

## ASX Release

### BT Investment Management Limited delivers record net inflows of \$4.6 billion and achieves Cash NPAT of \$88.4 million for the half year ended 31 March 2017

BT Investment Management Limited (BTIM) today announced its results for the six months to 31 March 2017, with record net inflows of \$4.6 billion for the period driving funds under management (FUM) to \$91.2 billion as at 31 March 2017. Average FUM increased by 10 per cent to \$86.3 billion compared to the previous corresponding period (pcp), contributing to the eight per cent increase in base management fees to \$210.8 million.

The overall result was impacted by lower performance fees and adverse currency movements. Cash net profit after tax (Cash NPAT) was in line with pcp at \$88.4 million and statutory NPAT was up one per cent to \$79.0 million. Cash earnings per share (Cash EPS) of 28.4 cents was two per cent lower over the same period.

An interim dividend of 19.0 cents per share was declared, representing an increase of six per cent on pcp.

	1H 2017	1H 2016	Movement
Half year to 31 March:			
➤ Cash NPAT <sup>i</sup>	<b>\$88.4m</b>	\$88.6m	-0%
➤ Statutory NPAT	<b>\$79.0m</b>	\$78.3m	+1%
➤ Fee Revenue	<b>\$243.4m</b>	\$279.0m	-13%
➤ Base Management Fees	<b>\$210.8m</b>	\$195.7m	+8%
➤ Base Management Fee Margin	<b>49 bps</b>	50 bps	-1 bps
➤ Performance Fees	<b>\$28.0m</b>	\$74.9m	-63%
➤ Operating Expenses	<b>\$134.5m</b>	\$167.6m	-20%
➤ Operating Margin	<b>45%</b>	40%	+12%
➤ Cash EPS	<b>28.4cps</b>	29.1cps	-2%
➤ Interim Dividend <sup>ii</sup>	<b>19.0cps</b>	18.0cps	+6%
➤ Average FUM	<b>\$86.3b</b>	\$78.8b	+10%
As at 31 March:			
➤ Closing FUM	<b>\$91.2b</b>	\$77.2b	+18%

Note: footnotes are detailed on page 4

Mr Emilio Gonzalez, BTIM Group CEO, said, "Our result for this half was a story of flows. We have attracted record net inflows of \$4.6 billion from a diverse range of investment strategies growing our FUM to \$91.2 billion. Despite the impact of lower performance fees and a stronger Australian Dollar, we were able to deliver a Cash NPAT in line with last year and an increased interim dividend to our shareholders.

"During the half, we continued our strategy of attracting and developing talent, expanding our investment capabilities, and leveraging our broad distribution channels. In the US, we announced a new multi-asset investment capability which expands both the breadth of our product range and future investor base. We saw continued strong flows into our US pooled funds and it was also pleasing to see a recovery in flows into our UK and European fund range post the Brexit referendum. We also saw strong demand for our Australian cash products."

## Financial results

Cash NPAT of \$88.4 million for the first half of the financial year compares to \$88.6 million in the first half of the prior year.

Base management fees of \$210.8 million rose eight per cent, driven by an increase in average FUM which was 10 per cent higher on pcp. The higher average FUM resulted from strong flows and higher markets where the average levels of both the S&P/ASX 300 Index and the MSCI All Countries World Index were both up 10 per cent over the same period.

Performance fees for the half were \$28.0 million, representing a 63 per cent decrease on pcp, impacting total fee revenue which was down 13 per cent to \$243.4 million. Total cash operating expenses decreased 20 per cent to \$134.5 million as a result of lower employee expenses predominantly due to lower performance fees.

Foreign currency movements negatively impacted the first half result with the average level of the Australian Dollar 25 per cent higher relative to the British Pound, and five per cent higher than the US Dollar versus pcp.

## Funds under management

Closing FUM was \$91.2 billion at 31 March 2017, a nine per cent increase on \$84.0 billion at 30 September 2016. The increase was driven by strong net inflows of \$4.6 billion, an increase of \$3.9 billion as a result of positive markets and investment performance, offset by unfavourable foreign exchange movements of \$1.3 billion due to the stronger Australian Dollar.

JOHCM attracted net inflows of \$4.1 billion comprising \$2.0 billion via segregated mandates, \$1.2 billion into the US pooled funds, and a recovery in OEIC<sup>iii</sup> flows sold in UK/Europe which saw \$0.9 billion in flows for the half. BTIM (Australia) took net inflows of \$0.5 billion driven by institutional flows of \$0.9 billion, offset by \$0.4 billion outflow primarily due to the attrition of the low margin legacy book.

Equities and cash were the key contributors to the net inflows for the half year. Equities received \$3.5 billion in net inflows across all channels with Global/International (+\$3.1 billion), European (+\$0.8 billion) and UK (+\$0.2 billion) strategies in demand. Cash also attracted \$1.4 billion in net inflows during the half year.

## Investment performance

The long term fund performance track record across the Group continues to remain strong with 84 per cent of FUM exceeding respective benchmarks over 3 years and 95 per cent over 5 years for the period ending 31 March 2017. Fund performance over 1 year was weaker in a more difficult period for active managers.

A number of funds outperformed their benchmarks by a considerable margin over the 12 month period to 31 March 2017. These included the BT Wholesale MicroCap Opportunities Fund (+9.1 per cent above benchmark), JOHCM UK Dynamic Fund (+8.9 per cent), JOHCM UK Growth Fund (+4.3 per cent), JOHCM International Small Cap Equity Fund (+4.1 per cent), JOHCM UK Equity Income Fund (+3.5 per cent), BT Wholesale Monthly Income Plus Fund (+3.1 per cent) and the JOHCM Global Emerging Markets Opportunities Fund (+3.0 per cent).

## Capital management

The Board declared an interim dividend of 19.0 cents per share for the half year, up six per cent on pcp. The interim dividend will be 30 per cent franked and paid on 5 July 2017 to ordinary shareholders at record date, 26 May 2017. 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.

## **Strategy**

In commenting on BTIM's strategy, Mr Gonzalez said, "In this half, counter to industry trends, we have attracted record net inflows across our diverse range of active investment strategies. This is the outcome of the consistent execution of our long-term strategy of building and growing a diversified global asset management business focussed on investing in talent, rolling out new investment strategies that are active and relevant to our customers, and managing capacity to preserve investment performance."

**For further information on this announcement, please contact:**

**Emilio Gonzalez**

Group CEO  
BTIM Group  
Telephone: +61 2 9220 2144

**Louise Watson / Chris Kotsaris**

Media / Investors  
Symbol Strategic Communications  
Telephone: +61 2 8079 2970 / +61 2 8249 8290

## Appendix

### Reconciliation of Statutory and Cash NPAT

\$ million	1H 2016	1H 2017
Statutory NPAT	78.3	79.0
<b>Add back:</b> amortisation of employee equity grants	33.1	19.9
<b>Add back:</b> amortisation and impairment of intangibles <sup>iv</sup>	4.0	2.8
<b>Deduct:</b> cash cost of acquiring ongoing employee equity grants payable for the year	(24.3)	(15.2)
<b>Add back (Deduct):</b> tax effect	(2.5)	1.9
Cash NPAT	88.6	88.4

#### Notes:

- <sup>i</sup> 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.
- <sup>ii</sup> The 1H17 interim dividend of 19.0 cps is to be 30 per cent franked and 70 per cent unfranked. The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the Income Tax Assessment Act 1997.
- <sup>iii</sup> An open-ended investment company (OEIC) is a collective investment vehicle that is sold in the UK and Europe.
- <sup>iv</sup> Amortisation and impairment of intangibles relates to JOHCM fund and investment management contracts.