Everest Babcock & Brown Limited (EBB)

17 October 2007
AGENDA

1. Introduction to Everest Babcock & Brown

2. Everest Babcock & Brown results highlights & outlook

3. Current investment environment

4. Everest Babcock & Brown Alternative Investment Trust

5. Conclusion

6. Appendix
EVEREST BABCOCK & BROWN OVERVIEW

- Founded in February 2000 to manage the Founders’ proprietary capital
- One of the leading Australian based investors in absolute return funds
- Approximately $3.3 billion\(^1\) of assets under management (AUM) at 30 June 2007
- Alignment of interests: $300 million of Founders’ capital invested in EBB managed funds
- Family office philosophy
  - Founders have over ten years of experience in investing in absolute return funds
  - Long-term investment horizon
- Principal-to-principal relationships
- Fundamental and rigorous research based investment process
- Close strategic relationship with Babcock & Brown
- Market cap of approx. $500 million\(^2\), Ownership: 37% Founders, 26% Babcock & Brown, 37% public

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1. This amount includes invested assets under management of $2.9 billion, approximately $188 million of uncalled capital commitments and approximately $317 million of un-utilised debt capacity in respect of all EBB managed funds.
2. As at 30 September 2007
<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Everest Capital founded</td>
</tr>
<tr>
<td>2001</td>
<td>Launch of first fund of absolute return fund: the Everest Global Growth Fund</td>
</tr>
<tr>
<td>2003</td>
<td>Strategic alliance formed with Babcock &amp; Brown</td>
</tr>
<tr>
<td>2005</td>
<td>IPO of Everest Babcock &amp; Brown Alternative Investments</td>
</tr>
<tr>
<td>2006</td>
<td>Launch of first direct investment fund, Everest Babcock &amp; Brown Income Fund</td>
</tr>
<tr>
<td></td>
<td>Babcock &amp; Brown increases its shareholding from 19.9% to 29%*</td>
</tr>
<tr>
<td></td>
<td>Everest Capital rebranded as Everest Babcock &amp; Brown</td>
</tr>
<tr>
<td></td>
<td>Unstapling of the EBB management company from EBI investment trust</td>
</tr>
<tr>
<td></td>
<td>Securities commence separate trading on ASX</td>
</tr>
<tr>
<td>2007</td>
<td>EBI raises $1 billion in new investment capacity via an entitlement offer and placement</td>
</tr>
</tbody>
</table>

*B&B shareholding currently ~26% based on last substantial shareholder notice lodged with ASX
**STRONG AUM GROWTH**

### Growth in Assets Under Management

**CAGR of 110%**

<table>
<thead>
<tr>
<th>Year</th>
<th>Uncalled</th>
<th>Invested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 2002</td>
<td>$0.07b</td>
<td>$0.37b</td>
</tr>
<tr>
<td>Dec 2003</td>
<td></td>
<td>$0.84b</td>
</tr>
<tr>
<td>Dec 2004</td>
<td></td>
<td>$1.65b</td>
</tr>
<tr>
<td>Dec 2005</td>
<td></td>
<td>$2.25b</td>
</tr>
<tr>
<td>Dec 2006</td>
<td></td>
<td>$2.87b</td>
</tr>
<tr>
<td>June 2007</td>
<td></td>
<td>$3.31b</td>
</tr>
</tbody>
</table>

**Annual growth (invested):**

- **429%**
- **127%**
- **96%**
- **15%**
- **51% (year to date)**

Invested amount includes unutilised debt capacity
IMPROVED AUM MIX

30 June 2007

- Listed Fund of Fund\(^2\) 46%
- Wholesale Funds of Funds 39%
- Direct Funds 15%

Total AUM $3.3 billion\(^1\)

30 June 2006

- Listed Fund of Fund 29%
- Wholesale Funds of Funds 58%
- Direct Funds 13%

Total AUM $1.9 billion\(^1\)

- Greater stability of earnings due to increase in proportion of listed AUM not subject to potential periodic redemption rights
- Strong growth in fund of funds business has been balanced by growth in direct funds

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\(^1\) Includes invested AUM, uncalled capital commitments and unutilised debt capacity

\(^2\) Includes absolute return funds and direct investments
### Diversified Range of Funds

<table>
<thead>
<tr>
<th>Funds of Absolute Return Funds</th>
<th>Direct Investment Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diversified</strong></td>
<td><strong>Concentrated</strong></td>
</tr>
<tr>
<td>• ASX Listed EBI</td>
<td>• EBB Masters Fund I</td>
</tr>
<tr>
<td>• EBB Absolute Return Funds I, II &amp; III</td>
<td>• EBB Masters Fund II</td>
</tr>
<tr>
<td>• Everest Global Growth Fund</td>
<td>• 4-10 ‘best of breed’ funds</td>
</tr>
<tr>
<td>• Everest Absolute Return Fund</td>
<td>• 15%pa target returns</td>
</tr>
<tr>
<td>• Everest Super Select Fund</td>
<td></td>
</tr>
<tr>
<td>• EBB-AFG Global Masters Fund</td>
<td></td>
</tr>
<tr>
<td>• 20-30 funds across a range of strategies</td>
<td></td>
</tr>
<tr>
<td>• 10%-15%pa return target</td>
<td></td>
</tr>
</tbody>
</table>

* Access to Babcock & Brown deal flow is not on an exclusive or priority basis and is not guaranteed. Babcock & Brown reserves the right to establish any fund in the future that may be similar in nature to these funds or have similar investment parameters.
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5. Conclusion

6. Appendix
EVEREST BABCOCK & BROWN RESULTS HIGHLIGHTS

• EBB recently reported strong first half earnings growth over the previous comparable period
  – EBITDA $15.4 million versus $8.0 million
  – NPAT $8.2 million versus $3.2 million

• Key contributors:
  – 49% growth in AUM for six months to 30 June 2007 due to EBI capital raising and EBB’s wholesale fund capital raisings
  – Performance

• Full earnings impact of EBI capital raising still to flow through
  – Only two months of the increased management fees are reflected in this six month result

• Strong balance sheet: no debt

AUM includes invested assets under management, unutilised debt capacity and uncalled capital
## Everest Babcock & Brown Results Highlights

### Half Year Ended 30 June 2007

<table>
<thead>
<tr>
<th></th>
<th>Half Year Ended 30 June 2007</th>
<th>Half Year Ended 30 June 2006 Normalised</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Revenue</strong></td>
<td>$21.1 million</td>
<td>$11.3 million</td>
<td>86%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>$15.4 million</td>
<td>$8.0 million</td>
<td>91%</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>73%</td>
<td>71%</td>
<td>2.8%</td>
</tr>
<tr>
<td><strong>NPAT</strong></td>
<td>$8.2 million</td>
<td>$3.2 million</td>
<td>160%</td>
</tr>
<tr>
<td><strong>EPS</strong></td>
<td>3.5 cents</td>
<td>1.4 cents</td>
<td>250%</td>
</tr>
<tr>
<td><strong>Adjusted Diluted EPS</strong></td>
<td>4.3 cents</td>
<td>2.3 cents</td>
<td>87%</td>
</tr>
<tr>
<td><strong>AUM</strong></td>
<td>$3.3 billion</td>
<td>$2.2 billion</td>
<td>50%</td>
</tr>
<tr>
<td><strong>DPS (Fully Franked)</strong></td>
<td>3.0 cents</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The previous corresponding results have been normalised to reflect the restructure of EBB that occurred 1 August 2006.

1. For the purpose of calculating this figure, EPS is adjusted to exclude amortisation of intangibles and employee options expense. Share capital is also adjusted for the weighted average impact of the issue of additional shares under the employee option plan.
2. Includes invested AUM, uncalled capital commitments and unutilised internal debt capacity.
3. Comparative data is not meaningful as dividend was paid prior to restructure.
Despite the recent market volatility we have continued to raise new assets:

<table>
<thead>
<tr>
<th>Date</th>
<th>Fund</th>
<th>Assets*</th>
<th>Investor Liquidity</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 June 2007</td>
<td>EBB Co-Investment Fund I</td>
<td>US$22.7m</td>
<td>December 2009 onwards</td>
</tr>
<tr>
<td>1 July 2007</td>
<td>EBB-AFG Global Masters Fund (Asian based investors)</td>
<td>US$50m</td>
<td>June 2008 onwards</td>
</tr>
<tr>
<td>1 August 2007</td>
<td>EBB Masters Fund II (Seed investors for further capital raising in 1Q08)</td>
<td>A$120m</td>
<td>July 2012 onwards</td>
</tr>
<tr>
<td>7 August 2007</td>
<td>EBB Opportunities Fund (2nd capital call)</td>
<td>A$19.4m</td>
<td>December 2012 onwards</td>
</tr>
<tr>
<td>27 September 2007</td>
<td>EBB Co-Investment Fund II</td>
<td>US$9.7m</td>
<td>No lock-up</td>
</tr>
<tr>
<td>28 September 2007</td>
<td>EBB Income Fund (now open monthly)</td>
<td>A$34.5m</td>
<td>One year lock-up, then annual at 31 December</td>
</tr>
</tbody>
</table>

* May include leverage and uncalled capital commitments
GROWTH STRATEGY

• Retail
  – New funds in development for 4Q07 and 2008
    ▪ Retail enhanced yield fund
    ▪ Closed end, capital protected fund of absolute return fund
    ▪ Open ended fund of absolute return fund
  – Distribution via financial advisers, platforms and direct investors

• Wholesale
  – Masters Fund II open to HNW investor base
  – Income Fund open for monthly subscriptions
  – Capital protected Absolute Return Fund 4
Overview

- 38 employees
- Experienced team
- 14 professional staff in investment & risk management
- Further growth expected in retail distribution
AGENDA

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5. Conclusion
6. Appendix
### CURRENT INVESTMENT ENVIRONMENT

#### Showing Signs of Stress
- CDOs
- Mortgage backed securities
- Asset backed securities
- Quantitative equity market neutral
- Managed futures

#### Performing In-Line With Expectations
- Equity long/short
- Corporate credit long/short
- Distressed securities
- Event driven
- Multi strategy

#### Some Broad Characteristics
- Highly levered vs. Low or no leverage
- Quantitative, model driven (‘black box’) vs. Fundamentally driven research
- Illiquid vs. Liquid
- Difficult to price vs. Public markets

*EBB investment focus*
CURRENT INVESTMENT ENVIRONMENT

• We believe the current market environment should produce more compelling opportunities for investment than we have seen in many years

• Distressed investing and asset backed lending particularly attractive

• However expect more volatility and negative headlines regarding the industry

• Hedge fund closures to accelerate
AGENDA

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6. Appendix
EBI - A HIGHLY DIVERSIFIED PORTFOLIO

Absolute Return Funds
• 8 investment strategies
• 29 Investment Managers
• 37 absolute return funds
• Top 5 investment managers
  – Och-Ziff Capital Management LP
  – Farallon Capital Management LLC
  – TPG-Axon Capital LP
  – Eton Park Capital Management LLC
  – Perry Corp

Direct Investments¹
• Investment in ‘hard’ assets eg. infrastructure
• Diversifies the portfolio, lowers correlation to equity markets
• Top three investments
  – B&B Australian hotel group
  – B&B US alternative energy
  – B&B US residential portfolio

Portfolio Allocation at 1 August 2007*

* May not total 100% due to rounding

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EBI - HIGHLY SELECTIVE INVESTMENT APPROACH

EBI's Competitive Advantage

- Family office philosophy
- Culture of thinking like owners
- Strong alignment of interests
- Principal-to-principal relationships
- Regular contact with managers
- Skilled and stable team
- Fundamental and rigorous research based investment process
- Risk averse
- Close strategic relationship with Babcock & Brown

Year to Date Research Scorecard

- Universe of >10,000 Managers
- 92 Managers Interviewed
- 62 Managers Analysed
- 5 Managers Allocated Capital
AGENDA

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5. Conclusion

6. Appendix
CONCLUSION

• Industry fundamentals driving growth remain strong

• Continued growth despite recent market turbulence

• Solid earnings results and strong balance sheet flexibility
  – Strong free cash flow generation, payout ratio policy currently at least 90% of NPAT
  – No debt on EBB balance sheet

• Close strategic relationship with Babcock & Brown
  – Good opportunities in direct investment funds

• Highly scalable business

• Defined growth strategies in retail and wholesale
Thank you

Questions?
AGENDA

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6. Appendix
CORPORATE STRUCTURE

Overview
38 employees
14 in investment management
Experienced team

BABCOCK & BROWN
Steve McKenna
Portfolio Manager
Absolute Return Funds

~26%

FOUNDERS
Will Peterson
Portfolio Manager
Direct Investments

~37%

EBB SHAREHOLDERS
John Peterson
Chief Risk Officer

~37%

EVEREST BABCOCK & BROWN LIMITED
Jeremy Reid
Founder / Chief Executive Officer

David Kent
Executive Chairman

Directors
Executive Chairman
David Kent
Founder / Chief Executive Officer
Jeremy Reid
Non Executive Directors
Trevor Gerber, Phillip Green, David Fuchs, Michael Katz, Kerry Roxburgh

External Compliance Committee
(majority of external members)
Alan Beasley, Paul Dortkamp, John Peterson

INVESTMENTS
Steve McKenna
Portfolio Manager
Absolute Return Funds

Seniors Analysts (2)
Investment Analysts (3)

Will Peterson
Portfolio Manager
Direct Investments

Senior Analyst (1)
Investment Analyst (1)

John Peterson
Chief Risk Officer

Risk Manager (1)
Analyst (1)

DISTRIBUTION
Andrew Keay
Head of Distribution

Margin Lending (2)

PRODUCT & TRANSACTION MANAGEMENT

Client Services

Communications

OPERATIONS & CORPORATE
Brian O'Sullivan
Chief Financial Officer

Finance & Operations (10)

Legal & Compliance (2)

Strategy & Planning
## WHAT WE INVEST IN - OUR ASSESSMENT CRITERIA

<table>
<thead>
<tr>
<th>Our Criteria Typically Include:</th>
<th>Core Investment Manager Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality and Experience of People</td>
<td>▶ Outstanding pedigree and investment experience</td>
</tr>
<tr>
<td>Motivation (Hunger Factor)</td>
<td>▶ Passion for investing and business building</td>
</tr>
<tr>
<td>Proprietary Ownership</td>
<td>▶ Majority owned by founder and partners</td>
</tr>
<tr>
<td>Proprietary Investment</td>
<td>▶ Nearly $2 billion invested by partners and principals</td>
</tr>
<tr>
<td>Investment Philosophy</td>
<td>▶ Opportunistic approach with capital preservation focus</td>
</tr>
<tr>
<td>Financial Flexibility</td>
<td>▶ Multi-strategy style with flexible capital allocation</td>
</tr>
<tr>
<td>Track Record</td>
<td>▶ 13-year track record with over 17% annualised returns</td>
</tr>
<tr>
<td>Target Risk-Adjusted Returns</td>
<td>▶ 10% to 15% return target with low annualised volatility</td>
</tr>
<tr>
<td>Risk Management</td>
<td>▶ Dedicated risk team with quantitative/qualitative approach</td>
</tr>
<tr>
<td>Business Infrastructure</td>
<td>▶ Over 300 employees with extensive global network</td>
</tr>
<tr>
<td>Investor Liquidity</td>
<td>▶ Quarterly liquidity</td>
</tr>
<tr>
<td>Transparency</td>
<td>▶ Deep relationship with Everest built over number of years through principal-to-principal relationship</td>
</tr>
</tbody>
</table>
Past performance is not a reliable indicator of future performance. Returns include performance of the funds to 30 September 2007. Performance figures for the month ended 30 September 2007 are based on unaudited estimates, all other figures are final. The performance of Everest Global Growth Fund is shown for illustrative purposes only to illustrate the performance of the Everest Babcock & Brown investment process.
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## PERFORMANCE CONSISTENCY OF EBB FUNDS

Net returns to 30 September 2007

<table>
<thead>
<tr>
<th>Fund</th>
<th>1 Year</th>
<th>2 Years p.a.</th>
<th>3 Years p.a.</th>
<th>5 Years p.a.</th>
<th>Cumulative Since Inception</th>
<th>Annualised Since Inception</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>EGGF</td>
<td>18.9%</td>
<td>13.7%</td>
<td>13.5%</td>
<td>11.5%</td>
<td>103.7%</td>
<td>11.6%</td>
<td>5.1%</td>
</tr>
<tr>
<td>EARF</td>
<td>19.5%</td>
<td>14.6%</td>
<td>13.7%</td>
<td></td>
<td>56.5%</td>
<td>11.1%</td>
<td>6.0%</td>
</tr>
<tr>
<td>EBBII</td>
<td>12.3%</td>
<td>8.5%</td>
<td>9.5%</td>
<td></td>
<td>40.3%</td>
<td>8.8%</td>
<td>3.9%</td>
</tr>
<tr>
<td>EBBII</td>
<td>11.3%</td>
<td>8.2%</td>
<td>9.7%</td>
<td></td>
<td>33.1%</td>
<td>9.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>EBI (NTA returns)</td>
<td>10.2%</td>
<td>8.7%</td>
<td></td>
<td></td>
<td>28.1%</td>
<td>10.4%</td>
<td>9.1%</td>
</tr>
<tr>
<td>EBB III</td>
<td>10.8%</td>
<td></td>
<td></td>
<td></td>
<td>11.8%</td>
<td>10.8%</td>
<td>2.6%</td>
</tr>
<tr>
<td>EBB Masters Fund I</td>
<td>13.0%</td>
<td></td>
<td></td>
<td></td>
<td>23.6%</td>
<td>12.9%</td>
<td>5.3%</td>
</tr>
<tr>
<td>EBB Income Fund</td>
<td>14.5%</td>
<td></td>
<td></td>
<td></td>
<td>16.8%</td>
<td>13.2%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

Past performance is not a reliable indicator of future performance. Returns include performance of the funds to 30 September 2007. Performance figures for the month ended 30 September 2007 are based on unaudited estimates, all other figures are final. Where a fund has more than one class of units, returns from the highest fee paying class have been used.
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