

Colonial First State

THE MARKET

Colonial First State has been helping investors – retail, wholesale and institutional – with their investment needs since 1988. In that time, Colonial First State has become one of Australia’s leading wealth management brands, managing and administering more than A\$120 billion on behalf of over 700,000 investors in Australia and globally.

At the retail investor level, Colonial First State gains the majority of its business through financial advisers. They go through a financial needs analysis process with their clients and may recommend Colonial First State’s products and services. With institutional clients, Colonial First State deals with Industry and Corporate super funds, insurance companies, governments, charities and foundations, schools and universities.

Over the past twenty years, the managed fund industry has grown astronomically from less than A\$140 billion to over A\$1 trillion. In the last ten years or so, superannuation has become the primary means of providing for retirement, and Australians have sought to increase their wealth through the professional management, diversification and cost effectiveness that managed funds can provide.

Up until relatively recently, investors seeking diversification had to invest with several different investment managers. To overcome this administrative difficulty, ‘investment platforms’ evolved. These platforms provide a choice of managed funds from different investment managers plus consolidated trading and reporting. These were complex in structure at the beginning. To address this, Colonial First State launched ‘FirstChoice’ in 2002, a ‘category killer’ portfolio management service which revolutionised the platform industry.



ACHIEVEMENTS

Colonial First State has been a highly recognised investment manager from its early operations in 1988. After receiving several awards for its Australian share investment management, it became Money Management’s Fund Manager of the Year in 1996, and has won a major ‘Fund Manager of the Year’ award five times – Money Management 1996, 1998, 1999, and Personal Investor 2002 and 2005.

The breadth of Colonial First State’s investment management expertise can be seen in the number of individual awards the company has collected over the years. Colonial First State is one of Australia’s most consistently awarded investment managers, winning 30 major fund manager awards over the last 5 years to 2007.

In more recent times, investors and their financial advisers have been placing increased importance on efficient administration, reporting and online functionality. Colonial First State’s FirstChoice platform leads the market in efficient administration, which is one of the reasons why the ASSIRT/Wealth Insights Adviser Market Trends Report (2006) found that half of those financial advisers surveyed used FirstChoice to meet the investment needs of their clients.

HISTORY

In 1993, you could have bought State Bank’s funds management business, First State, for a

few million dollars. In 1994, it was sold cheaply by the NSW Government owner. Yet almost by accident, in a few short years after it was acquired by Colonial, it became the Australian financial markets success story of the 1990s. By the dawn of the new century, the funds manager was the focal point of the Commonwealth Bank’s successful bid for Colonial.

In the following years it was renamed Colonial First State Investment Managers (Colonial First State) and came to be regarded as being without peer among Australian share fund managers.

In more recent times, two businesses have been behind the Colonial First State brand. The new investment management division, Colonial First State Global Asset Management is pursuing a global growth strategy, and Colonial First State Investments focuses on the Australian retail market.

THE PRODUCT

Colonial First State’s product range spans investments, superannuation, retirement and margin lending. Its broad investment management expertise extends across Australian and global shares, cash, fixed interest and credit, property securities, hedge funds, direct property, private equity, global resources and infrastructure.

With its investment management capabilities, Colonial First State Global Asset Management employs more than 190 investment professionals located in Sydney, London, Auckland, Edinburgh, New York, Singapore, Hong Kong and Jakarta. It’s also represented in Beijing and Shenzhen through the First State Cinda joint venture.

FirstChoice, Colonial First State’s portfolio management service, is available in four categories – investments, personal super, employer super and pensions. The key tenets behind the success of FirstChoice – growing to over \$40 billion in funds under administration in only 5 years – are great value for money, exceptional customer service and relevant investment choice of both well-known investment brands and specialist boutiques. In the





first half of 2007, FirstChoice was receiving about \$1 in every \$5 of net funds going into the Australian platform market.

RECENT DEVELOPMENTS

In recognition of the significant growth of self managed super funds, Colonial First State launched 'YourChoice' in 2006. Self managed super funds have strict compliance and administration requirements, and YourChoice offers administration, technology and compliance support at very competitive rates. It keeps records of the fund's investments, provides online reporting, and supplies accounting and auditing functions.

Through its joint venture with China Cinda Asset Management, Colonial First State Global Asset Management launched its first ever equities fund for the Chinese market in 2007. Within four hours of the launch, the China Leaders Growth Equity Fund reached the pre-approved ceiling of approximately A\$1.5 billion set by the Chinese regulators.

In 2007 Colonial First State launched FirstChoice Margin Lending, which offers investors a simple way of gearing into managed funds. With FirstChoice Margin Lending, Colonial First State again broke the mould with a streamlined, efficient service with one Product Disclosure Statement and one application form for both investments and margin lending. The key foundation was simplicity and ease of use, complemented by a highly competitive interest rate.

Colonial First State is helping to look after our planet by offering investors emailed communications rather than mail correspondence. So far, Colonial First State has over 70,000 e-investors. And for every customer that elects to

receive emailed communications, Colonial First State makes a donation to Planet Ark's Climate Change program.

Sustainability and responsible investment are becoming very important to Colonial First State and most recently this has been shown by Colonial First State Global Asset Management's signing of the



United Nations Principles for Responsible Investment in March 2007. This commitment has been coupled with the announcement that Colonial First State has signed an exclusive retail distribution agreement with long term and sustainable investment specialists Generation Investment Management.

Generation Investment Management was co-founded in 2004 by former US Vice President Al Gore and David Blood, former CEO of Goldman Sachs Asset Management. They brought together a team of portfolio managers and analysts with strong credentials in both investment markets and sustainability research. This alliance will bring Generation's unique sustainable investment approach mainstream to Australian retail investors. Access will be exclusively through FirstChoice, Colonial First State's platform.

PROMOTION

Focusing on the mass retail market, Colonial First State uses television, press, outdoor and online mediums to communicate its brand message 'we want what you want'. Launched in 2004, this

campaign is highly recognised by the target audience, both retail investors and advisers alike. In addition to the brand campaign, Colonial First State runs business to business promotions featuring webcasts, tradeshows, trade press advertising, public relations and direct mail. These promotions focus on the latest product and service innovations and help advisers succeed in their own businesses.

BRAND VALUES

Colonial First State strives to bring a breath of fresh air to the financial services marketplace. Colonial First State's brand positioning is about making the most of its straight-talking, down-to-earth approach while leveraging its leadership in the wealth management industry. Colonial First State never loses sight of the fact that it is managing other people's money, and that this creates a significant responsibility. The advertising tag line 'we want what you want' encapsulates Colonial First State's commitment to delivering investment performance, value for money and great customer service.

THINGS YOU DIDN'T KNOW ABOUT COLONIAL FIRST STATE

- Monthly average investment transactions made by clients total 40,000, valued at \$30 billion.
- Number of securities (eg shares, bonds) valued each day averages 8,900.
- Number of unit prices issued each year averages over 235,000.
- Colonial First State receives, on average, 82,000 telephone calls every month.
- Colonial First State completed 1,254,646 administration tasks (such as processing investment switches) in 2006.
- Colonial First State mails more than 400,000 superannuation statements within the first 3 weeks of the beginning of each new financial year.

