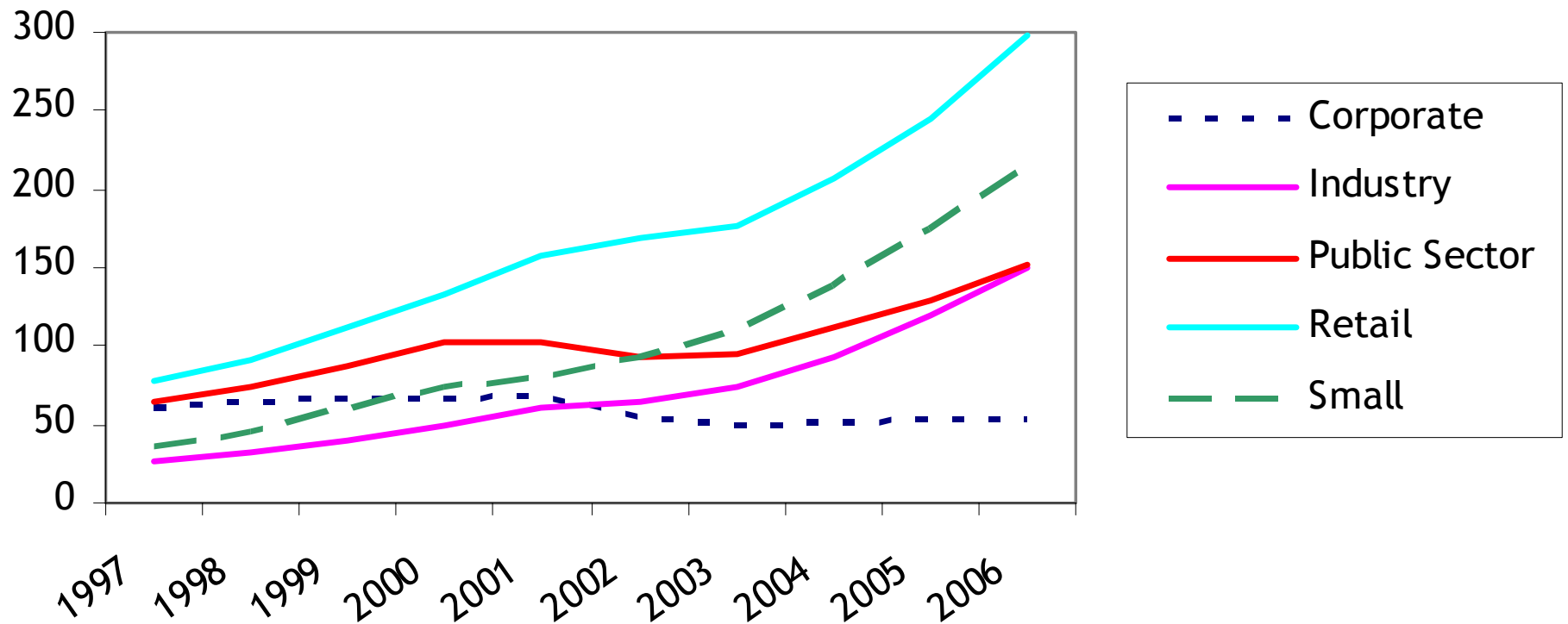
Now > \$1.3t



Year end June

Source: APRA

## Superannuation assets by fund type 1997 - 2006 (\$ billion)



Summary

- *Growing net profit after tax*
- *Attractive fully franked dividends*
- *Growing funds under management*
- *Diversification coming through*
- *Simple and unique business model*
- *Market leader in boutique funds management*
- *Attractive industry dynamics through a growing support for boutiques*
- *Growing list of international clients, mainly Europe*
- *Exposure to the superannuation industry that continues to grow on the back of a strong retirement savings policy*

Strategy and vision for the next three years

- *Expand the manager line up where appropriate*
- *Diversify the earnings by asset class and region*
- *Enhance our support of each boutique*

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