Shareholder Review **2012**

EQUITY Trustees

Company Profile

Where we started

Equity Trustees Limited (EQT or the Company) was established as a trustee and executor service provider by a special act of the Victorian Parliament in 1888. We are a publicly listed company on the Australian Securities Exchange.

What we do

We are a financial services institution offering a comprehensive range of financial products and services for personal and corporate clients, aimed at growing, managing and protecting wealth.

Our specialist services include responsible entity services for external fund managers, distribution of managed funds and private wealth services comprising estate management services, trustee services, legal, financial and taxation advice, personal investment advice, superannuation, aged care financial planning advice, placement advice and training services.

We assist not-for-profit and charitable organisations with their services and financial product needs and offer philanthropy advice to families and individuals seeking to establish charitable trusts.

Where we are headed

We have come a long way in 124 years from our origins as a trustee company. Today we are a dynamic financial services institution, and will continue to grow the breadth and quality of the products and services we offer.

Board of Directors

J A (Tony) Killen OAM,
BA, FAICD, FAIM
(Chairman, Non-executive)

Robin B O Burns,
DipAcc, FAICD (Managing Director)

David F Groves,
BCom, MCom, CA, FAICD
(Deputy Chairman, Non-executive)

Alice J M Williams,
BCom, FCPA, FAICD, ASFA AIF, CFA
(Non-executive)

The Hon Jeffrey G Kennett AC,
HonDBus (Ballarat) (Non-executive)

Anne M O'Donnell,
BA (Bkg & Fin), MBA, FAICD, F Fin
(Non-executive)

Kevin J Eley,
CA, F FIN (Non-executive)

Company Secretary / Chief Financial Officer

Terry Ryan,
BBus, FCA, F Fin

Joint Company Secretary

Philip B Maddox,
LLB, BA, GDipAppFin (Finsia)

Auditor

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne, Victoria 3000

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067

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Melbourne, Victoria 3000

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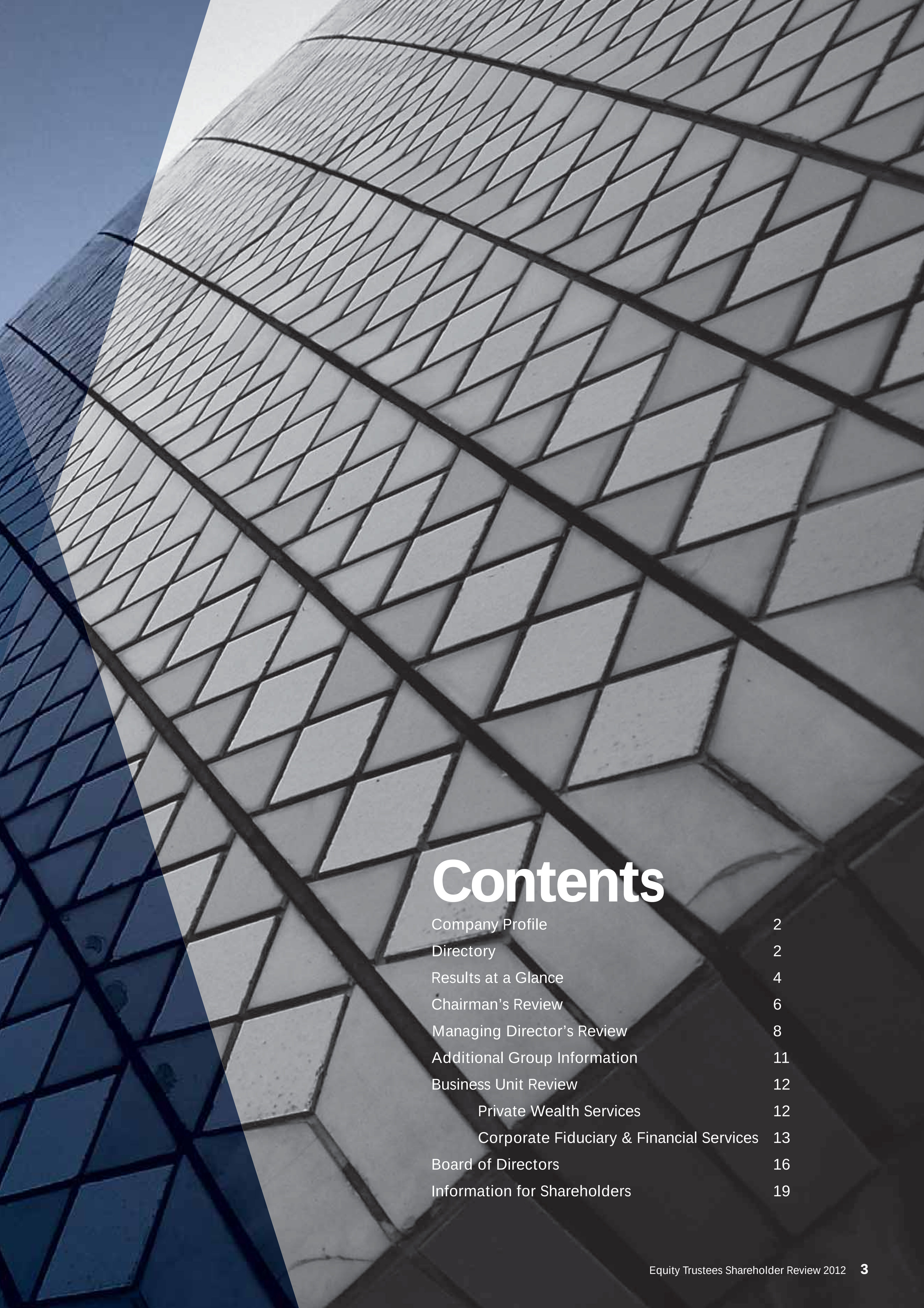
700 High Street
Kew East, Victoria 3102

157 Scoresby Road
Boronia, Victoria 3155

Equity Trustees Limited
ABN 46 004 031 298
Australian Financial Services
Licence No 240975



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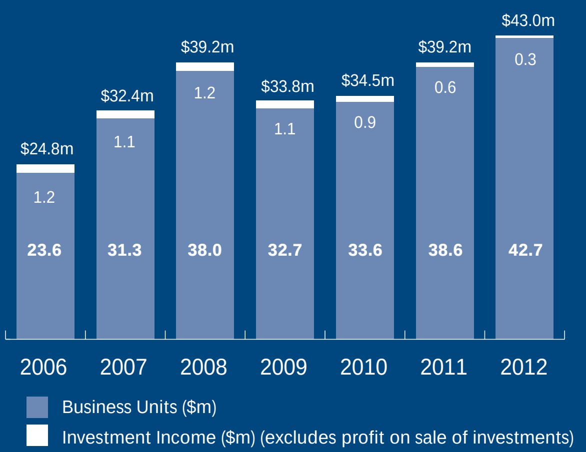
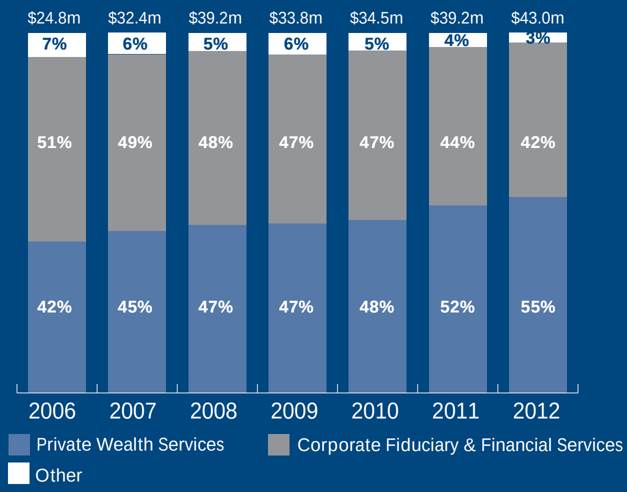
Results at a Glance

Operating revenue ($m)



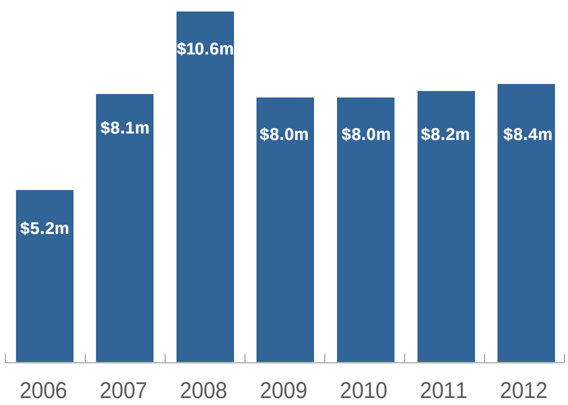
Operating revenue - composition ($m)



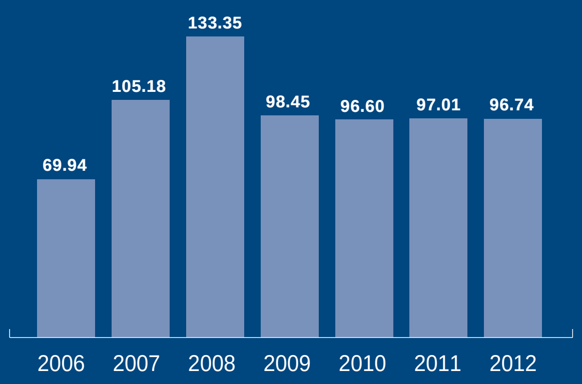
Overview of 2012 financial year

- Profit increase despite challenging business conditions.
- All major business activities remain profitable and generated organic revenue growth.
- Balance sheet is debt free and the Company remains interested in suitable acquisition opportunities.
- Interim dividend reinvestment plan underwritten to build up surplus net tangible assets in anticipation of potential regulatory requirement.
- Total dividend of 85¢ per share reduced from last year's 100¢ per share, to be near upper end of stated policy range.
- Re-structured transaction processing, administration, technology and systems support business units to operate on a group-wide basis under a single management structure.
- Successful completion and integration of aged care advisory business acquisition, on 1 August 2011 – earnings per share positive from date of acquisition.
- Consolidated our private client, wealth management and superannuation activities into a single new unit, Private Wealth Services, to facilitate pursuit of growth in the wealth management sector, improve cross-selling and pursue an integrated approach to meeting private clients' needs at different life stages.
- From now on the Company will operate and report publicly on two main activities, Private Wealth Services and the existing Corporate Fiduciary & Financial Services unit.
- Initiated a project to examine all our administration processes, IT platforms and systems and transactional activities to look for efficiency gains, a simpler systems architecture and increased automation in processing.
- Growth in funds under management/administration in major business lines and net inflows to co-branded funds up 65% on previous year.

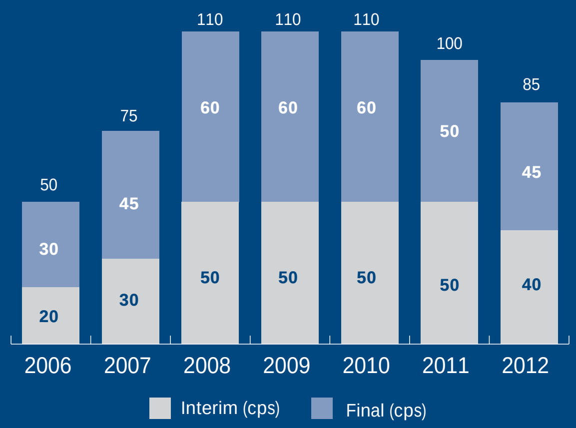
Net profit after tax ($m)



Earnings per share (¢ per share)



Dividend per share (¢ per share)



Net profit after tax

$8.4m

Operating revenue ($43.0m)

10%

Overview of group results

	12 months to 30 June 2012 $m	*12 months to 30 June 2011 $m*	% Change
Operating revenue	43.0	39.2	10
Operating expenses	(31.9)	(28.4)	(13)
Operating profit before tax	**11.1**	**10.8**	**2**
Income tax expense	(3.1)	(3.0)	
Operating profit after tax	**8.0**	**7.8**	**2**
Non-operating items (net of tax)	0.4	0.4	
Net profit after tax	**8.4**	**8.2**	**2**
Earnings per share (cents)	**96.74**	**97.01**	
Dividends per share (full year, fully franked)	85¢	100¢	

Chairman's Review

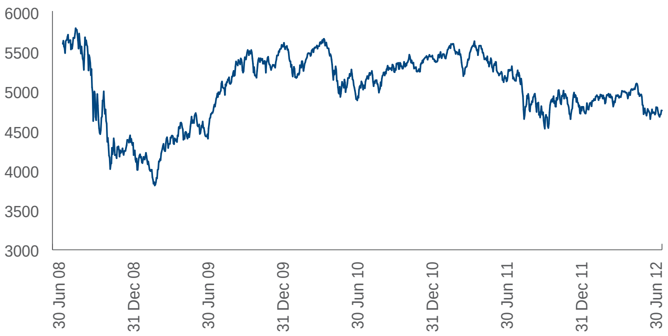
J A (Tony) Killen OAM

CHAIRMAN

In my comments last year regarding the **immediate business outlook** I noted that it was now evident that the world faced a longer period of uncertainty, volatility and weakness in general economic conditions than was anticipated when the global financial crisis first erupted.

The very positive economic and market conditions of the years preceding the crisis are now well behind us, a much more challenging set of circumstances has prevailed for some time and continued in the 2012 financial year. Over the course of 2012 the ASX 200 declined by approximately 11% year on year. Asset values remain depressed, and interest rates have declined. Returns for investors reflect this reality.

S&P ASX200 Accum. Index - July 2008 to 30 June 2012



Profit after tax for the year was $8.4m, a 2% improvement on the prior year. A gain considered modest in better times may reasonably be said to be a comparatively good result in the difficult business conditions currently prevailing.

The year's profit after tax represents a **return on equity** of 14.6%.

The Board has declared a **final dividend** of 45 cents per share, taking **total dividends** for the year to 85 cents per share, fully franked. This reflects a **payout ratio** of 88% and a **current yield** of 6.9% before franking credits.

In keeping with many other capital markets participants, our current planning prudently assumes a **low or no growth** outlook for the foreseeable future. As a result we are looking closely at our **cost base** in an effort to protect if not grow profit margins.

A major streamlining of our **corporate structure** was completed by the Managing Director in the course of the year, and implemented on 1 August 2012.

Next, a **company wide review** of all operating areas and support units has been initiated. Scope exists for the removal of significant **overlap and duplication** in systems and processes (much of it introduced with the acquisitions of recent years), the benefits of which we plan to capture progressively through the 2013 financial year. We expect relatively modest net savings in the coming year; the more significant savings are expected to be realised in the 2014 financial year. This major project will have a pay back period of approximately 2 years.

Finally, we have **not** undertaken the **annual salary review** due 1 July 2012. The fixed pay of all staff, executives and directors has been **frozen** at 1 July 2011 levels. The freeze applies to salaries only. **Short and long-term incentives**, which are governed by pre-determined quantifiable objectives, are still available to be paid to staff and executives if personal, business unit and Company goals are met. Directors do not participate in these incentive arrangements. Short-term incentives in respect of the 2012 year were earned in part by the great majority of staff and executives and were payable upon finalisation of the audited results.

Taken together, these initiatives are **defensive measures** designed to protect profit margins if our growth objectives are not met.

Board renewal continued in the year under review. John McConnell retired at the 2011 Annual General Meeting (AGM) after 9 years' distinguished service, appropriately recognised both at the Meeting and in last year's Annual Review. Subsequently, **Kevin Eley** was appointed to the Board in November 2011 after an appointment process conducted by an external search firm. Kevin's brief biography is elsewhere in these pages. I am delighted to report his contribution at the board table is incisive and reflects not only his diligence and attention to detail but also his past experience as a CEO, and as a non-executive director in the Financial Services sector.

The **Equity Trustees Superannuation Limited** (ETSL) Board has undergone its own process of renewal, with the retirements of founder Rob Dillon, and of his successor as MD, Adrian Young. I thank Rob and Adrian for their outstanding efforts on behalf of the group. Following their retirements, we have taken the opportunity to strengthen the ties between parent Company and subsidiary by appointing main Board member, Anne O'Donnell, to chair the Board of ETSL.

The **capital requirements** of companies such as EQT which operate as **Responsible Entity** (RE) to the funds management industry, are currently subject to review. Our present expectation is that we will have to increase the capital of the Company dedicated to this business. The new capital requirements and the period over which we can phase them in are still subject to discussion with the Regulator. Meantime we are taking the prudent course to strengthen the balance sheet, in the past year for example, arranging for the non-participation in the Dividend Reinvestment Plan for the Interim Dividend to be fully underwritten. This resulted in an increase in cash and net tangible assets of approximately $2.4m and the issue of approximately 202,000 shares. The issue of these shares does of course result in a dilution of earnings per share compared to the prior period. The Board will consider having future dividend reinvestment plans underwritten as circumstances demand. We are also reserving the right to impose what would be quite marginal increases in our pricing for this business to ensure an adequate return on capital is achieved for shareholders. Ultimately, we are confident a satisfactory outcome can be achieved for all stakeholders in this important area of our business.

The **financial services industry in Australia** is a large and dynamic one, by some measures the largest industry in the country, and despite the recent market turmoil has a very positive long-term outlook. EQT has a sustainable and sound strategic plan and we expect that the opportunities ahead of us will provide an environment in which the Company can seek profitable growth and deliver results that meet the reasonable expectations of its stakeholders.

Our **staff**, as always, are key to these outcomes. On behalf of the Board I place on record our sincere appreciation of their efforts in the past year. They have been asked to cope with arguably unprecedented change, in combination, in economic, regulatory and corporate circumstances, and to deliver outstanding service to our clients, and competitive returns to our shareholders, which I believe they have done.

JA (Tony) Killen

Chairman

"

Equity Trustees history includes having had on the Board a number of very senior members of the Victorian legal profession and judiciary. One of the most distinguished is Sir Ninian Stephen, who was on the Board from 1964 to 1970 and of course is most well-known, in a stellar career, as Governor General of Australia for two terms, from 1982 to 1989.

We were grateful that Sir Ninian allowed us to use his name and past association with the Company to add lustre to a series of annual lectures that we sponsor for the Law Institute of Victoria, specialising on trustee matters.

The first in this new series took place in Melbourne on 13 June 2012, when Dr Ian Hardingham QC presented on recent estate cases, and we were particularly delighted that Sir Ninian and Lady Stephen could join us for that occasion.

"

Managing Director's Review

Robin Burns

MANAGING DIRECTOR

The 2012 profit was ahead of prior year, even though the overall tone of business conditions for the year was undoubtedly a challenging one. Volatile markets, a lower ASX and low investor confidence affected the performance of many businesses in our industry.

Net profit after tax grew by 2%, and we achieved positive organic revenue growth despite the external factors, however, our operating margin (25.6%) was down slightly on the 2011 comparative (27.5%) as the expense base rose by 13% and some competitive margin pressure occurred. Of this increase in expenses just under half was due to the impact of the two recent acquisitions, each of which was earnings per share-positive from day one, but the need to tightly manage expenses in these conditions is evidenced by the decision to institute a pay freeze in July.

We made a number of significant organisational changes during the period which are intended to set the Company up for success in its long-term strategic plan. Firstly, we have re-structured our transaction processing, administration, technology and systems support business units to operate on a group-wide basis rather than as separate units supporting individual product or revenue lines. Secondly, we have brought together under one structure our entire private client, wealth management and superannuation activities into a new unit, Private Wealth Services (PWS). Therefore we will from now on operate and report publicly on two main activities, PWS and the existing Corporate Fiduciary & Financial Services unit (CFFS). The creation of PWS is to facilitate our development and pursuit of growth in the wealth management sector, where we have a number of advantages and strong services and products but are currently small scale and with limited market penetration.

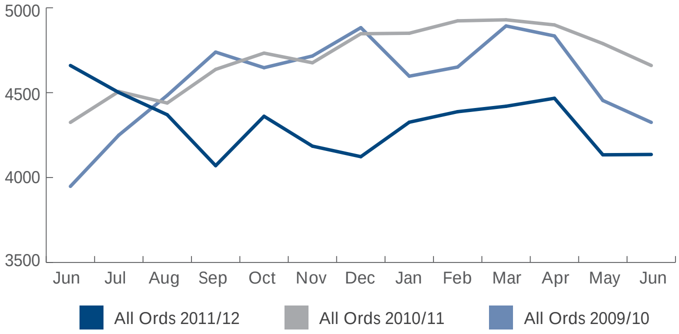
These are significant changes, but I am very pleased with the way in which the executive team and staff have embraced and progressed these initiatives. The previous business structure derived logically from the acquisitions made in the last decade and did not easily facilitate an integrated approach to meeting private clients' needs at various life-cycle stages. We have also, as the Chairman has noted, initiated a project to examine all our administration processes, IT platforms and systems and transactional activities to look for efficiency gains, a simpler architecture, greater automation and create an integrated model.

The integration of the aged care advisory business we acquired in August 2011 was successfully completed and the business operated to plan in 2012. It is a high-quality operation which fits seamlessly with our values and strategic development initiatives and participates in a sector with substantial growth opportunities.

Operating performance

The details of our operating performance are shown in the tables and graphs on pages 4 to 5 of this Review. In summary, operating revenue rose by 10% to $43.0m, while the Company's operating expenses also rose during 2012 by 13% to $31.9m (vs. $28.4m in 2011). Both operating revenue and expenses include a full twelve months of activity from the superannuation master trust business we acquired on 1 November 2010, compared to eight months results in the 2011 year. Organic revenue growth varied across the business lines and is noted in more detail later in this review. Total Funds Under Management (FUM)/ Funds Under Administration (FUA) at year end grew from $21.8b to $23.7b. We generated total net inflows in our funds management distribution business in excess of that achieved in every prior year, although again this was in lower margin classes.

All Ordinaries Index Year on Year



The chart above shows the performance of the All Ordinaries Index over financial years, 2010, 2011 and 2012. On a cumulative basis the index has fallen by 22.5% from the beginning of the 2009 financial year (not shown on the chart) until the end of the 2012 year and fell by almost 54% from its peak to its trough since 2007.

The performance of the index in each of these years illustrates the challenges implicit in growing revenue in business where revenue is directly linked to asset values. Despite this, we have been able to achieve organic revenue growth during this period as a result of possessing a strong market position in our corporate trustee business and our investment in business development in personal lines.

Business unit performance

The Company's strategic platform and revenue generation is based on our two core business units. The key activities and some performance statistics are summarised in the table below.

In both PWS and CFFS we recorded positive organic revenue growth for the year, building on growth in FUM and FUA.

Business highlights

Operating highlights in the year under review:

- Acquisition on 1 August 2011 of the aged care advisory business. This business, operating as Lifetime Financial Planning and Tender Living Care, is highly regarded and has considerable scope for expansion and development. It represents a logical extension to our existing wealth advisory and total care lines. The business also provides the Company's first direct distribution channel in wealth advisory and over time will help develop cross-sell channels to and from other PWS services.
- Organisational restructuring to create an integrated and streamlined business in administration and technology services, and in the creation of a unified PWS business unit.
- Continued growth in the number of wealth management clients during a volatile period. The wealth management function again exceeded most targets for revenue, new clients, and new FUM.
- The Private Estates & Trusts (PEAT) function (part of the PWS business unit) achieved net growth in the will bank, which represents future revenue streams. This reflects the success of activities to pursue business development and engagement with referral sources initiated in the last two periods.
- The PEAT team also introduced a pilot scheme for automated estate planning, enhanced its internal capability in this area and revised the estate administration pricing schedule to provide greater flexibility in the scale, demonstrating value for a wider range of estates, segmented by their size and complexity.
- The CFFS unit achieved significant growth in Responsible Entity (RE) clients and FUM/FUA. In total 16 net new RE clients joined in 2012 and net funds management inflows exceeded 2011 by 65%. Business enquiry in the RE area remains strong.
- In the superannuation master trust team (part of PWS) a member retention project was initiated, together with an active dedicated call centre which will facilitate better member service and retention activities. This team is also heavily engaged with planning and development of our response to the Stronger Super (Superstream and MySuper) regulatory changes.

Business unit	Key functions	2012 performance
Private Wealth Services	The provision of personal financial and superannuation services including: • wealth management; • trust management; • estate planning; • executorial; • taxation; • philanthropic services; and • superannuation trustee and administration via a "fund of funds" Master Trust. The above services are supported by an in-house asset management team providing investment advice.	Operating revenue up 14.6% to $23.5m (2011: $20.5m) Funds/Assets under management up 0.3% to $2,288m (2011: $2,281m)
Corporate Fiduciary & Financial Services	The distribution and marketing of Equity Trustees co-branded retail and wholesale funds managed by external specialist investment managers. The provision of responsible entity services to the funds management industry and corporate trust services generally.	Operating revenue up 6.4% to $18.3m (2011: $17.2m) Funds under management/ administration up 9.9% to $21,415m (2011: $19,485m)

- The internally-managed EQT Flagship Fund, a core Australian equities fund available for both retail and wholesale clients, continues to achieve strong investment performance and is rated 7 of 94 funds over 1 year, and 3 of 79 funds over 5 years, in its class in the Morningstar survey. Similarly the Mortgage Income Fund is rated 1 of 6 funds in its class over 5 years.

The financial services industry

In last year's report I discussed at length the various federal government initiated reviews into parts of the financial services industry. The *Stronger Super* changes and the *Future of Financial Advice* reforms, or FoFA, progress slowly through the stages of legislation and implementation.

Naturally, Equity Trustees is supportive of reforms which will clearly and demonstrably lead to better outcomes for investors and fund members.

As a result of these changes, low investor confidence (which resulted in reduced inflows or even net outflows) and reduced margins from lower revenue bases, much of the financial services industry is feeling battered and fragile. In these circumstances the market power of the very large competitors is enhanced and consequently they have been active over recent periods in vertical and horizontal consolidation in the industry, acquiring wealth management and related businesses. This may appear paradoxical in current conditions but the longer-term future of this industry in Australia is very attractive.

Our Company operates and competes in the wealth management sector and a strategic goal is to grow our reach and revenue from this activity. The changes we have made in the business in recent periods are all with this goal in mind. Our target market is not primarily the 'mass affluent' or 'mass savers' who are naturally clients of the large listed providers such as the banks, but the high net worth client with complex needs and circumstances looking for a tailored and expert service aligned solely to their own interests. By being able to provide a range of advice and products at different life-cycle stages we can offer a longer-term and broader relationship with clients than we would by approaching them piecemeal with an offer that is relevant only to one specific need or stage.

The Company is also subject to ASIC's Class Order 11/1140, "Financial Requirements for Responsible Entities" (CO1140). This Class Order established minimum required capital backing for each RE of registered managed investment schemes (like Equity Trustees) and comes into effect later this year. At present Equity Trustees is also regulated under another licensing regime which overrides CO1140 but it is possible that the exclusion from CO1140 will be removed at some stage. Consequently we may need to source additional capital to maintain a specified level of liquid assets backing our RE business activities. This is one of the reasons why we decided, as a precautionary measure, to have the interim dividend reinvestment plan fully underwritten to provide additional capital. The Company is closely monitoring this situation but is confident that if needed it will be able to reach a satisfactory capital position for CO1140.

The business in 2013 and beyond

Our operating focus over the 2013 year, other than in continuing to pursue an active sales programme in all areas, will be in completing the integration of the PWS component business units; in developing and implementing the project to consolidate and drive efficiency in administration and business systems; in developing a 'One EQT' culture and values set across all business teams and units; in pursuing some specific technical developments in our wealth management platform; and in actively assessing potential acquisition opportunities.

Equity Trustees has an extensive history of providing advice and services to individuals wishing to manage their wealth – through transition between generations and subsequently helping the succeeding generations grow, protect, and transfer wealth. Additionally, our expertise as a leading independent RE and distributor of managed funds will provide scope for growth as a corporate trustee in the long-term development of the Australian investment industry. The ever-increasing complexity of financial markets, the size of the funds and wealth management industries, the expected scale of the wealth transfers between generations, and the need for truly independent, high quality, personalised advice will provide an environment in which Equity Trustees can thrive in the future as it has done for 124 years.

The Company's purpose

Equity Trustees key stakeholders are our clients, our shareholders and our staff, many of whom are also shareholders. Protecting, enhancing and nurturing the interests of each of these groups is not only our purpose but the core of the Company's values and culture. Our first guiding principle has always been to put our clients' interests and needs first and by doing so guarantee the organisation's integrity, success and longevity.

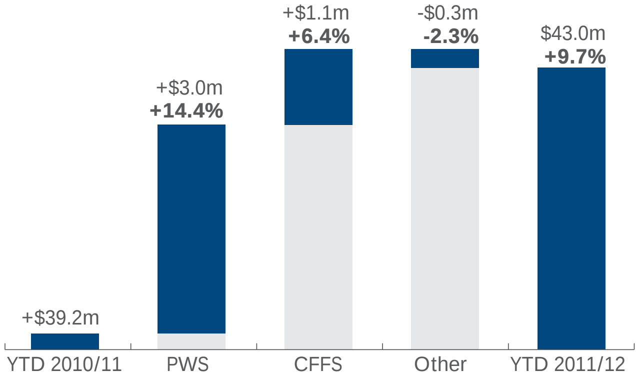
The executives and staff are a dedicated group who have the best interests of our clients and the Company at the forefront of decisions and actions. Like all organisations, we need fresh ideas and views injected from time-to-time and I am pleased that over recent periods we have continued to be able to successfully recruit to complement our existing capabilities and help pursue our strategic directions and goals. With the strength of our existing business activities, scope of the opportunities ahead and close alignment with the needs and priorities of our clients I believe that the Company can look forward with confidence to a successful and prosperous future.

Robin Burns

Managing Director

Additional Group Information

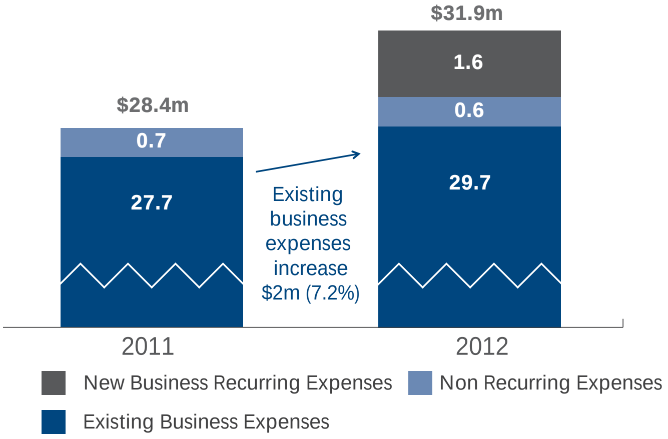
Operating revenue – change



In 2012 the PWS business unit achieved positive organic revenue growth in most major activity revenue lines and added to its base through the acquisition on 1 August 2011 of the aged care advisory business. Part of the revenue growth, compared to 2011, was because the Apex superannuation fund (acquired on 1 November 2010) was in the 2012 numbers for a full 12 months but for only 8 months in 2011. The CFFS unit achieved organic revenue growth from positive net flows to our co-branded funds and from increased activity in the RE function. The fall in Other revenue reflects the reduction in investment income following the disposal of liquid assets to finance acquisitions, and market returns.

Expense composition ($m)

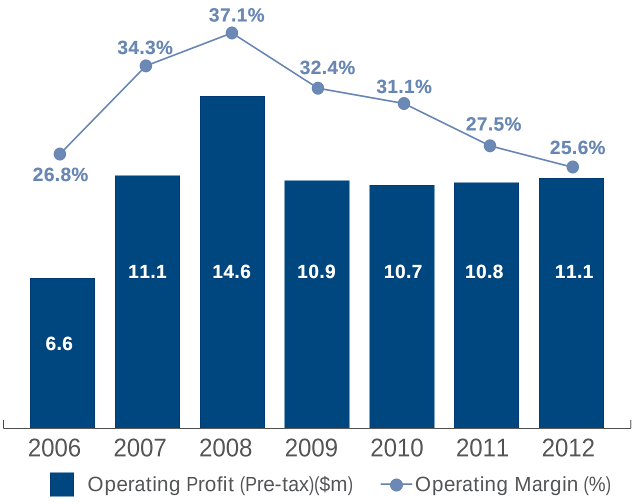
Expenses grew over the prior year through three main factors:



- the expenses associated with operating the Apex superannuation business were in the 2011 year results for 8 months but for a full 12 months in 2012, although now at a reduced run-rate following integration of the business onto our administration platform;
- the expenses associated with the aged care advisory business for 11 months following acquisition; and
- other operating expense increases, substantially associated with employment, marketing and systems costs.

A company wide pay review at July 2011 and some headcount increases were responsible for the growth in employment costs. Variable incentive payments were at approximately the same level as in 2011. We do not expect any material increase in headcount during the 2013 year and a company-wide pay freeze applied at July 2012. Systems costs rose as a result of the final completion of the base operating system upgrade and increased depreciation now that the platform is fully operational.

Operating margin



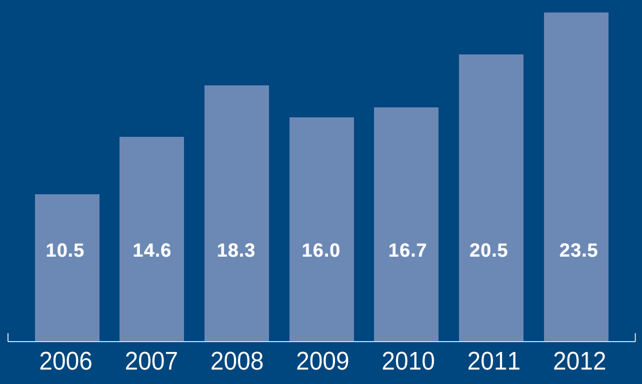
We define Operating Margin as Operating Profit before Tax (2012 - $11.1m) expressed as a percentage of Operating Revenue (2012 - $43m). The Operating Margin is inclusive of non-recurring costs, which have reduced the margin in each of the last two years relative to prior periods by approximately 1.6-1.8%. The decline in the operating margin in recent periods reflects the more difficult business conditions since 2008, competitive pressure in some of our business activities and some expense increases as we have continued to invest in the business for longer-term growth. Although the operating margin is moderately below what we have previously described as our long-term objective, of approximately 30%, we are satisfied that the business overall is in a healthy and sustainable position.

Business Unit Review

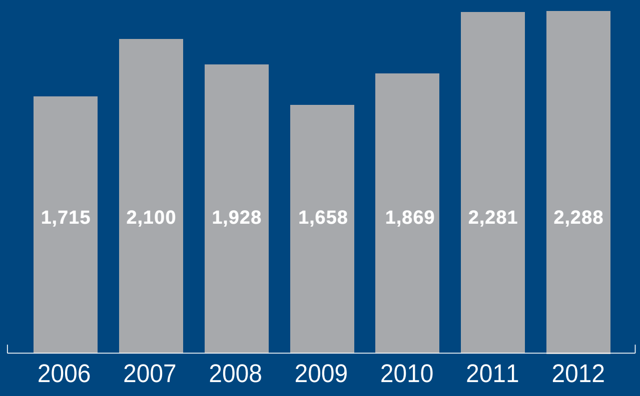
Private Wealth Services

Performance

Operating revenue ($m)



Assets under management, administration and advice ($m)



Function

Private Wealth Services (PWS) was formally created in August 2012 to integrate and consolidate the following existing operating units:

- **Personal Estates & Trusts (PEAT)** – estate planning, trustee, executor, taxation, and philanthropic services;
- **Wealth Management** – personalised portfolio management and support services;
- **Asset Management** – overseeing the investment process for internal and external clients and managing internal funds;
- **Aged Care Services** – provision of financial planning advice, placement advice and training services specialising in the aged care sector; and
- **Portfolio Services** – employer services, personal superannuation, and managed accounts, in the superannuation sector (formerly operating as EquitySuper).

Operational highlights

- PWS revenue up 14.6%, including acquisitions. Net of acquisitions the business unit achieved positive revenue growth despite market value impacts.
- Successful integration of aged care advisory business, which operated to projections in the first year, EPS positive from acquisition. First cross-sales achieved.
- PEAT achieved 100% increase in new will appointments from external sources, as a result of business development activities initiated in recent periods. Overall, a 74% increase in new wills in which EQT was appointed, from both internal and external sources, exceeding new estate administrations commenced.
- Asset Management's EQT Wholesale Flagship Fund (Australian equities) ranked in first quartile in a broad survey of comparable funds over 1, 3, 5 and 7 years, and is 3rd highest performing fund in this survey over 5 years. The EQT Growth Fund (a diversified fund) is ranked number 1 of 71 funds over 5 years in the same survey.
- Total FUM for Wealth Management clients increased by 16.1%, despite market impacts and loss of clients (to PEAT for estate administration).

Outlook

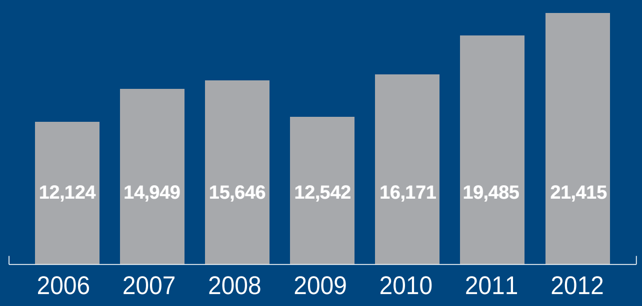
- A major focus for 2013 will be to complete the integration of PWS into a unified and streamlined suite of services and products providing valued outcomes for clients at different stages of life-cycle need.
- The implementation of the Stronger Super proposals (Superstream and Mysuper) will require planning, system enhancements and product design and review to anticipate potential competitive changes and impacts.
- Continued drive to cement long-term revenue streams though improved estate planning services and marketing to referral sources.

Corporate Fiduciary & Financial Services

Performance

Operating revenue ($m)

Funds under management, administration and advice ($m)



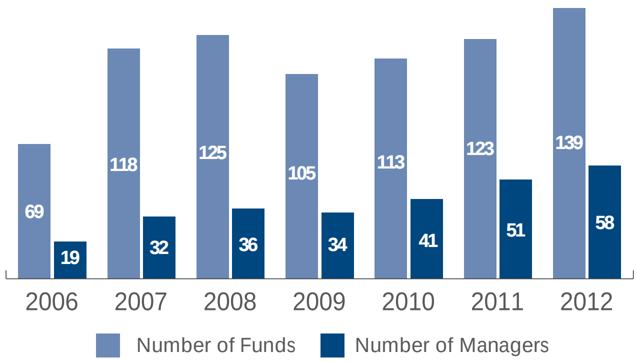
Function

The Corporate Fiduciary & Financial Services (CFFS) unit comprises:

- **Corporate Fiduciary Services** – Responsible Entity (RE) trustee services for managed funds on behalf of local and international fund managers and sponsors.
- **Financial Services (Funds Distribution)** – Management and coordination of distribution and marketing for the co-branded wholesale and retail funds to the IDPS and advisor market. Through our partnership with investment managers, investors and advisers can access investments in:
  - **Fixed interest** – PIMCO Australia;
  - **Specialist Australian equities and Australian REITs** – SG Hiscock & Company;
  - **Global REITs** – LaSalle Investment Management (Securities);
  - **International equities** – Intrinsic Value Investments; and
  - **Core Australian Equities and Income** – EQT Asset Management.

Operational highlights

Responsible Entity business



CFFS revenue grew by 6.4%, despite the impact on asset-based fees of lower market values. This was all achieved organically from business development activities.

In the Corporate Fiduciary Services area:

- Introduction of a Sydney based RE resource has broadened the potential to develop new business opportunities through multiple offices, as well as increasing our ability to actively align EQT into the offices of our local clients.
- Added a net 16 new funds, servicing a net increase of 7 managers. The net fund increase includes the closure of 18 funds which were either no longer financially viable due to the continuing fall-out from the GFC, or which had not attracted the seed funding needed to make a successful market impact.

In the Funds Distribution area:

- Co-branded funds generated strong net inflows – up 65% from the previous year.
- We continue with our key account strategy of targeting large dealer groups and IFAs (boutique financial planning) capitalising on the funds' strong research ratings.
- Whilst inflows were heavily skewed towards defensive assets, we also had net inflows into Australian equities and Australian REITs.
- Equity Trustees was nominated as S&P Product Distributor of the Year (4th year in a row) which is a reflection on our broad product offering, national business development presence and our investment partners.
- During the financial year we added Business Development Managers in Victoria and New South Wales to service our increasing and evolving advisor base.

Outlook

- A good stream of RE business leads has been evident throughout 2012 and a strong pipeline of new business opportunities continues.
- The impact of ASIC's CO1140 capital-backing requirements for REs on market opportunities for Equity Trustees will continue to be closely monitored.
- We expect to see strong flows to defensive asset funds due to their increasing role in asset allocation in present market conditions.
- We will continue with our national servicing model, and two-pronged strategy of targeting the large dealer groups (for scale and leverage) and the boutiques.

> We made a number of significant organisational changes during the period which are intended to set the company up for success in its long-term strategic plan.

Robin Burns

MANAGING DIRECTOR

Board of Directors

JA (Tony) Killen OAM
CHAIRMAN

BA, FAICD, FAIM

Chairman – Appointed 30 August 2007

Non-Executive Director – Appointed September 2002

Member of Equity Trustees' Remuneration, Human Resources & Nominations Committee since September 2004

Tony is Chairman of CCI Investment Management Ltd and Sisters of Charity Community Care Ltd. He is also a non-executive director of listed company Templeton Global Growth Fund Ltd and Catholic Church Insurances Ltd.

Tony is a former Group Managing Director and Chief Executive Officer of AXA Asia Pacific Holdings Ltd, having had a 36 year career with the National Mutual/AXA group. He was also Chairman of Australia's largest not-for-profit health services provider, Sisters of Charity Health Service Ltd. Tony was also a non-executive director of listed company IRESS Market Technology Ltd.

In 2010, Mr Killen was awarded the Medal of the Order of Australia.

Robin B O Burns
MANAGING DIRECTOR

DipAcc, FAICD

Executive Director since 1 March 2010

Robin was appointed Managing Director of Equity Trustees on 1 March 2010. Before joining Equity Trustees he was, from 2002, Chief Executive Officer of Equipsuper Pty Ltd, the trustee company for the Equipsuper multi-employer superannuation fund. Robin is a non-executive director of the Financial Services Council.

Robin previously worked for AXA Asia Pacific, where he held the positions of General Manager, Corporate Affairs and Chief Executive, Risk Insurance and for the stockbroking firm Prudential-Bache Securities (Australia), where he was Managing Director, having joined the firm as Chief Financial Officer.

Robin has 26 years of experience in the financial services industry. He gained his initial professional qualification as a chartered accountant in the UK in 1981.

David F Groves
DEPUTY CHAIRMAN

BCom, MCom, CA, FAICD

Deputy Chairman since December 2007

Non-Executive Director since November 2000

Chairman of Equity Trustees' Audit & Compliance Committee since January 2003.

David is a director of Pipers Brook Vineyard Pty Ltd and Kambala, a leading girls' school in Sydney. He is also an executive director of a number of private companies.

David is a former director of Tassal Group Limited, GrainCorp Limited, Mason Stewart Publishing, and Camelot Resources NL, and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia.

Alice J M Williams
DIRECTOR

BCom, FCPA, FAICD, ASFA AIF, CFA

Non-Executive Director – Appointed September 2007

Member of Equity Trustees' Remuneration, Human Resources & Nominations Committee since July 2011. Appointed Chairman in August 2011.

Member of Equity Trustees' Audit & Compliance Committee between September 2007 and February 2012.

Alice has over 25 years' senior management and Board level experience in the corporate and Government sectors specialising in investment management, corporate advisory and equity fundraising.

Other non-executive directorships include; Djerriwarrh Investments Ltd, Defence Health, Guild Group Holdings Limited, Strategic Analytics (Australia) Pty Ltd and Victorian Funds Management Corporation. Alice is also a council member at the Cancer Council of Victoria.

Alice was formerly a director of Avion Technology Pty Ltd, State Trustees, NM Rothschild and Sons (Australia) Limited, Director of Strategy and Planning for Ansett Australia Holdings Limited and a Vice President at JP Morgan Australia.

The Hon Jeffrey G Kennett AC
DIRECTOR

HonDBus (Ballarat)

Non-Executive Director – Appointed September 2008

Member of Equity Trustees' Remuneration, Human Resources & Nominations Committee since September 2008.

Jeff was an Officer in the Royal Australian Regiment, serving at home and overseas. He was a Member of the Victorian Parliament for 23 years, and was Premier of Victoria from 1992 to 1999.

Jeff is currently Chairman of Open Windows Australia Proprietary Limited, CT Management Group Pty Ltd and beyondblue, the national depression initiative. He is also Chairman of the Board of Management of PFD Food Services Pty Ltd and a Director of Jumbuck Entertainment Limited.

He is currently patron of a number of community organisations and was formerly President of the Hawthorn Football Club.

In 2005, Mr Kennett was awarded the Companion of the Order of Australia.

Anne M O'Donnell
DIRECTOR

BA (Bkg & Fin), MBA, FAICD, F Fin

Non-Executive Director – Appointed September 2010

Member of Equity Trustees' Audit & Compliance Committee since December 2010.

Anne has some 30 years' experience in the finance sector. She is an experienced executive and non-executive director in the listed, not-for-profit, and mutual sectors.

Anne is the former Managing Director of Australian Ethical Investment Ltd. Anne was formerly a director of the Financial Services Council, The Centre for Australian Ethical Research Pty Ltd, and the ANZ Staff Superannuation Fund.

Current directorships include: Australian Institute of Company Directors, Community CPS Australia Ltd, Eastwoods Pty Ltd and The Grain Growers Association Ltd and an alternate director on the Board of Corporate Analysis Enhanced Responsibility (CAER). Anne is also an external member of the UBS Global Asset Management (Australia) Ltd Compliance Committee and a member of IP Australia Audit and Evaluation Committee.

Kevin J Eley
DIRECTOR

CA, F FIN

Non-Executive Director – Appointed November 2011

Member of Equity Trustees' Audit & Compliance Committee since November 2011

Kevin is a Chartered Accountant and a Fellow of the Financial Services Institute of Australia. He has over 30 years experience in management, financing and investment and has worked for a major international accounting firm, two investment banks and was CEO of HGL Limited and remains as a non-executive director.

Other public company directorships were Desane Group Holdings Limited, Solander Holdings Limited, Leutenneger Limited, Laubman and Pank Limited and Sabre Group Limited.

Other current non-executive directorships include: Kresta Holdings Limited, Milton Corporation Limited and PO Valley Energy Limited.

> "Equity Trustees has an extensive history of providing advice and services to individuals wishing to manage their wealth - through transition between generations and subsequently helping the succeeding generations grow, protect, and transfer wealth."

Robin Burns

MANAGING DIRECTOR

Information for Shareholders

Annual General Meeting

The Board of Directors of Equity Trustees Limited has great pleasure in inviting all shareholders of the Company to attend the Annual General Meeting (AGM).

The AGM will be held on Friday 26 October 2012 commencing at 11.00am (Australian Eastern Daylight Savings Time) at the RACV Club, Level 2, 501 Bourke Street, Melbourne.

All Directors will be in attendance as will the Company's external auditor. Light refreshments will be served at the conclusion of the meeting.

A separate Notice of Meeting accompanies this Shareholder Review. If you are planning to attend the meeting in person, please bring the accompanying letter with you to facilitate entry.

If you are unable to attend the AGM you are encouraged to complete the proxy voting form, which accompanies the Notice of Meeting. The proxy form should be returned in the envelope provided or else can be faxed to our share registry, Computershare, on **1800 783 447** (within Australia) or **+61 3 9473 2555** (outside Australia).

Please ensure that all proxy forms are received no later than **11.00am** on **Wednesday, 24 October 2012.**

Key dates for shareholders

Tuesday, 18 September 2012
Record date for 2012 final dividend

Tuesday, 16 October 2012
Payment date of 2012 final dividend

Friday, 26 October 2012 at 11.00am
Annual General Meeting

RACV Club, Level 2
501 Bourke Street
Melbourne, Victoria 3000

Wednesday, 27 February 2013
Announce half-year results and interim dividend

Wednesday, 17 April 2013
Interim dividend paid

Equity Trustees 2012 Annual Report

A copy of Equity Trustees 2012 Annual Report has been mailed to all shareholders who have previously elected to receive a hard copy of the document.

The Annual Report can be viewed on our website: **http://www.eqt.com.au/shareholders/company-announcements.aspx**

In order to change your election for receipt of a hard copy of our Annual Report, or to request a hard copy be mailed to you, please contact our share registry, Computershare, as follows:

Phone: **1300 850 525 (within Australia)** or
+61 3 9473 2500 (outside Australia)

Website: **www.investorcentre.com**

Equity Trustees Limited

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