

Treasury Group Limited
Financial Results and Business Update
Half Year ended 31 December 2008

Wednesday, 25 February 2009

TREASURY GROUP LIMITED DECEMBER 2008 HALF YEAR RESULTS

Overview

Treasury Group (ASX:TRG) today announced a consolidated net profit after tax (and after market to market losses) of \$3.195 million for the half year ended 31 December, 2008.

This was down 70% on the previous corresponding period including marked to market losses of \$1.47 million and a transfer of prior period losses of \$0.64 million due to a change in accounting for certain investments.

On a normalised basis, the six month result is down 46% from \$10.07 million to \$5.48 million from the previous corresponding period's equivalent result. This fall in profitability reflects the impact on the business from continued deterioration in global financial markets and the direct flow on to the profitability of our underlying businesses.

Whilst the investing environment has been difficult, we are pleased with the strong performance of our investment managers during this difficult period. Managers such as Treasury Asia Asset Management and RARE Infrastructure have also enjoyed positive inflows and support from local and international investors.

Total funds under management (FUM) at 31 December 2008 amounted to \$10.35 billion, a decrease of \$4.82 billion on the previous corresponding period or 31.77%. This compares to a fall in the All Ordinaries index of 43% over calendar 2008.

Treasury Group has declared an interim dividend of 10 cents per share to be paid on 27 March, 2009 fully franked. In determining the appropriate dividend policy for the current investment climate, the board has decided that the previous policy of paying an interim dividend of 50% of the previous year full dividend will not be continued and the share buyback programme will also cease.

However the balance sheet position of the company remains strong with no debt.

Treasury Group Chairman, Mike Fitzpatrick said:

“The difficult operating environment over the last six months has highlighted the quality of the boutique asset management businesses associated with Treasury Group. We expect to see consolidation in this industry and with no debt we remain well positioned should quality opportunities arise”.

A summary of the Profit and Loss is as follows (see accounting policy change note below):

\$M	6 months to 31 December		
	2008	2007	% Change
Total revenue	2.95	3.07	(3.91)
Net profit after tax	3.20	10.68	(70.04)
NORMALISED NET PROFIT	5.48	10.07	(45.58)
Basic earnings per share	13.84 cents	46.96 cents	(70.53)
Dividend per share (fully franked)	10.0 cents	30.0 cents	(66.67)

Normalised – Net profit after tax but before marked to market losses.

Change In Accounting Treatment

The underlying philosophy of the business is that TRG is a partner as opposed to a parent entity in its dealings with the boutique asset management businesses with TRG typically holding an equity stake of between 40% and 50%.

Following a review of shareholder agreements in conjunction with our new auditors and the introduction of staff equity plans, it has been determined that the financial accounts, in accordance with strict application of the relevant accounting standard and the partnering principle that TRG adopts, that TRG no longer controls Investors Mutual Limited (IML), Global Value Investors (GVI) nor Treasury Asia Asset Management (TAAM) and will therefore no longer consolidate the boutiques in our results. Post 31 December, 2008 the ownership interest in IML is at 47.5% and will not fall below this point. TRG owns 40% in TAAM (same as at 30 June 2008) but a review of the how the business is managed as well as changes to the Board has resulted in the need to recognise the level of joint control. A similar conclusion has also been determined in the case of GVI.

Net profit for shareholders of TRG does not change but the share of profits from entities that were previously consolidated are now reflected in the share of net profits from equity accounted investments. Likewise the balance sheet does not reflect the amalgamation of assets and liabilities belonging to these entities but rather the share of net assets that TRG shareholders own in these businesses.

Due to the investments in the asset management businesses now reflected in the accounts through a single line, the following data is provided to offer some perspective on how the Income Statement would have been presented had the company continued to consolidate the three entities as in prior periods:

Half-year ended Half-year ended

	31 December 2008 \$	31 December 2007 \$
Revenues	23,902,402	32,690,891
Other income	(4,746,567)	1,756,422
Expenses	(13,588,312)	(12,671,052)
Share in net profits of equity accounted investments	2,229,412	3,074,800
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX	7,796,935	24,851,061
Income tax expense	(2,009,511)	(6,605,172)
NET PROFIT FOR THE PERIOD	5,787,424	18,245,889
ATTRIBUTABLE:		
MINORITY INTEREST	2,592,388	7,565,204
MEMBERS OF THE PARENT	3,195,036	10,680,685

Comments on Current Market Conditions:

The decline in profitability in the first half reflects the deterioration in the investment climate during the six months. Our investment managers have performed well in a difficult environment and we continue to see new client monies in a number of funds. We would note:

- The advantages of a boutique management structure remains strong and we expect further opportunities to develop boutiques. Our strong brand and balance sheet is attractive to new investment managers;
- Our investment teams continue to perform well albeit in difficult market conditions;
- TRG has continued to expand its client base globally and now has significant clients in both Australian and offshore markets;
- With the growth of TAAM and RARE and continued growth in other boutiques, our source of income continues to diversify across managers;
- The development of new boutiques in recent years now offers a well structured mix of both domestic and international product;
- We are targeting expense management in the second half, reflecting the downturn in investment markets.

Income Statement – New accounting basis

\$M	6 months to 31 December		
	2008	2007	% Change
Revenue	2.95	3.07	(3.91)
Other Income	(1.23)	1.14	(159.33)
Employee Expenses	(2.89)	(2.33)	(24.03)
Other Expenses	(2.00)	(1.97)	(1.52)
Equity share of associates profit	5.43	10.99	(50.59)
Profit before tax	2.26	10.90	(79.27)
Tax expense	0.94	(0.22)	527.27
Profit after tax	3.20	10.68	(70.04)
Minority interests	-	-	-
Net profit after tax	3.20	10.68	(70.04)
Diluted earnings per share (cents)	13.84	46.11	(69.98)
Basic earnings per share (cents)	13.84	46.96	(70.53)
Dividend per share (fully franked)	10 cents	30 cents	(66.67)

Normalised Earnings

The results for the half year ended 31 December 2008 were impacted by marked to market losses that were taken up in companies that have available for sale investments. These investments are in funds that are managed by members of Group. The funds are seeded for commercial and strategic reasons as part of product development initiatives. The seeding assists in launching new funds as well as to create an investment track record and critical mass. The total after tax impact of the marked to market losses on net profit after tax was approximately \$1.47 million. In addition to these losses, TRG recognised a loss on the valuation of the convertible note held in Cannae of \$165,449.

The normalized result for 31 December, 2008 is 45.58% below the equivalent result at 31 December 2007 which was \$10.07 million. This is calculated as follows:

NPAT	\$3.20 million
Add back:	
Marked to market losses	(\$1.47) million
After tax loss on Cannae Convertible note	(\$0.17) million
Prior period losses on available for sale investments transferred to profit and loss upon impairment	(\$0.64) million
Normalised NPAT	\$5.48 million

This results in a fall in normalized earnings of 45.58%.

Comments on trends in the financial results:

- A fall in other income arising from marked to market losses on investments held in funds seeded by TIS and TRG;
- Increased salaries and employee benefits, payroll tax impacted mainly by the appointment of a new Managing Director, relocation of the finance team from Melbourne to Sydney, and increased sales team commissions;
- Revaluation decrement on the Cannae convertible note of \$165,449 (in 2007 there was a revaluation increment of \$867,432 for the RARE and Cannae convertible notes);
- Consulting fees associated with the implementation of an automated compliance system;
- Increased lease rental due to the take up of additional office space and the expiration of a rent free period on a portion of the office;
- Increase costs associated with additional investment staff and retention strategies at one boutique;
- The result reflects a tax benefit attributable to marked to market losses, loss on disposal of investments as well as operational losses that arise as TRG receives predominantly franked income from its associates.

Share of net profit from equity accounted investments

Share of net profit from equity accounted investments fell by 50.59% due to the fall in profits from the associated fund managers stemming from falls in global financial markets. The underlying profits from associates were adversely affected by marked to market losses of \$1.04 million (after tax).

Cash Flow

The cash flows of the group were impacted by the fall in funds under management and underlying profitability of its associates. Net cash flows from operating activities were down 41.38% to \$4.7 million due to falls in fund management fees in relation to the management of PRV and fall in dividends received from associates. Net cash flows used in investing activities were up \$3.7 million primarily due to the redemption of units in funds. Treasury Group loaned \$0.59 million to one of our boutique asset management businesses on commercial terms similar to the terms extended to other start up businesses in the Group. Treasury Group paid \$0.47 million for shares in the buyback programme during the half year ended 31 December 2008.

Dividend

On 25 February, 2009, the Treasury Group board declared a 10 cents per share (cps) fully franked dividend.

The interim dividend will be paid on 27 March, 2008.

Review of Operations

Treasury Group Investment Services (TIS) - (100% owned at 31 December 2008)

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.

Investors Mutual Limited (IML) - (50.10% owned at 31 December 2008)

Whilst IML suffered net outflows for the six months ended 31 December, IML has stayed true to its value investment philosophy which has resulted in very strong performance against benchmark for the period. IML is focusing on supporting their valued clients during this difficult period as well as expanding the product offering to institutional clients.

Orion Asset Management Limited (Orion) - (42% owned at 31 December 2008)

Orion continued to enhance its reputation during this difficult investment environment and the business continues to enjoy solid institutional support.

The distribution alliance with Trilogy Global Advisors, a New York based asset management business has remained an attractive option to investors.

Global Value Investors (GVI) - (58% owned at 31 December 2008)

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 and has delivered strong performance over the six months ending 31 December 2008. While traditionally focused on the retail market, GVI is now receiving interest from the institutional market and we expect this to be a source of growth over the medium term. TRG has a 29% direct ownership and a further indirect ownership of 29%.

Treasury Asia Asset Management (TAAM) - (40% owned at 31 December 2008)

TAAM achieved net inflows for the six months ending December 2008. Investment performance has been very good and the business has had increasing interest and client growth in the offshore market. 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.

RARE Infrastructure (RARE) - (40% owned at 31 December 2008)

RARE has had a successful six months culminating in winning mandates from two large international clients in December. There is growing interest in the unique product that RARE offers clients, particularly when looking to diversify their exposure to the infrastructure asset class. RARE has also established a presence in the retail sector through its presence on a number of platforms.

Cannae Capital Partners (Cannae) – (option to own up to 40%)

Cannae has displayed solid performance and continues to receive growing interest from institutional consultants. We believe that Cannae offers an outstanding investment product, managed by a strong team of investment personnel. TRG is fully supportive and committed to the development and growth of Cannae.

Strategy Ahead

Strategically, we remain committed to the support and development of boutique fund managers. Specifically this means providing reliable and well run back office services plus marketing assistance where required. Cost control remains a high focus within the Group. 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 and keep in the tradition of the model to date to grow businesses from a relatively modest capital outlay. As the asset management market consolidates, we believe that TRG will continue to lead in the development of the highest quality investment businesses. The business will continue to apply stringent criteria in assessing people, processes and investor demand. The investment environment is difficult at present and it provides challenges for fund managers in this cycle.

ENDS

Appendix – Notes

Treasury Group equity accounts all the fund management businesses. The ownership interest in the asset managers is as follows:

Investors Mutual Limited ¹	47.50%
Orion Asset Management	41.99%
Treasury Asia Asset Management	40.00%
Global Value Investors ²	58.00%
RARE Infrastructure	40.00%
Cannae Capital Partners ³	

¹ TRG's ownership interest in IML changed just after the end of the reporting period

² TRG has a direct interest of 29% and an indirect interest of a further 29%

³ TRG owns a convertible note entitling it to a 35% equity stake in Cannae on conversion. TRG also holds an option to acquire a further 5%.

For further information

Investors

Mr Mark Burgess
Managing Director
+61 2 8243 0400

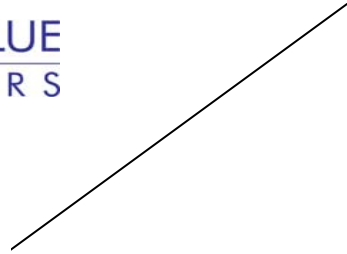
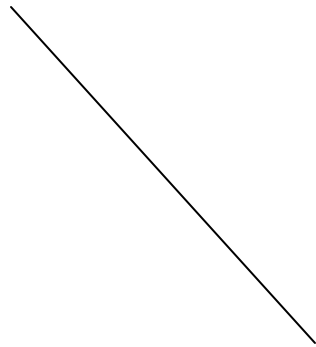
Mr Joseph Ferragina
Chief Financial Officer
+61 2 8243 0400



Boutique asset management.

It is our belief that superior long term investment returns are best achieved by well run boutique asset managers.

Our mission is to support high quality investment professionals to achieve their full potential within a boutique funds management environment.



**BOUTIQUE
FUND
MANAGERS**



Treasury Group Investment Services

SERVICE PROVIDER

- Risk management
- Compliance & Governance
- Human Resources
- Operations
- Administration
- Accounting
- Marketing
- Joint purchasing (eg: custody, IT)

RESPONSIBLE ENTITY

EUROPEAN FUNDS

Financial Results for half year to December 31 2008

	6 months to 31 December		
	2008	2007	% Change
Total revenue (\$Mil)	2.95	3.07	(3.91)
Net profit after tax (\$Mil)	3.20	10.68	(70.04)
Basic earnings per share (cents)	13.84 cents	46.96 cents	(70.53)
Dividend per share (fully franked)	10.00 cents	30.00 cents	(66.66)

Normalised Earnings

The normalised earnings for the six months to 31 December 2008:

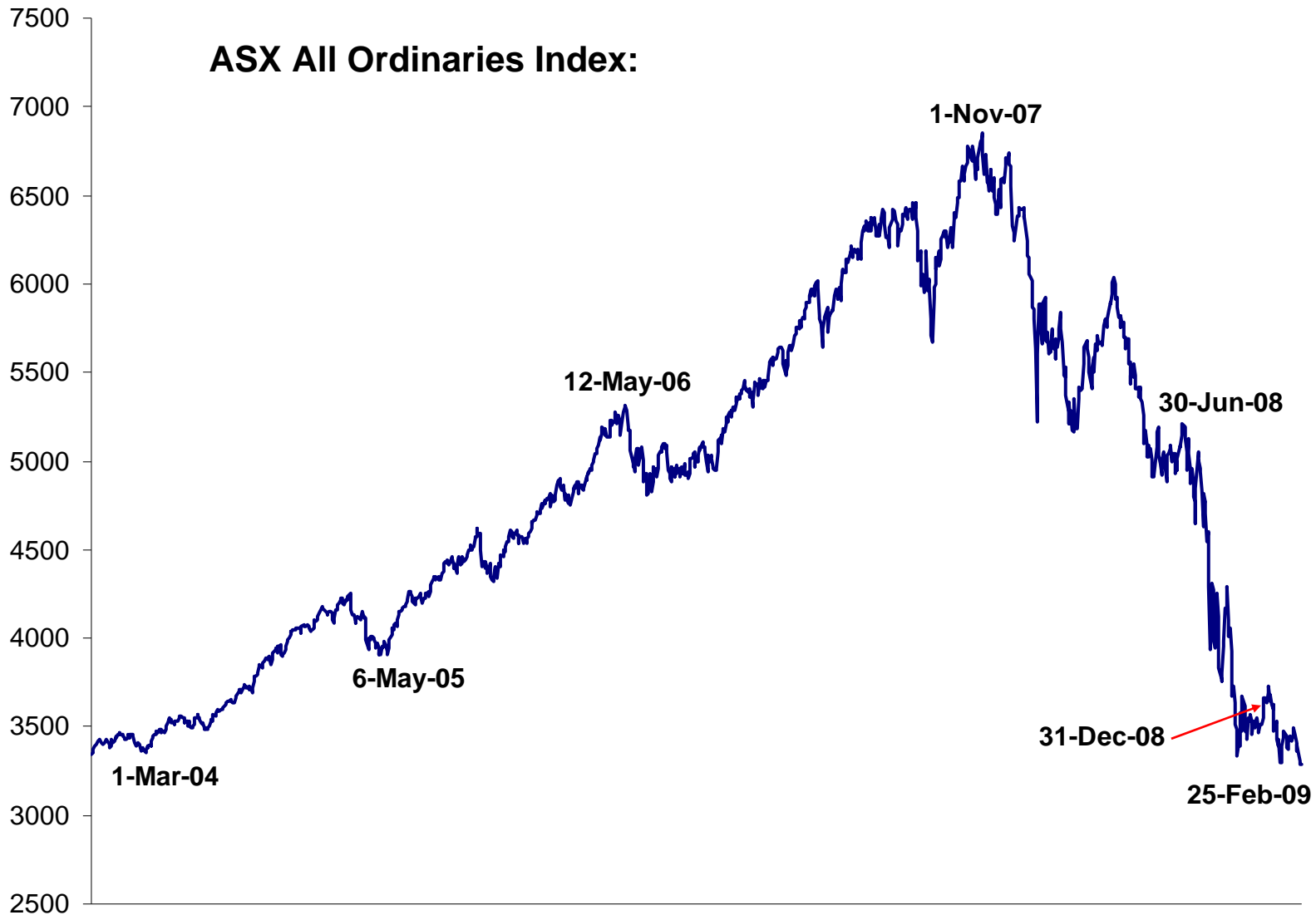
NPAT	\$ 3.20 million
<i>Add:</i>	
Mark to market losses	\$ 1.47 million
After tax loss on Cannae Convertible note	\$ 0.17 million
Prior period losses on available for sale investments transferred to profit and loss upon impairment	\$ 0.64 million
Normalised after tax earnings	\$ 5.48 million

This compares to a normalised result for the six months to 31 December 2007:









NPAT	\$10.68 million
<i>Less:</i>	
After tax profit on revaluation of investments	(\$0.61) million
Normalised after tax earnings	\$10.07 million

This represents a decrease in normalised earnings over the previous corresponding period of 46%.

- **Results were effected by the continued deterioration in global financial markets**
 - Funds under management declined but outperformed index
 - Some retail outflow during the half
 - Institutional flows positive where made, particularly at TAAM and RARE. New client interest remains firm
- **Expenses rose due to**
 - Addition of investment team and retention strategies at one boutique
 - Addition of new CEO and investment in automated compliance system
 - Expense reduction strategies have been implemented in key expense areas
- **Marked to market losses on investments held for product development**
- **Balance sheet remains strong – no debt.**
- **Dividend reduced to reflect changed investment environment.**



- **TRG has always been a partner as opposed to a parent with its boutiques**
- **Following a review by TRG and its auditors of shareholder agreements and introduction of staff equity plans, it has been determined to change accounting policies**
 - In accordance with accounting standards
 - IML, GVI and TAAM will no longer be consolidated
 - Contribution appears in associates line
- **Results**
 - Net profit for shareholders does not change
 - Profit of boutiques now shown as share of profits from equity accounted investments
 - Balance sheet no longer shows amalgamation of assets and liabilities from these entities
- **Data provided to show comparison with previous policy**

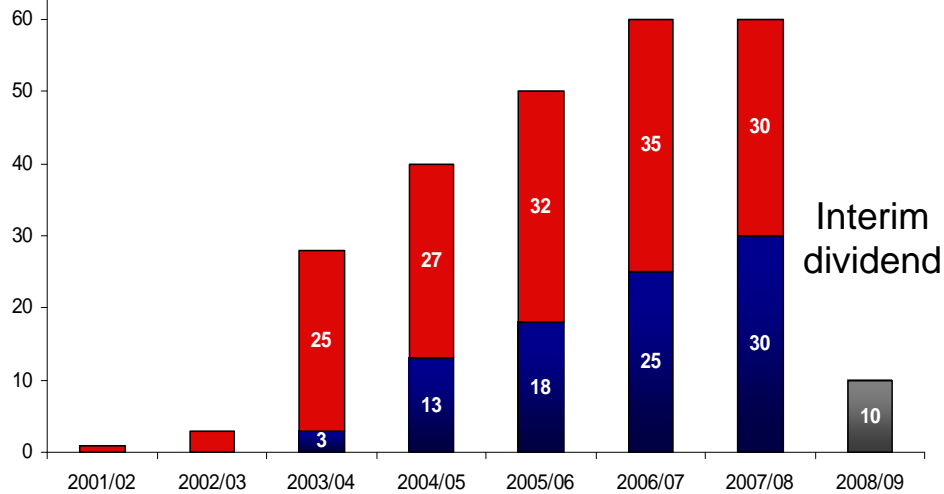
	<p>50% (47.5% from January 09)</p>
	<p>58% (Long term position will be 50%)</p>
	<p>40%</p>
	<p>42%</p>
	<p>40%</p>
	<p>35%* (+ an option to go to 40%)</p>
	<p>0% (Revenue share via Orion)</p>
	<p>100%</p>

* TRG has a convertible note in Cannaef Capital Partners that once exercised will equal 35%.

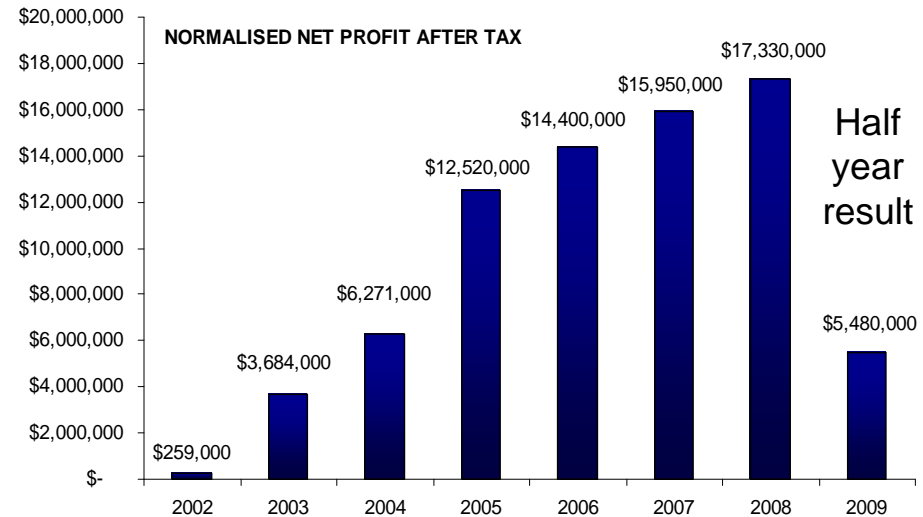
Key charts

- Funds under management
- Dividend payments
- Normalised net profit after tax

DIVIDENDS IN CENTS PER SHARE



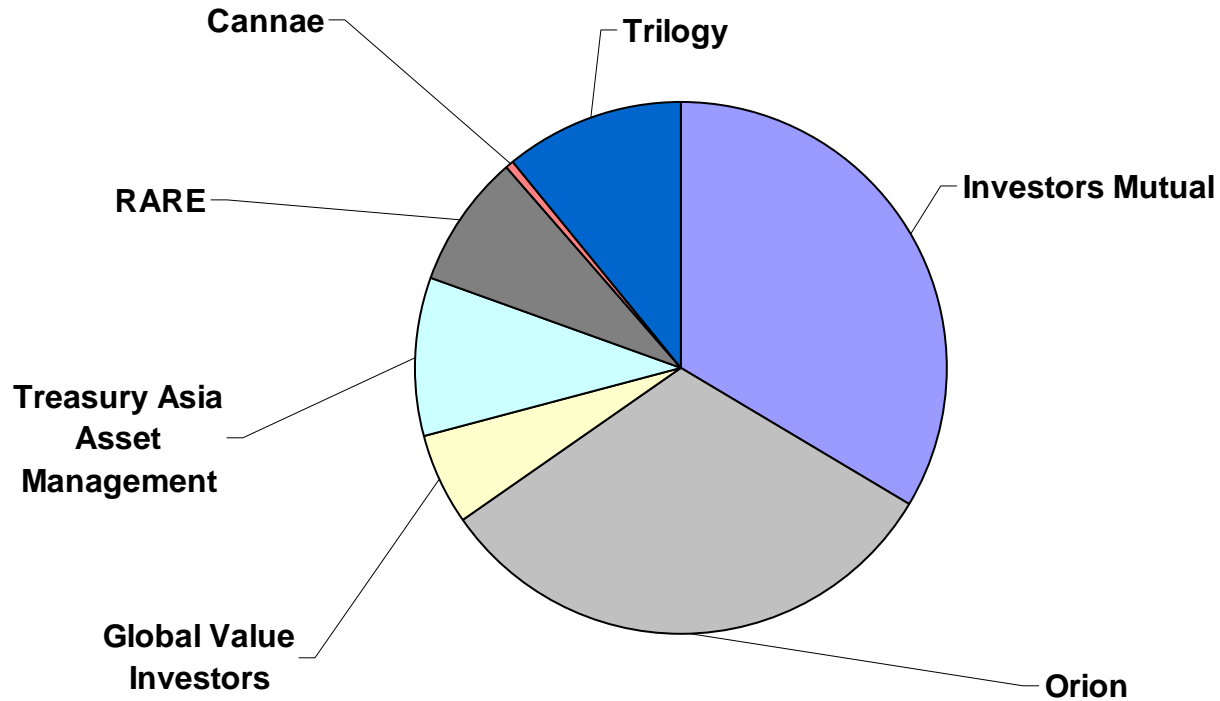
FUNDS UNDER MANAGEMENT (\$ BILLIONS)
All boutiques associated with Treasury Group
As at 31 December



Strategic outlook for Treasury

- **Appointment of Mark Burgess in December 2008**
 - TRG looking to deepen experience in both domestic and offshore markets
 - David Cooper to move to Executive Director – focused on assessing new boutique opportunities, boutique acquisition and development; board member for key boutiques, and Investment Committee
- **Mark Burgess' experience**
 - Executive Vice Chairman and CEO for Credit Suisse Asset Management – EMEA
 - Previously Global Head of Equities for Credit Suisse Asset Management
 - International Chief Investment Officer for American Express Asset Management
 - International CIO for Colonial First State
 - Based in London for last 10 years
- **Focus on**
 - Continuing to expand offshore clients
 - Development of new boutiques
 - Supporting the relationship between TRG and boutiques

- **Strong boutique range**
 - All boutiques are in a competitive position
- **Our experience and success now differentiates the Treasury offering**
 - We offer a unique independent partnership for new boutiques
- **No exotic / leveraged investment companies**
 - Avoided fashionable but unstable investment products
- **Balance between domestic and international assets**
 - Allows for global growth opportunities in variety of markets
- **Strong retail and institutional presence**
 - Opportunities in both markets
- **Balance sheet with no debt**
 - Unique position in the market









Client location 卍










- **Clients globally remain distressed over investment returns**
 - Are looking to diversified returns in quality assets such as RARE Infrastructure
 - Will focus on future secular growth – such as TAAM in Asia
 - In Australia focused on quality groups committed to investment style (eg: Orion, IML, Cannae)
- **Asset Management industry will consolidate**
 - Opportunity for experienced players such as TRG to gain share, access to investment talent
 - Excess of potentially financially weak boutiques. May look for parents such as TRG
- **Reassessment by clients of asset exposure**
 - Exotic and leveraged investment products significantly underperformed /limited liquidity
 - TRG products have no leverage, and full access to liquidity
- **Brand, financial strength, and proven commitment to asset**
 - A number of TRG competitors may not remain fully committed to asset management
 - Allows TRG to strengthen its position

- **Utilise Treasury's strong brand and position**
 - During difficult period, new boutiques looking for Treasury's brand and position.
 - Client relationships remain strong
 - Strong balance sheet supports future growth opportunities
- **Remain focused on expanding boutiques**
 - Committed to identify quality investment talent
- **Distribution**
 - Continue to deepen relationships with domestic and offshore clients
 - Utilise overseas experience to assist expansion
- **Areas for focus**
 - Expense management targeted to match downturn in investment market
- **Continued reinvestment into the Treasury model to support our boutiques**

Boutique Overview

	Product	Distribution		
		Aus Retail	Institutional	Offshore clients
	Australian equities – value	95%	5%	
	Global equities – value	93%	7%	
	Asia pacific equities	10%	90%	✓
	Australian equities – growth	10%	90%	✓
	Global listed infrastructure	15%	85%	✓
	Australian equities – value	0%	100%	

Manufacturing	Products	
	Pooled products	New products planned for 2009?
	8	
	1	Yes
	1	Yes
	3	
	3	Yes
	2	
	3	
	Total: 21	Forecast total: 24



- IML has stayed true to its value investment strategy which has resulted in very strong performance against benchmark.
- Focused on supporting valued clients during a difficult period for retail client base.
- Expanding offering into institutional market with tax effective and other offerings.
- Unique investment offering based on delivery of investment style.



- Orion continued to enhance its reputation during this difficult investment environment.
- Business continues to enjoy solid institutional support.
- Orion's distribution alliance with Trilogy Global Advisors, a New York based asset management business remains an attractive option for clients.
- Orion's strong focus on client relationships supports business franchise.



- GVI deepened the investment team with addition of Stephen Arnold – experienced global investor returning from offshore.
- Investment returns against benchmark remain outstanding and in line with investment style.
- GVI has been highly successful in gaining access to major retail platforms.
- While traditionally focused on the retail market, GVI is now receiving interest from the institutional market; which is expected to be a strong source of growth over the medium term.
- GVI's unique boutique global culture and process is expected to be increasingly attractive to global institutional investors.

TREASURY ASIA 
ASSET MANAGEMENT

- Investment performance has been good during difficult market conditions.
- Seeing ongoing increasing interest from offshore clients with positive flow during the half.
- Solid investment ratings from global institutional consultants.
- TAAM is gaining representation on a number of leading retail platforms. Will continue to target retail flow.
- Offices in both Sydney and Singapore, attractive for investment process.



- RARE Infrastructure product remains a unique asset class which is gaining attention globally.
- Government policy focus on infrastructure supports this diversifying asset class.
- RARE has had a successful six months culminating in winning mandates from two large institutional clients in December.
- Continued growing interest from clients in US, Europe, Canada and other markets.
- Australian client base remains strong.
- Expansion of presence in Australian retail through a number of retail platforms. Positive inflows in the half.



- CannaE's investment performance remains positive against benchmark.
- Outstanding team culture and investment focus.
- Seeing growing interest from institutional consultants.
- CannaE offers a strong investment product backed by a financially strong investment partner.
- TRG remains fully committed and supportive to the development and growth of CannaE. CannaE has outstanding growth opportunities.

1. Normalised earnings of **\$5.48m** down 46% over the previous corresponding period.
2. Interim dividend of **10 cents** per share declared and payable **27th March 2009**.

Key themes:

- Diversification of the business coming through and continuing into 2009.
- All boutiques remain in a competitive position.
- The company has no debt.
- The company has no hedge funds or structured products.
- Investment markets remain volatile in 2009 in response to the global recession.

Disclaimer:

The information in this presentation is general background information about Treasury Group Limited and is current only at the date of this presentation. In particular, this presentation:

- is not an offer or recommendation to purchase or subscribe for securities in Treasury Group Limited, nor is it an invitation to any person to acquire securities in Treasury Group;
- is not personal advice and does not take into account the potential and current individual investment objectives or the financial situation of investors; and
- contains information in summary form and does not purport to be complete.

Certain statements in this presentation may constitute “forward-looking” statements. Forward-looking statements are neither promises nor guarantees and involve known and unknown risks, uncertainties and other factors which may cause actual results to vary materially from any projection, future results or performance expressed or implied by such forward-looking statements.

While the information contained in this presentation has been prepared with all reasonable care, Treasury Group Limited accepts no responsibility or liability for any errors, omissions or misstatements however caused. This information is not personal advice. This information has been prepared without taking into account your particular objectives, financial situation or needs. The information in this presentation should not be interpreted as a recommendation to buy, sell or hold stock in Treasury Group Limited.

Sydney Office
Level 5, 50 Margaret St
Sydney NSW 2000
Ph: 61 2 8243 0400