



SHAREHOLDER REVIEW 2010

Directory

Board of Directors

J A (Tony) Killen

BA, FAICD, FAIM (Chairman, Non-executive)

Robin B O Burns

Dip.Acc, FAICD (Managing Director)

David F Groves

B.Com, M.Com, CA, FAICD (Deputy Chairman, Non-executive)

John R McConnell

B.Com, FAICD, FAIM, F Fin (Non-executive)

Barry J Jackson

B.Com (Hons), MAICD (Non-executive)

Alice J M Williams

B.Com, FCPA, FAICD, ASFA AIF, CFA (Non-executive)

The Hon Jeffrey G Kennett AC

Hon. DBus (Ballarat) (Non-executive)

Anne M O'Donnell

BA (Bkg & Fin), MBA, FAICD, F Fin (Non-executive)

Company Secretary/ Chief Financial Officer

Terry Ryan

B.Bus, FCA, F Fin

Joint Company Secretary

Philip B Maddox

LLB, BA, GDipAppFin (Finsia)

Auditor

Deloitte Touche Tohmatsu

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Equity Trustees Limited

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Australian Financial Services Licence No 240975

Company Profile

Where we started

Equity Trustees Limited 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 aimed at growing, managing and protecting wealth.

Our specialist services include providing estate management services, trustee services, legal, financial and taxation advice, personal investment advice – including superannuation – and responsible entity services for external fund managers.

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're headed

We have come a long way in 122 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.

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2010 Results at a Glance

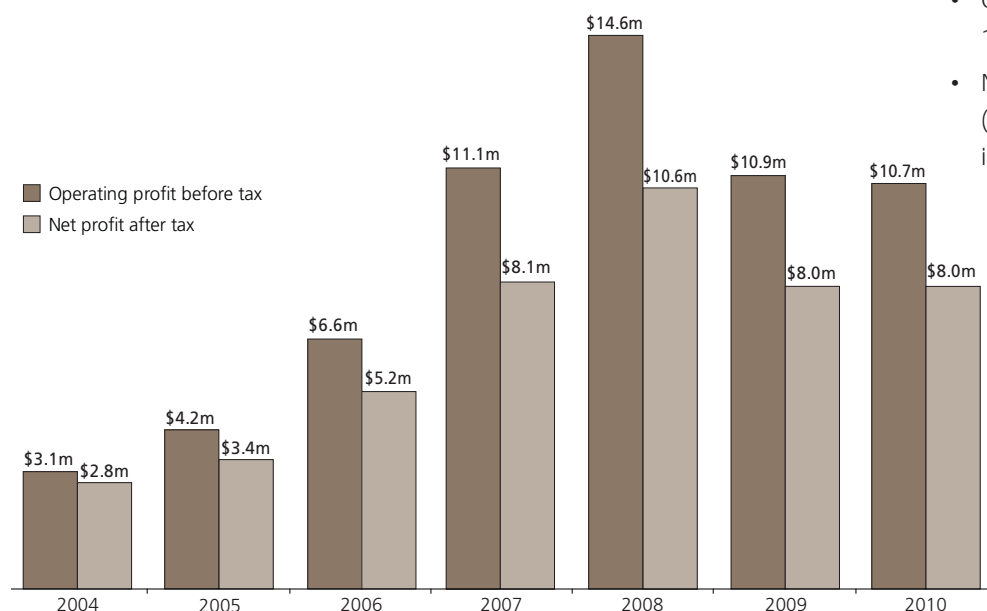
Overview – group results

	2010 \$m	2009 \$m	Change
Operating revenue	34.5	33.8	2.1%
Operating expenses	(23.8)	(22.9)	(4.0%)
Operating profit before tax	10.7	10.9	(1.8%)
Income tax expense	(3.2)	(3.1)	
Operating profit after tax	7.5	7.8	(3.5%)
Net profit from sale of investments (net of tax)	0.5	0.2	
Net profit after tax	8.0	8.0	
<hr/>			
Earnings per share (cents)	96.60¢	98.45%	(1.9%)
Dividend per share (full-year, fully franked)	110¢	110¢	Maintained
Operating margin (pre-tax, excluding gains on the sale of investments)	31.1%	32.4%	

Overview of 2010 financial year

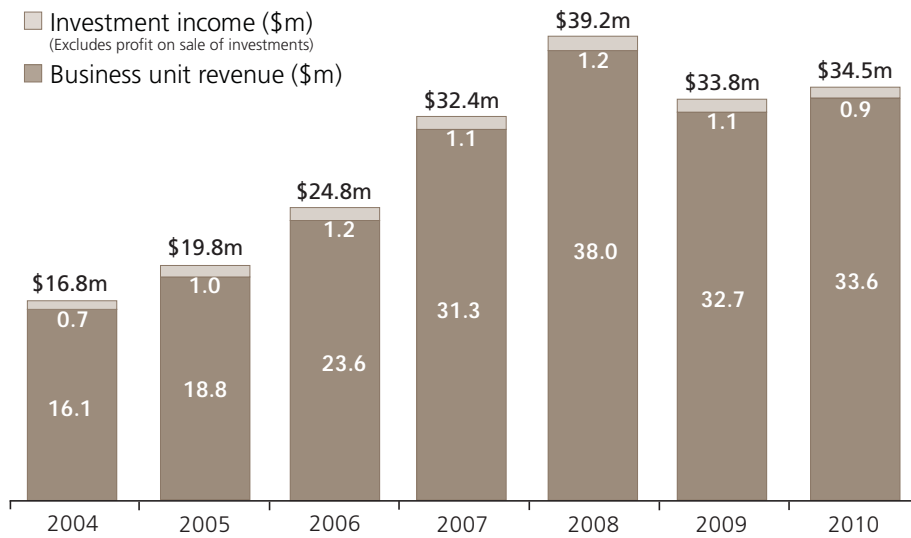
- Volatile markets continue to impact financial performance.
- Underlying profitability levels generally maintained.
- 110¢ full-year, fully franked dividend maintained at 2009 levels.
- All business units perform positively despite difficult environment.
- Investment in people, processes and systems maintained.
- Balance sheet strength – strong net asset base, cash reserves, nil debt.
- No impairment charges on intangible assets.
- Strong cash flow generation from operating activities.
- Professional expertise and staff skills underpin successful year.
- Alert to changing environment and opportunities.

Chart 1. Operating profit (\$m)



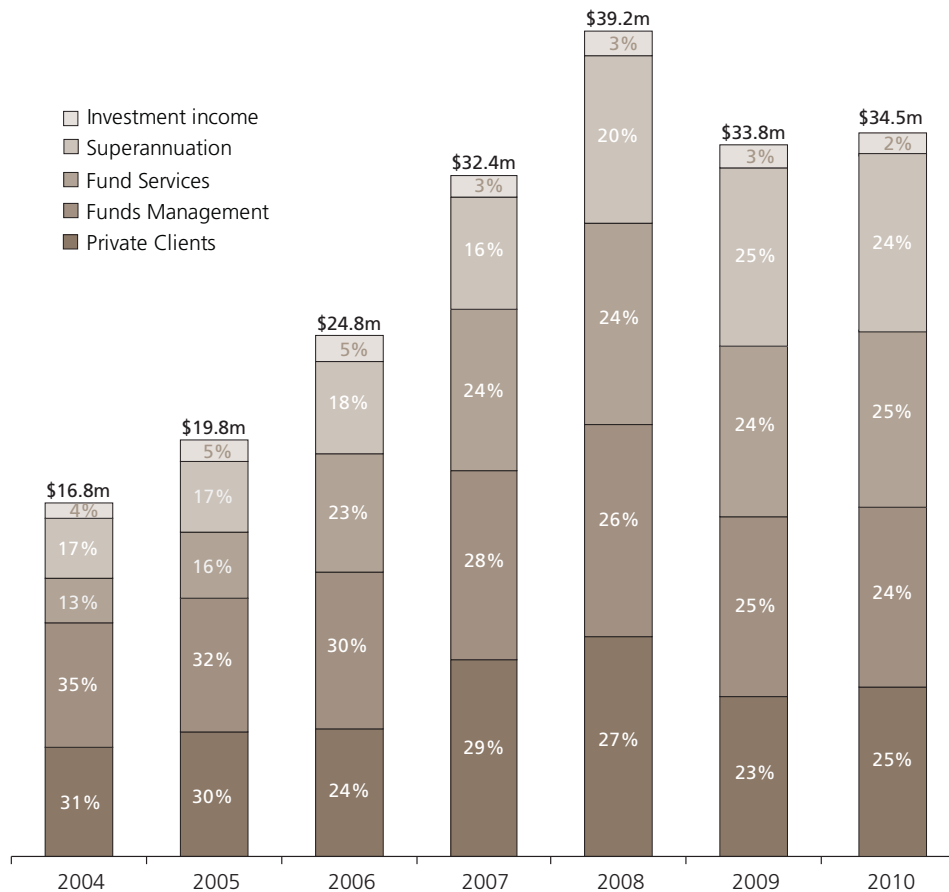
- Operating profit before tax down 1.8% to \$10.7m
- Net profit after tax unchanged (includes profit on sale of investments).

Chart 2. Operating revenue (\$m)



- Operating revenue up 2.1% to \$34.5m.

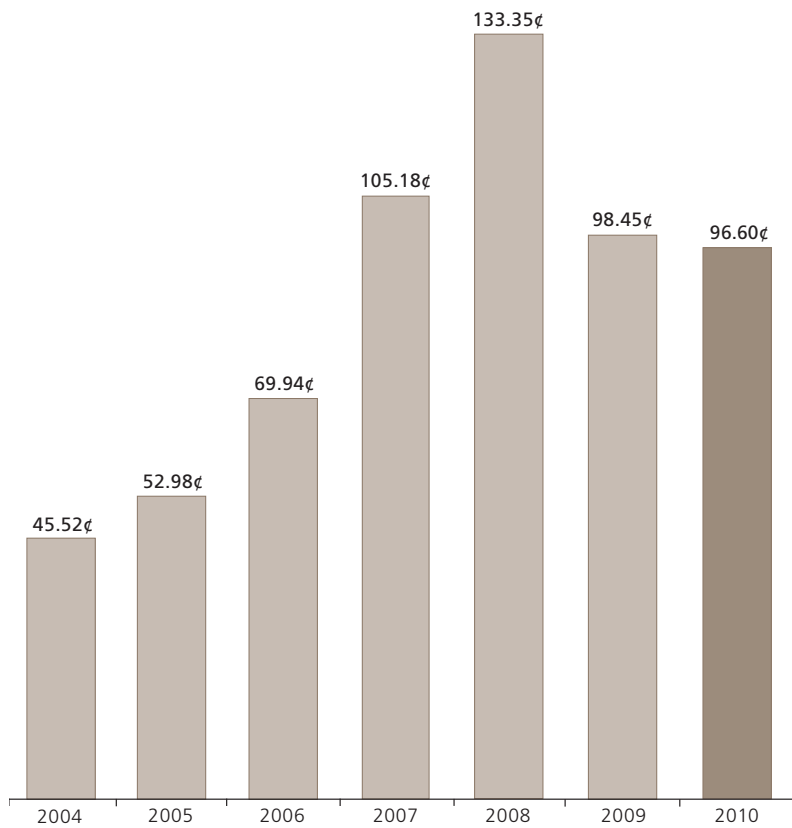
Chart 3. Operating revenue – composition (\$m)



- An even spread of revenue across business units.

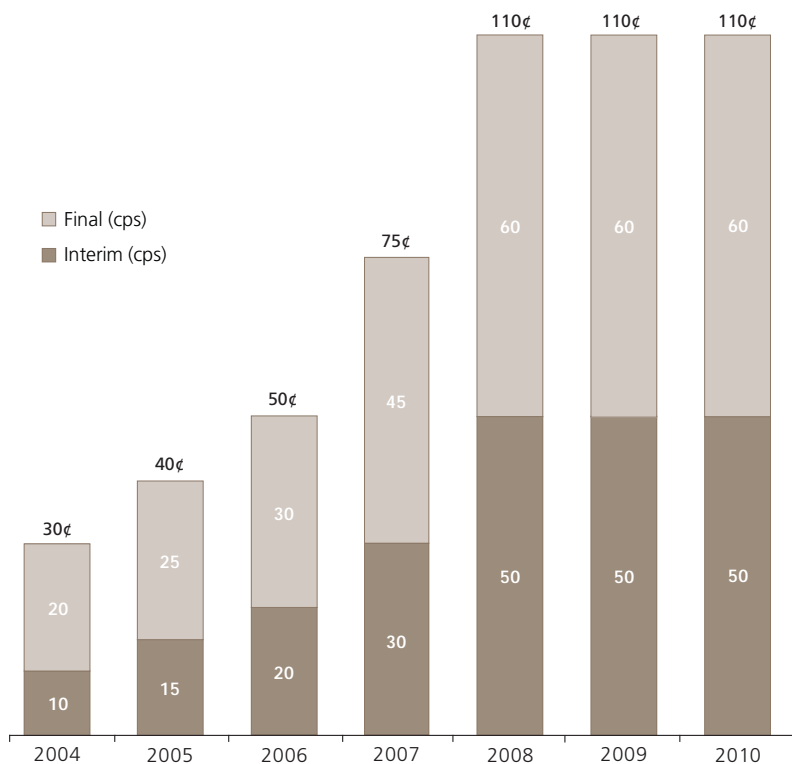
2010 Results at a Glance (cont.)

Chart 4. Earnings per share (¢ per share)



- Earnings per share down 1.9% to 96.60¢ per share.

Chart 5. Dividend per share (¢ per share)



- Full-year, fully franked dividend maintained at 110¢ per share.

Chairman's Review

I wrote in my review for 2009 that we had encountered 'the most turbulent year in recent memory'. The 2010 financial year was somewhat better but still punctuated by periods of volatility which reflected nervous markets and serious questions about stability, growth and business fundamentals in many major economies. Despite these testing business conditions, Equity Trustees has again demonstrated sound underlying profitability, strong operating cash flows and maintains a robust balance sheet free of any debt.

As a consequence the Board decided to maintain dividends at the level declared in the past two years, namely 110¢ per share, fully franked.

Our strategy development takes the long-term view that we are well positioned and appropriately diversified in an attractive industry, and our continuing investment in people, processes and systems reflects this view.

It continues to emphasise a strong push for organic growth supplemented by acquisitions as appropriate.

Sensible investment in the business is balanced by expenditure control to protect profit margins and support attractive returns to our shareholders.

The continuing challenges in the operating environment call for a disciplined approach to management. Our management team is an experienced one, now led by our new Managing Director, Robin Burns, and has proven its capabilities through the highs and lows of the recent business cycle.



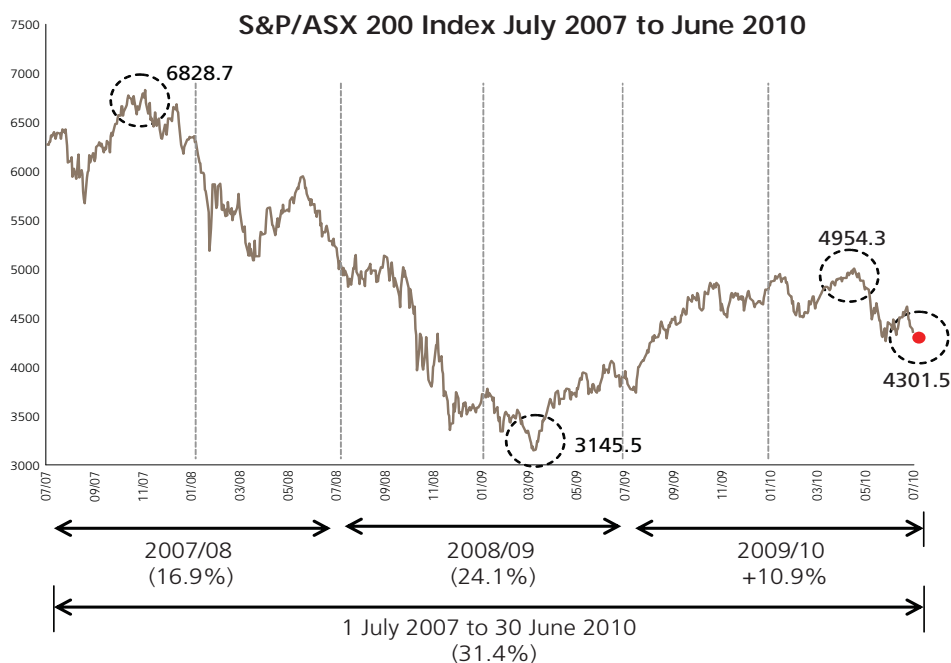
As a result, the Board is optimistic that the company can continue to deliver to the reasonable expectations of all of our stakeholders.

Financial overview

Pages 4 to 6 of this Review provide an overview of financial performance for the 2010 financial year.

The key performance metrics illustrate the slowly improving operating conditions that our business faced during the year. After declining by 13.7% in 2009, operating revenue grew, albeit modestly, by 2.1% in 2010. Net profit after-tax was unchanged from last year at \$8.0m. Earnings per share experienced a decline to 96.60¢ (on a higher number of shares issued), a 1.9% fall (from 98.45¢ in 2009).

The improvement in the second half was particularly pleasing with second half operating profit approximately 20% higher than the first half.



Chairman's Review (cont.)

The graph on the previous page shows the performance of the ASX 200 Index over financial years 2008, 2009, and 2010. On a cumulative basis the index fell by 31.4% from the beginning of the 2008 year until the end of the 2010 year and by almost 54% from its peak to its trough during the same period.

The table below shows the year-on-year changes:

	FY 2008	FY 2009	FY 2010
S&P/ASX 200 yearly change	(16.9%)	(24.1%)	+10.9%
EQT operating revenue yearly change	+21.2%	(13.7%)	+2.1%

By way of comparison, Equity Trustees operating revenue rose by 6.8% over the three year period showing that, although our revenue is dependent on markets to a significant extent, we were able to grow the business throughout a very difficult period.

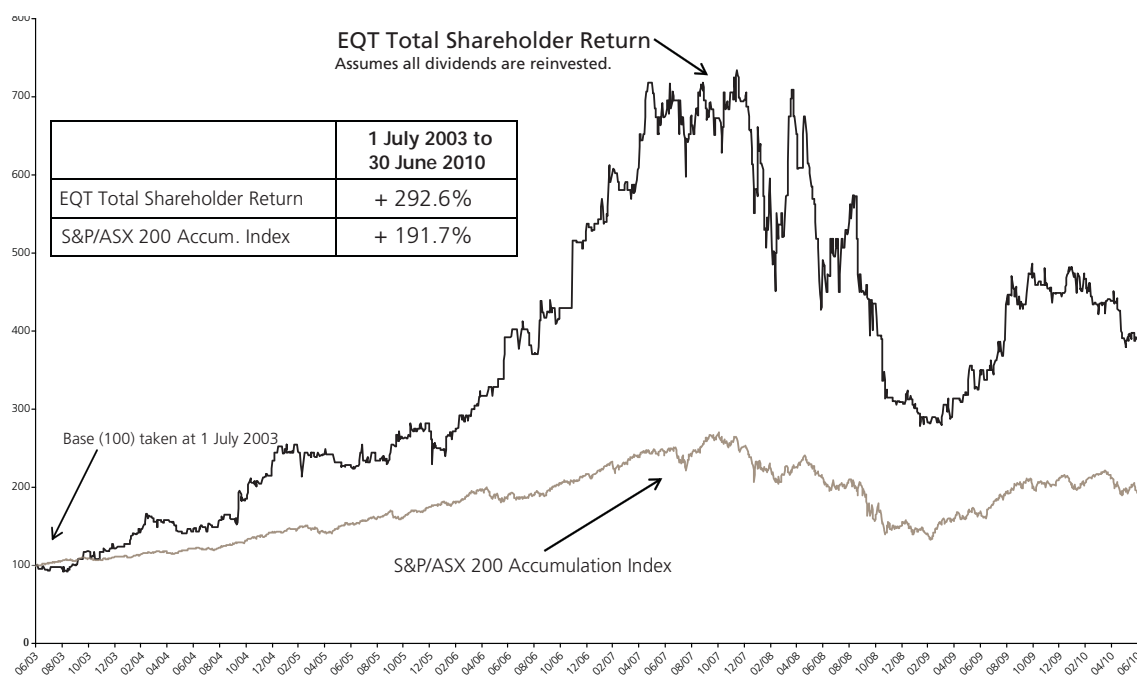
Returns to shareholders

I noted earlier the Board's decision to maintain the full-year dividend at the same level as the previous financial year (110¢ per share). This comprises a final dividend of 60¢ per share, following an interim dividend of 50¢ per share. As before, all dividends are fully-franked.

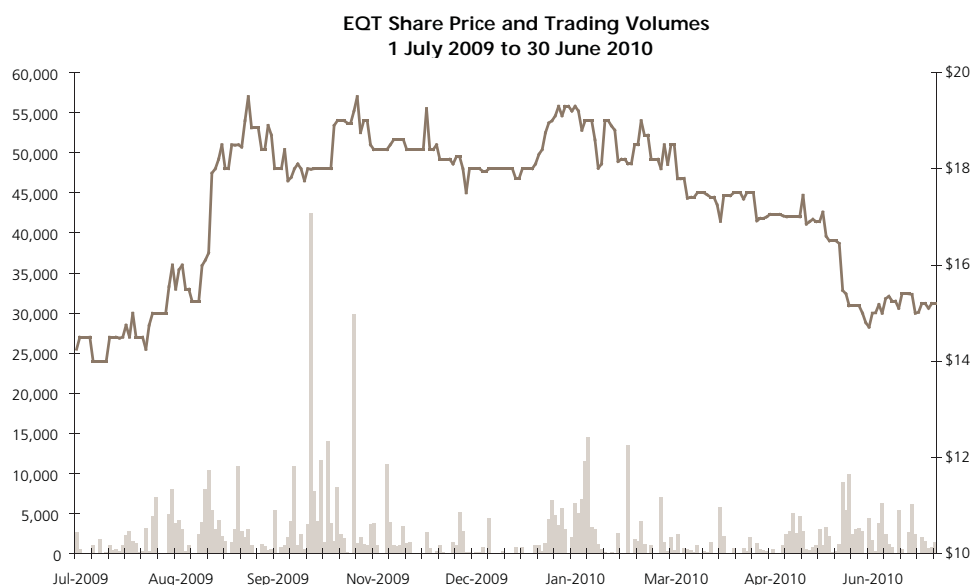
This decision reflects the Board's confidence in the underlying fundamentals of the business: strong operating cash flow; debt-free balance sheet; long-term growth prospects; and a considerable bank of franking credits. In addition, we are conscious that given the availability of surplus franking credits it is desirable, when responsible and possible, to pass these on to our loyal and supportive shareholders.

The Board's longer term policy in respect of dividends remains unchanged. It is our intention in normal circumstances to pay dividends representing 70-90% of after-tax profit (including profit on the sale of investments). The decision to adopt a payout ratio above this range is a short-term one to recognise the exigencies of recent periods and does not imply that the above range will be exceeded on average throughout the business cycle.

Total Shareholder Return (capital growth in the share price with all dividends reinvested in the stock) continues to exceed the market overall, as is illustrated in the following graph. TSR experienced compound growth of approximately 21.6% p.a. in the seven years to 30 June 2010.



Over a shorter period, the share price has continued to hold up well through periods of nervousness and volatility.



Strategic direction

The company has adopted the following as the building blocks of its strategic plan:

- Maintaining secure future revenue streams through four business units – Private Clients, Funds Management, Fund Services and Superannuation;
- Supporting the revenue business units through the activities of marketing, information technology, human resources, finance and operations teams;
- Improving profit margins through a focus on efficiency;
- Generating increased sales and strong client retention for organic growth; and
- Expansion by acquisitions for step growth.

The above building blocks were established in 2003 and provided the platform for the growth between 2004 and now.

The impact on our growth trajectory of what is known as the global financial crisis is evident from the performance and results reported here. However, the Board and management regularly review the company's overall strategic plan, objectives, and options. Equity Trustees operates in an industry that on overall numbers has enjoyed exceptional growth for many years, and is forecast to continue to do so for many years to come. These overall numbers for funds under management and revenue streams do, however, contain many different sectors, market niches, product lines, advice and service delivery channels, and shifting margins and value chains.

Many very large and well-resourced competitors want to play an aggressive role in this industry and it is essential for Equity Trustees to be disciplined in formulating a strategy, executing it, and keeping it under constant review. We have to play to our strengths and leverage our expertise and skills in the interest of our stakeholders. Having established a solid and profitable range of products and services for both personal and corporate clients, the company will seek to maximise the benefits and opportunities that the breadth of this range presents without simply pursuing growth for its own sake or in sectors of the industry in which we have no existing capability or ability to extend our expertise.

Our industry is a people-based one. The great majority of the expenses incurred in operating the business are for employment costs. Our future success and existing profitability therefore depend on the skills, initiative, and drive of the company's staff. Attracting and retaining good people is consequently a strategic imperative as well as a key part of our daily activities. I would like to acknowledge the great contribution made by our staff during the last two challenging years and to again thank them for their patience when we had to implement a salary freeze in 2009. It is gratifying to note that, despite the conditions, our executive team and staff have maintained a forward-looking stance and continue to plan for and generate ideas on the company's development for the very long-term.

Chairman's Review (cont.)

As was the case in 2009, the company did not make any acquisitions in the year under review. I wrote earlier that we take a disciplined approach to business acquisitions and, although we again considered a number that came before us, we did not identify any during 2010 that met our objectives and criteria. We do expect that, as this period of volatility looks set to continue and as some of the significant changes arising from the various government reviews take effect, we are likely to see an increase in activity in mergers and acquisitions in our industry. We have cash reserves and a clean balance sheet, which put us in a good position to consummate suitable acquisition opportunities if our criteria can be satisfied.

Balance sheet – capital management

The benefits of a strong balance sheet have become even more apparent during these recent periods.

The company's net asset base of \$53.9m (vs. \$52.9m in 2009) remains strong. The liquid asset base passes all our regulatory requirements and routine operational needs. If needed, the strength of our capital base and our cash flow should ensure that capital raising for an appropriate acquisition would not be difficult. This gives us both flexibility and a degree of choice should the company wish to expand its capital or funding base, although of course our desire to maintain a debt-free position remains strong.

Remuneration

As a business based on attracting and maintaining intellectual capital – its staff – Equity Trustees aims to provide a remuneration structure that works for high calibre people and rewards them appropriately for delivering returns to shareholders. In addition to their base remuneration, staff at all levels of the organisation are eligible for short-term incentives, while some staff are also eligible for long-term incentives (a share-based scheme). All incentives are performance based and payable only if the company meets pre-determined targets, which are aligned with the interests of shareholders

Due to the lack of growth in profits in 2010, no short-term profit based incentives were paid to any Equity Trustees staff in respect of the year. However, a modest level of bonus payment was made to eligible staff across the company to recognise what was a very good performance in the circumstances and acknowledge the sacrifice and contribution by staff over the course of the global crisis.

Following last year's base pay freeze (which also applied to the directors), we returned to an annual review of base pay, which took effect on 1 July 2010. In performing this review we benchmarked our remuneration levels against peers and the industry generally. Directors have resolved not to increase their own remuneration again this year, in recognition of the overall flat result.

I would especially like to recognize the position of staff in relation to remuneration over the past two years. The pay freeze, while hardly palatable to them, materially assisted the company to weather the storms of the global financial crisis and maintain a strong position, and I thank them for that.

Managing Director

The Board announced in late 2009 that Robin Burns had accepted an offer to become the Managing Director and Chief Executive Officer (CEO) of Equity Trustees – only the 10th person to hold the most senior executive role since the company commenced operations in 1888. Robin commenced in the position in March 2010, and brings with him nearly 25 years of experience in a number of different organisations in the financial services industry, including 12 years of CEO level responsibility and prior to that many years in senior finance positions. Robin's experience encompasses retail and wholesale financial services, superannuation, institutional investing, stockbroking, financial planning and insurance. The Board looks forward to his building on the stable and solidly profitable business built up under Peter Williams' leadership since 2003.

In last year's report I paid tribute to Peter for the excellent results and growth achieved under his stewardship and I would like to acknowledge his contribution to the company's performance and continued development during 2010. On behalf of the Board and all our shareholders I wish Peter and his wife Annie a most enjoyable retirement, after seven years with our company and nearly 40 in the financial services industry.

The Board and I warmly welcome Robin and we believe that Equity Trustees will have many years of successful operation under his guidance. Robin has assumed the leadership mantle of a well performing company poised for its next stage of growth and the Board is confident that he and his executives and staff will realise the potential we believe exists in Equity Trustees.

The Board

Every three years the Board undertakes a formal performance appraisal of itself, performed by an external governance expert. The most recent review was conducted by Baker & Baptist Pty Ltd in March 2010. The review concluded that, *the EQT Board continues to perform strongly against the ASX's Corporate Governance Principles and Recommendations*, and also provided a number of suggestions for improvement in the conduct of the Board's affairs into the future.

The Board also keeps under review succession planning for its ongoing development. We have a clear view of the skills we wish to maintain around the Board table, as well as a timetable for orderly renewal of the Board as we face retirements in the normal course.

Barry Jackson has indicated to the Board his desire to step down at this AGM after eight years of distinguished service. On behalf of all shareholders, and my colleagues on the Board, I thank Barry for the outstanding contribution he has made to Board deliberations during a period of great success for the company.

After an external search conducted by search consultants, we were pleased to extend an invitation to Anne O'Donnell to join our Board in September 2010. Anne hails from Canberra. She has a BA degree in Banking & Finance from University of Canberra as well as an MBA from that institution, and has a strong finance background. She was formerly Managing Director of the publicly listed Australian Ethical Investments Ltd. She is a non-executive director of several companies as well as a Councillor and Deputy President of the ACT Division of the Australian Institute of Company Directors.

Anne submits herself for election at the 2010 AGM and I welcome her to the Board on your behalf.

Outlook

Running on from the extreme volatility of the 2009 year, we again experienced spikes of volatility during 2010. Some commentators suggest that there are signs of recovery and a return to more stable investment markets but it is equally evident that considerable challenges face some of the world's largest economies. The immediate economic strength and future growth of the US, Europe (including the UK) and Japan are being closely watched and few anticipate a quick, strong, and unequivocal recovery. Fortunately, Australia is closely linked to some relatively

strong economies and our overall level of national business activity reflects this linkage. But with a large and growing proportion of our invested assets placed overseas and the economic growth of developing nations still largely dependent on demand from the developed world, we may still face troubled conditions in major investment markets and asset classes. This has a direct impact on our growth and revenue.

Equity Trustees has, however, demonstrated resilience in profits and performance during the last few years and we believe that the company can continue to operate successfully, and plan for the future, despite continuing difficult market conditions. Should a sustained recovery become evident, we are confident that the company stands in an excellent position to benefit from it and quickly return to a high growth path.

Our overall strategic plan remains relevant and balanced for the conditions and we will continue to pursue it in the long-term interests of all our stakeholders. The Board, management, and staff will continue to focus on delivering returns to shareholders, developing the company for the future and growing the business in a sustainable and measured way.

Company reporting

The financial report for the year ended 30 June 2010 encompasses this 'Shareholder Review' as well as separate detailed financial accounts.

This Review is sent to all shareholders. The detailed financial accounts are, however, only being posted to shareholders who have previously elected to receive a copy. If you would like to request a hard copy you can do so by contacting our share registry, Computershare:

- Telephone 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia)
- Email web.queries@computershare.com.au

All documents pertaining to our annual results can be viewed on our website (www.eqt.com.au).



J A (Tony) Killen
Chairman

Managing Director's Review

Having joined Equity Trustees in March 2010 my report inevitably builds on the contribution of my predecessor, Peter Williams, for much of the period under review. The transition in the role of Managing Director was an orderly one and I did not join the company with any mandate from the Board to instigate a significant strategic re-alignment or other substantial change in activities or direction. In fact, as is evident from the information contained in this Shareholder Review, the business is well established and successful, and has weathered the economic and financial market storms of recent years in a healthy condition.

As in the previous period, the 2010 financial year was one that contained significant challenges for our business and for the industry as a whole. Whilst investment markets around the world performed more positively in general terms, a high degree of nervousness about the strength and durability of any positive economic news was manifested in increased volatility relative to prior years and a strong tendency for investors to adopt a cautious stance. This in turn had a direct impact on our business and revenue, as discussed later in this Review.

Despite the challenges we managed to grow revenue during the year, but as a result of a slightly higher growth rate in expenses our operating margin (31.1%) was down slightly on the 2009 measure (32.4%). The increase in expenses reflects a number of one-off items, and a desire to maintain investment in improving systems and to retain staffing at a level supportive of the long-term growth of the business, rather than focusing on short-term cuts which could ultimately prove counterproductive. Overall, our business has demonstrated good performance through tough times and remains well placed to grow in the future.

The company's long-term strategic direction and business plans are regularly reviewed. In our industry, we have some specific external factors to monitor and anticipate in the potential outcomes and opportunities presented by the various government reviews (Cooper, Ripoll, and Henry) and the recent change in Trustee legislation. This latter development facilitates a national market for some of our traditional products and services. These and other factors are built into our strategic review and planning process, but, as noted by the Chairman in his report, we are confident that our focus, overall long-term direction, and 'step growth' approach is the best course to pursue good performance for shareholders and other stakeholders.



I am delighted to have joined a company that places such a strong emphasis on looking after the interests of its clients, in the knowledge that over the long-term this also delivers excellent results for shareholders and of course our staff. The company's long history of fiduciary responsibility, integrity, and disciplined management provides a very solid base for sustained success in financial services, where these qualities should be paramount. However, we are and must remain equally cognisant of the importance of providing products and services that meet not just the current needs of our clients, but anticipate future expectations, opportunities, and conditions.

Operating performance

The details of our operating performance are shown in the tables and graphs on pages 4 to 6 of this Review. In summary, operating revenue rose by 2.1% to \$34.5m, while the company's operating expenses also rose during 2010 by 4.0% to \$23.8m (vs. \$22.9m in 2009). The increase in operating expenses followed a year of reduction and, as always in these circumstances, there was some pent up pressure in the costs which comes through in later periods. This does not indicate any lesser discipline in the efforts of our staff to take a prudent approach to expenditure.

Although it's never satisfactory to see slippage in the operating margin, it is still at healthy levels, particularly when compared to where it was some years ago. The operating margin varies in each of our business units but in all cases it is regarded as strong and well able to support investment in the business for future growth.

Staff numbers were steady during the year, we actively recruited to fill vacant roles, and we continued the upgrade of our information technology system, which is now reaching the final stages of implementation. Other system and infrastructure upgrade projects are underway and will ultimately lead to further improvements in efficiency, control, and risk management.

Business unit performance

Private Clients and Fund Services both recorded positive revenue growth for the year, building on strong growth in funds under management (FUM) and administration (FUA). Funds Management and Superannuation units also recorded FUM growth; however both experienced a slight decline in revenue. Each business unit is analysed in more detail later in this Review.

Support services

In addition to the revenue-generating business units, the operating structure contains supporting services provided by the following units – Corporate Services, Human Resources, Business Systems & Technology, Marketing, and Operations. These support units are an integral part of the overall organisation and are of equal importance in the pursuit of our corporate goals. The head of each of these units is a member of the group senior executive team.

Business highlights

Some of the operating highlights in the year under review:

- Increase in private client numbers and revenue and high retention of wealth management clients during a volatile period. The wealth management area exceeded targets for revenue, new clients, and new funds under management.
- Strong inflows in estates and charitable trusts. We also gained our first compensation trust clients from outside Victoria.
- EQT Flagship Fund (Australian equities) again performed strongly and EQT co-branded funds continued to perform well across major asset classes. Net growth in IDPS funds under management was strong, although the asset class mix was skewed to lower margin products.

- In the Responsible Entity unit we established new products for a number of international and local fund managers and experienced a significant number of new business enquiries. Referrals came from clients, service providers, and advisers located in Australia and offshore, illustrating the strength of our reputation and position.
- Our Superannuation business unit continued to develop the administration platform for the SME product, to deliver daily unit pricing for improved client and member services and enhanced risk management. The unit continued to implement the integration and rationalisation of businesses, products, and systems acquired over recent years. The Superannuation business is also well placed to adapt to potential changes in the business environment as a result of recent government reviews.

The financial services industry

There has been considerable publicity regarding various reviews initiated at Federal Government level. The recently released Cooper, Ripoll, and Henry Reviews have each contained recommendations or proposals which may affect EQT's operations, products, and services.

The company participated in these reviews where appropriate through industry channels and is actively monitoring and reviewing potential outcomes and impacts. I believe all of our business units are well positioned to respond to the changes signalled in those recommendations, and our review of corporate strategy will seek to ensure that we remain at the forefront in all of the areas we operate. As a trustee company, we base our values and operating ethos on a fiduciary obligation to our clients and beneficiaries and we support any changes that aim to enhance and improve protection and outcomes for investors across the industry.

As foreshadowed in last year's report, trustee companies now fall under national trustee companies legislation (previously the governing legislation was state-based). Equity Trustees was an active participant in the review leading up to the transition and supported its introduction. We believe that the new environment will provide opportunities for some of our private client activities to be offered in other states and will continue to work on this potential new stream in 2011.

Managing Director's Review (cont.)

Business unit	Key services	Target market / channel	2010 Revenue vs 2009	2010 FUM vs 2009
Private Clients	<ul style="list-style-type: none"> • Wealth Management • Asset Management • Trusts & Estates • Philanthropy 	<ul style="list-style-type: none"> • Private investors • Business to business referrals 	\$8.5m 12.6%	\$1,261m 13.5%
Funds Management	<ul style="list-style-type: none"> • Distribution • Product management for EQT co-branded funds (managed by external specialists) 	<ul style="list-style-type: none"> • Platforms/IDPS • Financial planners 	\$8.3m (2.3%)	\$2,176m 12.3%
Fund Services	<ul style="list-style-type: none"> • Responsible entity • Registrable Superannuation Entity (RSE) 	<ul style="list-style-type: none"> • Investment managers • Superannuation funds 	\$8.5m 4.8%	\$14,452m 28.9%
Superannuation	<ul style="list-style-type: none"> • Full service master trusts – <ul style="list-style-type: none"> • Wealthpac • Freedom of Choice 	<ul style="list-style-type: none"> • Small-medium size corporates • Members 	\$8.3m (1.8%)	\$624m 10.4%

Focus on 2011 and beyond

Equity Trustees is developing an active sales and marketing culture that will drive our long-term growth objectives, without losing sight of our prime goal of maintaining high service standards for our clients and beneficiaries. We are currently in the process of adding additional business development resources in both the Melbourne and Sydney markets. We are also reviewing the best structure for management of the organisation and for achieving closer integration and greater value from our marketing and business development activities across our range of products and services. As part of this we will also seek closer and better understanding of our current and potential clients' needs and their responsiveness to our service and product offers.

We are in the final stages of implementing a new operating platform and we have commenced the implementation of business process management technology that will help us move to a higher level of efficiency in workflow and operating cost structures. A newly launched online 'e-learning' training system will assist staff to improve their operational effectiveness and gain career path opportunities. The completion of these projects will help create an efficient, solid, and scalable base from which the company can focus on longer term growth and strategic development in our chosen market sectors and services.

The long-term growth of the financial services industry in Australia presents an attractive competitive environment for both local and international players. Although we anticipate that the impact of economic and market volatility of the last two years is likely to continue for some time yet, we are fortunate that the Australian economy has been relatively isolated from the worst outcomes. In fact, we have continued to enjoy comparatively benign conditions and economic growth.

The diversified business units within Equity Trustees are well positioned to benefit from this environment. We offer competitive specialised services to organisations who want to provide asset management expertise and products to local investors. We operate directly in the rapidly growing superannuation sector with products and services for both corporate clients and individuals. We have a long history of providing personal financial advice and services and our trust and philanthropic services provide a steady base of activity in an area that will experience increasing interest and relevance as demographic changes take effect in coming years.

We are a relatively small player in what is now, and is likely to be even more so in the future, a very significant industry in Australia – that which is often referred to as 'wealth management'. Many of the largest listed financial services companies, like the major banks, have in recent years implemented strategies to garner market share in wealth management. This sector faces significant changes as the recommendations from recent government reviews are put into effect, and we are already starting to see signs of increased consolidation in the advice industry.

Equity Trustees has a long 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. The ever-increasing complexity of financial markets, 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 will thrive in the wealth management sector. As a relatively small player, our long-term opportunity is commensurately large, but it will take focus and drive over multiple periods to convert the opportunity.

Our diversified revenue lines – despite adding some complexity and management challenges – are a substantial source of strength for the business. The positives this diversity brings include: exposure to varied sectors, meaning that the company will tend to be less affected by a downturn in one or several sectors at the same time; our ability to offer a range of products to cement client relationships (both for individuals and corporates); the opportunity to focus resources and investment on the segments that offer best growth prospects; and the breadth of challenge and scope that it offers our employees to develop their skills and careers.

Each of our business units has opportunities for organic growth, with leverages off each other playing a logical part in our overall strategy. In considering acquisition opportunities we will exercise discipline and look for those that will either provide ‘bolt on’ added capacity and/or fit in with the longer term ‘beyond organic’ growth opportunities in the industry.

The company’s purpose

Equity Trustees has several groups of key stakeholders – our clients, our shareholders, and our staff. Many of our staff are also shareholders in the company and therefore have added motivation to see the company succeed and thrive. Without our dedicated and expert workforce it is certain that the company would not have been able to come through the challenges of the last few years in such good shape. I would again like to recognise the sacrifice borne by the staff in the depths of the market ruptures and to thank them for the support they have given me in my new role.

I look forward to working with the Board, executives, and staff to implement growth initiatives over coming years, to protect and nurture the company’s culture and values, and to keep putting our clients’ interests and needs first. I was pleased, but not surprised, at the depths of staff commitment and enthusiasm that I encountered on joining the company and the strong positive support for the company expressed by many long-standing clients. I am confident that the organisation has an exciting and prosperous future and that we are well placed to not just deal with the inevitable challenges, but also to capitalise on the opportunities that will arise.



Robin Burns
Managing Director

Business Unit Review

Private Clients

Function

In 2009 the management of the Private Clients division was reorganised into three distinct functions to enhance the operational efficiency and client focus of each unit:

- **Asset Management:** responsible for overseeing the investment process for internal and external clients.
- **Wealth Management:** responsible for the provision of personalised portfolio management and home office services to individuals.
- **Personal Estates and Trusts:** encompassing estate planning, executor, trustee, taxation, and philanthropic services.

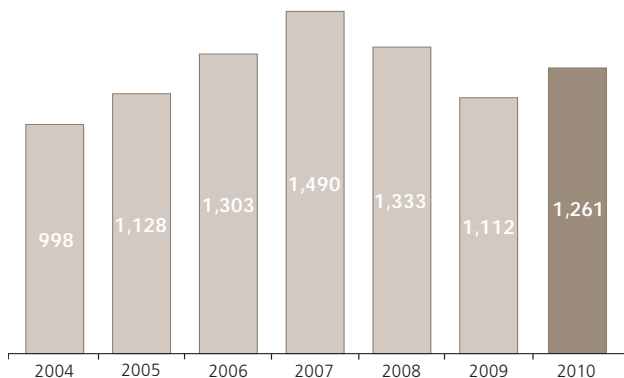
The restructuring has proven effective, as evidenced by the fact that Private Clients' revenue grew by 13% in 2010 and was ahead of budget.

Performance

Operating revenue (\$m)



Assets under management (\$m)



Operational highlights

Trusts and Estates

- Commenced operation in the NSW compensation trust field.
- Recorded strong inflows in estates and perpetual charitable trusts.

Wealth Management

- Exceeded targets for revenue, new client acquisition and new funds under management.
- Retained over 99% of clients during a highly volatile period.

Asset Management

- The Flagship Australian Equity Fund again beat its return benchmark on an 'after fees' basis, the fifth year in the past six years.
- The team's first external wholesale client contributed to the strong growth in total funds under management.

The future

The three units will look to improve targeted sales performance, pricing refinement and communication programmes as a means of lifting market share and revenue. The Sales & Marketing programme will be refined to focus on target sectors, while our service levels will underpin high client retention rates and growth of referral business.

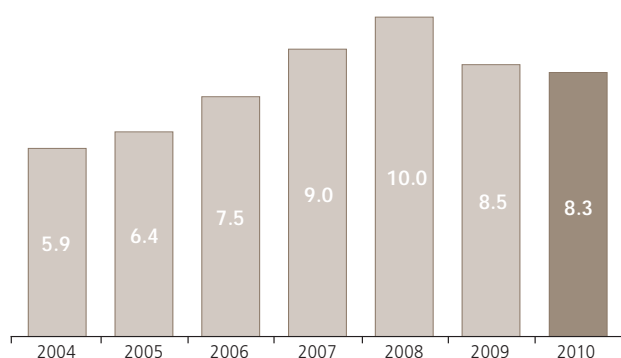
Funds Management

Function

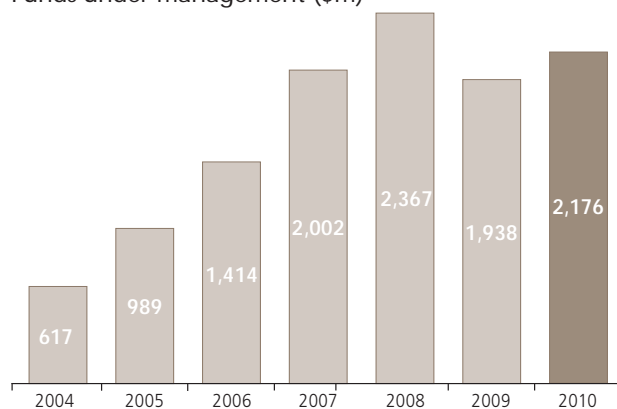
Management and coordination of the distribution and marketing for Equity Trustees co-branded retail and wholesale funds.

Performance

Operating Revenue (\$m)



Funds under management (\$m)



Operational highlights

The team is responsible for product management, sales and marketing for EQT co-branded funds. These funds are managed by external investment specialists including PIMCO Australia, SG Hiscock & Company, LaSalle Investment Management, Intrinsic Value Investments, and Marvin & Palmer Associates.

Funds Management Distribution

The key distribution channels for funds are the investor-directed portfolio services or 'platform' market and financial planners/advisers.

Net funds under management grew by 23%, or over \$200m, with strong inflows into PIMCO and our 'fund of fund' sector products. However outflows from our Australian equities products led to a margin squeeze and lower revenue. EQT co-branded funds continued to outperform their peers across the major asset classes.

Fund Name	Morningstar Category	Ranking	Timeframe (30 June 2010)
EQT Wholesale Mortgage Income Fund	Mortgages	# 1	1 year
EQT PIMCO Wholesale Australian Bond Fund	Australian Fixed Interest	# 1	1, 2, 3 & 5 years
EQT PIMCO Wholesale Global Credit Fund	Diversified Credit	# 1	1, 2, 3 & 5 years
EQT PIMCO Wholesale Diversified Fixed Interest Fund	Global/Australian Fixed Interest	# 1	1, 2, 3 & 5 years
EQT PIMCO Wholesale Global Bond Fund	Global Bonds	# 1	1 year
SGH ICE	Aust Mid/Small growth	# 1	1 & 3 years
SGH20	Australian Equities	# 1	2 & 3 years

(Source: © Morningstar).

Individual fund performance is disclosed on the EQT website at www.eqt.com.au

Funds Management (cont.)

Awards

- Standard & Poor's Fund Awards 2009
 - International Fixed Interest – EQT PIMCO – Winner
 - Australian Fixed Interest – EQT PIMCO – Finalist
- Money Management/Lonsec Fund Manager of the Year Awards 2010
 - Property Securities (Australia) EQT SGH Winner
- Money Magazine Best of the Best 2009
 - Australian Fixed Interest – PIMCO – Finalist
 - International Shares – Intrinsic Value – Finalist

For the second year in a row, Equity Trustees has been nominated for Product Distributor of the Year in the Standard & Poor's Fund Awards.

The future

We have implemented a number of new initiatives with our distribution partners, to capitalise on signs of renewed momentum in the market. We are also expanding our business development capacity with the appointment of an additional Business Development Manager in Sydney.

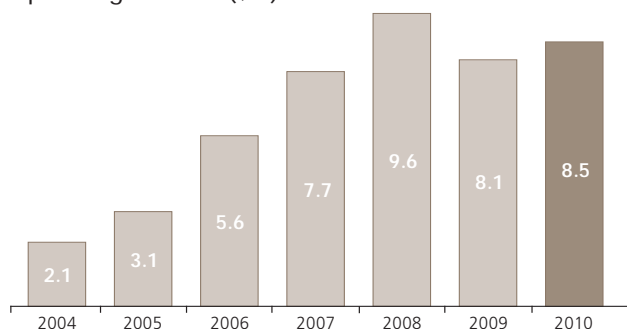
Fund Services

Function

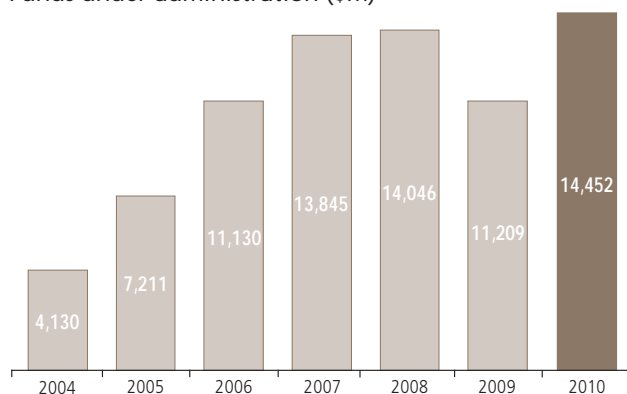
Overall responsibility for the Corporate Trust and Responsible Entity businesses, covering both managed funds and superannuation.

Performance

Operating revenue (\$m)



Funds under administration (\$m)



Operational highlights:

The Equity Trustees Fund Services team is a significant provider of fiduciary services to corporate clients – principally focusing on Responsible Entity, Corporate Trust and Registrable Superannuation Entity ('RSE') appointments.

- This business unit has continued to receive opportunities for new appointments based on referrals from clients, service providers and advisers located in Australia.
- New entrants to the Australian funds management market have been able to use the Fund Services team's expertise and experience to establish a sound structural and compliance platform on which to build their Australian businesses.

- During the global financial crisis there was a slowing of new responsible entity appointments, however during the second half of the 2010 year there was an increased level of enquiry and appointments.
- New products were established for Janus, BNP Paribas Investments Partners, Standard Life Investments, MCG Investments, Guild Capital Asset Management, and PanAgora.
- Fund Services now performs the trustee role for 116 funds offered in the Australian market.
- Net growth in FUA primarily placed in lower margin, defensive assets.
- The business continues to focus on larger asset classes that fit our desired risk profile, although we have considered and progressed a number of more specialised products designed for institutional distribution.

The future

- The team's resources will be increased in the current financial year to meet the ever increasing compliance and regulatory challenges of the fund services businesses.
- The significant scale of the Responsible Entity business has helped Equity Trustees to drive economies and efficiencies that have delivered direct value and cost savings to our clients, and will continue to do so as the business further develops.
- The business has the capacity to develop further scale related efficiencies and has the staff and skills that will enable it to participate in broader markets.

Business Unit Review (cont.)

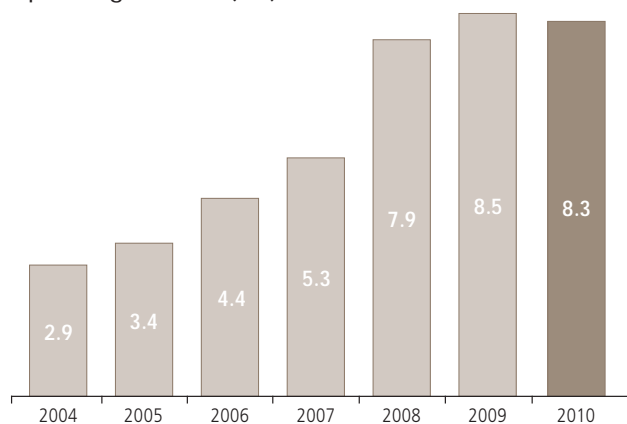
Superannuation

Function

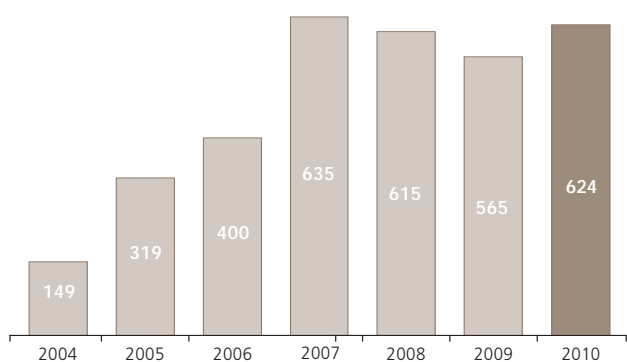
A full service trustee, administration and investment business which manages employer and personal superannuation through the Wealthpac and Freedom of Choice master trusts, with a focus on small-to-medium sized enterprises. The master trusts also offer tax effective transition to retirement and allocated pension accounts.

Performance

Operating revenue (\$m)



Funds under management (\$m)



Operational highlights

The recovery in local and global investment markets contributed to a 10.4% increase in FUM in 2010; however, operating revenue for 2010 remained almost static compared with 2009.

Targeted asset allocation coupled with active investment management delivered exceptional performance by the Wealthpac Master Trust investment strategies, cementing top quartile performance for the year. The release of the 'MySuper' (Cooper) and Ripoll reviews created uncertainty about future products and replacement adviser remuneration models, following the recommendation to cease commission payments on superannuation investments and life insurance.

In addition:

- A project to provide daily online account valuations for Wealthpac Master Trust members is due to be implemented early in the 2010/2011 year.
- The Freedom of Choice Master Fund was rated five stars by Heron Partnership.
- The EquitySuper brand was launched and the integration of the Templeton's brand was completed.
- We upgraded and rebranded the EquitySuper website.
- The Equity Trustees Superannuation Limited AFS licence was upgraded to include life insurance (outside of super) and derivatives authorisations.

The future

- A substantial upgrade of online functionality for both advisers and members of the Freedom of Choice Master Fund is expected to be completed this calendar year.
- Acquisitions will remain a focus as part of our growth strategy.
- Rationalisation of products and investment structures will facilitate improved efficiency and a simpler product offer, as well as an increased likelihood of member retention.
- Further targeted SME business development activities will occur, with the new Brisbane office providing improved service levels and convenience for both new and potential clients.

Directors' Biographies



Mr J A (Tony) Killen, Chairman

BA, FAICD, FAIM

Chairman since August 2007

Non-Executive Director since September 2002

Member of Equity Trustees' Remuneration & HR Committee since September 2004

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



Mr Robin B O Burns, Managing Director

Dip.Acc, FAICD

Executive Director since March 2010

Robin Burns was appointed Managing Director of Equity Trustees on 1 March 2010. Before joining Equity Trustees he was, from 2002, Chief Executive Officer of Equisuper Pty Ltd, the trustee company for the Equisuper multi-employer superannuation fund.

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 nearly 25 years of experience in the financial services industry. He gained his initial professional qualification as a chartered accountant in the UK in 1981.



Mr David F Groves, Deputy Chairman

B.Com, M.Com, CA, FAICD

Deputy Chairman since December 2007

Non-Executive Director since November 2000

Chairman of Equity Trustees' Audit and Compliance Committee since January 2003

David is a director of Tassal Group Ltd and Kambala, a leading Australian girls' school in Sydney. He is a member of MIR Management Limited Advisory Council and also an executive director of a number of private companies involved in viticulture and investment.

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



Mr John R McConnell

B.Com, FAICD, FAIM, F Fin

Non-Executive Director since January 2002

Member of Equity Trustees' Audit & Compliance Committee since January 2003

John has had more than 35 years' experience in banking and finance with the ANZ Banking Group in Australia, New Zealand and the United Kingdom, where his roles included Managing Director of Corporate Banking and Retail Banking, and Deputy Managing Director of Esanda Finance Corporation Ltd.

John is director of ASG Group Ltd. John was previously a chairman of Guilford Investments Ltd, director of Housewares International Ltd and Kew East Financial Services Ltd. He was a founding director of Family Business Australia Ltd and the Melbourne Community Foundation, and is a past member of the Epworth Medical Foundation.

Directors' Biographies (cont.)



Mr Barry J Jackson

B.Com (Hons), MAICD

**Non-Executive Director since September 2002
Chairman of Equity Trustees' Remuneration & HR
Committee since December 2007 and a member since
September 2004**

Barry is a former Managing Director of Pacifica Group Limited and Chief Executive of BTR Nylex's Building Products Group, with more than 30 years' experience in manufacturing and industrial marketing.

Barry is a director of Paperlinx Limited. Barry was previously a director of St Vincent's Institute of Medical Research, CSR Limited and Alesco Corporation Limited.



Ms Alice J M Williams

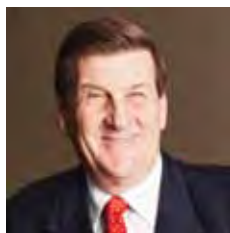
B.Com, FCPA, FAICD, ASFA AIF, CFA

**Non-Executive Director since September 2007
Member of Equity Trustees' Audit & Compliance
Committee since September 2007**

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.

Alice was formerly a director of 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.

Other non-executive directorships include: Djerrivarrh Investments Ltd, Defence Health, Guild Group Holdings Limited and Victorian Funds Management Corporation. Alice is also a council member at the Cancer Council of Victoria.



The Hon Jeffrey G Kennett AC

Hon. DBus (Ballarat)

**Non-Executive Director since September 2008
Member of Equity Trustees' Remuneration & HR
Committee since September 2008**

The Hon Jeffrey Kennett AC 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.

Mr Kennett is currently Chairman of Open Windows Australia Proprietary Limited, Amtek Corporation 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 President of the Hawthorn Football Club and patron of a number of community organisations.

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



Ms Anne M O'Donnell

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

Non-Executive Director since September 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 Investment and Financial Services Association Limited, The Centre for Australian Ethical Research Pty Ltd, and the ANZ Staff Superannuation Fund.

Current directorships include: Community CPS Australia Ltd, Eastwoods Pty Ltd and The Grain Growers Association Ltd. Anne is also an external member of the UBS Global Asset Management (Australia) Ltd Compliance Committee.

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, 29 October 2010 commencing at 11.00am (Australian Eastern Daylight Savings Time) at the RACV Club, 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 +61 3 9473 2500. Please ensure that all proxy forms are received no later than 11.00am on Wednesday, 27 October 2010.

Key dates for shareholders

Thursday, 16 September 2010

Record date for 2010 final dividend

Thursday, 14 October 2010

Payment date of 2010 final dividend

Friday, 29 October 2010 at 11.00am

Annual General Meeting

RACV Club

501 Bourke Street

Melbourne Victoria 3000

Thursday, 24 February 2011

Announce half-year results and interim dividend

Friday, 15 April 2011

Interim dividend paid

Equity Trustees' 2010 Annual Report

A copy of Equity Trustees' 2010 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:
www.eqt.com.au/shareholders.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:

Telephone 1300 850 505 (within Australia) or
+61 3 9415 4000 (outside Australia)

Email web.queries@computershare.com.au

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