TRANSCRIPTION

2019 OPERATIONAL BRIEFING

12 FEBRUARY 2018

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Sam Dobson: Alright, well good morning everyone. Thank you for joining us for our 2019 Operational Briefing. If I could just start with a little bit of housekeeping. If you would turn your mobile phones either to silent or off, that would be appreciated. So, today as you'd be aware, we've got our third quarter update which will be given by Shemara and Alex, we have our group heads here and the regional heads as we are talking about our regional expansion. So going through EMEA, Americas and Asia. Two hours for today, hopefully finishing on time at 12:00 PM and I'll hand it off to Shemara. Thank you very much.

Shemara Wikramanayake: Thanks very much Sam. Welcome everyone and thank you for joining. We'll start with our third quarter update as Sam said, and this first slide should be pretty familiar to regular attendees because as we always say, "Understanding Macquarie is all about understanding our five operating groups." And not a lot has changed in relation to those groups. At the end of last year we announced some small changes to align our businesses better along customer lines.

Firstly at the bottom of those, the annuity-style businesses on the left side, we moved our motor vehicle leasing business into BFS so that all Australian retail customer facing businesses could be together and we also moved our balance sheet funded businesses in MAM down into CAF; that was the ship financing and the fund financing. And lastly we are moving our fiduciary businesses and infrastructure debt and real estate into MAM, as soon as we get the approvals to move to the Non-Bank.

On the right-hand side of the page with the capital markets-facing businesses. The only change there is that we've renamed them markets-facing businesses and that is to recognize that those businesses are exposed to much more diverse markets than just the financial markets. So for example in CGM our commodities businesses, are exposed to the physical markets, the transportation of commodities in terms of what's going on with production infrastructure capacity, even weather.

And equally in Macquarie Capital for example, our renewables businesses that are exposed as we're developing projects to what's going on in terms of power, demand, prices, construction, operation, et cetera. So looking at this last quarter and how we performed, we had satisfactory trading conditions and as we foreshadowed significant realizations across the group, so the annuity-style businesses with slightly up on the prior comparable quarter but down on the prior comparable year to date because of the performance fees in MAM not being as high as they were in that period, but that was offset to some extent by continued growth in BFS and also the realizations and CAF Principal Finance that we had in the last quarter. In terms of the markets-facing businesses as we're calling them, were significantly up.

They're both up on the prior comparable quarter as well as the prior comparable year to date and that was driven to some extent by the strong performance in the commodities platform in CGM and also by significant realizations that we had in the MacCap business.

So diving a little bit deeper into each of the businesses and where they are at the end of the third quarter. Starting with our largest business Macquarie Asset Management. As we all know, we had a volatile time in markets in the quarter up to December and in MAM that has resulted in the AUM being down two percent across MAM, or five percent in MIM predominantly because of what happened in markets. But MIRA had a very strong quarter. So we raised $8.7 billion in that quarter and MIRA’s EUM has stepped up to a record $116.8 billion as a result of that. You can see our dry powder is very high at the moment, at $24.3 billion. But that's because of that recent $8 billion raising.

In the CAF business the Asset Finance book remains broadly in line as we previously indicated. But in the Principal Finance business, we not only had the Energetics realization in the third quarter, which we had foreshadowed when we spoke at the half year results, but we also had two good investments. One was a parking management business in the UK. And then in the US we also invested in a portfolio of multifamily rental properties.

And then the last of the annuity businesses, BFS, we continued to have reasonable growth in deposits which was driving the mortgage loan portfolio growth and our business banking portfolio growth all up three to four percent. And then in the funds on platform, again, we were affected by markets and we're down six percent in funds, but we're still having good flow onto our platform and a good pipeline of flows. The motor vehicle leasing business, which was transferred to BFS, was basically flat for the quarter.

And in the markets-facing businesses, the commodities and global markets business, strong performance continued in the North American gas and power business albeit with fewer opportunities from storage and management of transportation positions in the latter part of that last quarter we just experienced. And then in that business as well as the Futures and Fixed Income and Currencies business, we had continued growth through growth in the platform, the scale of the platform and our client base and client related activity.

And then lastly, out of our operating businesses updates for the quarter Macquarie Capital, we had more subdued conditions in the last quarter with what went on with market activity and that was particularly affecting our DCM operations in the Americas, but we also had those significant realizations I talked about. So that included PEXA, Quadrant, and three renewable assets - two in the UK and one in Sweden. So strong realizations from Macquarie Capital in the third quarter as foreshadowed. And looking at our people, we're up two percent in terms of head count to 15,110. That's basically reflecting the growth in the business. But also the other thing I'd note is more than half our people are offshore, which is topical to what we're going to discuss with our business leaders later today.

In terms of our financial position, there's a few slides here talking about our financial position, the short summary is that the position remains strong. So this is looking at our maturity matching and you can see that our long-term funding well exceeds our long-term assets. We had a small step up in short term funding, wholesale funding mostly to fund trading activity in CGM and in relation to our regulatory ratios, again, we remain well above the regulatory minimums. In particular I note that the CET1 ratio is up from 10.4 percent to 10.8 with the transfer of the couple of CAF businesses from the Bank to the Non-Bank in the last quarter.

And lastly, looking at our capital position, starting with how much has been invested in the business and the capital requirements of the business over the quarter. We had some ups and downs, so in CAF as I mentioned, we made those couple of investments on the Principal Finance side. In CGM we had money invested into our trading activities and that was offset by the MacCap realizations. Although we continued to invest during the period so the business net had a $0.1 billion of extra capital invested to it, and that resulted in our APRA Basel III capital surplus position moving from $3.4 billion to $4 billion combined with of course an important factor being the P&L and the movements in the reserves in that quarter, lifting the capital as well, offset by the dividend in addition to the $0.1 billion invested in the business.

And the last comment on the capital is that on the 10th of December we had the MBL shareholder meeting to approve the transfer of the CAF Principal Finance and Transportation businesses from the Bank to the Non-Bank that resulted in the return of $2.04 billion of capital to the Group as well as $0.3 billion in a dividend from the resultant post-tax increase in ordinary equity at the MBL level.

So that's the capital position. Now, turning to a couple of regulatory updates. In Australia, there were two things we wanted to update on. As you know, we're working with APRA on their unquestionably strong process, but also in this year APRA released in this last quarter, their draft prudential standards in relation to implementation of minimum requirements for the leverage ratio of 4%. And we'd note that we were at 4.9% at the end of December. So we're also working with APRA in terms of discussion paper they've released on loss-absorbing capacity to support orderly resolution of Australian ADIs. And the other thing in Australia, of course, is last Monday, the Royal Commission report was released - as far as that's concerned we're closely monitoring the implementation of the recommendations and we will participate in any industry and public consultation as appropriate. Then outside Australia in Europe, a couple of regulatory items to update on.

We previously mentioned in September that there was a German lending transaction in 2011 being reviewed by the German authorities. This is part of a bigger review involving over 100 financial institutions across Europe. We indicated at that time that up to 30 Macquarie Staff could be classified as persons of interest and we have now been told that 22 past and present staff had been classified as persons of interest for that process, including myself, the group CEO and our former group CEO. And then lastly, with regulatory updates in relation to Brexit, we are continuing our license application processes to set us up to operate post any Brexit events. We're obviously subject to the application processes there. So a couple of them could run into the second quarter of 2019, but we're not expecting any material impact on our business from it. And we remain committed to the UK market where we have 1,500 people as well as growth in continental Europe as you will hear from our group heads when they speak shortly. Then the last thing in the last quarter we wanted to touch on before moving to the outlook is that we had some management changes and all three of these gentleman pictured here are with us today. Firstly, David Fass, who's our CEO of Europe, he's over there, has been in that role for seven years and done a great job. Thank you, David. But David is taking up a role now in New York as the head of MIRA and so he will be moving around the first of April. And so Paul Plewman, who's the head of CGM in EMEA, where are you, Paul, here in the front row is also with us today and he will be stepping up to that role as well as David's role on the management committee, when David moves across to New York and he will maintain his CGM, and EMEA roles subject to regulatory approval. And then lastly, Shawn Lytle is here with us from Philadelphia.

And Shawn, as you know, as the USA Country Head he's taken on now in addition to that, the role as the Global Head of MIM as Ben Bruck moves to an executive chairman role. And Shawn was for two years Deputy Head globally of MIM so he's been transitioning into that role and we should have a smooth transition there as we will have with Paul and David where Paul's been involved in the EMEA leadership for a long time on the management committee there.

So then turning to our outlook and starting with the short-term outlook for this financial year and going through business by business. This is largely unchanged, as we said, with Macquarie Asset Management we expect base fees to be up and that's benefiting from the strong capital raising and deployment in MIRA as well as the recent platform acquisitions, but the performance fees and investment related income we expect to be down.

In the Corporate and Asset Finance business on the Asset Finance side, as we've been saying, the loan books are broadly in line. On the Principal Finance side, the results, they're subject to the timing of early repayments and realizations, and we'd note that we had the Energetics realization in the third quarter there. The BFS business is continuing to benefit from higher deposit and loan portfolios year to date and volumes on the platform, but that's offset by the NIM pressure that we're seeing both due to higher cost and competitive pressures.

And then turning to the markets-facing businesses. In CGM, we're expecting our strong customer base to continue to drive flow across our commodities business, our Fixed Income and Currencies business, and our Futures business and the business obviously benefited from strong market conditions in the first half of the financial year.

Macquarie Capital, we're assuming the market conditions to be broadly consistent and in the fourth quarter we expect lower realizations given the high level of realizations year to date. And then in the corporate area; two things to comment on there. One is the compensation ratio, which we expect to be consistent with historical levels and the tax rates for FY19, we expect to be down due to the current mix of businesses and also the favourable impacts of the US tax reform. So pulling all that together for the full year. We expect, as we said previously, that FY19 should be up to 15 percent on FY18 now that is of course as always subject to the conduct of year end reviews and the completion rate of transactions and a number of external factors which include market conditions, the impact of foreign exchange, potential regulatory changes and tax uncertainties, and the geographic composition of our income. In terms of the medium term, as we say every year, we think we are well positioned to deliver outperformance for the medium term, driven by our deep expertise in terms of product sectors, topically for today, geographies which you'll hear a lot more about and of course supported by a strong culture of risk control. So there are only other couple of things I'll touch on because the next two slides are unchanged. It's just to note that all our businesses continued to deliver very good return on equity at this point of the cycle and medium term outlook pages are unchanged. So with that I'll hand back to Sam to take any questions you might have.

Sam Dobson: On the line. So Andrei, just get the microphone. Thanks.

Question: (Andrei Stadnik, Morgan Stanley) Andrei Stadnik, Morgan Stanley. With all the dry powder you have to deploy in MIRA, have you seen pressure from your clients to get a move along, and deploy this? Also, in terms of the fees actually collected on $6.4 billion while it sits there, is there any fee revenue?

Shemara Wikramanayake: I'll just make a couple of comments and then I'll hand over to Martin Stanley who's kindly just landed here from the UK and hopefully is not too jet lagged. First of all, in terms of pressure from clients, our funds typically tend to have a four-year investment period and we, and I think our client support this, are very focused on making sure we invest that money optimally to drive long-term returns for them. So we have excellent teams on the ground that are sourcing a lot of opportunity and there's pipeline for all those funds that we will be disciplined in investing. And secondly, in terms of fees, we do get some fees on uninvested money, but because Martin's here, if a microphone's working, it might be worth Martin, you're giving any further colour.

Martin Stanley: The increase is predominantly due to very significant capital raising in the last quarter actually. So there was a closing just prior to Christmas, which has brought that dry powder up quite a lot. Ordinarily what we're doing is we're raising those funds and then we're investing them over about a three-year period, so investors are expecting to see that sort of profile there. But the level of dry powder that we've got at the moment is high because of those big capital raisings pre-Christmas, but we're under no pressure to invest it quickly. They'd rather we invested in the right stuff.

Question: (Brian Johnson, CLSA) Brian Johnson, CLSA. Shemara, I'm just interested when we have a look at slide eight, we can see MIRA's EUM up at $116.8 billion. So that's implying that's up about $11 billion over the quarter. We know that MIP 4 we think actually closed, which is U.S. fund, on the 31st of

December - $5 billion U.S. But when we actually have a look in there, you can see $7.4 billion Europe. Basically, does that include MIP 4? Does that come through in early January or in the number is that the big hunk of the dry powder?

Shemara Wikramanayake: The MIP 4 money was raised over quite a period, so it'd had a final close in the quarter to December, but that was only a small amount, hundreds of millions. The MEIF 6 fund, which is our sixth European funding, is now open for raising, so we had large raisings in that fund. So that's why we have big raisings there in Europe. Martin, again, you might want to comment on the amount we're targeting and because we're not allowed to give details while we're fundraising in the US.

Martin Stanley: There's a whole bunch of products that we're raising at the moment, whether it be Super Core funds for the European market. We had the big capital raising in North America, which was the hard cap for $5 billion. And then a whole series of European raisings as well. So it's a big capital raising year for us because these products are coming in at the same time really. So it's just sort of the timing of those flows.

Question: (Andrew Triggs, JP Morgan) Thank You, Andrew Triggs from JP Morgan. Two questions please. One, just following on from the questions on MIRA and just in terms of an update to the performance fee outlook. Particularly with respect to the European infrastructure funds, were there any performance fees realized in Q3 and what are the expectations for Q4? And then the second question around the retail or the banking and financial services business. Obviously recent bank results show a lot of pressure in retail banking returns and margins. Could you provide an update on the change to the white labelling approach announcement last week?

Shemara Wikramanayake: Martin I'll just let you comment on the performance fee. As you know, we recognize when there is no significant risk of reversal. So if we're expecting performance fees, even though we didn't have any massive realizations in that quarter, we have to recognize them. There are a few processes on for the fourth quarter and at the moment we obviously have booked what we really think is beyond risk of reversal. I might let Martin, if you want to comment on a couple of the processes running at the moment?

Martin Stanley: Yeah. Performance fees are a continuing feature of the income coming through into the MIRA business. We've talked about the sort of average contribution that we're seeing from those performance fees over the last sort of, several years and that's just the continuing feature of the business going forward.

The performance that we're seeing at the moment is a result of the asset realizations in Europe, Asia and in North America. And those are running as planned. There are a few asset disposals that need to be completed, towards the end of this year. They are all on track currently.

Shemara Wikramanayake: Nothing material booked in the third quarter. Then in terms of the retail banking, Greg is here in the front row and I'll let him comment as well. Greg, why don't you take that question in terms of what we're seeing of fee pressure, et cetera.

Greg Ward: We're having reasonable growth, in the retail business. And of course, we have a very small market share, so there are still very, very good opportunities for us to continue growing at these sorts of rates. We're very focused on margins and costs of operating and so forth and that was what motivated that change in white labelling.

And so we'll stop from January to March this year white labelling mortgages, but over the last 18 months the volume of white label mortgages originated has come down. And so we think we can stop doing that altogether and not see a reduction in flow in terms of mortgages, but significantly improve our efficiency of providing mortgages. So we think we can continue to grow profitably in this sort of space. We are focused on margins - very carefully focused on that. You will have seen late last week a small increase in our mortgage interest rates reflecting a higher funding cost and that just demonstrates their focus on their margin. Yeah.

Question: (Jonathan Mott, UBS) Jon Mott from UBS, quick question. One of the moving parts you had on the capital was CGM is up $300 million dollars and the usage I think was about 3.7 billion so quite a substantial increase in capital. I think you said increased in trading activity. Can you give us a bit more flavour around what's driving that, increased VaR? Obviously, you had a cracking first half and then it's continued. Is this just trading opportunities, using more capital when you can or is this permanent capital into this business?

Shemara Wikramanayake: It's basically reflecting activity levels, Alex do you want to comment?

Alex Harvey: Jon, it's mostly VaR; when you think about the volatility that has come through the gas market, the oil market. We're seeing volatility coming through those markets and so that's reflected in the capital usage in those businesses together with the trading opportunities that you referred to before and Shemara made the point about the funding we raised to support those trading activities.

But mostly it's a volatility coming through the energy business in the US.

Sam Dobson: I'll go to Richard. Richard Wiles.

Question: (Richard Wiles, Morgan Stanley) Good morning, Richard Wiles, Morgan Stanley. Can you give us an idea how many assets are in the Green Investment Group? And whether you think you'll have continual realizations and what's the average duration of the holding phase for the assets in the Green Investment Group?

Shemara Wikramanayake: I'll let Tim comment in a minute, but I just wanted to preface it by saying we hold renewable assets within and outside the Green Investment Group. So there were a lot of assets that Macquarie had invested in prior to that in Europe as well as now building our portfolio in Asia. So we have a couple of billion of assets and we realize them at whatever point is most appropriate to generate the best return on those assets.

So they will be happening over time. We also are continuing to invest. I'll let Tim elaborate.

Tim Bishop: Sure. So, when you think about the, the green business, it's an ongoing business, so it's not as if there's some sort of point of exit. We think there's still, and we'll touch on this later today, there's still real opportunity we think to continue to globalize the business and so when we're saying realizations have come through this fiscal year, we expect realizations to come through in the next fiscal year. We really see our role in the development slash construction phase of our projects. So we're trying to identify projects early at some point by region. At an appropriate time we look to sell some percentage or all of those assets. And we're very focused on Asia right now. We think there's a real opportunity there for us over the medium time. The regulatory regime in Europe continues to evolve and so we're monitoring that as well, but it's a global business that we're optimistic is, excuse the pun, sustainable over the medium term.

Alex Harvey: Just in terms of the diverse portfolio, if you look at the half year, Richard, we talked about roughly 60 development projects. That's probably right. It might have moved around that margin, but that'd be-

Tim Bishop: Yeah, we have today. I think it might be like 75 development projects. The more relevant number, I think to focus on is the amount of capital has got out the door and yeah, Alex talked about that at the half year results so you can see that at the half year result and obviously we'll update that. Again, I assume at the end of the financial year.

Shemara Wikramanayake: You will see in the half year result out of the $3.3 billion in Macquarie Capital, we'd break it down into renewables, tech etc., but there's a couple of billion in the renewable asset class.

Tim Bishop: Probably the only other observation I would make is that arguably the nature of what we're doing continues to evolve in that we are pursuing more development-oriented projects, which means the amount of capital that we're deploying the project is typically lower than say when you're funding a construction of a project. Now the risks are obviously higher and we think the returns are higher, but the dollars out the door are lower, because we're really only funding development type expenditure.

Sam Dobson: Take one more from the floor and then we'll go to the phones. Brian.

Question: (Brian Johnson, CLSA) Brian Johnson. CLSA, again. Question one, just in CGM when we have a look at the stock exchange announcement today. Speaking about Commodities and Global Markets, you say albeit with fewer opportunities from storage and management of transport positions in the latter part of the quarter. When we have a look at what's happened in the gas markets subsequent to 31 December, I'm assuming that it's become even more favourable from a trading perspective, January and February thus far. Is that fair to conclude?

Shemara Wikramanayake: It's moved around. Alex do you want to elaborate?

Alex Harvey: Obviously the underlying driver without being too specific about what happened in the fourth quarter Brian, the underlying driver really is the customer franchise and that customer franchise continues to be producing consistent flow across commodities and particularly the North American gas story has been developing over the last few years. The comment we make about the storage and transport, the latter part of the half is, as you know, one of the key aspects of that business is the physical movement of energy around the market and if you look at the pattern as we went into northern hemisphere winter, you saw an unexpectedly cold November, which provided some opportunities and then as you came to December was actually unexpectedly warmer so that some of those constraints in the market had made their way through and there were fewer opportunities for us in the back end of the quarter.

But generally the underlying story is building that customer base across commodities and producing that consistent flow.

Question: (Brian Johnson, CLSA) But January and February looked a bit better?

Shemara Wikramanayake: It's been volatile in terms of the weather factor that Alex talked about. So we had huge changes in terms; so we had a cold early part of the quarter, a warmer December and then it's bounced around a lot in January.

Question: (Brian Johnson, CLSA) And just the final subset question, when we're talking about MacCap previously, we've been able to kind of get some comments on one investment called Nuix, which a year ago you were saying it was probably too big and it was probably at the end phase. Can we just get some updated commentary on that particular investment team?

Tim Bishop: I think to be fair, Brian, when we don't actually comment on the specific assets albeit I accept you ask the question every half. I think that Nuix is an investment, it's a business that we're very proud of. We've got great partners in that business. There are no current plans to do anything specific in relation to it and it's performing well.

Sam Dobson: We'll take a question from the line. We've got one on the line please.

Operator: Thank you. The phone question comes from Andrew Lyons from Goldman Sachs. Please go ahead.

Question: (Andrew Lyons, Goldman Sachs) Yeah, thanks and good morning. Just a related question to Richard Wiles's one earlier just around business capital usage and slide 13. For a number of half of September 18. I've seen Macquarie Capital business, capital usage increasing as MacCap invested across a broad range of assets, obviously including renewables in the December quarter. Obviously this did reverse due to the well-publicized sell downs. Just going forward, how do think capital usage in the MacCap division trend?

Shemara Wikramanayake: Yeah, I think as Tim said, we continue to see investment opportunities and as he said in the renewable space, it's moving more to the development from the construction, but we also in technology continue to look globally and see opportunities in terms of investing alongside our balance sheet. We see opportunities, particularly with the U.S. team with deep expertise now in sub sectors in M&A. We're investing alongside our private equity sponsors in certain places and then also the DCM business uses capital as well; a few hundred million in terms of positions we take there. So I think across the spectrum we're continuing to see investment opportunity and as you said in the last quarter, the only reason we had a net step down is we had big realizations of PEXA, Quadrant, two offshore wind farms in the UK and a Swedish onshore. So it was a big period of realizations. Anything to add? No, I think that's it.

Sam Dobson: No more questions on the line. We'll take one more in the room. There will be an opportunity to ask questions later.

Question: (Frank Macindoe, Koda capital) Frank Macindoe, Koda Capital. You know that the return on equity was quite high at this point in the cycle. Where do you think we are in the cycle in terms of, would you expect the returns to remain this high for medium term and if you don't expect them to, is this being reflected in increased risk management?

Shemara Wikramanayake: Yeah, we constantly have a very tight risk management process and at this point in the cycle that discipline is important in terms of investing. But having said that, we're still finding good opportunities that hit our return hurdles and I think that's because of the footprint of our businesses as you will hear when our global leaders speak about. We're in so many geographies, so many sectors and so many products where people have really deep niche expertise that they continue to find opportunities. And I know Florian for example, he's here from CAF Principal who has just stepped up as group head; we were talking yesterday about they have a team of 70 people around the world who have worked together now for 10 years in six offices and you're spotting over 100 opportunities a year that we do very, very detailed rigorous work on. We invest in only a couple of those a year, but we are finding opportunities and frankly the world needs capital for a lot of areas even though it's flooding to certain areas. Things like the development we're doing in renewables, there are capital starved areas, and there are things like what Martin's team are doing, infrastructure in Asia, things like communications, infrastructure, needing funding. I could go on, but we're finding opportunities still.

Sam Dobson: Right. Thank you. As I said there will be further opportunity for Q&A. If I could ask the group heads to come up on stage and also David Fass and Ill hand over to Shemara to talk us through the global evolution of our business.

Shemara Wikramanayake: Okay. Well thanks again Sam. Let me just jump to the first slide here. So, last year you will recall that our Operations Briefing, Let me just let the group heads sit down. To last year's operational briefing we had a look at our business by three sub sectors of infrastructure, energy, and technology. This year we're looking at it across the three big offshore geographies of the EMEA region, the Americas and the Asian region. But before I kick off on that, I should acknowledge that Australia is still an important contributor to us. It's a third of our income. It's where our big depositor base is. It's also where our main regulators are and importantly it's where you the shareholders and the representatives of the shareholders are. So an important market for us.

And as Greg mentioned earlier, the BFS business which he's been running for over five years now, has attractive growth opportunities. There was a question about whether we plan to keep investing and we certainly find it an attractive area where we are less than two percent of the mortgage market there. We have a really nice business banking niche business in terms of helping professional services clients and we're also growing our wealth and our motor vehicle leasing businesses. So, that's Australia. But frankly, apart from BFS, all other four of our operating groups have found over decades ago, that they reached a point of maturity in Australia where they really needed to expand offshore to grow their businesses.

And like with everything at Macquarie, this evolution was really led by our people seeing opportunity in pursuing it. Because it is our people on the ground closest to the action who are seeing what's going on in market dynamics, understanding the needs of their clients and communities, and under our very empowering framework of opportunity, accountability, integrity, they are tailoring opportunities, using our deep expertise, and growing patiently and adjacently from that, and taking the primary accountability for executing on that in a disciplined way, acting with high integrity so that we deliver real outcomes over the long term for all our big stakeholders which we see as our clients, our community, our people and also our shareholders. And in doing that, they of course are supported by the corporate centre where we provide support services, risk management, funding and capital and try to encourage collaboration. And with that you'll see on this slide that over the last two decades we've grown from 22% international income to 67%. But given it is our 50th anniversary, I thought if you'll indulge me, it would be worth looking at the evolution of this business over the last five decades and how we became what we are today, and why we're confident it will keep going. So starting with that first decade back from 1969 to '79 when Stan Owen set up the Hill Samuel subsidiary here in Australia, and we were just doing financing and M&A advice, and were just a small team of three people. Over that decade we expanded into Melbourne in 1972 and Brisbane in 1978. But what we did was we started expanding our product base to set up the businesses that have now become the seeds of what we've taken around the world. And some of the businesses that we grew back then obviously we started our currency hedging business and we became a member of the Sydney Futures Exchange. We were the only second member there.

Then we move onto the next decade which would be '80 to '89 decade. And in this decade, we mostly will continue to grow out our innovative product base. So we launched the cash management trust, which was a great solution for retail investors to access wholesale funding rates. And from that was born our funds management business here in Australia. We also in that decade, in terms of other business lines, we commenced our physical bullion trading in the mid '80s and became the largest bullion dealer in the country. We also gained when foreign exchange licenses were handed out in 1984, the ability to trade currencies other than the US dollar. So the Deutsche mark and the Yen, and Steven Cook, who's here was part of starting our cross border leasing business that spawned the big aircraft financing business that we now have around the world.

As well as that in Australia, very importantly, we were the first bank in the early '80s to set up a centralized prudential control function. And again, that's been critical to doing our offshore grows in a very risk managed way. And we also took up a license for a banking license when the deregulation occurred in the mid 1980's. And then at the end of that decade we made our first tiny little toe in the water step to go seriously offshore having gone into New Zealand, which I worked in and highly respect. But New Zealand happened in '83, but it was really in '89 that the equities business bought the broking operations of Kleinwort Hattersley and you'll see on that chart, we got those little dots on the map in London and Munich right at the end of the r decade and still 0% international income.

But then it was in the decade after that, that really our businesses started to reach the point where they were getting grown up enough where they needed to leave home to expand. And that classic Macquarie style was not a top down decision. It was lead bottom up by every business. And just to evidence that, let me give you some of the examples. But the equities business, having got to London and Munich offices opened in New York to cover the world globally, and then in '94 they went to Hong Kong where the market opened up the exchange in terms of derivatives trading and we could add a new product.

The commodities business in 1991 went off to Denver, Colorado because that's where the large North American gold mining companies were serviced from. And then the next year they took up a membership on the London Metals Exchange so we could grow from just gold into copper and into aluminium. The investment bank where we were doing the cross border leasing and structured finance, project structured finance opened up offices in

Singapore. We also went into San Francisco at that time, as you can see on the map, because the tech boom was happening towards the end of that decade. So the equities team went there.

And another important thing that happened in the investment bank, even though it was in Australia, is that the hills motorway trust listed in 1994. And that was the beginning of our bringing investors into infrastructure as an asset class, which then spawned a big global infrastructure business in the decades to come. In addition to that, the property business went to Beijing because they saw opportunity there to support Chinese property developers, and we also raised and invested money in Chinese residential property.

So you can see at the end of that decade, more than a fifth of our income is now coming from offshore and it's each business going and pursuing opportunities as they see it. Then the next decade things really took off in terms of the offshore growth. And I won't even read you the list of offices, but there were 40 of them opened around the world on every continent as each business, again, had this lead at the coalface expansion that happened.

And so the investment bank I mentioned had built infrastructure as a business line. We went into, I was working at the time, to Korea, Canada, US, UK, all over Europe, all over Asia, India, China, and our structured project in structured finance business also grew. The commodities business at the beginning of that decade went into Brazil, opened an office in San Paolo and had a joint venture with Banco do Brazil in terms of coffee and soy producing services, risk management solutions for producers and for consumers in that space.

But then in 2002 a very important step happened in that business, which is that we sent a couple of people to Houston for the CMF business, which Nick O'Kane now heads. Where we saw the opportunity to provide mezzanine finance in the oil and gas sector. So that was our beginning of oil and gas involvement.

And then in '05 we acquired Cook Inlet in that decade, in '06, Corona, and in '09 the big Constellation business, which now has us as a leading participant in physical, natural gas, where as we were just discussing, we do transportation, storage, trading, marketing, financing, lending and it's become a huge business for Macquarie globally. Also, the equities business people may recall expanded by buying the ING Broking Operations in Asia, which gave us a presence all over that region and a big involvement in ECM, and that made our broking business in Asia three times as big as our Australian business. So we're going into these very large markets and having huge impact on every business. Then lastly, the CAF business, well, I'm sorry, I missed the funds management as well in fixed income and equities as well as the infrastructure funds. We went into Korea with the IMM acquisition and also an investment in Malaysia, and then CAF with the GATX acquisition, we started our aircraft leasing business expanding off shore. That was a $1.95 billion dollar acquisition.

In Australia, we moved to set up the non-operating holding company structure, the NOHC structure, which then enabled our businesses outside the bank also to keep growing globally. So by the end of that decade, as you can see more than half our income is coming from outside Australia.

Turning just to this last decade that has just happened and here you see the expansion just continue at a huge pace around the world and at the end of it, more than two thirds of our income coming from outside Australia. And taking the businesses in the order that we always take them, starting with our largest annuity business, Macquarie Asset Management, that was when we did the Delaware investment at the beginning of that decade. Again, Delaware then was contributing three times our Australian business because it's such a large market and since Delaware we've invested in the Innovest business in Austria, the ING business in Korea, but it's principally been organic growth in MAM until the recent Valueinvest and GLL portfolios came on board. And we're making about 90% of our income in MAM now outside of Australia.

Not that we're not big in Australia, but it's a small region compared to the world. In addition to that, moving to CAF our next annuity business, in Transportation we had the ILFC-47 aircraft portfolio in about 2010 and then in about 2015 we had AWAS which was another 90 aircraft, $4 billion Cookie spending the money, but great to see the business growing. We had 300 planes in our portfolio, and we're not just in aircraft, we're in rotorcraft, we're in rail, so a big transportation leasing business.

We also grew into smart meters in the UK. We grew into resources in the US. We grew into, as Garry will talk about, telecommunications equipment, smartphones, and semiconductors in Asia. So the CAF business grew around the world and then our market facing businesses, MacCap had now grown a really good M&A and DCM services business in the US, which Tim will tell you is earning multiples of our business in Australia even though we're very large here. And we also, as we discussed earlier, have the Principal Investment business, particularly in renewables with the Green Investment Group coming on recently and the Conergy team in Singapore, who are solar experts.

And the last of the market facing business is CGM. We had the Cargill investment in 2017, but really it's been organic growth since those acquisitions in the commodities business in the decade before this one. So we have now grown organically consolidating those positions in gas and power; also oil, agricultural commodities, hard commodities, fixed income and currency business, our futures business across America, Asia, Australia.

So that's the story and I guess the big thing coming out of it, is it's all about the people on the ground leading it. It's the very bottom up culture. We have 15,110 people at the end of the quarter as I mentioned. But the thing to note about them is the huge diversity of skills and capabilities they have as well. So we not only have people with finance expertise, but we have engineers, we have meteorologists, we have geophysicists. We have a whole range of different capabilities in here. Data scientists driving the growth of our business, the deep expertise we bring to our clients and communities.

We also are building our gender diversity well with 50 50 representation in the 528 graduates we brought on globally last year. And importantly, we have ethnic, cultural, geographic diversity. More than half our people have lived, worked or studied in another country, including all of us who will be speaking to you today. And we've got 68 nationalities, 72 languages and even on our leadership committee, our management committee, basically about half of us now live and work outside Australia across all these regions and time zones. It makes it quite challenging for us, setting up our management committee calls and we're dialling in from all over the world at all hours, but it's a reflection of running a global business.

And you can see from that represented over the last decade that I talked about, which was the big boom one, we tripled the income coming from international, and there was a 13% compound annual growth, so faster than the Australian business and faster than the global business. But for me, the thing that's most exciting about this journey I've talked to you about is that we're still at an early stage of it and we've picked a couple of metrics on which we can demonstrate this to you.

So, assets under management is the first one where we have a $2 trillion plus market here in Australia, of which we have 5%, which is a meaningful share. But if you look across those bubbles, particularly going to North America where there's $50 trillion, half the world assets under management with our big Delaware business and our MAM business overall, we manage a couple of hundred billion, three times as much as we manage in Australia. We're still tiny in the Americas; we're half a percent of that market. And the growth opportunity for us there in coming decades is meaningful. It's the same with the Macquarie Capital advisory business we're building there.

You can see the Aussie underwriting, M&A and advisory deal value here was $0.1 trillion. We have a 27% market share. We're dominant. We're very proud of that, excellent team. Having said that, the Americas, it's $10.4 billion (trillion). Multiples of that. We've got a 2% market share. That business is early in its growth. We're bringing deep sector experts in and great opportunity to go forward. So, I'll turn now basically to letting the people that are actually leading the business talk to you because, that was my main message - that this business really is led by the people close to the coal face. And the way we're going to do this, is we've got our three regional CEOs here in David Fass, Shawn Lytle and Ben Way. Where are you Ben? So they are going to lead discussion after we have a short video speaking from people even deeper in the business below them in terms of what's going on in each of their regions. And they'll be also allowing each of our group heads to speak.

So we've got Martin Stanley for MAM, Tim Bishop for MacCap, Garry Farrell for CAF Asset Finance, Florian for CAF Principal Finance, and Andrew Downe for CGM. I should say, well, first of all, welcome particularly to Martin and Florian who are new group heads as of the first of December. Three of our group heads actually live outside Australia, being Martin and Florian in the UK and Andrew in Singapore. And out of us three lazy lubbers me being Tim, Gary and myself, we've all worked offshore. We've led and build businesses around the world for Macquarie in our many decades here. I've been here three decades, and Steven and Gary were here even before me. So a lot of us have been here through much of that multi decade story I talked about as we grew the business. And in fact many of us have worked together as partners, as Tim was running the MacCap business while I ran Asset Management in the US. And we've worked together in building these businesses.

So, with that, I think I might just touch on three themes in terms of what's going on in the EMEA Region and then we'll have a video and then h and over to David to lead the discussion diving into EMEA. And for EMEA, I won't dwell on this, but three of the themes we are playing on, obviously Green Investment Group we've had questions asked about is that there's still a lot of investment needed in renewable energy.

You can see the targeted install capacities 628Gw by 2040. Infrastructure investment as well that continues to be a big need, which the team will talk about. And lastly, I was just going to mention real estate where with GLL we've now stepped into having a meaningful presence in Europe Real estate in the EMEA region with Europe, accounting for 34% of global real estate deal flow in 2017. So with that, I think we'll play the video, and then David will step up to talk you through the EMEA business. Thank you.

Video 1 - EMEA: When I first joined Macquarie from the utility sector, one of the biggest surprises to me was the breadth and depth of knowledge that people here have about the markets that they operate in.

We offer entrepreneurial innovative solutions to clients, particularly in complex situations.

So we have conversations all the time with investors about what risk they would like to have. And that feeds through our thinking when we speak to clients, and we think of new innovative ideas with them.

We strive to get into the DNA of our clients to really understand their business. And to do that, we need to understand the local markets and the local norms, and ideally the local language.

We know of many different people in the Netherlands who had wished to set up a similar lending business and we took all our expertise and knowledge from Australia to the UK and into the Netherlands.

At MIRA we always work with a sector expert and a country expert that bring their expertise to be able to look at not just the transaction, but also the impact it has on a country and the various stakeholders.

The transportation business has all been about developing expertise. So we've been very focused on actually having a business that really understands the assets. We really worked hard on developing out technical expertise across the asset sector. When it comes to aircraft, we've got a very strong team in Macquarie Air Finance. When it comes to helicopters, a good strong compact team in Macquarie Rotorcraft. And we have the same level of expertise across our rail business in Europe.

Macquarie shaped the meter asset provision market in the UK right from its onset in 2003, so we've been at the forefront of leading this market and taking it forward into the UK.

We've also got a particular focus on spotting where the trends are and where the things. Where's the industry going?

The Principal Finance business has changed a lot over the last 10 years really as the market has evolved. We've spent time in secondary debt markets, in new lending origination as a minority equity partner for private equity firms.

I was brought in with the idea that I should try and develop a new financial market in Petrochemicals, and that's what I've been doing for the last 10 and a half years. We first started off in a very, very small way. We didn't take a lot of risk. But over a period of time, we now run our own risk. We arbitrage risk around the region, and that's an absolute competitive advantage.

Across the EMEA region we're seeing an increasing number of markets re-commit to their focus around increasing the proportion of renewable energy.

The business model that we had developed as the Green Investment Bank was about a transition away from a subsidy based revenue model to a model that's largely underpinned by corporate power purchase agreements. And so we've invested heavily in our people to build that internal skill set.

And a good example of this is our recent entrants into the Swedish onshore wind market where we invested in two construction projects.

Our clients appreciate our ability to interact both with corporate as well as the local government. One example would be our investment in Italy in Trento. We partnered with local government to manage 27 hydropower stations in the region. And that's required a lot of convincing, making sure that we are seen as a credible long-term partner of the government.

Macquarie is being well positioned for the future products and services that could come after smart metering. Whether that's electric vehicle charging, solar PV, embedded generation, which could actually mean wind turbines in people's properties. A lot of our relationships within Europe are very longstanding. Whether that's with individuals or institutions, they keep coming back to us, and they trust our advice, and they know that we will provide a solution to their funding or their capital market needs.

We believe there is plenty of new opportunities for both our investors as well as for our employees to develop these new businesses and these new frontiers going forward.

Clients love us because we're there for the long-term. They like the fact that when we say we'll do something, we do it.

David Fass: Thank you, James Young. Thank you, Shemara. And it's great to be here with, with all of you this morning. It's nice to see some familiar faces in the crowd. Many of you have travelled up to London over the last couple of years to visit with us and it's great to be here on your turf. Shemara mentioned my role is changing; I'm moving between London and New York. But anytime I'm needed here in February I'd be happy to come. It was a fantastic weekend. I was last here for the operational briefing back in 2016, and I'm glad to report that we've continued to expand our business, enhance our teams, and gotten the Macquarie name more firmly established in the major markets that we operate in throughout Europe. Shemara mentioned this earlier, but we're celebrating our 30th birthday in Europe following the acquisition of Kleinwort Hattersley and the three people that we brought on board back in 1989. So it sort of feels like there's birthdays happening all around Macquarie.

We have been in growth mode since I was here last over the past three years. It's mostly been organic, but we've been very opportunistic as well. And through the acquisitions of Cargill's oil trading team in Geneva, the Green Investment Bank in the UK, ValueInvest in Luxembourg, and the GLL real estate platform in Munich, we've successfully integrated over 200 new colleagues.

We're now operating, as the slide says, in nearly 20 locations across 11 countries. And our head count has expanded to over 2,000 people. Our teams reflect the diverse nature of our businesses and we work hard to make sure that we're projecting a local face to the specific market that we operate in. So if you stopped in our office in Paris, you'd meet with French bankers. And if you stopped in to see our asset finance teams in Zurich, you'd meet local Swiss folks. And we've got German and Swiss commodity traders operating in Frankfurt and Geneva.

In aggregate, these teams are managing more than $110 billion worth of client assets. They're overseeing the operations of 37 major infrastructure assets, and have gained world leading expertise in the low carbon revolution by investing in over 140 renewable energy projects. The real point that I want to make on this slide here is to talk about the powerful adjacencies that hold our businesses together and the real benefits that we're deriving from constantly pushing for collaboration and partnership across the region.

We have really become thought leaders and trusted partners in a variety of very specific sectors or niches as Shemara has talked about. Whether that's energy, both renewable and conventional, or obviously infrastructure investing, real estate, commodities markets, power and utilities, transportation and communications. I think that our future growth is going to depend on two things in particular.

The first of these is our reputation and our continued license to operate. And second is the continued progress that we're making around hiring the best professionals in the market. We've been active in recruiting a combination of finance professionals and real industry practitioners. And to make that real for you here this morning, within the last six months, we've hired a battery engineer from Tesla and we've hired a computer scientist from IBM who was very active in the Watson project. So we're trying to hire the best people we can.

The key drivers that we're going to be focusing on for the next several years are geographic on the one hand and sector specific on the other. In recent years, we have gained a lot of confidence in the model that we have pursued in the UK and are now broadening our focus. We're currently expanding our teams in Germany, France, Spain, the Netherlands, Ireland, and up into Scandinavia and see lots of opportunities in every one of those countries.

Secondly, we're going to continue to focus going even deeper into the European energy transition. As you may know, the UK has been a real global leader in de-carbonization and green finance, and was the first country in the world to set up its own green bank to help support that very important emerging sector that we're all talking about today. As you know, we purchased the Green Investment Bank from the UK government back in '17, and have we now expanded that brand into Asia and into North America with very positive client feedback.

The final key driver is likely to be the continued modernization of European infrastructure and the continued support from many governments to see the private sector fill the void left behind by overstretched European sovereign balance sheets. We and other people estimate that that infrastructure gap will be nearly 300 billion euros per year. You'll hear from each of the businesses in just a moment, so I won't dwell too much on the detail of this slide. But the one point I do want to reinforce is how each of these businesses are working more and more closely together and sharing as much knowledge as we possibly can around the organization to make sure that we're delivering the best type of advice for our clients and find the best opportunities for us.

One recent example of that collaboration was our first annual Green Conference in London last Fall. It was our first attempt at gathering all the parts of the firm to create content and an agenda that would be relevant to a multitude of stakeholders around the market. We set the room up for 200 to

250 people and we ended up with over 500 clients and stakeholders that wanted to be with us during that day.

So we're now calling it the first annual, and if you are in London this coming Fall and you're interested in green energy, consider yourself to be invited. We're lucky to have four of the five business groups operating at full strength in the region. In Macquarie Asset Management we're probably best known obviously for our large Infrastructure Funds Management business, but there are many other strengths and opportunities to broaden the scope of what we do and capitalize on the excellent relationships that we have developed with our investor clients over the last couple of decades.

In Macquarie Capital our business has become much more diversified, and we have learned to deploy capital in connection with our clients, and as Tim talked about earlier, looking for new areas where we can utilize that expertise to engage with project developers. In Corporate and Asset Finance we've built some market leading product offerings in the fields of smart metering, transportation and telecom and mining equipment, and are starting to grow our vehicle fleet leasing business in that market as well.

And finally, in Commodities and Global Markets we have grown our collection of trading operations from a small handful of product segments that all had a degree of a degree of correlation, and we've now grown that to over a dozen real key profit contributors which in aggregate are much less correlated than they used to be. This portfolio approach has not only resulted in significant profit growth, but we've seen a much less volatile earning stream as well.

With that as a backdrop and a setup for sort of what goes on in the EMEA region, I think that the story is best understood if I can ask my partners to take you through some real examples and case studies of what goes on in each of the business groups. I'll start that over with Martin to talk about what's happening in Asset Management. Martin?

Martin Stanley: Thanks, David. So the European region is a really important part of the Macquarie Asset Management business. We have about 390 staff across seven different main locations across Europe. Most of the focus over the last several years has been on organic growth, and the big driver of that organic growth has come from the real assets business where we've been growing assets under management in that infrastructure space in particular.

But inorganic growth has been also an important contributor to some of the things that we've been doing. And it's been important over the course of the last year, because what we've been trying to do is fill out a couple of gaps that we've got in the portfolio to try to build the client offering. It's not a new thing that we've been doing, so if we go back several years you'll see that we acquired the Kvaerner portfolio, which started our infrastructure portfolio, we also bought the Portland group, which helped us with our airport expertise.

But over the course of the last year, we've done two important transactions. One in the MIM business, which is a business called ValueInvest, which is a global and Japanese equities portfolio with about €4 billion euros of assets under management. Really important to building out that capability that we want to see in the MIM business.

And the second acquisition we've done is tried to take advantage of this $1tr real estate alternative assets space that we're growing quite significantly in. And that was a result of the acquisition of the GLL portfolio down in Munich, which is about 130 different people with 7 billion euros of assets under management. So that will really give us a lift off in that real estate space.

So we're really excited about that, building out the real assets offering right the way across the client base. There's a whole bunch of other stuff that Tim's also been doing in this space as well, which Tim will talk about now.

Tim Bishop: Sure. Well thanks, Martin. And good morning, everyone. Macquarie Capital's business in Europe really does reflect many of the things that Shemara and David have already touched on. Europe is the global centre for Macquarie Capital's market leading Green Energy business, as a principal investor, as a developer and as an advisor. As I talked about earlier, we see our role primarily in the asset creation phase.

And so what we mean by that is that we identify projects early and we help create those assets through their development and or construction phase. We have close to 100 Green Energy experts in our European team. Many of them coming from engineering, project, construction or operational type backgrounds. And we really think it's that unique combination of banking, finance and investment skills with those deep operational and technical skills that give us a real point of difference.

The GIB acquisition has clearly accelerated the growth and the globalization of our Green Energy business, and we are increasingly exporting those skills to drive global expansion. You'll see on the slide firstly, an example in the Waste to Energy sector where we recently reached financial close on a project to construct the Earl's Gate Energy Centre in Scotland.

That expertise in Waste to Energy was really developed through our activities in Ireland and Korea. And we think it's a good example where we picked up expertise and moved it around the world to pursue different opportunities. Also in the slide you can see that we invested in two Swedish onshore wind farms.

These projects were pioneering for us. A new country in Sweden, a new technology in terms of onshore wind, and I think most importantly of all though, we were able to secure such a substantial corporate power purchase agreement to have revenues that underpin the viability of the project. And I think you heard a little bit of that from Ed Northam on the video earlier today.

We think that ability to secure PPAs will increasingly become a differentiator for our business and for project developers across Europe as governments reduce their financial support for Green energy projects, and as the private sector increase their demand for low carbon solutions.

We see a real opportunity in the continued globalization of our Green Energy Business with Europe as its global lead. Opportunities exist for us to expand our knowledge and impact on different technologies. Geographic expansion opportunities exist. And finally, the exporting of our skills from Europe into other regions in the world is quite exciting for us.

So I'm going to hand it over to Garry to talk a little bit about the energy efficiency opportunities in the UK. Thank you.

Garry Farrell: Well, thanks Tim. It's great to be here. The Energy Metering business we've been in the UK since about 2003. It's a local business, local people, local factors and accommodating local regulatory environment. These are small but really critical assets and there are lots of them. They're an enabler through technology to measure the demand for energy on a real-time basis, retailers can change the price.

This leads to more efficient matching of supply and demand, more efficient grid, and ultimately that's in everyone's interest. Hence the UK target here from the government that all homes and SMEs are to be offered a smart meter by 2020. That's 50 million smart meters. In CAF we know what we know, and we start small when we know what we don't know. We must at all stages make sure we have engineers to understand the intricacies of the assets, the supply, the demand for the assets, the cost, the life cycle costs and the inherent risks in either their ownership or usage of those assets.

We have lots of expertise as you can see in the video. Now we approached one of our major customers in order to save them money. It was a large energy retailer. We took more risk, extended the financing, changed the profiling of the debt, and provided more financing over a much longer period of time, matching the usage of those meters to the ultimate end consumers and SMEs. This led, as you can see in the slide, to a powerful reduction in annual payments for our customer, and an immediate saving of capital for the customer, and you can see the dollar, Pounds, I should say, we put out the door.

Now we continue think of many other ways, as you heard Neil said in the video to service our energy customers in the UK and expand to energy customers in other jurisdictions where there might be a similar regulatory environment. We do so with the typical Macquarie energy and enthusiasm. I'd now like to pass to Florian and his CAF Principal Finance to talk about something a little bit larger, being planes and trains. Florian.

Florian Herold: Thanks, Garry. And good morning, everyone. Shemara touched on it briefly, but we started in the aviation space in the late 1980's with cross border advisory work. And we became a leading advisor throughout the 1990's. Our first airplanes that we bought as principals was in 2004 and 2005 leasing them out to Qantas and Singapore Airlines.

And what started with just a few planes back then has now grown into us being one of the leading lessors of airplanes in the world. The aviation business is headquartered in Europe with teams in Dublin and in London. We have about 16 people between those two locations and Steven Cook, who you've seen in the video, runs the business and is here today. Our team has been able to acquire three large businesses and portfolios since 2006 and including the planes that we now have on order, we own more than 260 aircraft leased out to airlines around the world, as you can see on the slide. The aviation market benefits from strong growth trends for global travel, increasing passenger volumes and industry growth overall. The revenue passenger kilometres for example, have grown by an average of 5.4 percent over the last 25 years and it's also a market that requires a lot of capital to satisfy demand and we are happy to provide some of that capital as is needed.

Besides our portfolio growth, we've also been able to combine our aviation expertise with our debt expertise that we have in Principal Finance. We've been an active participant in the debt markets and the secondary debt markets for the last 10 years through Principal Finance and when the Principal Finance business was started in 2009, it was the UK where our very first team members joined. So by bringing together the aviation knowledge with the debt expertise, we've been able to buy about $700 million US dollars’ worth of dislocated aviation that during the last five years. Over roughly the same period over the last five to six years, we've also expanded further into adjacent sectors such as rail and helicopters, as was mentioned in the video. Especially in helicopters, we see values of the assets being somewhat depressed and there's dislocation in financing that's available for those assets.

The combination of those two things dislocated financing and somewhat depressed asset values offer us some great opportunities to grow the business further. With that, let me hand over to Andrew to talk about CGM.

Andrew Downe: Thanks Florian. As David highlighted in the introduction, CGM in EMEA is a portfolio with numerous business and product lines. Our commodities expertise in Europe is amongst the deepest and broadest in that market. An example of our product development is an opportunity we identified five years ago, to offer risk premia investment solutions to our clients, also known as factor investing. Essentially, these products give investors exposures to baskets of investment strategies which are designed to be uncorrelated with traditional asset classes. Now, investors have for some time had access to products which provide uncorrelated returns. However, the unique opportunity we identified was to tailor these products for our clients, by creating bespoke commodity indices.

We did this by utilizing three things we already had. First was our deep and broad commodity expertise as well as our existing commodity trade flows. Secondly, taking our leading technology and modelling capability. And thirdly, taking the market experience and practical knowledge of our traders who contribute to an additional overlay of expertise to each product. So for example, taking into consideration during product design factors such as seasonality and propensity for drawdowns during the whole period. And from this we created a sophisticated and complex commodity basket, each of them tailored to individual client needs.

But at the end of the day, our clients end up holding a very simple index which fits their needs perfectly and compared with alternatives is also cost effective. We've seen real growth in the annuity style business line. Our book has more than doubled in the last two years because we've created value for our clients. We now have over 40 staff dedicated to the business, rolling the product out around the world to the global investment community and having tackled the products in the commodity space, we're broadening it out to cover rates, FX and equity strategies as well. This is another growing product line in what is now a very significant and diversified portfolio of businesses and products, that makeup commodities and global markets in EMEA. On that, I'll hand back to Shemara to talk about what's next for EMEA.

Shemara Wikramanayake: Great. Thanks Andrew. And thanks team. So in terms of what's next, it's pretty much the same as when Steven Cook over there in the UK in 1989 starting our office with one person and the Kleinwort Hattersley broking operations now we have over 2000 people in EMEA. But it's basically as our teams on the video said it's about looking at client and community needs, and triangulating that with market dynamics and market opportunity and our particular core skillset and looking at how we can build and shape businesses. And some of the themes for today as you can see there by sectors are obviously renewable energy and energy generally in terms of what's happening with smart meters as well as the MacCap development projects, the infrastructure sector across all our businesses and as Martin said launching into real estate are three of the sectors we think in EMEA we'll focus on.

Shemara Wikramanayake: In terms of the geographies, we're very big in the UK. We've got 1,500 of our 2,000 people there and in continental Europe we see scope now to go much more into eastern and central Europe. Certainly the MIRA businesses are investing a lot there in emerging infrastructure opportunities and then into southern Europe where we're doing things like solar and other developments. And then lastly platforms as well as products, we've had the big GIG group team come on board and recently ValueInvest and GLL and a little bit prior to that, the Cargill business that created the MCT capability in CGM. So we really want to consolidate and capitalize on those platforms but also keep evolving new products as Andrew talked about in terms of what the CGM team are developing. So, as I said at the beginning, still early days for us in this huge EMEA market.

Sam Dobson: Thanks Shemara. I might just limit the questions to two at the moment and then we can come back.

Question: (Andrei Stadnik, Morgan Stanley) I just had a question on Principal Finance. So the book has been shrinking for several years, which feels in hindsight like the right move, but you know, noting the recent increase in volatility now around credit markets and some of the things you mentioned around in a helicopter prices, does this mean that the book now has more opportunity to resume growth?

Florian Herold: So over the last 10 years we've always looked at the market conditions and how that's changing and how we can benefit from them. You're right in saying that the book has overall shrunk, although there is capital that we're using in the book and that we have been using over the last few years has remained relatively stable. So the book size overall doesn't bring out that fact so easily. As to the question of future opportunities. I would say there is nothing dramatically changing for the next little while that would alter the path that we're currently on. So I don't think there's anything particular to read into the current market environment compared to the last few years.

Sam Dobson: Catherine

Question: (Catherine Allfrey, Wavestone) I just had a question with regards to renewables because were starting to see like a graveyard of different companies along the chain, obviously fall over and I'm really interested in how you're reducing risk when you're investing that money. Are you looking at a minimum off take price, you know, give us some feel for how you're reducing risk in that renewables investment place.

Tim Bishop: It's the same, I guess, theme for our business all around the world in that we are operating in a particular regulatory environment driven by the rules of that particular country and they are different, Australia, Taiwan, Japan, Europe, etcetera. And so we're trying to understand what that regime is and then trying to understand what that opportunity is for us in that. Underpinning each of these projects is a revenue stream. So, so we are very focused on how much merchant risk we're taking, how much power price risk we're taking and at the end of the day we're trying to minimize that.

So we're very focused on securing a power purchase agreement from a corporate or better still we're in an environment where we have a long dated feed in tariff or an off take agreement from the government, and so our role is to help get those assets into a position where they've reached financial close at the very least so they then go into the construction phase or maybe we're funding them all the way through construction and then operational. So the risks that we're taking, we think are relatively well understood in development or construction. In the event that this asset is built, we have a locked in revenue stream. Now that's not to say that there's no merchant risk or power price risk. At the end of the day there is a tail to these things, but we can at least analyse that and we can make assumptions around different power price scenarios at the end of that locked in revenue stream.

Sam Dobson: Okay, we'll come back for questions at the end. We'll now move on to the America section. So I'm going to ask Shawn to come up on stage.

Shemara Wikramanayake: While Shawn is coming up, I might just kick off with talking about some of the key themes we're looking at in the Americas, which are slightly different to what we're doing in EMEA and tailored to the environment in the Americas. So the Americas, as I mentioned at the beginning is the largest capital market in the world and the largest asset management pool, so for MAM which Shawn and Martin will be able to talk about, a lot of room to grow in terms of very low allocations still to infrastructure and a lot of opportunity for investment as well. Also the largest advisory fee pool market, so we have a lot of scope to grow our investment banking and our DCM business.

And then there's an energy revolution going on there as the US moves from an importer to potentially a net exporter, which is also driving opportunity, particularly for CGM. In Real Estate, again, it's a huge market and we're finding good niches for MAM and for the CAF Principal Finance team. And lastly, of course, infrastructure as an asset class. So with that, I'll hand over to Shawn to, I'm sorry, the video, sorry.

Video 2 - Americas: Over the last 10 years we've seen a lot of growth in the Americas. What's been really impressive is how the people who've joined us have evolved their businesses with the changing market opportunity and that's the Macquarie cultural element.

We're very nimble and that allows us to fill client needs across many different industries.

Our customers know that we actually love coming to work and finding a solution for them. When they know that you enjoy what you're doing. They want to work with you again.

And what Macquarie is allowed us to do is be true entrepreneurs in terms of how our mindsets are related to clients, how our mindsets are related to new opportunities and new products to offer those clients.

We actually solve problems that a lot of folks don't approach because we really have focused on how we localize our business.

Our business really did grow out of those early days in the Macquarie Capital business, using our advisory expertise to create financial products for investors who wanted to be invested in the long-term. We've grown beyond infrastructure to have a platform that is growing in the real estate space. We have an agriculture presence in Brazil. We've been in Mexico for over a decade.

We’ve had to adapt quickly to changes in the environment, changes in regulations related to mining and infrastructure, so we do have a global team, but in our region, in the Americas, we have native speakers that help us do business in Latin America, so we have transactions that are all the way in the south of Chile all the way to the north in the Arctic Circle.

Where you can go into a client and have the expertise of the physical as well as financial knowledge and providing our debt solutions and we can actually come up with solutions whereby we put a debt structure inside of a physical commodity product.

We've expanded new teams and asset class over the past few years to bring additional capabilities to our clients. For example, our small mid cap growth team.

The private equity market for leveraged buyouts in the US really took off, so we ended up investing in our business and building it around private equity deals for big private equity clients that would do syndicated loans to finance their acquisitions in the US. In 2009, we underwrote nine deals; in both 2017 and 2018; we underwrote over 100 deals for over $100 billion in transaction value.

You need to be thinking about where you're taking your business in order for it to be successful in the future.

We focus on changing market conditions I would say obsessively. It's something that we think about all the time. Here in the U.S. in Corporate Asset Finance, we combine expertise in corporate investing with real estate investing. A lot of pure real estate investors will shy away from asset classes like senior housing or student housing or things like ports that are a little more esoteric, and for us, we have the expertise to look at something as an operating business as well as the real estate.

The Green Investment Group recently launched into North America in 2018 and we're pursuing a number of projects both in front and behind the meter. We have structured the finance around one of the first commercial and industrial virtual power plants in California.

We believe there's an opportunity for our firm in the active management space because we have high conviction defined strategies with excellent retail distribution capabilities to deliver a global platform.

What's most exciting about Macquarie is how clients view us as true innovators. And so when we think about combining our expertise in areas such as education services or information services coupled with the unique capital base that Macquarie Capital has and create very unique solutions. So for example, the last 18 months, Services has completed over 60 transactions globally, and over $10 billion of M&A transactions globally and we've been able to develop a very distinct leadership position.

So as we've grown at Macquarie over the last 10 years, let's say, in the Americas, people who have joined us have decided to join us. When we've acquired a team, where we've acquired a business or we've hired individuals, people have decided to join Macquarie. Why have they decided? Because of the opportunity, the opportunity to define the business that they wished to go after.

So our business started when a team of us approach Macquarie looking for a global player who could actually take the risk and understand infrastructure needs around the world. There were only one or two manufacturers who could do what we do, but we're the only bank that we know of that can actually deploy resources and in all the continents.

We're focused on satisfying our client needs, delivering them solutions and doing that over the long-term. Growing with our clients.

Shawn Lytle: Thank you. Great to be here this morning. Thank you, Shemara. It's now been just over a year since I took on the role as the US Country Head and I'm honoured to be here to share some of the insights that I've drawn from the last year in this role together with my role as head of Macquarie Investment Management. The video you just saw is I think a fantastic cross section of the talent in some of the leaders from across the Macquarie America's business. Our culture outside of Australia is unique to the region, but importantly, our culture continues to be underpinned by the core principles outlined by Shemara earlier today.

Let me now tell you more about what's driving our business in the Americas, the opportunities we see ahead and how we're positioned to take advantage of them. AUM in the Americas is now more than half of the group's total assets under management; we have a leading presence in infrastructure. We have a top 50 US Mutual Fund Family, competing in the active space. We've held top rank in physical gas trading in North America, competing with the other major producers, and we continue to provide advice to clients across a range of sectors in MacCap; raising capital for them and providing specialist solutions. Today, the Americas contributes 31% of the group's total income, making it the largest region outside of, of course, the home market of Australia.

Looking back at our history in the US, which comprises more than 25 years, as Shemara highlighted before, it's no surprise that our staff in the Americas began with our areas of expertise at the time. Mining finance, Australian institutional equity sales and infrastructure investing. Our ability to adapt and change in a very dynamic US marketplace and take advantage of market dislocation has enabled us to establish market share in a number of areas. Our focus has always been to pursue opportunities adjacent to existing areas of expertise, whether it's through organic growth or through some acquisitions. A good example of this is the acquisition that Shemara highlighted before of Cook Inlet Energy in 2005, and then the Constellation Energy gas trading Business in 2009. These helped form the basis of the energy capabilities we have today led by Nick O'Kane out of Houston. And you'll see this trend continue with our recent acquisition last year of Cargill's power and gas business that Andrew Downe will touch on later in a case study. The key point is that our people, and our culture, our talent is critical to growth. The number of people when we started here was three in the United States and Shemara remembers well, she and Nicholas and others pounding the pavement in New York looking for business as they started to expand and think about infrastructure in the US. By 2005 we had over 500 and now we have almost 2,800 people in the United States spread across businesses, skillsets and different markets. It's the people who are the closest to our clients and customers, who have established various new business lines, developed expanded product offerings and made select strategic acquisitions that's really the driver of our business and that evolution and expansion in the Americas is continuing in 2019. But just highlighting three key drivers, thematically, Macquarie is incredibly well positioned in the region and the composition of our businesses are closely aligned with our core areas of expertise.

Infrastructure. The aging state of US infrastructure has long been evident to everyday users and consumers. All you need to do is show up at a US airport and you can see how much work needs to be done. State and local governments understand that ongoing need for infrastructure investment and opportunities to create, replace and upgrade. Just in surface transport alone, it is expected that $2 trillion needs to be spent by 2025. The size of the capital market is also significant. This region is home to the world's largest capital market and also some of the fastest growing markets in Latin America. Currently over 50% of the world's investible assets are here in the Americas and it continues to grow faster than other regions besides some areas of Asia. Given the long-term commitment of our team to the market and strong client relationships, there's a real opportunity to continue to grow in this marketplace. And Shemara talked about the small market share we have, even with the large assets.

Energy. US energy industry has long relied on private investments. There continues to be a huge and growing amount of capital expenditure in this area required to sustain growth. The dynamics of the US market are dramatically changing, as you can see by that blue line there as net imports are expected to go to zero, to zero by 2020. This is a vastly different environment than we had in the 1970s in the United States. We also have seen increased supply and demand for renewable energy, which is a key driver for our business.

As you would have seen from the 25 year history, we have seen significant growth since the start of our business in 1991 in the United States. Today we have the four main operating companies that are much more robust with a clear competitive advantage in certain areas and in some cases leading positions in their markets. For MAM, MIRA has one of the longest serving and most experienced teams in the region. Since launching its first fund in 2003, we are now managing $25 billion in the region with 33 businesses across 293 properties. And MIM, with $160 billion in assets, today we're a top 50 US mutual fund company and growing. For CAF, asset finance has a track record of identifying and growing new asset classes which have historically including Mining Finance and Aircraft Leasing and recently we're moving into growing a US technology equipment vendor financing business. We've also seen recent activity in the US multifamily rental apartment sector, which you'll hear more about from Florian in a minute.

On CGM, our Commodities Markets Division, which we've already highlighted out of Houston, has a very strong regional presence and the energy landscape and the volatility continue to provide us with opportunities.

CGM is also financing in the US, a lot of non-bank lenders on the Credit Markets Division. And finally but not least, is Macquarie Capital, which has deep expertise across a number of select sectors and niches. Most importantly, it's demonstrating success in services and software, particularly in the education space and also aerospace defence and government services. Also, we've made a number of recent hires to expand further in niches such as energy, tech, industrials, healthcare, and fintech.

So in conclusion, Macquarie's ongoing success in the region has been driven by long-term client relationships, consistent visibility, which is important in the US marketplace, and we now have a very well established business. Deep sector expertise in core areas such as energy and infrastructure and increasingly technology and our ability to keep evolving and remaining relevant as the market opportunities change. So with that, I want to say thank you and I'll turn it over to Martin to get a little bit more detail about MAM in the region.

Martin Stanley: Thanks Shawn. So as Shawn talked about the people component of the MAM business, this is the largest team that we have across the MAM business; 720 people, seven different offices across the Americas. It's a really exciting opportunity for us both in the MIM business, but also in the MIRA business as well. When we look at the types of capital that we're managing around the Americas, we can see that actually it's more diverse than any other part of the globe. So we've got two listed vehicles, for example, both in real estate and in infrastructure. We've got a very strong unlisted real estate platform. I talked earlier about the recent capital raising that we'd done in the, in the MIRA platform with MIP III which closed at $5 billion, which was it's hard cap, it's target size was three and a half, so we're very pleased with that.

And then of course the MIM platform based predominantly out of Delaware, out of Philadelphia. The opportunity that Shawn also talked about was on the capital side and it's a really important capital market for us in terms of where our capital is coming from. So when we think about one of the big channels that Shawn's high performing teams are raising capital from, it's in this retail distribution channel that we see $23 trillion of capital is coming into the assets space, asset management space from this source of funding. And that accounts for about a quarter of the total amount of money that's going into that space. So it's a real opportunity for us to try to tap into that a little bit more across the real assets platform, which currently we're not really doing as well as we could do.

Again, I say it's a key component of where a lot of Shawn's money is coming from. And then when we look at the alternative assets space both in real estate and in infrastructure, as Shawn said there's a huge amount of requirement for infrastructure and real estate investment across the Americas and we're trying to pursue that with vigour. The track record that we've caught in the unlisted space is really impressive and that is what's driven the $5 billion capital raise in this that we've just closed prior to Christmas. And with that I'll hand over to Tim to talk about some of the opportunities and Macquarie Capital.

Tim Bishop: Thanks Martin. So the Macquarie Capital story in the Americas is very different than our story in EMEA. Key components of our US businesses are focus on financial sponsor or private equity clients.

Sixty-five percent of the Macquarie Capital revenue in the U.S. today relates to our financial sponsor clients. In the first half of this fiscal year alone, we completed almost $50 billion US dollars of deals for over 30 clients. Our relationships with financial sponsor clients being critical in driving the trajectory of our US business and the overall Macquarie Capital story. And to give that some context, the Macquarie Capital's fee revenue that's generated from our clients in the US is two to three times the size of our Australian business today. Having said that, it is a highly competitive market and therefore we are acutely aware of the need to be differentiated. We tend to be more focused on mid-market financial sponsor clients, trying to not compete head to head with the bulge bracket firms. We do focus on niche and relatively underserved sectors. And as you heard from Sam Shah in the video earlier, we are trying to recruit very entrepreneurial bankers who really bring a commercial mindset to how to monetize their industry expertise. And Sam in particular is a great example of that in terms of what we're doing in education and services.

We also invest our balance sheet in a very unique way alongside our financial sponsor clients. We are excited about the growth opportunity with our sponsor clients. Quite frankly, we think we're still very early in the establishment and growth of this business. There are two main areas for growth. Firstly, increased sector coverage that there are huge parts of the US market that we do not cover today and Shawn alluded to that earlier in his presentation. And secondly, geographic expansion, again, it's this theme around exporting skills, in that we're really leveraging off what we've developed in the US, whether it's our client relationships with us, the products we have, the sectors that we are covering and transporting that in particularly to the UK and Europe and Germany more so. Now I'm going to hand it over to Florian. Thank you.

Florian Herold: Thanks Tim. In Principal Finance, we've now been in the Americas since 2009, building up our base in relationships in three offices today in New York, Chicago and San Francisco. And it's one of those strong relationships that has resulted in a very significant deal for us in 2018. We formed a joint venture with an experienced owner and operator of residential rental buildings. Our partner has been in this business since the early 1990s for more than 25 years now, building, owning, and operating multifamily apartment buildings with the focus on the south and southeast of the United States. We in Principal Finance have also significant experience in the real estate space and we've committed over $3 billion US dollars across 60 deals and more since 2009. So between us and our partner, we formed a 50 50 joint venture, bringing together both our expertise in the space. The joint venture is focused on Texas and other markets where we see significant supply shortages and we not only today own to get 10,000 rental units, but we also have a very strong pipeline to develop further units for future growth.

We've known our partner for more than five years. Jackie Hamilton, who you've seen in the video, has led the deal and the relationship. She's based out of New York. And during that five year period, we've supported our partner with more than $250 million dollars' worth of financing in four different separate transactions to help them grow their asset base. And it was this joint experience over many years, which allowed us to be chosen as the equity partner of choice for developing the business further from here. Andrew please tell us more about CGM in the Americas.

Andrew Downe: Thanks Florian. In the US, CGMs energy business is benefiting from an energy revolution that's likely to see the US become a net exporter of energy in the near future. Over the past 10 years, we've helped our US clients with the efficient flow of energy around what is an aging and under invested energy infrastructure system.

We have a longstanding client relationships in the US gas and power markets, but our lack of coverage of the southeast region was a gap in our expertise and our relationships. Cargill's North American gas and power business provided an opportunity for us to fill that particular gap. That acquisition has given us complete coverage with over 60 power experts, now, based in the US, covering the breadth of the country as well as the new office and a new power desk in Minneapolis. With this expansion into an adjacency, we've seen, first of all, the additional new clients that we weren't previously covering, a strengthening of our relationship with our existing clients and improved ability to offer the breadth of our energy platform to our client base, and much more improved insights into the adjacent market opportunities around the US regions. As a result, from Q3 2017 to Q3 2018, Macquarie energy saw an uptake of 92 percent in the quantum of megawatt hours that we traded of power.

This is due in a very large part to the physical activity in the southeast power desk, with municipalities and with utilities in that region. With power experts now covering the breadth of the US markets we're well placed to help our clients navigate the changes that will occur as the US markets make significant investment to modernize the energy infrastructure and with our relationships with an extensive coverage of utilities, we're well placed to provide EPAs for the various renewable projects that are being developed by Macquarie Capital. Shemara, back to you

Shemara Wikramanayake: Thanks team. And in terms of what's next in the Americas as we've all been discussing, it's the biggest revenue pool in our industry in the world, but as Tim said it's very competitive. So we are really focusing on niches where we can make a different shape markets and build business for ourselves. And for example, in asset management, that's in infrastructure, as Tim said in M&A advice we're focusing by sectors like Sam Shah in services, education, healthcare. We're focusing on clients like PE sponsors; we're focusing on products like DCM and private capital markets. We also, as Andrew was discussing, we’re trying to participate in the changing of the energy landscape and there we’re building a leading position and trying to expand adjacently off that. And then lastly in infrastructure and now real estate as well as Shawn mentioned, there is a huge amount of investment needed and there's a huge amount of investing needed from the investors in the region and in real estate with the GLL and also the CAF Principal niche operations. We think there's scope for us to grow there as well, so big market, but we're very focused on parts of it where we can really drive growth.

Sam Dobson: Thanks Shem. We will leave it with two questions again if that's okay.

Question: (Andrei Stadnik, Morgan Stanley) Can I ask a question to Andrew Downe? So you said that the US platform build out is perhaps largely done, but is there more you can do in terms of building out your global platform and what kind of cross synergies can that bring?

Andrew Downe: There's certainly more we can do to build out the global platform depending on which form of energy you're talking about. They're either kind of somewhat regional local markets or their global markets. So petroleum industry broadly speaking is a global market but things like power and gas are still largely regional, obviously with LNG developing around the world. We see connectivity between these markets improving over time, but that's a long period of time and a big investment required along the way. So, I would say, in things like petroleum, we have moderate coverage around the world. There's still some areas for geographic growth. In things like power and gas, we've obviously got the big western market of North America and the western part of Europe and the UK well covered. But for example, Japan, Singapore, these power markets are really just opening up now. The gas markets are highly linked to LNG development, which is substantial and happening at the moment. So, I would say that depending on exactly which one you're talking about, there is still lots of room for growth.

Sam Dobson: Okay. I'm going to move onto Asia, and I'll ask Ben to join us.

Shemara Wikramanayake: Great, and while Ben is walking up, because we have 17 minutes left to cover Asia and it's an important region, there is a lot of opportunity there. First of all, I'd say Asia as we know, is the biggest growing contributor to GDP growth in the world. And so there's a lot of money needed to be invested there in areas like infrastructure, in renewables, in commodities, and also in logistics, in terms of moving assets. It also is one of the largest saving pools in terms of source of exported capital for the world. And the other thing for us is it's a great source of talent. So in our shared service centre, but also the Conergy team that have come on board, we're able to get huge support for our operations globally, but also expand a lot of talent around the world. With that, then I might hand over. Oh, to the video. That's right. I keep forgetting the important video.

Video 3 - Asia: Macquarie has been able to forge longstanding relationships in Asia, developed over many years and have enabled us to expand our product offerings, expand our client base, and to build a solid footprint and reputation in Asia.

Over the last decade, we have really built on our expertise in this region. We built our on the ground presence as well as increased our local teams.

This is thanks to the fact that Macquarie always employs experienced local staff and understands the different needs of the customers in different regions and cultures.

So, by having really smart people on the ground in countries where there are huge opportunities, this has helped us shape business and move into new markets like Korea, Japan, and Taiwan.

What makes Macquarie’s culture different to other companies is our venture spirit, even young people can use their own ideas to start something new.

Macquarie is recognised by our business partners and investors as a reliable company that you can trust over a long period of time.

And the result of that is a very diversified portfolio of assets. For instance, we're the largest financial investor in Indian toll roads and we're also one of the largest independent owners and operators of storage facilities in this region.

The catalyst for change in Asia has been what's happening in the power generation market to transition away from coal and nuclear through renewables. A good example of this is in Taiwan, where we're developing three offshore wind projects, including Taiwan's first offshore wind project. To enable us to do this, we need a combination of skills and not just financial skills, but deep technical expertise, wind turbine experts, health and safety experts, project managers all working together to help us develop these complex projects.

We are working every day on all kinds of hedging in commodity transactions, cross border transactions related to renewable energy and new needs in existing financial assets as well as various other fields.

The commodities market in China features good liquidity, while 3 of the world’s top 10 commodity exchanges are located in this country. CGM has established a wholly-owned company in China and has obtained the trading qualifications of commodities and futures to take an active part in this most liquid market, which has enabled us to master the market trends and to adjust our development strategies in real time.

Asia’s share of global capital markets is growing in importance. Through the relationships that we have developed with investors locally we are able to leverage our expertise to create new opportunities for our clients.

Most recently we bought capital from China, from Korea, from Japan into our global deals. This is a great example of how we bring our local relationships into our global business.

Macquarie’s Gurugram office has an innovation incubator which is enabling the enterprise to look at delivering highly cost controlled and efficient new innovations for the Macquarie’s global platform.

We build awareness on new opportunities, upscale our people, and then give them freedom to own it, execute it, and deliver it.

It's part of the way we do things, to always questioned, always simplify, always take advantage of digital initiatives that are happening across the world and innovation is key.

Identifying, sourcing, and executing transaction is one part of our expertise and then the other part is in our asset management ability. We have the right local relationship. We are able to understand who our stakeholders are and that is quite important when it comes to certain issues like environmental health and safety.

Macquarie's strength is in the fact that we can move quickly and the fact that we have experts all over the world. We have very strong expertise in the technical aspects as well as the financial, hence our specialist knowledge can be used to find projects and develop them. I think that's the strength of Macquarie culture and works to make Macquarie powerful.

Ben Way: Good morning everyone and thank you for staying. It's my pleasure to update you on the Asian operations, which I last did in 2017. That video really is a window into Macquarie and a window into my life, to be honest. Some of you probably know, I've lived in Asia for the last 18 years in five different cities and as Shemara highlighted, Asia is a region with lots of opportunities, but it is complex and what we're often asked is given these complexities, given Asia's scale, given its many cultures, given its varying stages of economic development, what is our approach, what is the most important factor? And really what it boils down to is having on the ground local empowered, diverse, collaborative and high performance teams. Because it's these teams that help us realize and identify opportunities that are aligned with our strengths. They also enable us to understand risk and respond accordingly and ultimately it's this culture that drives our results.

In terms of the Asian platform, you know, we've had a presence in the region for 25 years. We first established offices in Beijing and Hong Kong in 1994. Today, we have a broad footprint. We've got 3,600 staff across 14 locations in 11 markets. As you can see, 50% of our staff are in the shared services centres in Manila and Gurugram. These teams help enable our global enterprise and I'll touch on them a little more in a moment. Importantly, our teams are a reflection of the communities in which they live. 94% of our staff are multilingual. As Adam and Verena importantly touched on in the video, our platform and continuity has enabled us to foster enduring local relationships, which is really critical in Asia. We constantly collaborate across the region and across groups on how to best serve our clients and our community stakeholders, whether it be through our platinum client program or through our infrastructure and energy conferences where we share our insights and importantly them our Macquarie story. We're a people lead, people driven businesses as Shemara remarked earlier on today and as you can see, our platform continues to evolve much like Asia itself.

Over the years, we've moved away from being solely market focused by building out the annuity style business. So in Asia today we raise capital, we develop renewable assets, we provide fixed income products, we manage infrastructure funds, we advise on cross border transactions, we move commodities, we trade equities and more. A good example of us delivering on our strengths is our warrants platform. We're now one of the largest warrant issuers in Asia, trading across five markets with a 20 year history. From a commodity perspective, today we trade more than a hundred commodities around and in and out of Asia, from gas and electricity, to copper and aluminium, to coffee and dairy. We're also very active in markets that are prioritizing Green Energy. In markets such as China, Taiwan, Japan, Korea, and the Philippines, we're a developer, we're an investor, we're an operator, and we're a financier. We're an analyst and we're an advisor. In terms of Asia's outlook, it remains very positive and underlying this outlook is really the demographic theme of our time, which is urbanization. Asia today is witnessing the largest migration in history. Over the next 15 years, 650 million people will move into urban areas and at the centre of urbanization is the rise and rise of cities.

This is important because cities offer the scale and density required for efficient and innovative collaboration between people, ideas, and capital. In effect, cities drive growth, and to put this in perspective, China's urbanization rate was 59% and India's was 34% in 2018. This is where the US was in the 1940s and the 1890s respectively. What this means in terms of urbanization in Asia is that the theme has a long way to run and importantly it's urbanization that's driving a number of long-term trends that really play to Macquarie's strengths. We can see this in terms of Green Energy. Over the last two years, 50% of all global renewable energy investment has been made in Asia. Yet more than 350 million people continue to live without electricity in our region. As Neil spoke to in the video, energy asset creation in Asia is a very significant opportunity for Macquarie. We're also seeing the rapid rise of the middle class and consequently savings. These growing pools of capital are critical sources of funding to our global platform as Macquarie.

Complementing these trends is connectivity. There are 4.1 billion mobile subscribers in Asia and a good demonstration of the activity of these subscribers is mobile payments.

In 2017, mobile payments in China totalled $17 trillion dollars. In the US it was $120 billion dollars. Or put another way, China was 140 times larger than that of the US and it's this connectivity and the rapid digital adoption in Asia that's creating a whole set of opportunities for Macquarie in asset finance, in principal investing, in smart cities, in logistics and more. In terms of the operating groups in Asia, we have four groups represented. From a MAM perspective, we manage $58 billion dollars of assets under management. MIRA today, manages the largest infrastructure funds platform in Asia. It currently has $22 billion dollars of EUM across 66 businesses in six properties in six markets. MIM has five investment teams focused on Asian equities, fixed income, and hedge fund strategies. With its increasing wealth, Asia as a significant contributor to MAM's global fundraising. In terms of CAF, we've been operating for 20 years with teams in Korea, Japan, Taiwan, and Southeast Asia, and we've recently expanded into China.

In Asia, CAF operates in asset finance and lending business across technology and manufacturing. As an example, we launched the first smartphone rental program in Korea. Given the demand for semiconductors around the world and Asia's leadership position in terms of production, this is the type of growth opportunity that's emanating in Asia and something that Garry will touch on further. CGM in Asia is our largest group. We have execution across 16 exchanges and research coverage of more than 850 stocks. CGM continues to expand. In China this year, we started to provide offshore clients’ access to commodity producers, via onshore exchanges, and as Asia continues to increase its consumption of commodities, we're well positioned to take advantage of this growth opportunity and this is something that Andrew, will expand on in a moment.

Over recent years, MacCap has really repositioned its business in Asia. The team are focused on growing their pipeline of principal investments and development in green energy with a focus on Taiwan, Korea and Japan. We have seasoned industry and technical leaders who are working alongside our financial experts to develop these green assets, and this is something again that, Tim will speak on more in a second, but given Asia's need for green energy assets the potential in this sector is very significant.

Shared Services is an integral part of our operations in Asia. As Sandy and Eric so proudly highlighted in the video, they're teams are at the forefront of simplifying, automating and innovating our business. For example, 75% of Macquarie's global applications are supported from Manila and Gurugram, today. Shared services also ensure we work smarter and more efficiently. A good example of this is how we're using robots to automate our workflows and systems. Our teams in Manila and Gurugram are also great examples of Macquarie's culture. They engage and collaborate every day with thousands of teammates across the world. They also give back to their communities just like our other teams in Asia and around the world.

The key message I would leave with you today in terms of Asia is really that we're more connected and more local than ever before. We're actively pursuing and realizing opportunities across the region. That makes it a very exciting environment, but it isn't without its complexities and that's why we focus on our strengths. One of the areas I've highlighted this morning is Asia's growing capital pools and this is something that Martin will now touch on in terms of a man's opportunities. So many thanks and over to you Martin.

Martin Stanley: Thanks Ben. So, this is one of the most exciting areas for us in MAM and over the last sort of 10 years or so, spent a lot of time wandering around with Ben and others in the Asia team as we've been looking for the development of this business. And the growth of what we've seen across the MAM portfolio particularly in MIRA has been really impressive and something that we've been very proud of. Today, we've got a very diverse business across listed infrastructure in Korea through to real estate in Korea and China.

By the way across two country specific infrastructure plans in India and the Philippines and now large PAN Asian funds that are servicing the needs both of the Asian investor community, but also the of the global community as well. So this platform for us is the one that is laden with growth and we see it as a great opportunity for us going forward. It's the fastest growing part of the business that we have in MAM. Just to give you some headlines, just to flesh out some of the stuff that Ben has been talking about. If you just take the Chinese insurance capital market as one example that grew from $1.1 trillion dollars of capital in 2013 to $2.4 trillion dollars in 2018 and in 2017 APAC Pension funds accounted for 44% of the assets in the world's top 20 largest pension funds. These huge pools of capital that are growing significantly over time.

In fact, of the largest sovereign funds in the world, six of those are located in the Asia region, and the largest of those, the government pension investment fund in Japan is 36% larger than the next largest. So these pools of money are very significant and we have been investing very heavily in our distribution teams in order to get us access to that capital that is manifesting itself in where the money is coming from, from our various products around the world. So, if we look at our European fund platform, for example, in the real asset space, a very significant component of our money today comes from Asian investors from right the way across that region. So really important for us and the track record that we're seeing in the European team is really driving access to that capital. The other thing that we're seeing as well is that as the maturity of our Asian business is growing, we're actually getting the license to operate in larger investment mandates and we've got two great examples of that over the course of the last 12 months.

First is the privatization the Indian government did of the roads platform, so nine operating roads, and 30 year concessions in India. We acquired those through our Asia platform, bringing co investment capital as well, $1.7 billion US dollars enterprise value, so largest transaction that we've done in India. The largest transaction that we've done for the funds platform across that and then the second transaction that we completed last year was with SK Telecom where we did a $2.7 billion dollar, US dollar, transaction to acquire ADT Caps, which is a security and data services business, which again is tapping in particularly into Korean capital. So lots of opportunity across the region, both in terms of the capital raising potential but also in connection with the deal flow and the opportunities that we see there. Tim is also seeing opportunities across his business. And I'll just hand over to Tim now to pick up on that.

Tim Bishop: Thanks Martin. And as Ben mentioned, Macquarie Capital has really repositioned and refocused our business in Asia over the last few years. So when you think about Macquarie Capital in Asia, I'd identify that we do two key things. Firstly, we focus on cross border capital flows, particularly relevant in our infrastructure and green energy sectors where we're very active with Chinese, Japanese and Korean investors in our transactions globally and bringing their capital to our transactions globally, whether that's our principal transactions or advisory transactions. The second key activity for us is obviously Green Energy. We have 200 people focused on Green Energy in Asia today. Again, it has that combination of technical operational skills with the unique sort of banking skills that really is a real point of differentiation. In the short term today, we have an opportunity in offshore wind in Taiwan that we believe is quite material. We have opportunity today in solar in Japan and Taiwan and waste in Korea.

When we look forward over the medium term, offshore wind we expect to come online in Korea and Japan and we're excited about that. And also, we'll continue to push into new technologies, fuel cell batteries and the like and floating solar and floating wind. So again, it's that expansion into new technologies and Geographic's that we're excited about. The slide specifically draws out what we're doing in solar. Solar is, we think will be the highest growing area for our business in Asia over time. We're delighted to acquire the Conergy team recently just under 90 technical experts, fully integrated development solar integrated business, development, procurement, engineering, asset management. High quality people largely based in Asia. They bring a couple things to us.

Firstly, we really think they're going to enable us to optimize our bids and really allow us to maximize the yield and efficiencies from our projects as we analyse these projects throughout Asia. And secondly, it should allow us to undertake more complex solar projects than we've been able to do historically. We're really looking at Asia to be our global hub for our solar expertise. So, it's a little bit of the reverse of what we talked about in Europe. We think with the Conergy acquisition and the stuff that we're doing in solar across Asia where we're optimistic that we can really use Asia as our hub for solar and exploit that skillset into our business globally. Big picture in Asia, in Green Energy, we're excited about that story and we think it's a story that will play out actually over a number of years. Thanks. Now, I'm going to hand it over to Garry. Thank you.

Garry Farrell: Oh, thanks Tim. We've been investing in local teams as the other groups have in Japan, Taiwan, China, and Korea for a long, long time. We've been in the semiconductor trading, re-marketing and financing business since 2002. Integrated circuits or another small but critical asset which are prevalent in everything. From planes, to motor vehicles, to smartphones, to data storage, to the cloud, and even in the human body. The opportunities are endless. They're enabler, much like a smart meters I talked about a little bit earlier. Now these IC’s are producing massive fabrication plants, they're tested in even larger facilities and assembled in other huge facilities. As you might imagine, the capital spend is quite large and you see some stats on this slide. Over the next three years, $200 billion dollars, and there's opportunities in that. We have the only localized global team based in the countries I mentioned earlier. It's been in existence for 16 years. That acts as an agent buying and selling for customers or is it principal. We've been actively trading used assets over this period of time and built up enormous amount of data on the prices, the players, the buyers, and the sellers and the ultimate users of the assets, as the technology changes. This allows us to get comfortable to take assets and residual risk and provide somewhat of a unique value to our end user, customers. Now the industry is certainly cyclical.

Our FAB customers do not need to use these, all these assets, these massive FABs and it cost something like two to three billion dollars. But we step in and take considerable risk given we've always traded these assets over a long period of time. Provide a unique solution for our customers to allow them to return the assets during the period of the financing. That's an awesome solution. It reduces their annual payments and of course they don't have to provide the capital. So that we have other willing providers for getting equity capital in Asia, wanting to participate in these large financing with us, so in essence we're providing both the solution to the end customer in Asia and willing investors. That's a typical great Macquarie story. You can see one example of the financing we've been providing to a large Asian customer for quite some time and the significant dollars that have been put out the door. Now I'd like to pass to Andrew and CGM to talk about some of those vital supply chain solutions. Andrew?

Andrew Downe: Thanks. For CGM, a good example of the work we've been doing in Asia is across supply chain solutions for our clients. With Asia already the largest consumer of commodities in the world, producers and consumers are looking to better manage and gain control over their full supply chain, particularly by sourcing as close as possible to origin. By utilizing our existing capabilities to handle physical commodities, access financial markets for both risk pricing and risk management and for capital. And also our ability to optimize logistics services, we're able to offer clients a complete solution. We've been able to expand our relationships with our clients from their treasury functions to now include their procurement and marketing functions. As a result, we have daily interactions with our clients who have become increasingly comfortable with our ability to perform reliable just in time logistics along global supply chains, as well as being an efficient supplier and marketer of our client's products.

These clients utilize our distinct advantages in these areas and are typically gaining shorter and more transparent supply chains and also more efficient use of working capital. So, where are we at? Last year we handled about $9 billion US dollars of metals, agricultural commodity, gas and oil cargoes, and chartered over 40 vessels to transport cargo throughout Asia. Clearly this makes us still a very small participant in a very large market where there is increasing demand for integrated working capital and supply chain solutions. I'll hand it back to Shemara to talk about what's next for Asia.

Shemara Wikramanayake: Great. Thanks everyone and thank you all of you again for staying. Hopefully it was worthwhile because what we're doing in Asia is very exciting and I think it's the region where our deep technical expertise and our local knowledge can bring the most value and not the least of this is because business is done in so many languages as you saw with our colleagues speaking on the video, but as I said, probably the three big themes for the region as it shows on that slide here, one is the capital and technical expertise is needed across Asia in terms of investment, in infrastructure, in commodity supply chains, in renewable energy, etc. Also, as a team talked about the cross border flows, not just of capital but also services back and forth, and then the local expertise that we sourced from the region as Ben talked through with our shared services and Tim talked about with Conergy, very talented pool of people that are able to serve our businesses globally out of all the regions they operate from.

So, look, before I hand over to Sam for final questions, I just wanted to briefly say a few thank you's to the Corporate Comms team and Sam and the team that worked on putting the videos together and all our global team who presented in them, our global leaders who flown here today from all over the world and put a lot of effort into presenting and also, I guess by no means least to all of you for staying with us. We have run 10 minutes, nine minutes over at this point and I know the 37 degree heat outside is probably one of the factors keeping you in the air conditioning, but we know your time is valuable, so we appreciate you staying with us. Thank you.

Sam Dobson: Thanks. We have time for a few questions. Then people will stay afterwards, I think, for tea and coffee.

Question: (Jan van der Schalk, Ausbil Investment Management) Sorry for asking a question. Jan van der Schalk, Ausbil Investment Management. Just thinking about a global and globalization and increasingly protectionist world, if that trend were to sort of become something more fully fledged than it currently is, how does that affect your business?

Shemara Wikramanayake: I'll answer first and then let any colleagues who want to comment, but I think our business is heavily at the moment focused within the regions that we're in, so if you look at what Andrew's team are doing, for example in gas and power in the US, it's a very north American business. It may be impacted by trade a bit, but it's really the US developing as a producer and all the infrastructure around that in gas and energy, the investments we're doing in renewables in Taiwan are because Taiwan is moving away from, Asia is moving away from coal and nuclear and there's big demand for renewable in the region. The infrastructure investments that we're doing around the world, I think the capital flows will continue even though the goods and services flows maybe impacted by sanctions, etc. but do any of you also want to elaborate?

Andrew Downe: Broadly within the CGM world, change is good. Change means customers need to do things and frankly that could be either way. Protectionism or, you know, opening up markets.

Ben Way: I think the trend we're seeing in Asia, particularly in terms of institutional capital, is both from a regulatory perspective, but also just from an asset allocation perspective, those investors are looking outside their own domestic markets more than ever. That's certainly been the trend over the last five years. Most of the big institutional investors that we deal with have just gone through their annual budgeting process at the end of last year and looked at their asset allocation. All of them, I think, you know, generally speaking would have moved to actually looking offshore just because they're looking for yield and they're looking for diversification. So I don't think we see any sign of that in Asia today. And in fact we've been, you know, I think we've been a beneficiary of that, of that tail wind over the last five years as they have actually looked outside the domestic market. So at the moment I think things will be positive, particularly from institutional capital flows.

Shemara Wikramanayake: And I'd say lastly, change is generally opportunity for our business. So, if people are needing to realign their supply chains, then we'll be looking for how we can help them by sectors, by regions, etc. what we can do to deliver solutions for them.

Sam Dobson: Any final questions? Nope. All right. Thank you very much for coming along today. Thank you to our group heads. Thanks, Shemara. Cheers.

[END OF TRANSCRIPT]