

Shareholder update

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

Dear Shareholder,

BT Investment Management Limited (BTIM) has announced its result for the half year ended 31 March 2017, delivering record net inflows of \$4.6 billion for the period and achieving funds under management (FUM) of \$91.2 billion at 31 March 2017.

Statutory net profit after tax of \$79.0 million was up one per cent, and cash net profit after tax (Cash NPAT) of \$88.4 million was in line with the previous corresponding period. Cash earnings per share (Cash EPS) was 28.4 cents.

The Board has declared an interim dividend of 19.0 cents per share, a six per cent increase on the interim dividend of 18.0 cents per share paid for the half year ended 31 March 2016.

The interim dividend will be 30 per cent franked and paid on 5 July 2017 to ordinary shareholders at record date 26 May 2017.

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

A key strength of our business is our ability to attract funds and grow our funds under management. In these six months there was continued strong demand for our range of investment strategies. We achieved record net inflows of \$4.6 billion across geographic regions, and from both institutional and wholesale client channels. This contributed to the increase in FUM to a record level of \$91.2 billion.

Our result this half demonstrates the strength of our diversified business. It is pleasing to report that the growth of our underlying business has largely offset the negative impact of lower performance fees and adverse currency movements to deliver a cash NPAT result in line with last year and an increased interim dividend to you, our shareholders.

Average FUM grew by 10 per cent to \$86.3 billion compared to the previous corresponding period, contributing to the eight percent increase in base management fee revenue to \$210.8 million. Total fee revenue was down 13 per cent to \$243.4 million, partly due to performance fees of \$28.0 million, which

were 63 per cent lower and the stronger Australian Dollar compared to other currencies. These factors meant our operating expenses were 20 per cent lower at \$134.5 million.

We have maintained our strong long-term investment performance, with 84 per cent of FUM exceeding their respective benchmarks over three years and 95 percent over five years.

We are benefitting from the global scale and diversification of our business. Our US business has continued attracting strong flows, and it is pleasing to see our UK and European funds in net inflows in the nine months after the UK referendum on EU membership. In Australia there is strong demand for our cash products.

We have continued investing for growth by attracting and developing investment talent and expanding our investment capabilities. In the US, we announced a new multi-asset investment capability that expands both the breadth of our product range and future client base.

The result achieved this half year is the outcome of the consistent and successful execution of our long-term strategy of building and growing a diversified global asset management business. The benefits of our scale and growth potential, together with our investment talent and capabilities, continue to reward clients and, importantly, shareholders.

The Board announced that the Dividend Reinvestment Plan (DRP) will remain active for the interim dividend payment, with shares issued at a zero discount to the allocation price as determined by the DRP rules. The DRP allows shareholders to reinvest in additional BTIM shares with no commission or brokerage costs.

Shareholders who wish to participate in the DRP for the interim dividend and have not previously elected to participate in the DRP must complete a DRP Instruction Form and return it to BTIM's share registry, Link Market Services, by no later than 5:00pm on 29 May 2017. The DRP Instruction Form can be obtained at www.linkmarketservices.com.au.

I encourage you to review BTIM's results in more detail on our website: www.btim.com.au or under announcements on the ASX website: www.asx.com.au.

Yours faithfully

A handwritten signature in cursive script that reads "James Evans".

James Evans
Chairman
BT Investment Management