



**Wilson HTM**  
INVESTMENT GROUP

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**WILSON HTM INVESTMENT GROUP  
UNAUDITED PRELIMINARY RESULT FOR FY2010**

- Wilson HTM established businesses delivered FY2010 Profit before Tax of \$11.6 million, up 6% from FY2009.
- Full Year Loss after Tax of \$7.8 million impacted by the loss in Next Financial and one-off payment to Deutsche Bank.
- Review underway to improve performance of Next Financial.
- Group FUM up 58% to \$10.1 billion from \$6.4 billion in June 2009, CAGR of 43% since 2004.
- Priority Growth Fund maintains highest 5 Star Morningstar rating<sup>#</sup> and No. 1 Australian Equity Fund ranking<sup>^</sup>.

Wilson HTM Investment Group (ASX: WIG) announced today its unaudited preliminary results for FY2010.

Earlier this year, WIG was restructured along two core business lines, Wilson HTM and Group and Business Investments. Wilson HTM encompasses the established businesses: Capital Markets and Wealth Management as well as Next Financial which was acquired in FY2009. Excluding the Next Financial business, Wilson HTM produced a Net Profit before Tax of \$11.6 million in FY2010, up 6% from \$10.9 million in FY2009.

Group and Business Investments includes the investment in Pinnacle along with the seed capital used to fund strategic initiatives. During the year, Group and Business Investments improved by \$8.1 million over the prior year to a Loss before Tax of \$1.1 million, with Pinnacle delivering an operating profit.

Notwithstanding these improvements, a weak performance by Next Financial and the one-off payment to Deutsche Bank impacted the overall WIG result. Next Financial will report a loss for FY2010 of approximately \$8.5 million, down from an \$0.9 million profit in FY2009. Taking into account the impact of the Deutsche Bank termination fee, the final result for WIG in FY2010 is a Loss after Tax of \$7.8 million. The composition of the result with comparatives is as follows:

	<b>FY2010 (unaudited)</b>	<b>FY2009 (audited)</b>
Capital Markets	\$2.5m	\$4.2m
Wealth Management	<u>\$9.1m</u>	<u>\$6.7m</u>
	<b>\$11.6m</b>	<b>\$10.9m</b>
Group & Business Investments	<u>(\$1.1m)</u>	<u>(\$9.2m)</u>
	<b>\$10.5m</b>	<b>\$1.7m</b>
Next Financial	<u>(\$8.5m)</u>	<u>\$0.9m</u>
<b>WIG Profit/(Loss) pre DB Fee</b>	<b>\$2.0m</b>	<b>\$2.6m</b>
Deutsche Bank Termination Fee	<u>(\$14.4m)</u>	-
<b>WIG Profit/(Loss)</b>	<b>(\$12.4m)</b>	<b>\$2.6m</b>
Tax (expense)/credit	\$4.6m	(\$0.2m)
Less minority interests	-	<u>(\$0.2m)</u>
<b>WIG NPAT</b>	<b>(\$7.8m)</b>	<b>\$2.2m</b>

### Capital Markets

The Capital Markets business comprises Institutional Broking, Corporate Finance (including equity capital markets and mergers and acquisitions) and Research. The full year performance of the Capital Markets business was impacted by tougher share market conditions in the second half of the financial year following a strong first half year result.

Whilst Institutional Broking was consistent throughout the year, equity capital raisings slowed in the second half of FY2010 as equity raisings across the broader market declined in response to a poorer performing share market. In addition the strong first half performance of our M&A business (which contained one notably large mandate) was not matched in the second half.

### Wealth Management

Wealth Management comprises Financial Advisory and Planning, discretionary and non-discretionary portfolios managed by Authorised Investment Managers (AIMs), stockbroking and the funds business of Priority Growth and Priority Core. The AIMs and Priority funds access the Research and equity capital markets transactions from the Capital Markets business as a primary source of alpha generation. Wealth Management also includes the business of Next Financial (mentioned below).

Key drivers of this segment are the overall performance of equity markets (affecting brokerage and FUM levels), FUM inflows and our ability to generate alpha.

### *Performance of Equity Markets*

The performance of the Australian Equity Market (All Ords) was positive in the first half of the financial year, rising approximately 24%. The positive momentum was negated in the second half by the market falling 11%, leading to an overall All Ords increase of 9.5% for the full year to 30 June 2010. Against these market conditions, our Wealth Management segment delivered Profit before tax of \$9.1 million, up 36% from the prior year.

### *FUM Balances and Alpha*

During the year Wilson HTM FUM grew 10% to \$2.2 billion from \$2 billion.

WIG's flagship Wilson HTM Priority Growth Fund capped off the year with \$107 million in FUM, up 75% from \$61 million at 30 June 2009. In addition, the fund continued to be the No.1 ranked Australian Equity fund<sup>^</sup> based on 3 year returns through to 30 June 2010.

<b>Net annual returns of the Wilson HTM Priority Growth Fund to 30 June 2010:</b>	<b>6 Month</b>	<b>1 year</b>	<b>3 year</b>	<b>Since inception*</b>
Wilson HTM Priority Growth Fund	-11.49%	22.22%	2.13%	25.74%
S&P/ASX Small Ords Accum. Index	-12.98%	11.18%	-14.20%	2.79%
<b>Alpha</b>	<b>1.49%</b>	<b>11.04%</b>	<b>16.33%</b>	<b>22.95%</b>

\*inception date 4 July 2005

The Group is pleased to report that Wilson HTM's Priority Growth Fund, AIM composite and Pinnacle boutiques have maintained positive alpha since inception.

### Next Financial

Next Financial was acquired in April 2009 as a business primarily focussed on structured products combining leverage and capital protection. The market for these products and the availability of financing, at acceptable cost and terms, has been challenging over the past 18 months. These factors have played a meaningful part in driving a pre-tax accounting loss for Next Financial for the year of \$7.1 million (vs \$3.6 million loss in the first half). In addition, we have incurred \$1.4 million of one-off costs associated with integrating the business (including costs to surrender surplus lease arrangements). The combination of these has led to the \$8.5 million pre-tax loss for the 2010 financial year.

When adjusted for non-cash expenses and the difference in accounting revenue to cash revenue, the full year pre-tax cash loss is approximately \$3 million for FY2010.

WIG continues to focus on improving the performance of Next via further cost reduction and pursuing selective revenue opportunities. Integral to this is the integration of the Next business into the broader WIG Group, providing opportunities for our staff and clients by leveraging WIG capabilities.

### Group and Business Investments

This segment represents the Group's strategic initiatives, including Pinnacle, Investments and Group costs which are not allocated to Wilson HTM. The segment contribution has improved substantially from the prior year driven by the performance in the Pinnacle business, strong FUM inflows and improved returns from Investments.

#### *Pinnacle*

Pinnacle FUM has grown substantially since its launch in October 2006 when it had \$1.4 billion in FUM and two boutiques. At 30 June 2010 Pinnacle had a portfolio of seven investment management boutiques and total FUM of \$7.9 billion representing a CAGR of 57% since June 2004. This was achieved through both fund inflows and alpha. The growth and development of Pinnacle's boutiques has been especially notable with Hyperion and Solaris both winning Fund Manager of the Year category awards in the Money Management / Lonsec Fund Manager Awards for 2010.

#### *Investments*

This segment is primarily seed FUM which is committed to the start up of new funds. Market conditions in the first half of the financial year underpinned a strong turnaround in the mark-to-market value of Investments. However, weaker conditions experienced in the second half of FY2010 pared back a portion of those gains.

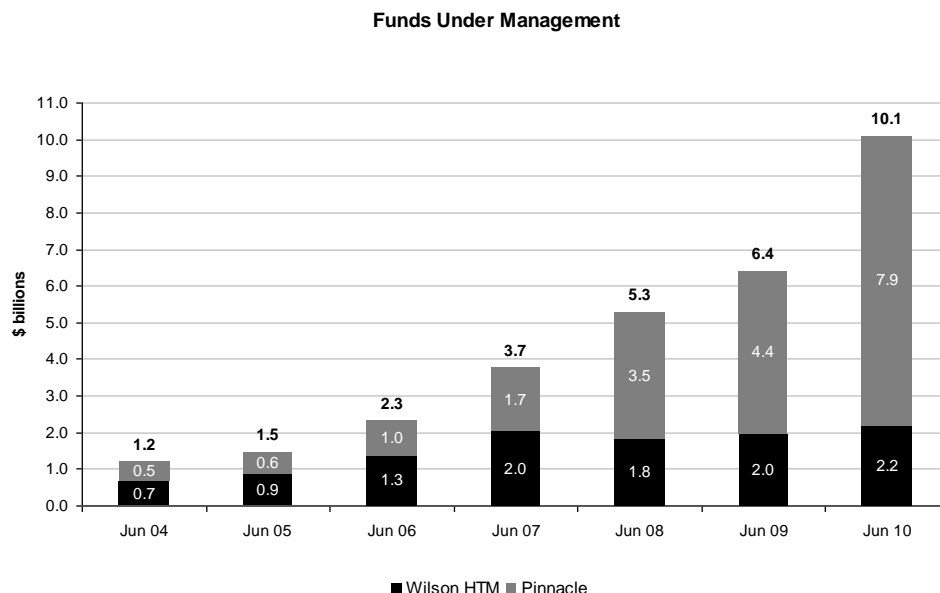
### Deutsche Bank Termination Fee

On 10 June 2010 shareholders approved the termination of the Corporate Finance Services Agreement with Deutsche Bank. Although the consideration is structured across three payments over three years, the present value of these payments, \$14.4 million pre tax (\$10.1 million after tax), has been expensed in FY2010. While this expense has contributed to the FY2010 loss for the Group, it removes the ongoing obligation to share corporate finance fees and as a result is a positive for future earnings from this business.

## Funds under Management

Group FUM (including 100% of Pinnacle) as at 30 June 2010 was up 58% to \$10.1 billion from \$6.4 billion in June 2009:

- Wilson HTM FUM was \$2.2 billion, up 10% from \$2 billion
- Pinnacle FUM was \$7.9 billion, up 79% from \$4.4 billion



## Cash and Corporate Debt Facilities

At 30 June 2010 WIG held \$2.4 million in available cash and had Nil corporate debt borrowings.

Borrowings to support the structured products in Next are non-recourse to the broader WIG Group.

## Outlook

We believe that cautious optimism remains a relevant theme for the year ahead. Whilst in the short term some volatility is likely, over the medium term we hold a positive outlook for the key drivers of Group profitability being the overall performance of equity markets, FUM inflows and alpha generation. In addition, Wilson HTM's established businesses are well placed with strong recurrent income and, together with the contribution of Pinnacle, to benefit from improvement in market conditions.

In preparation of the audited full year results, WIG will review the carrying value of its investments. WIG will report its audited full year result on 25 August 2010.

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## ABOUT WILSON HTM INVESTMENT GROUP

Wilson HTM Investment Group Ltd (ASX: WIG) is an investment house dating from 1895. WIG has evolved from a broking model to one centred around the investment management philosophy of client out-performance or alpha.

# The 5 Star Morningstar rating is based on 3 year risk-adjusted returns for the Australian mid/small growth funds category. Investment trust returns are to 30 June 2010. The Morningstar rating is an assessment of a fund's past performance based on both return and risk which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. © 2010 Morningstar, Inc. All rights reserved. Neither Morningstar nor its affiliates nor their content providers guarantee the above data or content to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice has been prepared by Morningstar Australasia Pty Ltd ABN 95 090 665 544, AFSL 240892 a subsidiary of Morningstar, Inc. and the information provided is without reference to your objectives, financial situation or needs. Refer to the Financial Services Guide for more information at [www.morningstar.com.au/fsg.pdf](http://www.morningstar.com.au/fsg.pdf), and read the Fund's Product Disclosure Statement before making a decision.

^ The Wilson HTM Priority Growth Fund ARSN 117 083 762 ('Fund') No. 1 ranking is based on 3 year investment returns for all Australian Equity investment trusts to 30 June 2010 from Morningstar.