

ASX RELEASE

1 August 2014

SFG AUSTRALIA LIMITED
ASX RELEASE
(ASX: SFW)

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Attached is the Chairman's address to be given today at the Scheme Meeting being held at the Radisson Blu Hotel Sydney, at 11am (Sydney time).

For further enquiries please contact:

Jodene Jackson
Investor Relations
02 9250 1527
0422 321 558
jodene.jackson@sfgaustralia.com.au

About SFG Australia Limited

SFG Australia is a leading non-aligned client focused financial advice and end-to-end wealth management firm, listed on the Australian Securities Exchange (ASX: SFW).

SFG Australia provides a full range of wealth management services to high net worth and affluent clients, including strategic financial advice, portfolio administration solutions, portfolio construction and management services, insurance (both general and risk) solutions, finance broking, stockbroking, corporate superannuation services, accounting and tax services.

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Welcome to the Scheme Meeting of SFG Australia Limited.

Good morning ladies and gentlemen. Welcome to the SFG Australia Limited Shareholder Scheme Meeting.

The purpose of the meeting today is to discuss the recommended scheme of arrangement between SFG Australia and its shareholders for the acquisition by IOOF Holdings Limited of 100% of the shares in SFG Australia.

I am Peter Promnitz, the Chair of this meeting and Chairman and Independent Non-Executive Director of SFG Australia. I am advised by Computershare that there is a quorum present and I am therefore pleased to declare the meeting open.

Recommended Proposal

Before proceeding to the business of the meeting, I would like to note some key points in relation to the recommended IOOF Proposal.

On May 16 2014, SFG Australia announced it had entered into a Scheme Implementation Agreement with IOOF.

Subject to the satisfaction or waiver of a number of conditions, it is proposed that IOOF will acquire 100 per cent of the ordinary shares in SFG Australia pursuant to a scheme of arrangement.

On June 27 2014, the Explanatory Memorandum was released; all shareholders were sent a copy which contains details of the scheme of arrangement being considered at this meeting. The Explanatory Memorandum also included an independent expert's report prepared by Ernst & Young Transaction Advisory Services.

As noted in my letter to you in the Explanatory Memorandum:

- Your Directors consider that the IOOF Proposal is in the best interests of SFG Australia shareholders and unanimously recommend that you vote in favour of the Scheme.
- Your Directors have voted all SFG Australia shares in which they have a relevant interest in favour of the Scheme.
- Your Directors also acknowledge the merits of consolidation in the financial services industry and recognise that a combination of IOOF and SFG Australia has the potential to create significant value for SFG Australia shareholders and also to provide benefits for clients of the combined group, such as access to additional products and services.
- This is a significant step in the journey of SFG Australia and is consistent with the Company's strategy of achieving growth through organic growth, tuck-in acquisitions and transformational mergers and acquisitions.



- In a consolidating sector, your Directors believe that proactively becoming part of a larger ASX-listed company with a highly complementary service offering is consistent with our strategic objective of providing "best of breed" advice and service to our clients. A larger combined group will have the scale and competitive advantage to offer a wider range of products and services for our clients in future years. In an environment of increasing regulation and cost pressures, your Directors also recognise the benefits of improved diversification of revenue and profit.

Section 2 of the Explanatory Memorandum outlined a number of reasons why you should consider voting in favour of the Scheme including:

- The independent expert has concluded that the Scheme is fair and reasonable, and in the best interests of SFG Australia Shareholders in the absence of a superior offer.
- The implied value of the Scheme Consideration provides a substantial premium compared to historical SFG Australia share prices.
- SFG Australia shareholders who receive IOOF shares will be entitled to receive any IOOF FY14 dividend if the Scheme is implemented prior to the record date, provided shareholders still hold IOOF shares at the record date for the IOOF FY14 dividend.
- SFG Australia shareholders who receive IOOF shares are expected to benefit from greater trading volumes in IOOF shares relative to SFG Australia trading volumes and
- SFG Australia shareholders who receive IOOF shares as consideration will have the opportunity to participate in the strategic and financial benefits of the combined group.

Section 2 of the Explanatory Memorandum also outlined a number of reasons why you might wish to vote against the proposed scheme of arrangement.

Moving on to summarise the offer, under the proposal, SFG Australia shareholders will receive as Scheme Consideration either:

- 0.104 IOOF shares for each SFG Australia share or
- A cash alternative, which may be entirely cash or a combination of cash and IOOF shares, depending on the elections made by other scheme shareholders. The cash alternate is up to a maximum of \$100 million and subject to scale back if this amount in aggregate is exceeded.

Subject to the Scheme becoming effective, SFG Australia shareholders will receive the scheme consideration on August 20 2014 based on the current timetable.

On June 25 2014, IOOF entered into a Deed Poll in favour of the scheme shareholders – namely those SFG Australia shareholders participating in the Scheme – under which subject to the Scheme becoming Effective, IOOF has agreed to provide the scheme consideration to each scheme shareholder.

The scheme of arrangement remains subject to a number of conditions precedent.



Those conditions precedent require:

- The approval of SFG Australia shareholders and the Court
- That no Material Adverse Change occurs to SFG Australia or IOOF
- That no legal restraint, such as a restraining order, injunction, court order or notice of objection, preventing the Scheme is in effect
- That no SFG Australia Prescribed Occurrence or IOOF Prescribed Occurrence occurs
- That the SFG Australia Warranties and the IOOF Warranties are true and correct, or true and correct in all material respects as applicable and
- That all outstanding Performance Rights issued by SFG Australia vest and convert into SFG Australia Shares, or are cancelled or agreed to be acquired or cancelled.

With the exception of the conditions relating to SFG Australia shareholder and Court approvals, these conditions will need to be satisfied or waived as at 8am on the Second Court Date, scheduled for this coming Wednesday 6 August 2014.

In respect of the Performance Rights condition, IOOF has agreed to waive this condition to allow SFG Australia to delay the vesting of the issued Performance Rights until after the Scheme becomes Effective – that is, approved by the SFG Australia Shareholders and the Court – rather than prior to 8am on the Second Court Date. This is to deal with the possibility that the Scheme is not approved by SFG Australia Shareholders or the Court.

As far as SFG Australia is aware, immediately before the date of this scheme meeting, no circumstances have occurred which will cause any of the Conditions Precedent not to be satisfied or to become incapable of satisfaction – other than the Performance Rights condition which, as I mentioned, has been waived by IOOF.

As noted earlier, these matters will continue to be assessed until 8am on the Second Court Date, scheduled for this coming Wednesday 6 August.

Business of the Meeting – approval of the Scheme of Arrangement

I will now move to the substantive part of today's meeting.

The purpose of this scheme meeting is to pass a resolution in accordance with section 411 of the Corporations Act, to approve the scheme of arrangement proposed between SFG Australia Limited and the holders of its fully paid ordinary shares.

The Resolution also appears on the screen behind me.

This resolution was also set out in the notice convening this meeting, which is contained in Annexure F to the Explanatory Memorandum. Additional copies of the Explanatory Memorandum are available from the registration desk should anyone require one.

I shall take the notice and the resolution as read.

In accordance with the requirements of the Corporations Act, for the resolution at this scheme meeting to be passed, it must be approved by a majority in number of those SFG Australia shareholders voting at this meeting today, whether in person or by proxy, who must together hold at least 75 per cent of the votes cast approving the resolution.



I therefore propose to deal with this matter by way of a poll. I will provide voting instructions later in the meeting.

Opportunity for discussion

If you are a holder of ordinary shares, or a proxy or authorised representative, and you have any questions or wish to address the meeting, I will now take those questions that relate to the scheme resolution being put.

I encourage a free, open and frank exchange of views, but it is important that comments and questions remain to the point and respect the views of others. With this in mind, I ask that each person restrict their questions or comments to no more than two minutes.

If you wish to ask a question, please raise your hand and we will have a microphone brought to you. Before you commence your question or comment, please show the blue or pink card you were given when you registered, and give your name.

I now open the meeting to questions.

Introduction of the Poll

A poll will be taken for the resolution to be considered at this meeting.

David Squires of Computershare is present today and will act as the returning officer in relation to the poll.

After the poll has been taken, I will adjourn the meeting for approximately 15 minutes so that the votes can be counted.

After the adjournment, I will re-open the meeting to announce the results of the poll, which will also be announced on ASX later today.

If the resolution on which you are currently voting is passed by the required majorities, the scheme of arrangement will be taken to be approved by SFG Australia shareholders. The acquisition of 100 percent of the shares in SFG Australia Limited by IOOF will be able to proceed, subject to:

- The Federal Court of Australia approving the scheme of arrangement and
- The satisfaction or waiver of the remaining conditions.

Orders will be sought from the Federal Court of Australia on Wednesday, 6 August 2014 approving the scheme of arrangement.

An announcement will be made to ASX after the Court has ruled. Should the Court approve the scheme of arrangement, it is intended that SFG Australia will seek to cease trading of its securities on ASX from close of trading on Wednesday, 6 August 2014.

Any shareholder who wishes to oppose the approval by the Court of the scheme of arrangement may do so by filing with the Federal Court of Australia and serving on SFG Australia Limited, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing.

Peter Promnitz
Chairman

