

# Chairman's Letter



## A milestone year for the Company: marking ten years since our public listing and continuing our track record of delivering results.

The 2017 Financial Year has been another record year for BTIM. We achieved a Cash Net Profit After Tax (NPAT) of \$173.1 million, an increase of 11 percent over the previous year as Cash Earnings Per Share (EPS) increased 9 percent to 55.3 cents per share. Total dividends for the year increased by 7 percent, to 45 cents per share, and represents an 81 percent payout ratio, in accordance with our policy to pay between 80-90 percent of Cash NPAT.

We have again delivered strong growth in our core business from net inflows; funds under management (FUM); and base management fees. This highlights the benefits of our investment-led model, and the increasing scale and diversification of

our business across geographies, clients and products. We attracted strong net inflows of \$4.7 billion, contributing to the increase in FUM, now at a record level of \$95.8 billion.

December this year marks the tenth anniversary of our public listing in 2007. Those shareholders who have been with us since listing have received a total shareholder return (TSR) of 264 percent, compared with 33 percent for the S&P/ASX 200 Accumulation Index. Over that same period, BTIM has increased Cash NPAT by 332 percent, Cash EPS by 121 percent and grown our FUM by 129 percent.

### **Building out a truly global asset management business**

Much has changed over the decade since we listed. At the time, our business had 137 employees, FUM of \$41.9 billion, 30 percent of funds were in Australian equities and we had only Australian clients.

The Company has demonstrated adaptability and resilience to prosper through some of the toughest and most volatile market conditions and geopolitical turmoil in recent history, including the Global Financial Crisis.

In a defining moment for the Company, BTIM acquired J O Hambro Capital Management Limited (JOHCM) in 2011. Strategically, this acquisition was compelling. JOHCM's position as a growing fund manager based in the UK provided the opportunity to enter new global markets with a broader set of investment strategies, delivering on our strategic imperative to de-risk the business through diversification. In addition, JOHCM's investment philosophy and business model ensured it was a highly complementary fit to the BTIM culture. The acquisition has been transformational, resulting in the business advancing from a domestically focused funds management business into a diversified global asset manager. I would like to thank all those involved in this visionary acquisition and all our people, who have since made it a remarkable success.

Compared to 2007, BTIM is now larger by every measure. We have 309 employees, operations across five countries and FUM of \$95.8 billion, over half of which is derived outside of Australia.

### Corporate governance

At our Annual General Meeting last year, I mentioned that we had introduced a governance structure to support the growth and manage the risk of our increasingly complex and global business.

Effective 1 November 2016, all BTIM Directors were appointed to the J O Hambro Capital Management Holdings Board and its committees. This structure enhances the Directors' insight into our global business, increases direct involvement with our key assets – our people – and streamlines communications between management and the Board.

Since this time, BTIM and JOHCM Board and committee meetings have been conducted in an omnibus arrangement to create one global governing Board. This year, we held Board meetings in each of our key jurisdictions: London, Boston, Singapore and Sydney.

### Shareholder base

In May 2017 our largest shareholder, the Westpac Group, reduced its shareholding in BTIM from 29 percent to approximately 10 percent. Westpac Group also announced that it intends, subject to favourable market conditions, to sell its remaining 10 percent shareholding in BTIM in the future, but not prior to the release of BTIM's first half 2018 results in May 2018.

Through an institutional book-build, new shareholders came onto the register and existing institutional shareholders were given the opportunity to increase their holdings.

As a result of the sell-down, the shareholder base has expanded and there has been an increase in the free float and liquidity of BTIM's shares. This has led to BTIM being included in the S&P/ASX 100 Accumulation Index, which will support and broaden the appeal of BTIM.

I would like to welcome all new shareholders to the Company and I look forward to meeting some of you at our Annual General Meeting on 15 December 2017.

### Board

I am delighted to welcome Kathryn Matthews to the Board. Kathryn was appointed in December last year as an independent Non-Executive Director and brings a new international perspective to the Board. Kathryn's in-depth understanding of the global asset management industry adds further value to the Board's existing mix of skills and experience.

In June this year Westpac Group's nominee to the BTIM Board, Les Vance, resigned following the Westpac sell-down. The Board of BTIM would like to extend its thanks to Les for his valuable contribution to the Company during his time on the Board.

We will seek over the next 18 months to appoint another Director with the skills and experience to complement the existing Board and support our global growth.

### Global Executive Committee

During the year, we continued our progress in building a high calibre Global Executive Committee and appointed leaders to actively support the execution of our strategic objectives.

In October 2016 we welcomed Michael Bargholz as Chief Executive Officer of BTIM Australia and Ken Lambden as Chief Executive Officer of JOHCM. Both Michael and Ken are outstanding investment management executives with deep knowledge of and experience in the industry and we are fortunate to have attracted them to the Company.

As announced in January this year, Gavin Rochussen resigned from the position of Group Executive, International after eight years with JOHCM, including five years with the BTIM Group. Gavin played a key role in the growth of the Company, particularly in international markets. The Board thanks Gavin for his exceptional contribution.

### Capital position

We are in a strong capital position with no debt. This provides the Company with the ability to take advantage of growth opportunities including identifying new investment capabilities and expanding our reach in markets where we see further opportunity, particularly the US.

The Dividend Reinvestment Plan (DRP) remained in operation during the year both to raise capital for our ongoing investment in growth and to enable shareholders to increase their investment in the Company without incurring transaction costs.

### Outlook

We have a solid platform for future growth as a result of the successful execution of our strategy over successive years; namely, identifying new investment talent and opportunities, expanding our investment capabilities, strengthening our distribution and continuing to diversify our business.

We do, however, recognise that we are operating in an environment of global uncertainty which continues to affect markets.

I would like to take this opportunity to thank my Board colleagues for their hard work and support throughout the year. The Board has, in my view, an excellent balance of the skills and experience required for strong governance. On behalf of the Board, I thank the management team and all our people for their outstanding efforts and contributions this year. Attracting and retaining the best people is critical to BTIM's success. Investing in people to support our future continues to be a priority.

Our business is performing well and we are confident we have an appropriate strategy and the right people to execute that strategy to continue to deliver value for our shareholders.



**James Evans, Chairman**