Melbourne
Level 12, 15 William Street
Melbourne VIC 3000

Sydney
Lawson Place, Level 1, 165 Phillip Street
Sydney NSW 2000

Phone: +61 3 8601 2040
Fax: +61 3 9200 2281

gendevelopmentgroup.com.au

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CHAIRMAN'S ADDRESS TO 2018 ANNUAL GENERAL MEETING

Welcome everyone to today's Annual General Meeting for the Generation Development Group.

Joining me today are fellow board members Bill Bessemer, Jonathan Tooth and John Wheeler. I'd like to acknowledge the independent board members of our Life company today in attendance, namely, Chris Freeman, Eric Barr and Giselle Collins. In addition, we have our audit partner Rachel Milum from KPMG in attendance. I also have senior members of our management team here, namely joint CEOs of Generation Life, Catherine van der Veen and Lucy Foster, our CFO, Terence Wong and our General Manager of Distribution, Grant Hackett. It's a particularly big day for Grant as we are announcing him CEO of Generation Development Group which will carry the responsibility of working with me to expand the non-Life activities of Generation Development Group. More on this later.

In a moment, I will provide to you a presentation that summarises the financial performance of GDG over the past 12 months, touching on some key highlights. I will then ask Lucy and Catherine to present the performance of the Life Company. I will then ask Grant to give an overview of Ascalon Capital Managers, a transaction that we have entered into with Westpac that we expect to settle early in the New Year. We will then be open to any questions on the Company.

Before jumping into today's presentation I thought it would be worthwhile to make a few comments about the environment that we are operating in.

Firstly, in relation to the Investment Bond market, which is currently our primary business.

Bonds are the most tax effective long term savings vehicle outside of super and with limitations on how much money can go into super and an environment of constant tinkering with the rules, we expect this part of financial services to grow strongly over coming years. However as this category is still relatively unknown in financial services, it won't happen without a lot of hard work and focus. As such, we have been extremely active in the past 12 months in promoting investment bonds to financial intermediaries which is our primary distribution channel.

A couple of key numbers to keep an eye out for when looking at our results are sales compared to the year before and active adviser numbers (which we define as advisers who have written business with us in the last 12 months). Both these statistics have shown strong improvement over the past year and are good lead indicators for the business.

In 2019, you can expect us to be remain very focused on sales and marketing activity, and together with some work being done on product development, we would expect another strong sales year for our Life business.

In relation to financial services more broadly, we expect a period of significant disruption as a result of the Royal Commission. We have already seen ANZ, NAB and CBA announce significant divestment of their wealth businesses and we expect other players to join these ranks. In particular, there is a bad flavour around vertically integrated wealth businesses (those that own both distribution and product) and there is a sense that the commercial operators have not provided value for money to their customers and in some cases, have taken advantage of them. On top of this, some players may choose to exit businesses that are not core, or are a distraction to them.

This should mean that there is more “deal flow” in this sector than we have seen in a number of years. We are interested in acquisitions in funds management, life insurance and superannuation. We see growth opportunities in all of these sectors, providing you have a strong customer value proposition. I should say that not everything that is being sold fits into this category, however if we acquired an old book of business our focus would be to maximise synergies if complementary to our existing portfolio, and if not, to rework or re-engineer after acquisition so we could continue to grow.

This brings me to the recent acquisition we have made of Ascalon Capital Managers. This business fits into the “non-core” category for Westpac. At the same time, we felt that there was the right opportunity to restructure this business on acquisition to point it to areas that are growing but don’t require much capital. Grant will be up shortly to present more on what we have in mind in this respect. In relation to Grant, whilst he will maintain his role as General Manager of Distribution until 30 June 2019, he will be increasingly moving into a full time role committed to driving value out of GDG acquisitions, with his first area of focus being on the Ascalon transaction. The two of us will be working extremely closely to expand the business of GDG.

There are a couple of other areas that may be on your mind that I wanted to touch on before moving to the key presentation.

One is the share price. I should say upfront that I don’t spend much time focusing on this metric as it is a job for others to work out how they see the value of the Company. The factors they take into account encapsulate a myriad of factors such as valuation ratios, assessment of growth prospects, demand and supply of the stock and relative valuation. What my team and myself do is to focus on delivering underlying financial performance of the Company, and we are extremely proud of these results as you will see shortly. I also spend time speaking to existing and potential investors to make sure they have all the information that they need to make an informed assessment on whether to invest or stay invested in the Company. I’m pleased to say that we now have two firms that have initiated coverage on us, with a third in the wings.

Whilst I don’t focus on our share price, the share market can make an impact on our performance as many of the assets that we invest in for our investors have exposure to this sector. Offsetting this is the fact that many of our underlying funds also have exposure to cash, fixed interest and property investments. As such, our funds under management tend to perform similarly to a balanced fund in which we don’t get all the share market upside, nor do we get the full downside of a slide in equity markets.

The outlook for equities over the short term remains volatile given the prospects of increasing interest rates in the US and nervousness about a trade war between the US and China. Notwithstanding this, the performance of the US economy remains strong with historically high employment rates, however with markets fully pricing this in, we would expect a rocky road for equities over the coming 12 months.

Finally, I wanted to make some comments in relation to dividends. With improving financial performance, there is the probability that over the medium term we would look to increase dividends. In making this decision, we need to balance a number of factors such as regulatory capital, investment appetite and working capital needs so this statement is not meant to constitute a promise albeit it is definitely our aim.

You will probably have noticed through the last payment of dividends we have exhausted access to immediately available franking credits. The good news is that the Group has access to considerable tax losses to offset any tax on Company income. In the interim I would remind shareholders that whilst we are still licenced as a PDF, dividends are tax exempt, which mitigates any impact of the loss of access to franking credits.

Before moving to the formal presentation, I would like to thank shareholders for their continued support. The Company has the right strategy and people capability to keep delivering solid growth in the years ahead. And with the turmoil we are seeing that is disrupting the large players, there’s never been a better time to be a focused and nimble player such as GDG.