

6 July 2015

Media Release

MDS Financial Group Limited

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ASX Code: MWS

Dear Shareholder,

I am pleased to be able to provide you with the attached investor update.

As you can see the Board and Management have been hard at work transforming MDS Financial Group Ltd (MDS) and its diversified financial services offerings. Whilst there is still some work to do, much has been achieved and pleasingly we are exploring a pipeline of attractive growth opportunities.

The transformation to date has included:

- integration of MDS and Sequoia activities at an operational level;
- strengthening the calibre of the MDS Board and Executive, including the appointment of experienced personnel across the key revenue-generating businesses;
- completion of a redundancy program; and
- material reduction of the Group's fixed-cost base.

Most importantly, we are now generating a positive momentum in our core business units evidenced by:

- 200 new mandates for financial year 2015 in the Self-Managed Superannuation Fund (SMSF) Administration division;
- 33% growth in D2MX (our ASX Market Participant) of new wholesale clients (holders of an Australian Financial Services Licence issued by ASIC and referred to as 'shadow brokers'); and
- strong growth in trading accounts in D2MX since January 2015 with over 500 new trading accounts in June 2015 alone.

Notwithstanding the ongoing challenges we foresee, we continue to be focused on ways to cut costs and effectively expand the business through new, sustainable revenue streams. In that regard, we are in the final stages of the previously advised acquisition of Sequoia Wealth Growth Pty Ltd which will further expand our capital markets and wealth advisory capabilities.

Your Board is also diligently assessing approaches from a number of potential strategic partners as we continue to seek ways to grow the business, achieve scale efficiencies and strengthen the bottom line.

We are also working towards the re-branding of MDS to Sequoia and will provide further updates on this in due course along with our updated cash flow report at the end of this month and preliminary final accounts in late August.

Scott Beeton
Managing Director

– Ends –

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ABOUT MDS FINANCIAL GROUP

ASX-listed MDS Financial Group Limited (ASX: MWS) is an integrated financial services company providing

products and services to self-directed retail and wholesale clients and those of third party professional service firms.

It provides:

- Investment and superannuation products;
- Wealth management and advisory services;
- Corporate advisory and capital markets expertise;
- Retail, wholesale and institutional trading platforms; and
- Market data and financial news services.

MDS operates various AFS Licenses and its subsidiary D2MX is an ASX Market Participant.



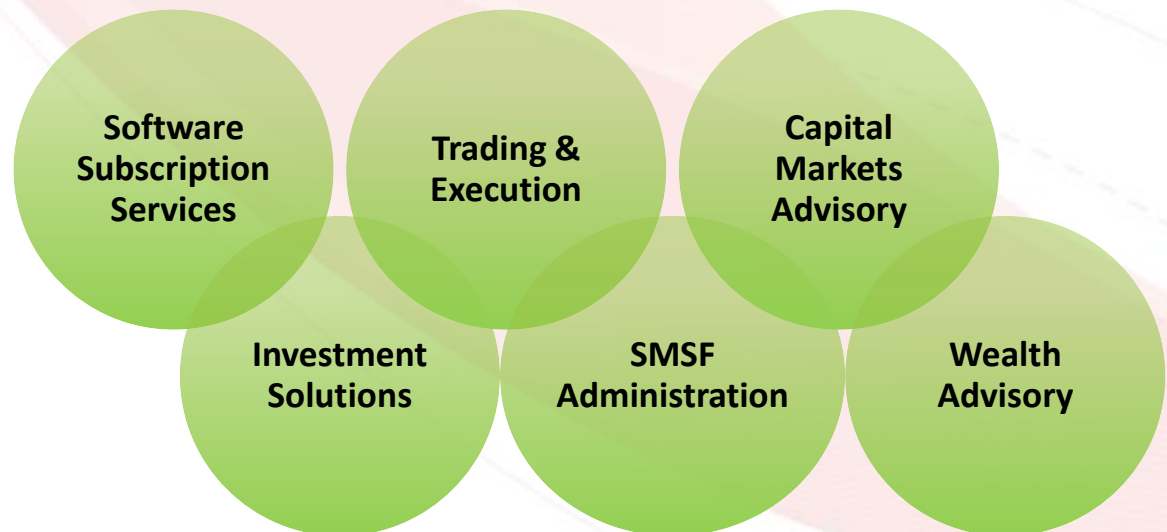
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GROUP LIMITED

Investor Update
6 July 2015

Integrated financial services provider



- Transformation to a diversified and integrated financial services business now complete following the merger with Sequoia Financial Group
- Core business activities focused on driving revenue growth with complementary services across retail, wholesale and institutional client segments
- Intention to rebrand to Sequoia Financial Group subject to shareholder and regulatory approvals



Complementary client focus



BUSINESSES

Trading & Execution

Software Subscription

SMSF Administration

Wealth Advisory

Investment Solutions

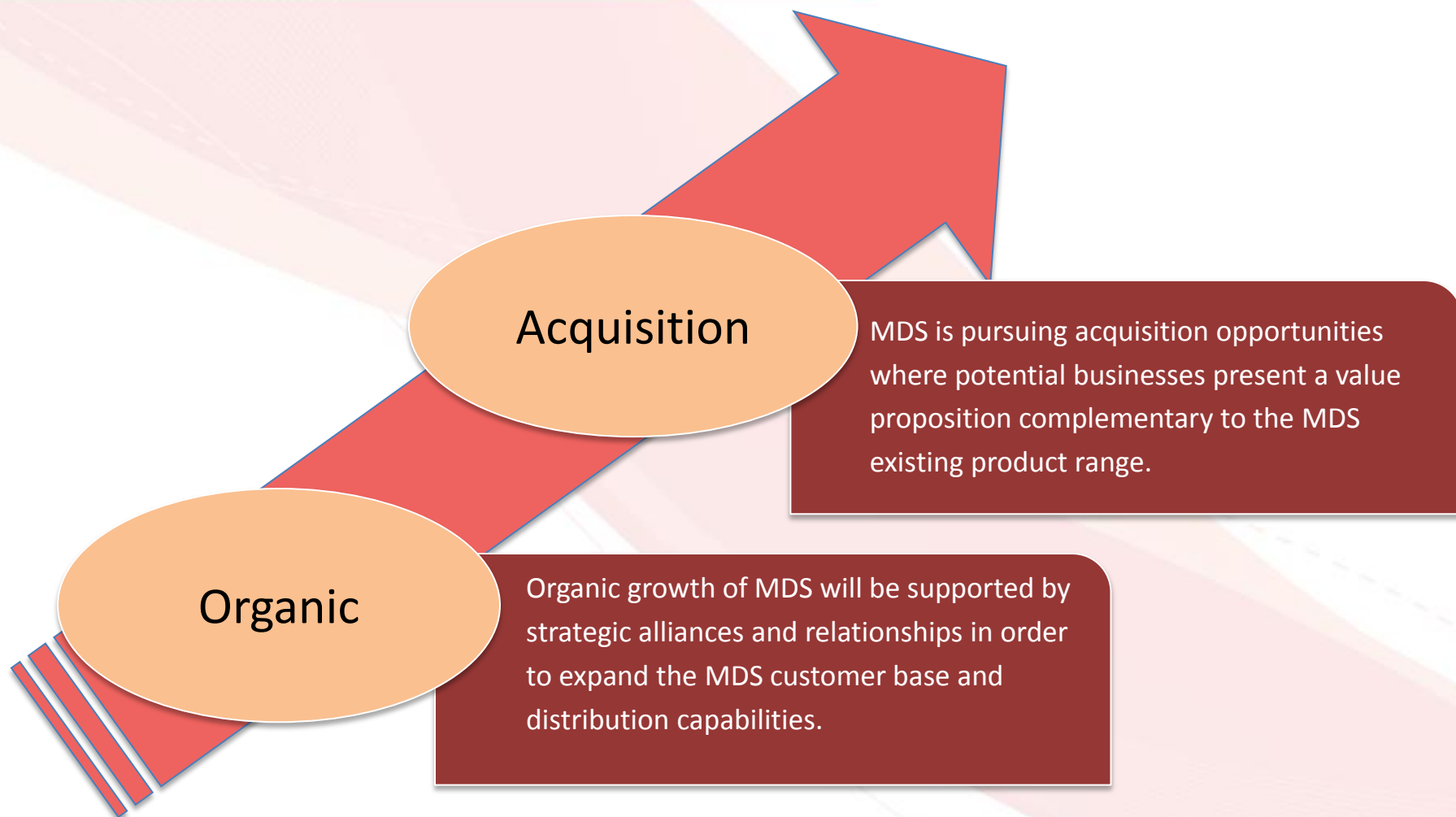
**Capital
Markets
Advisory**

SEGMENTS

RETAIL

**SOPHISTICATED /
WHOLESALE**

**CORPORATES /
FUND MGRS**



- **Key cost savings / synergy being realised**
 - some legacy commitments still remain as a result of expenses associated with premerger activities
- **Establishment of integrated shared services**
 - scalability of core business activities now a reality
- **Momentum and contribution strengthening from:**
 - Trading & Execution (Institutional & Wholesale)
 - SMSF Administration
 - Investment Solutions

Key financial metrics will be released in July 2015 (Quarterly Cash Flow)
and August 2015 (Preliminary Final Accounts)

- **New opportunities and engagements are building from:**
 - Capital Markets Advisory
 - Trading & Execution (Retail)
- **Management reviewing strategy and investment in:**
 - Software Subscription Services
 - Technology infrastructure
- **Board reviewing strategic investments to strengthen balance sheet**
 - potential realisation of non-core holdings over next 12 months
- **Acquisition opportunities - while organic growth is a priority the Board is evaluating several acquisition opportunities for potential strategic alignment**
 - addition of further economies of scale to existing established businesses
 - acquisition of Sequoia Wealth Management progressing

Trading & Execution

A provider of trading infrastructure and execution services via **D2MX Pty Ltd** (wholesale and institutional) and **Trader Dealer Online Pty Ltd** (retail)

- ✓ Institutional Broking continues to strengthen following addition of new members to the team
- ✓ Strong organic growth in wholesale (shadow) broking with potential for over 3,000 new trading accounts
- ✓ Strategic review of Trader Dealer retail offering refreshes competitive pricing structure, optimises margins and establishes platform for future expansion
- ✓ Cash Bond with Pershing Australia significantly increased to support growing trading volumes

Outlook

- *Trading volumes likely to be choppy due to market volatility and interest rate outlook*
- *Stronger revenue base and contribution to come from new wholesale relationships as new accounts activated and HINs transferred*
- *Opportunities emerging to broaden retail distribution through strategic alliances*

Subscription Services

An established provider of proprietary market software including charting and technical analysis tools together with financial market data and add-on services for private clients, professional investors and active traders via **Bourse Data Pty Ltd**

- ✓ Active number of paying subscribers is stabilising
- ✓ Offering Bourse Data subscribers an online trading solution (equities, options and warrants) through Trader Dealer

Outlook

- *All clients to be aligned to common billing cycles this financial year to enhance efficiency*
- *Confidence growing in stability of recurring revenue base*
- *Management review ongoing to identify new opportunities*

Investments Solutions

Issuer of investment products for sophisticated and wholesale investors via **Sequoia Specialist Investments Pty Ltd**

- ✓ Assets under Management over \$90 million
- ✓ The most recent investments that have matured continued the track record of strong returns to investors and fees to the company
- ✓ Ongoing demand for new structured investment solutions from wholesale customers
- ✓ Expanded distribution channels

Outlook

- *Diversified range of offerings to meet ongoing interest and demand*
- *Three new investment series currently open - ASX 200, Global Basket of Indices and Berkshire Hathaway – closing late-July 2015*

SMSF Administration

Provider of SMSF establishment and administration to either direct investors (trustees) or professional service providers such as Financial Planners, Stock Brokers, Mortgage Brokers and Accountants via **Sequoia Superannuation Pty Ltd**

Two distinct service propositions:

- 'Classic' – full service solution for sophisticated & HNW clients
 - 'Mini' – limited service solution for cost-focused investors
-
- ✓ \$130 million in Funds under Administration including total cash (circa 26%) and total listed securities (circa 43%)
 - ✓ New referral relationships continue to underpin successful distribution initiatives
 - ✓ Strong organic account growth with 35% increase year to date

Outlook

- *Continued strong growth via professional services sector*
- *Expected growth in complementary services through client portfolio rebalancing*
- *White-label solutions to broaden reach to larger financial advisory groups*
- *Stable and reliable recurring revenue base*

Dedicated team of experienced market professionals assisting both listed companies and private enterprises with merger, takeover and acquisition strategies together with advice on funding short-term working capital requirements, medium term debt funding needs or IPO seed funding support via **D2MX Pty Ltd**

- ✓ New dedicated team in place across multiple locations to build national presence
- ✓ Strong emerging pipeline of client engagements
- ✓ Already five active mandates in place

Outlook

- *Further opportunities in discussion to build the team and access to new opportunities*
- *Long lead times but positive contribution to earnings expected from existing mandates this financial year*

Advisory and execution (trading) services for retail SMSF trustees and HNW sophisticated private clients via **Sequoia Asset Management Pty Ltd**

- ✓ Revenue contribution increasing off the back of growing client base
- ✓ Increase in numbers of advisors through the year

Outlook

- *Acquisition of Sequoia Wealth Management to add further reach and scale*
- *Opportunities to expand footprint in Victoria and Queensland*

Key investment holdings



Investment	Type	Shares / Units	Value (\$)
Goldfields Money^	Listed (ASX:GMV)	435,909	\$370,522
Lion Hub^	Listed (ASX:LHB)	250,000	\$42,500
Nobel Oak^^	Unlisted	1,320,167	\$990,125

^ Valuation based upon closing price on ASX as at 30 June 2015

^^ Indicative valuation only based upon last placement price

Note – MDS holds an investment in Priority One of 3,200,00 shares which has no value ascribed as it is in the pre-listing phase with escrow conditions yet to be confirmed. It also holds an 11.5% interest in the privately owned and unlisted company Finance News Network.

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10. Financial Services are provided by Sequoia Asset Management Pty Ltd (AFSL No. 341506), D2MX Pty Ltd (AFSL No. 297950) and Trader Dealer Online Pty Ltd (AFSL No 333297).