



Treasury Group Limited

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Boutiques – rationale for the boutique model:

- ✓ Better environment for investment culture
- ✓ Alignment of staff with client outcomes
- ✓ Removal of large firm distractions
- ✓ Satisfies entrepreneurial focus of key principals
- ✓ Reduces risk of key man turnover

Definition of boutique model

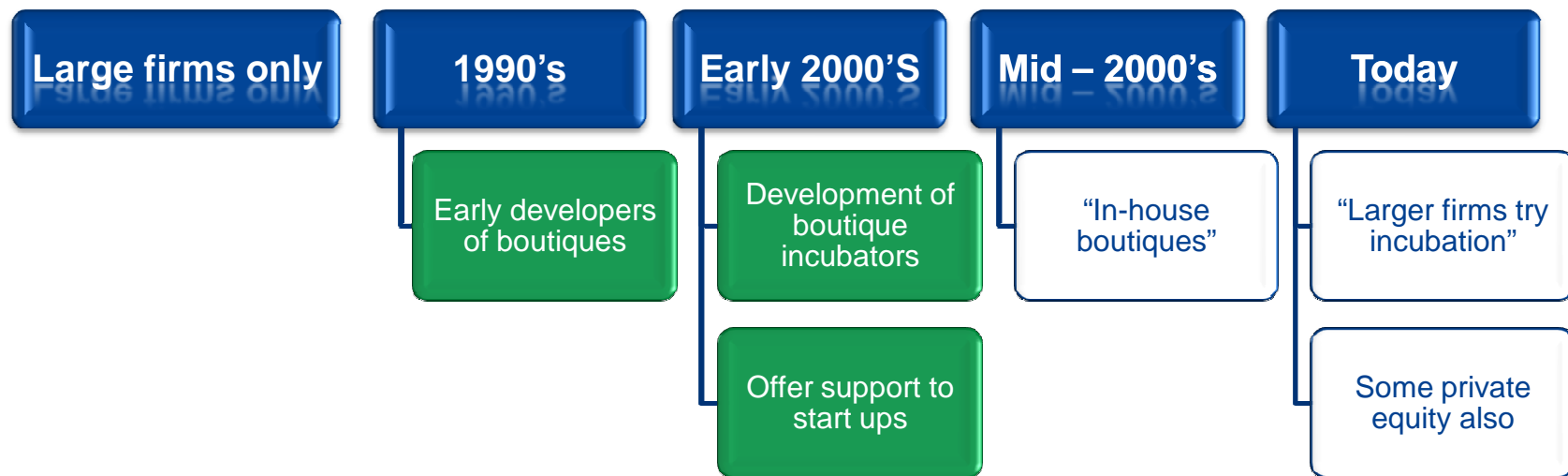
– how we see the differences

- All parties must have a clearly defined equity stake
 - We don't consider third party distribution models to fit this
 - Equity stakes must be clearly defined and reflect the partnership relationship
- Principals of investment firm should drive the business
 - We believe in partnering – not parenting
 - Create a long term partnership
- Clients know that boutique and its partners are working together
 - Critical sharing of franchise
 - Gives clients extra support
 - Partners there to work on issues such as succession

Why a boutique works with a partner?

- Not all investment team principals **manage businesses well**
- Important to **remove all non-investment distractions**
- Additional **support to clients**
 - Capital behind the business
 - Compliance support and control
 - Strengthens boutiques franchise – partner is in it with the boutique
 - Support to boutique in both strong and weaker periods

Timeline of boutique model development:



Global comparison – boutique investors

Asset Management only



- Conor Clark & Lunn

Bank/Financial institution

- nabInvest
- Ascalon
- BT Investment mgt
- Challenger

- Ignis
- Hermes
- Sun Life Canada
- Thames River
- Natixis
- BNP Paribas

Private Equity

- Hellman & Friedman
- Fiduciary
- Rosemount
- Lovell Minnick
- Northern Lights

Australian Owned

Internationally Owned

Types of boutique models:

Pure Asset Management

- Focuses only on asset management
- Examples – Treasury Group, Pinnacle
- **Advantages**
 - Staffed by asset management only professionals
 - No distractions from other parts of the organization
 - Alignment of cultures
 - No conflicts with distribution channels
- **Disadvantages**
 - May have no tied distribution

Boutique incubator - part of broader financial services group

- Boutique manager – but part of financial services group
- Examples – Australian Unity
- **Advantages**
 - Asset management diversifies groups earnings
 - May have distribution / other supports
 - Economies of scale in back office?
- **Disadvantages**
 - Strategy may be altered by distractions of rest of business
 - Able to ensure cultural alignment?

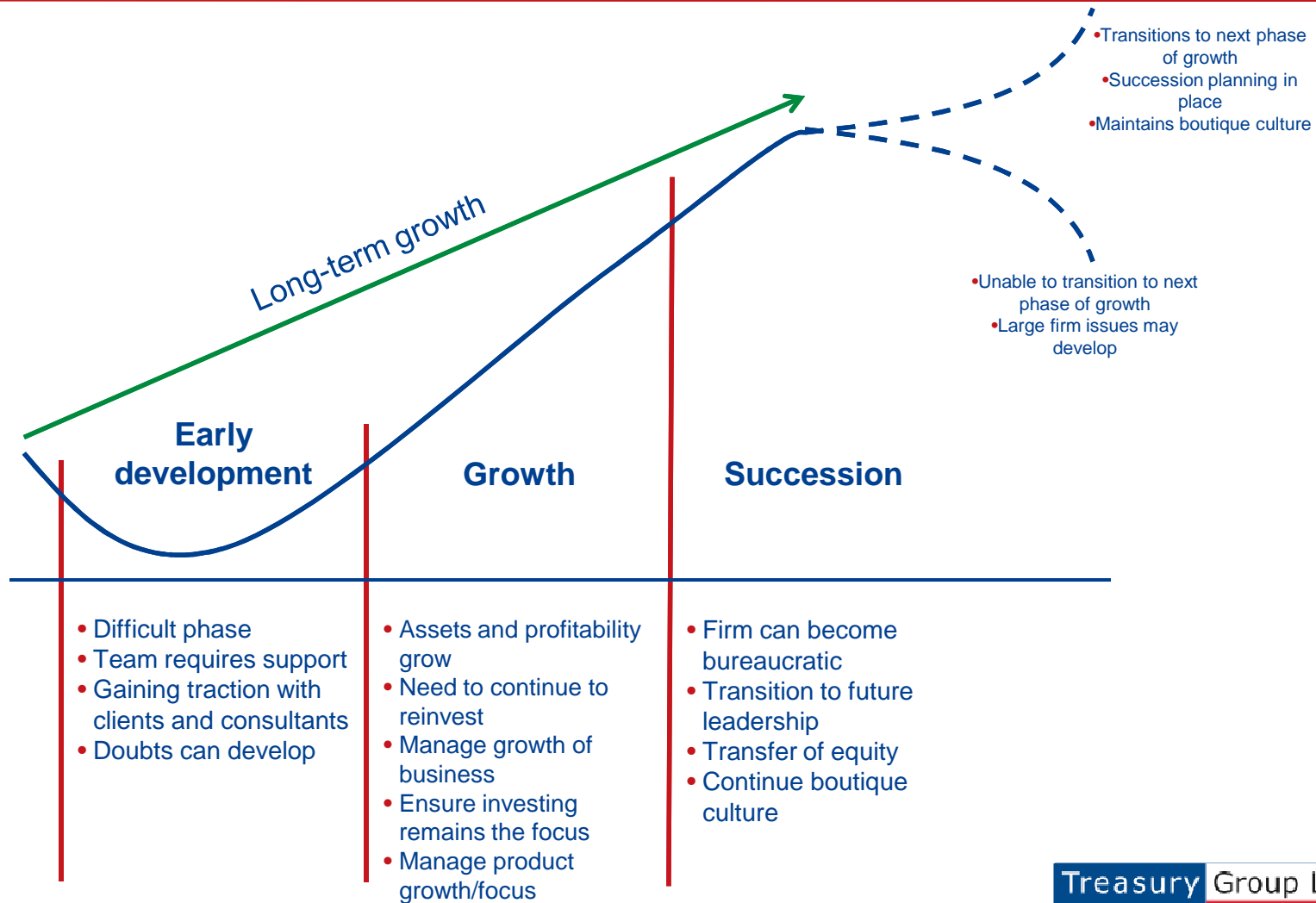
“In-House” boutiques

- Large firms create “in-House” boutiques teams
- Done in response to competition for talent
- Examples – BT Investments Management
- **Advantages**
 - Response to potential talent loss
 - Maintains a large firm franchise
 - May sharpen internal performance based culture
- **Disadvantages**
 - Staff not true owners
 - May not create boutique culture – compliance and other bureaucracy remain in place

Large firms set up boutique incubators

- Large funds set up incubators with new teams of boutiques
- Examples – BNP Paribas; Natixis; Challenger; nabInvest
- **Advantages**
 - Usually backed by seed capital, expenses
 - Often have some direct distribution
- **Disadvantages**
 - Are these firms fully committed?
 - Changes in strategy can undermine the model – large firm effect
 - Can they maintain boutique culture – likely to be swamped by large firm effect

Managing the boutiques' life cycle



Boutique model

- ✓ Boutiques are an efficient and effective vehicle
- ✓ Can create a culture for strong investment performance
- ✓ We believe the boutique's partner should be asset management focused
- ✓ Requires asset management skills to develop the business through its life cycle
- ✓ Boutiques can reduce staff turnover and increase performance focus