

ASX Release

BT Investment Management Limited announces quality result delivering Cash NPAT of \$66.5 million for the half year ending 31 March 2015

BT Investment Management Limited (BTIM) today announced a quality result for the half year ending 31 March 2015. Cash net profit after tax (Cash NPAT) was \$66.5 million and statutory NPAT was \$61.9 million. Cash earnings per share (Cash EPS) was 22.1 cents per share with an interim dividend of 17.0 cents per share declared.

Underpinning the result was continued investor demand for equity products offshore, strong investment performance across BTIM Group's funds, higher equity market levels and favourable currency movements. Funds under management (FUM) increased by \$10.7 billion during the half year, and this strong growth in FUM resulted in a 24 per cent increase in base management fee revenue compared to the prior period. This represents the 7th consecutive half on half growth in base management fee revenue. Performance fees for the period were lower at \$38.0 million, reducing from a record level of \$114.7 million in 1H14.

Mr. Emilio Gonzalez, BTIM's CEO, said, "The business is performing extremely well demonstrating the benefits of a diversified portfolio with strong investment performance. We are delivering growth in FUM and base management fees in both our domestic and offshore businesses as a result of investing in new teams, products, and continuing to expand our global footprint."

	1H 2015	1H 2014	1H 2013
Half year ended 31 March:			
➤ Cash NPAT ⁱ	\$66.5m	\$83.1m	\$34.2m
➤ Statutory NPAT	\$61.9m	\$78.3m	\$22.8m
➤ Fee Revenue	\$211.8m	\$255.3m	\$133.8m
➤ Base Management Fees	\$170.4m	\$137.8m	\$98.1m
➤ Base Management Fee Margin	48 bps	45 bps	40 bps
➤ Performance Fees	\$38.0m	\$114.7m	\$33.5m
➤ Operating Expenses	\$131.0m	\$152.6m	\$88.7m
➤ Operating Margin	38%	40%	34%
➤ Cash EPS	22.1cps	28.0cps	11.8 cps
➤ Dividends ⁱⁱ	17.0cps	16.0cps	8.0 cps
➤ Average FUM	\$71.2b	\$61.3b	\$48.5b
As at 31 March:			
➤ Closing FUM	\$77.1b	\$62.1b	\$50.4b

Note: footnotes are detailed on page 4

Commenting on the result, Mr Gonzalez said, "We had record FUM growth of \$10.7 billion in the first half of this financial year, driven by strong demand for JOHCM's equity funds, rising markets, a weaker Australian dollar and continued demand for our domestic income products.

"The result demonstrates the benefits of a diversified business across regions, investment strategies, currencies and channel. We are particularly pleased by the strength of flows into our US pooled funds which delivered considerable growth over the half year.

“A number of our funds benefitted from differing market themes: Our European equities funds found favour with investors as European central banks adopted quantitative easing; an ongoing appetite for yield underpinned good flows into our domestic income funds; and our global funds remained in strong demand through the period.”

Financial Results

Cash NPAT for the half year was \$66.5 million, 20 per cent lower than the previous corresponding period (pcp). The reduction in Cash NPAT was the result of lower performance fees after record performance fees were reported in 1H14. Performance fees were \$38.0 million, compared to \$114.7 million in 1H14.

Average FUM increased 16 per cent on pcp to \$71.2 billion assisted by positive markets which saw the average level of the S&P/ASX 300 Index increase by 4 per cent and the MSCI ACWI (GBP) rise by 13 per cent when compared to pcp. Base management fees rose 24 per cent to \$170.4 million, driven by the higher average FUM and an expansion in the base management fee margin, which increased to 48 basis points from 45 basis points in the pcp.

Total cash operating expenses decreased 14 per cent to \$131.0 million, mostly resulting from reduced variable employee costs linked to lower performance fee revenue. Other operating costs increased as the business continued to expand offshore and invest in ongoing growth initiatives including new investment strategies and products.

Foreign exchange movements also contributed to the strong result. The average level of the Australian dollar relative to the British Pound over the half year weakened 5 per cent compared to pcp.

Funds under management

In the half year to 31 March 2015, closing FUM was up \$10.7 billion from \$66.4 billion to \$77.1 billion. The 16 per cent increase in FUM arose from net inflows of \$2.1 billion, \$7.2 billion from an increase in the combination of positive market movements and investment outperformance, and favourable foreign exchange movements contributed \$1.4 billion.

Of the \$2.1 billion in net inflows for the half year, \$2.7 billion came from the JOHCM suite of funds, largely via the higher margin wholesale channel (OEICs and US pooled funds). BTIM (Australia) saw net outflows of \$0.6 billion, predominantly from low margin products in the institutional channel and the legacy book.

Global and European equity funds combined raised \$1.7 billion in net inflows, while our Asian funds attracted \$0.2 billion, and our Australian Fixed Income funds also saw positive inflows of \$0.2 billion.

Investment performance

Fund performance across the group was exceptional with 99% of FUM with a 3 year track record exceeding respective benchmarks and 100% of FUM with a 5 year track record exceeding benchmarks for the period ending 31 March 2015. Funds that outperformed their benchmarks by a considerable margin over the 12 month period to 31 March 2015 included: the BT Wholesale MicroCap Opportunities Fund (+25.1 per cent); JOHCM Asia ex Japan Small & Mid-Cap Fund (+19.4 per cent); JOHCM International Select Fund (+18.8 per cent); JOHCM Global Select Fund (+13.1 per cent); BT Wholesale Focus Australian Share Fund (+6.9 per cent); and the BT Wholesale Monthly Income Plus Fund (+6.8 per cent).

Capital Management

The Board has declared an interim dividend of 17.0 cents per share, up 6.3 per cent compared to pcp. The interim dividend will be 40 per cent franked and paid on 2 July 2015 to ordinary shareholders on record on 15 May 2015.

The Dividend Reinvestment Plan (DRP) remains active for the interim dividend at a zero discount to the allocation price as determined by the DRP rules.

Progress on Strategy and Outlook

In commenting on BTIM's strategy, Mr Gonzalez said, "We remain focussed on our long term growth strategy to build a world class global asset management business. We have invested in new markets, teams and products all of which are now contributing to the growth of the business. Markets have continued to reward asset managers and we have benefitted from a lower Australian dollar. Whilst these factors will vary from year to year, we remain focussed on attracting the best talent to deliver investment performance for our clients, which is central to growing the business. We are confident of achieving continued growth in base management fees, subject to market movements."

For further information on this announcement, please contact:

Emilio Gonzalez
CEO
BT Investment Management
Telephone: (02) 9220 2144

Louise Watson / Susie Reinhardt
Media / Investors
Symbol Strategic Communications
Telephone: (02) 8079 2970 / (02) 8079 2967

Appendix

Reconciliation of Statutory and Cash NPAT

\$ million	1H 2015	1H 2014
Statutory NPAT	61.9	78.3
Add back: amortisation of employee equity grants	18.9	16.4
Add back: amortisation and impairment of intangibles ⁱⁱⁱ	4.0	4.7
Deduct: cash cost of acquiring ongoing employee equity grants payable for the year	(19.8)	(16.0)
Add back (deduct): tax effect	1.5	(0.3)
Cash NPAT	66.5	83.1

Notes:

ⁱ Cash NPAT comprises statutory NPAT adjusted for certain non-cash items. These non-cash items include the amortisation of employee equity grants less the after-tax cash costs of ongoing equity grants made in respect of the current year. Other non-cash items adjusted include the after-tax amortisation and impairment of intangibles, and fair value adjustments on equity settled converting notes issued at the time of the JOHCM acquisition. BTIM believes that these non-cash items do not form part of the underlying earnings of the business and Cash NPAT is a more suitable measure of profitability.

ⁱⁱ The 1H 2015 Interim dividend of 17.0 cps is to be 40% franked and 60% unfranked. The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the *Income Tax Assessment Act 1997*.

ⁱⁱⁱ Amortisation and impairment of intangibles relates to JOHCM fund and investment management contracts.