



Strategy Briefing 2005  
Platform and investment products

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12 May 2005

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# Agenda

- AXA's wealth management business
- Contributions across the value chain
- Margin pressure
- Choice
- AXA's investment positioning
- Growth opportunities in investments
- Summary



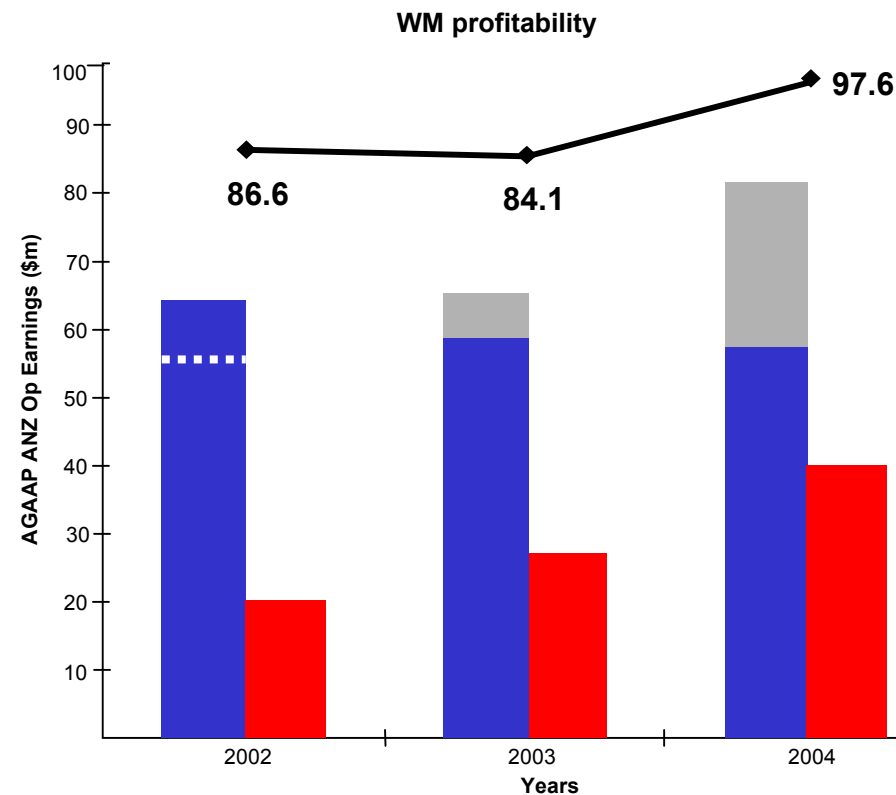
# AXA's Wealth management business

Our AGAAP Operating Earnings profile for Wealth management has been changing shape over the last 3 years as our business focus broadens across the value chain

AGAAP ANZ Operating Earnings (\$m)

	2002	2003	2004
Retirement income	1.8	11.9	31.2
Superannuation	44.1	44.1	42.6
Ordinary savings	10.9	8.7	8.6
Investment management	0.7	0.7	6.1
Platform	6.9	2.9	6.3
Advice	12.2	22.8	26.8
<b>Total Wealth management</b>	<b>76.6</b>	<b>91.1</b>	<b>121.6</b>
<b>Adj. Wealth management*</b>	<b>86.6</b>	<b>84.1</b>	<b>97.6</b>

\* Excluding retirement income investment experience



█ Adj. 'Old' WM    █ RI inv. exp.  
█ 'New' WM    ◆ ◆ Adj. WM Total

# Industry value chain for wealth management

The total cost to client for wealth management products and services across the value chain ranges from 1.80% to 2.75% pa whilst profitability ranges from 15-90 bps pa



	Asset management	Products	Platforms	Adviser services	Advice	Total across value chain
Estimated industry potential revenue pool	20-40 bps	30-70 bps	30-70 bps	5-15 bps	60-120 bps	180-275 bps
Estimated industry potential profit opportunity	5-20 bps	10-40 bps	0-20 bps	-5-10 bps	10-60 bps	15-90 bps



# Margin pressure

**Gross customer revenue has reduced in recent years, and this trend is expected to continue**

- Margin pressure has a number drivers:
  - competitive pressure - competition is placing a greater emphasis on cost
  - regulatory - there are greater requirements to disclose and justify fees to clients
  - economic - in a low return environment, fees become a greater proportion of client investment returns
- Elements of AXA's business model that combat margin pressure
  - scale - AXA has scale across all segments of the value chain
  - advice - owning quality advice businesses that still retain high margins
  - diversity - participating in every segment of the value chain preserves net margins as they shift across segments



# C Margin pressure AXA's response - saving margin

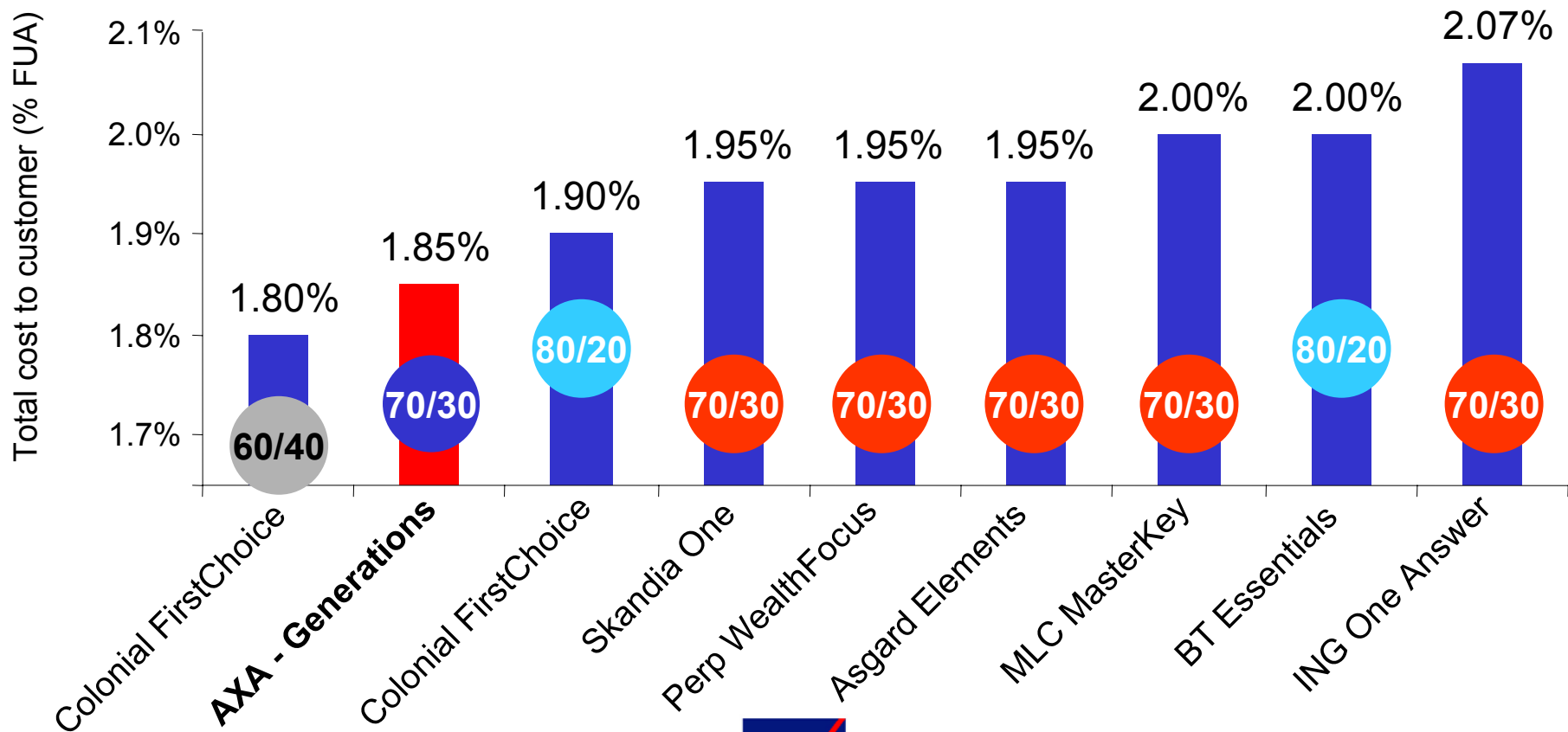
**We have implemented a number of changes to protect net margins**

- Launched Generations
  - protected margins on Summit
  - light function master trust will lower unit costs



# Margin pressure AXA's response

Generations is priced competitively when comparing asset mix - e.g. the multi-manager Balanced option



○ - Asset mix: growth / defensive



Source: AXA market analysis, September 2004

# C Margin pressure AXA's response - saving margin

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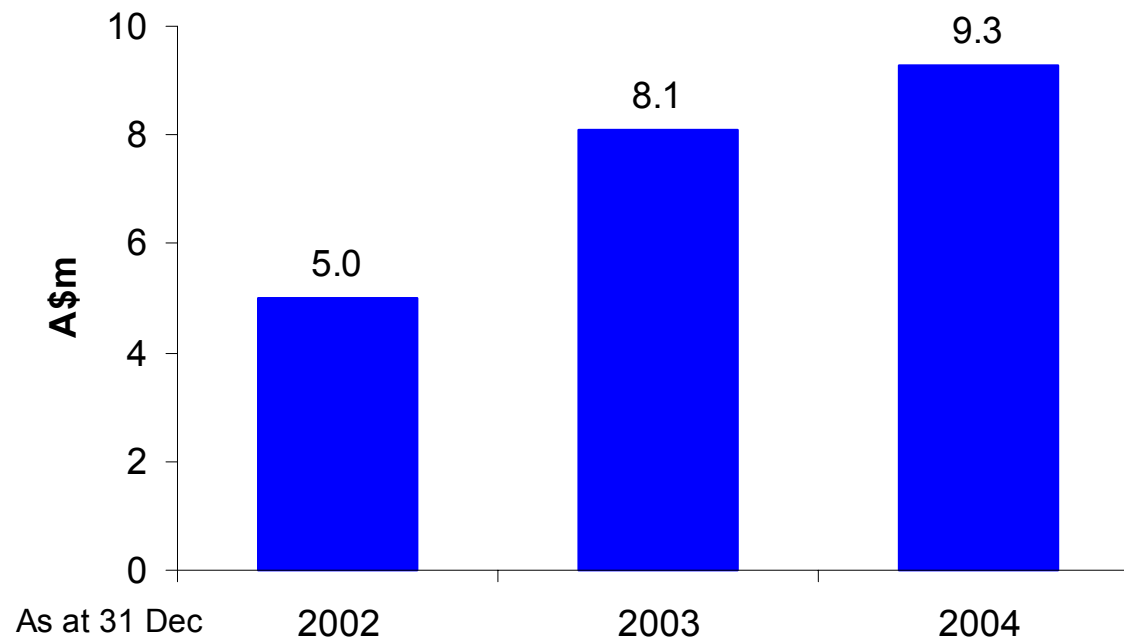
- Launched Generations
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- Increased funds in ipac multi-manager



# Margin pressure AXA's response

ipac multi-manager funds continue to grow

ipac multi-manager FUM



# C Margin pressure AXA's response - saving margin

## We have implemented a number of changes to protect net margins

- Launched Generations
  - protected margins on Summit
  - light function master-trust will lower unit costs
- Increased funds in ipac multi-manager
- Built scale in wholesale unit trusts - leading to lower asset management fees and greater margins



# C Margin pressure What does this mean for platform economics?

## Platforms can provide an acceptable return on capital

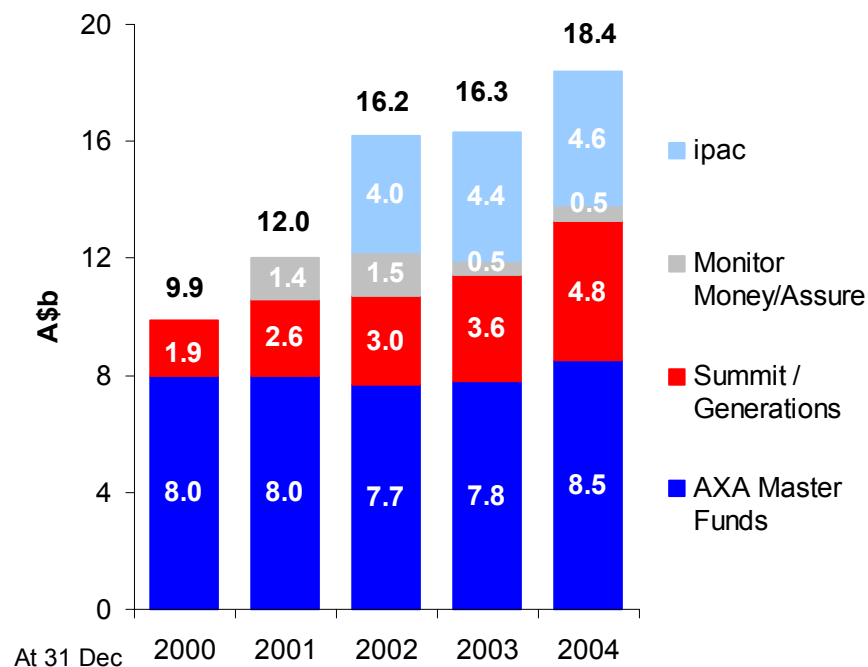
- Assuming:
  - sunk capital invested in a leading platform of between \$60m and \$120m
  - ongoing development spend of \$15m pa
- The minimum acceptable return based on administrative profits only is our weighted average cost of capital, ie 8% pa
- Funds under administration required to achieve this level of return approx A\$10bn
- In addition to the administration profits, we capture further advice, product and investment margin due to platform ownership



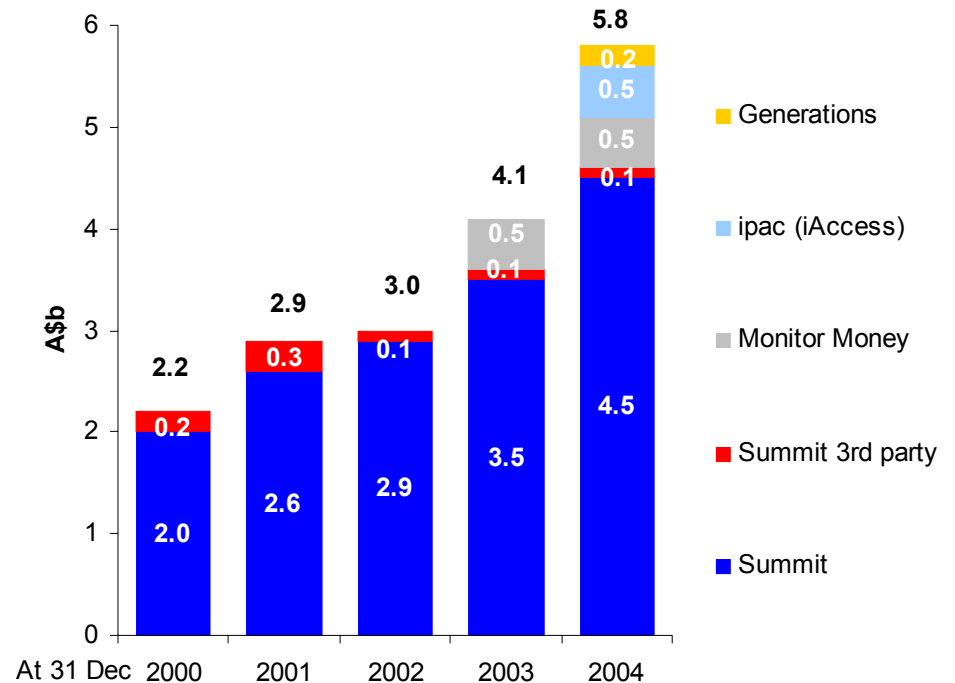
# Margin pressure Platform FUA

## Summit funds under administration growing very strongly

Master trusts, platforms and wraps - funds under administration



Summit platform - funds under administration



The total Summit funds under administration of \$5.8b differs to the chart "Master trusts, platforms and wraps" showing Summit product as \$4.8b. This is due to \$0.5b of ipac funds and \$0.5b of Monitor Money funds, which are administered on Summit, being shown as part of ipac and Monitor Money respectively in the "Master trusts, platforms and wraps" chart, rather than part of Summit.

# Margin pressure Platform FUA

## Plans to further increase scale

- Migration of ipac Strategic Services FUM to the Summit Platform in 2005 / 2006 = \$2.8bn
- Organic growth:
  - planned Generations sales
  - iAccess
  - Summit
- Continuing development of adviser-facing technology that will integrate with the Summit platform
- Further transitions of adviser legacy books
- Minimum \$10bn should be achieved by 2007

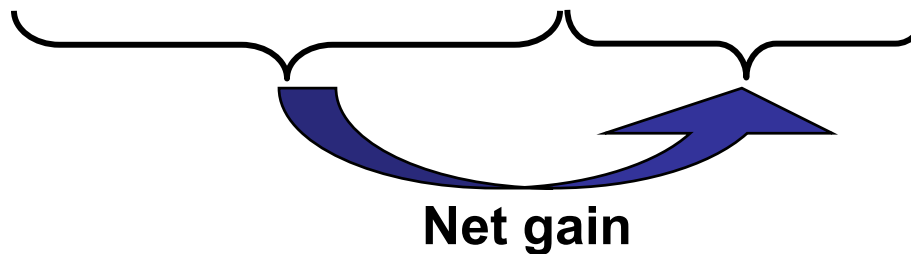


# Choice Impacts on the market

Choice will drive net flows into the retail / self managed segments of the market

Sept 04 YTD	Corporate funds	Industry funds	Public sector	Retail funds	Small funds
Assets (\$m)	59,347	75,221	128,999	214,892	142,994
Member accounts ('000)	969	8,194	3,084	13,895	563
Employer contributions (\$m)	4,723	9,394	8,949	10,165	5,468
Member contributions (\$m)	478	727	3,012	11,192	6,790
Total contributions (\$m)	5,202	10,121	11,961	21,357	12,257
Net flows (\$m)	131	9,807	2,720	13,291	13,859

Source: APRA



# Choice AXA's response

<i>Accessible Super market for AXA</i>	Small funds	Retail funds	
		Employer sponsored	Individual
<i>AXA's current offer</i>	<ul style="list-style-type: none"> <li>• Super Drive</li> <li>• Money Master</li> <li>• Unit Trusts</li> </ul>	<ul style="list-style-type: none"> <li>• Super Directions</li> <li>• Tailored Super</li> <li>• Simple Super</li> <li>• Summit</li> </ul>	<ul style="list-style-type: none"> <li>• Summit</li> <li>• Generations</li> <li>• iAccess</li> <li>• Super Directions</li> </ul>



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<i>Choice marketing &amp; communications</i>	<ul style="list-style-type: none"> <li>• Extensive marketing and education initiatives aimed at advisers, employers and members</li> </ul>		
	<ul style="list-style-type: none"> <li>• Targeted Customer Relationship Management campaigns, aimed at retaining / up-selling valuable members</li> </ul>		

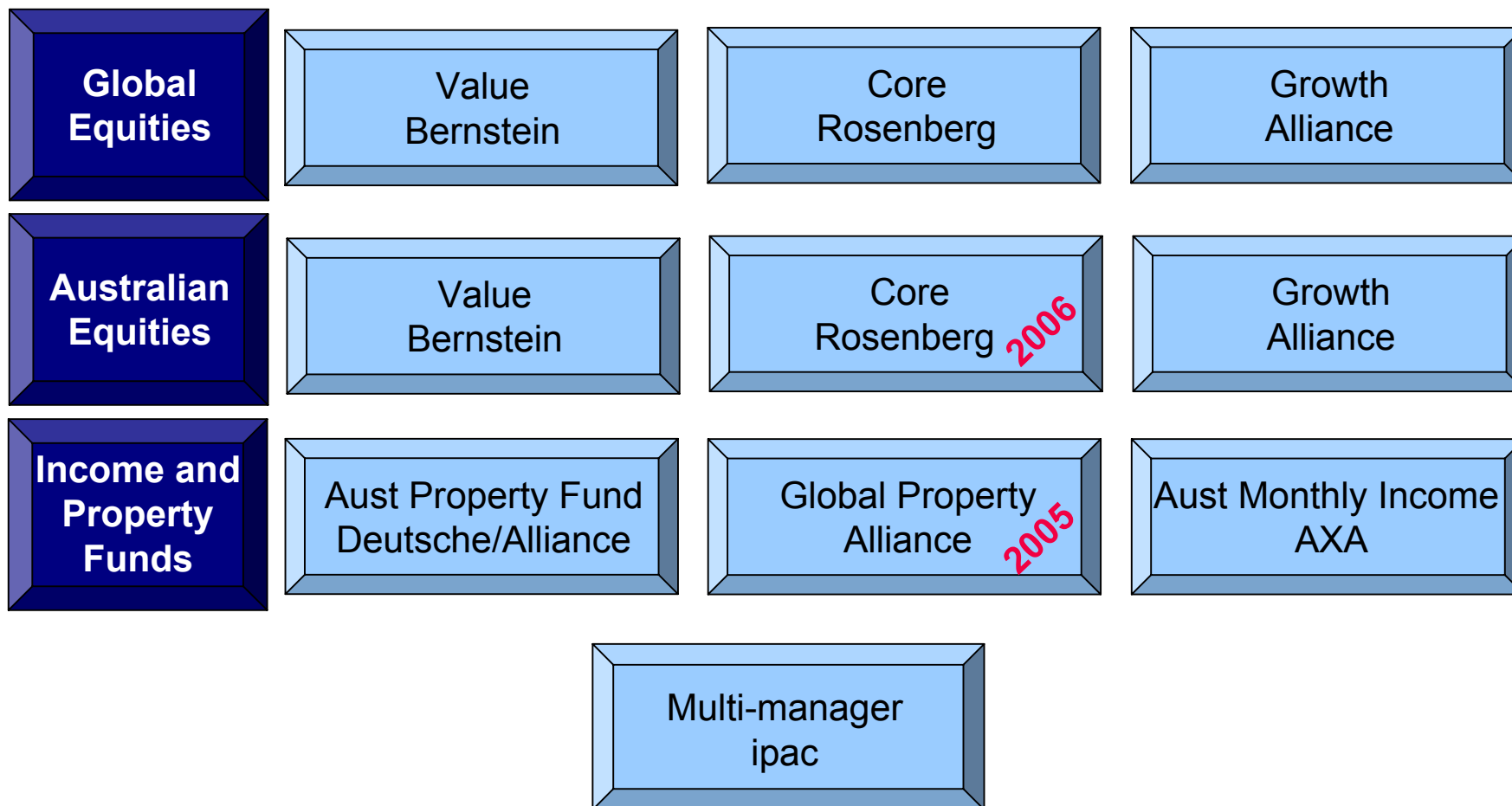


# AXA and Choice - summary

- Existing, leading retail super offer Now!
- Comprehensive and practical adviser, employer & member marketing material From April 2005
- Free clearing house facility From July 2005
- Nil trail commission Generations From July 2005
- New, innovative SMSF offer From H2 2005

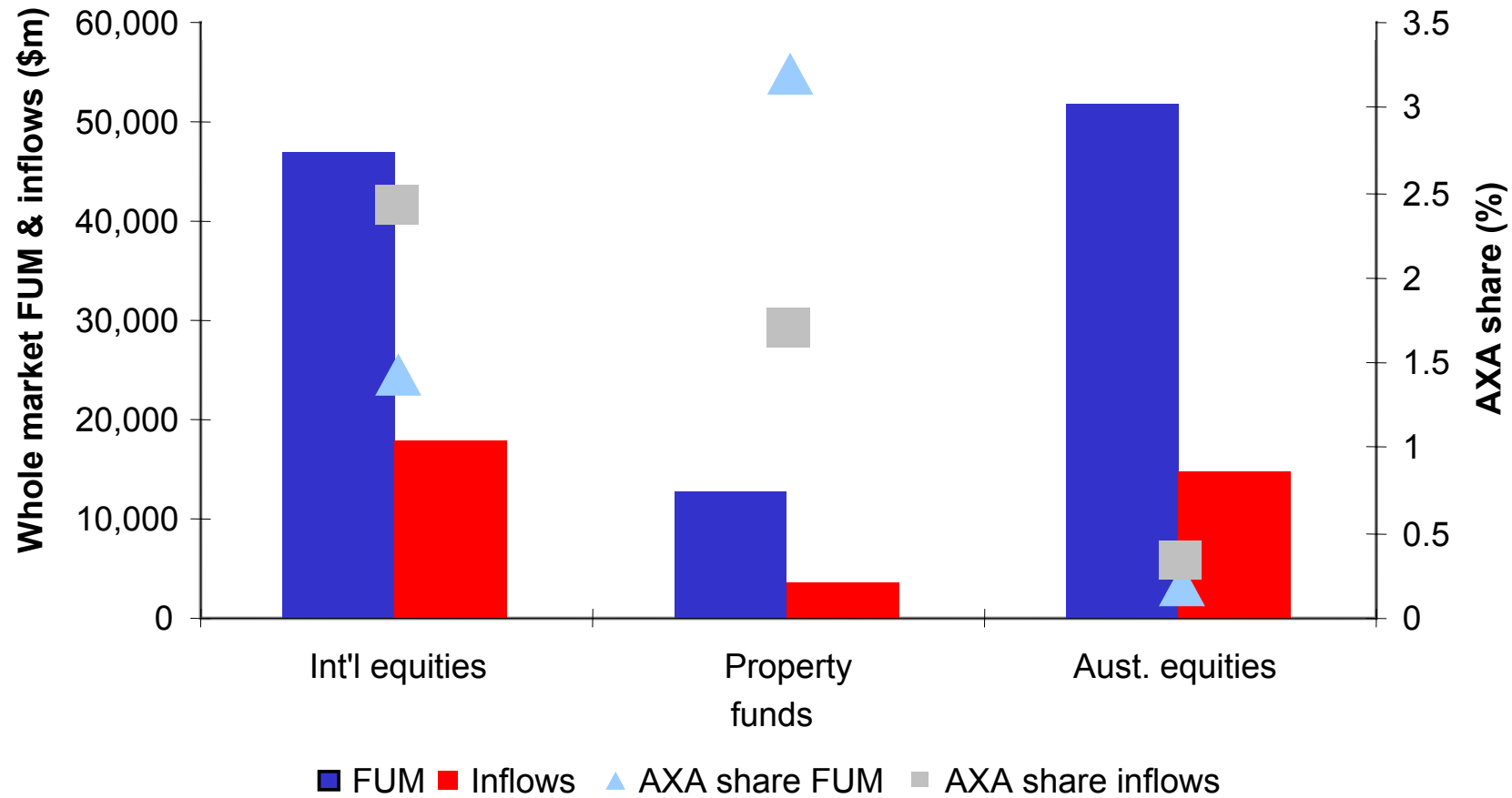


# AXA's investment positioning





# Growth opportunities in investments



Source: Mercer

All figures as at 31 December 2004



# Summary

- Wealth management profits tracking well
- AXA is the only leading provider with a scale position across all segments of the value chain
- We are well positioned to cope with margin pressure
- Platform economics are attractive
  - required scale is achievable
  - drives profits across the value chain
- Choice represents a significant opportunity, and we have a clear and robust strategy
- We have a unique investment positioning, with strong growth opportunities





Q&A



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Appendices

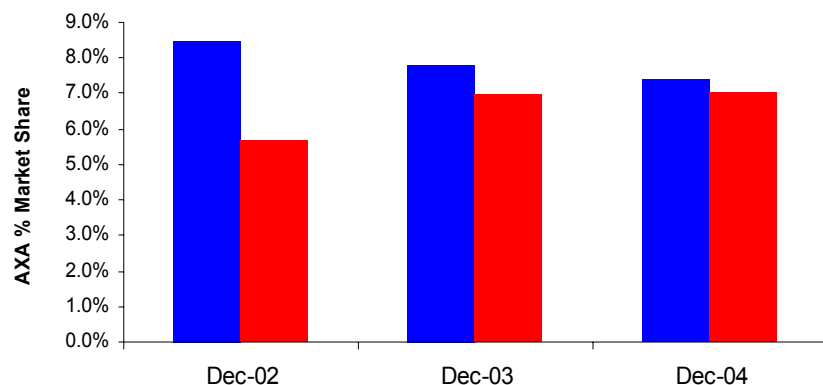


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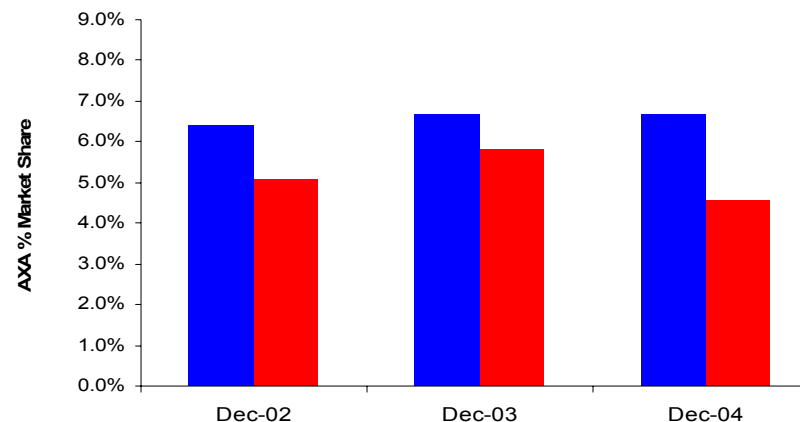
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# Wealth management Australian market share

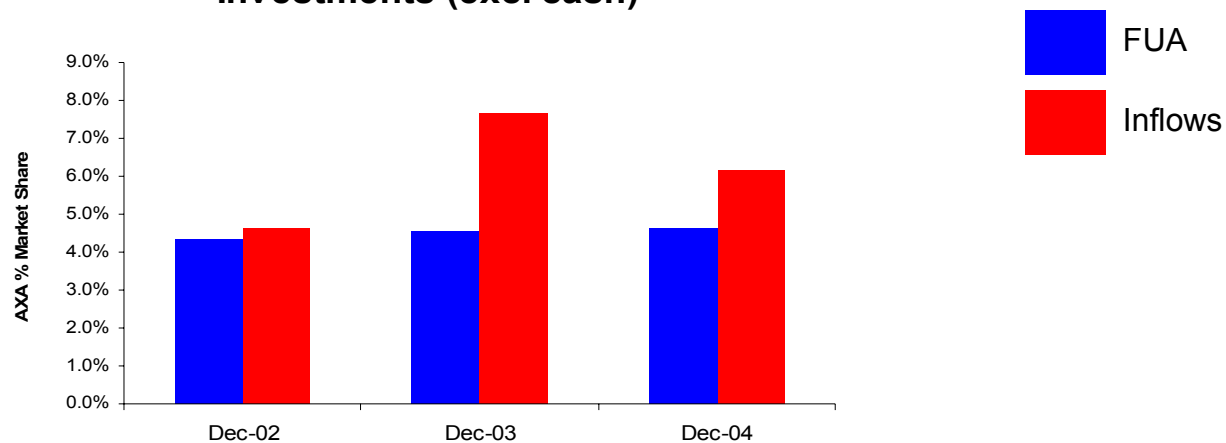
### Retail superannuation funds



### Retirement Incomes



### Investments (excl cash)



# Wealth management

## New business mix

We will continue to actively manage the business mix away from low margin products (eg short term annuities) towards higher margin products (eg Summit, equity based unit trusts)

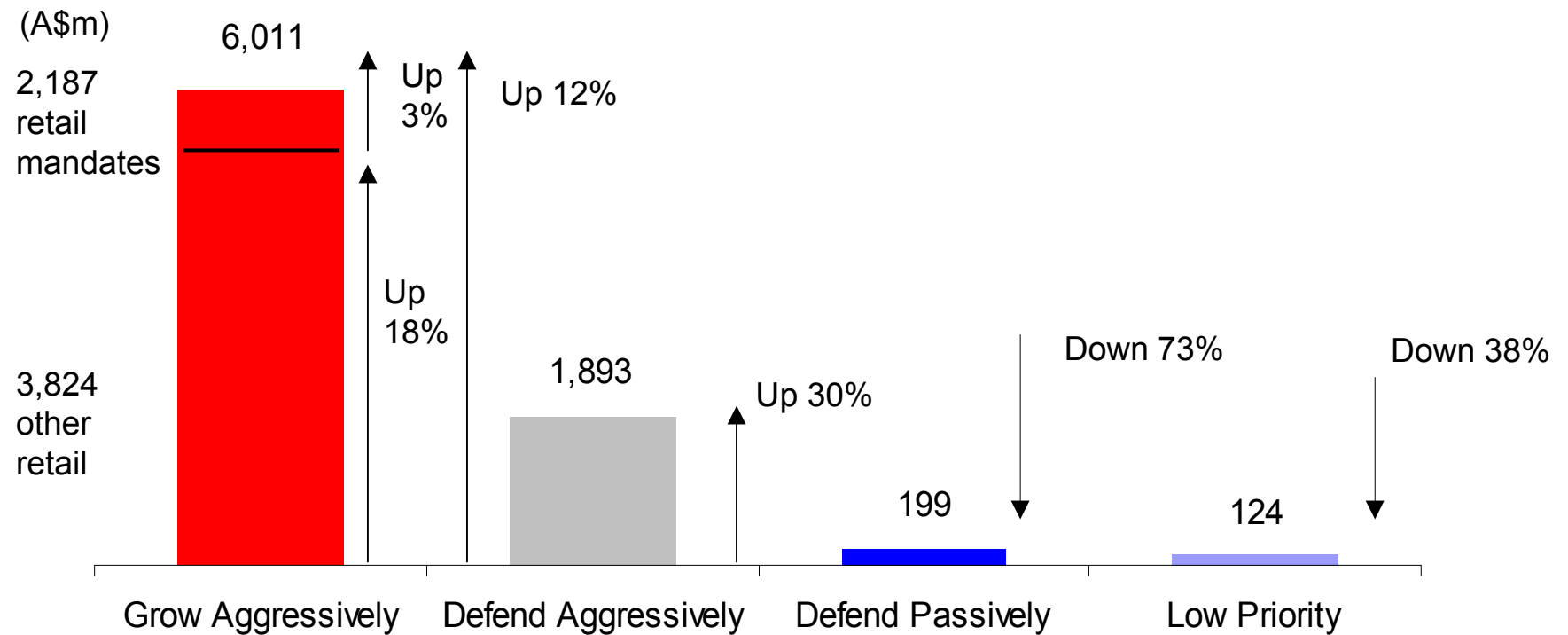
	Grow aggressively	Defend aggressively
High value	ipac (including iAccess) PAS (incl Summit) Allocated pensions Unit trusts (equities & property) Personal super (open) Business super (open)	Personal super (closed) Business super (closed) Unit trusts (non-guaranteed mortgages) Annuities (long term)
	Low priority	Defend passively
Low value	Ordinary savings (closed) Annuities (short term)	Unit trusts (cash/guaranteed mortgages)
	Low market share	High market share



# Wealth management

## Moving business mix to higher margin products

The “grow aggressively” segment grew 12% for the 12 months ended 31 December 2004



Source: AXA management



# Investment management

## Asset class breakdown

### Leveraging global investment management capabilities

Asset class	Managed by
Australian equities - Growth	Alliance Capital
Australian equities - Value	Bernstein
Australian fixed interest	Alliance Capital
Listed property	Alliance Capital
International equities - Growth	Alliance Capital
International equities - Value	Bernstein
International equities - Core	Rosenberg (2005)
International fixed interest	Alliance Capital
Direct property	Deutsche Bank Real Estate
Mortgages	AXA Australia
Hedge Funds	AXA Alternative Advisors
Multi managers	ipac



# AXA Australia

## Market share - wealth management

Retail funds under admin excl cash, \$ 'm December-04	
Competitor	\$ 'M
CBA / Colonial	52,073
NAB / MLC	45,914
BT / Westpac	39,190
AMP Group	37,109
ING / ANZ	24,464
St George Group	22,275
<b>AXA</b>	<b>22,041</b>
Macquarie Group	15,662
Aviva Group	13,221
Perpetual Group	10,286
<b>Total for Top 10</b>	<b>282,235</b>
<b>Total Market</b>	<b>349,078</b>
Market Share of Top 10	80.9%

Retail net funds flow excl cash \$ 'm 12 months to December 2004	
Competitor	\$ 'M
BT / Westpac	2,830
CBA / Colonial	1,999
St George Group	1,769
Macquarie Group	1,762
<b>AXA</b>	<b>1,373</b>
AMP Group	1,327
NAB / MLC	986
Skandia	793
Challenger Financial Group	770
Citicorp	628
<b>Total for Top 10</b>	<b>14,238</b>
<b>Total Market</b>	<b>16,041</b>
Market Share of Top 10	n/a

Source: Plan for Life, Internal Analysis (AXA Net Flow)



# Disclaimer

The material in this presentation is a summary of the historical results of the AXA APH Group and an update on Group activities and is current at the date of preparation, 12 May 2005. Further details are provided in the Company's half year and full year accounts, Investor Compendiums and results announcements. This presentation provides information in summary form and is not intended to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Further information including historical results and a description of the activities of the Group is available at the website [www.axaasiapacific.com.au](http://www.axaasiapacific.com.au)





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