

27 November 2008

Chief Executive Officer's Address to Annual General Meeting

Thank you Mr Chairman, Ladies and Gentlemen. Since our meeting last year world economic events have profoundly changed the shape of the financial landscape in Australia and overseas. The turmoil in financial markets has also highlighted how vulnerable the economy is to a downturn in business and consumer confidence. Investment markets are now driven by fear of recession and asset prices reflect the declining levels of liquidity in the financial system. Funds management businesses like Viento are caught in the centre of this turmoil and must position themselves now for a future when global financial markets have stabilised. I would like to outline some of our achievements and the steps we have taken over the last year to prepare for the next 12 months.

Property Investment Funds

Over the course of the last financial year we have grown our flagship open ended property fund the Viento Diversified Property Fund from \$40m to around \$189m of gross assets under management. This has been achieved through the roll up of four fixed term property syndicates. The fund now has much greater level of diversification with the 12 assets spread across the retail and commercial sectors in various geographic locations along the eastern seaboard of Australia, Adelaide and Perth. The fund held less than 1% of listed property securities over the year and was not impacted by the dramatic fall in value of the property trust index. Debt facilities are secured until June 2010 with a current LVR of 61%. Our strategy is to reweight the fund assets towards properties which have a strong stable income stream and which do not require significant future capital expenditure and to ensure we have a balanced exposure to various property locations. Consistent with this strategy we have offered for sale four assets which do not fit these criteria and have been successful in selling one property to date with negotiations continuing with prospective purchasers on two others. The proceeds have been used to retire debt and to discharge other liabilities of the Fund.

Along with other unlisted property fund managers we have withdrawn the current Product Disclosure Document for the Fund and suspended redemptions. This has effectively stopped any new applications into and withdrawals from the Fund. We will keep this position under regular review and plan to reopen the Fund when financial markets stabilise. From completion of the first roll-up in November 2007 and up to the withdrawal of the PDS in September 2008 the Fund attracted around \$3.5m of new funds under management.

To facilitate more effective and cost efficient management of the Fund we have moved from monthly to quarterly distributions and from daily to monthly unit pricing.

Property Investment Syndicates

Viento currently manages three fixed term property syndicates and two residential subdivision syndicates. Two of the fixed term property syndicates will complete during calendar 2009. Management will convene a unit holder meeting three months prior to the termination of each syndicate and present a recommendation to members to either extend the syndicate term, sell the assets or roll them into the VDPF.

Progress on gaining approvals for the subdivision of land held by the two syndicates at Henley Brook and Southern River in Perth has been hampered by delays in obtaining the extensive range of statutory State and local government approvals needed. This process is now largely complete and we expect to start developing the land and selling the blocks from both subdivisions over the next year. Viento receives a fee calculated as a percentage of the sale price of each block of land.

Viento will look to launch new in-house and third party wholesale and retail fixed term property funds as market conditions normalise.

Alternative Investment Strategies

The Viento Alternative Strategies division is currently presenting its product offering to a range of institutional investors under the brand name Convex Alternative Strategies. Convex offers institutions a range sophisticated services including portfolio risk analysis using advanced quantitative methods, dynamic portfolio rebalancing based on asset volatilities and an absolute return Dynamic Strategies Fund which targets returns of between 5-7% above the short term cash rate with a very low level of volatility and no negative returns. These products and services are very relevant to the current market conditions and will provide trustees of superannuation funds with the necessary insights and solutions for measuring and managing portfolio risks.

Investments

Viento Group has a small and actively managed portfolio of forestry, mining and real estate investments. It is currently examining options to realise the value of these assets in ways that will maximise returns to Viento shareholders and provide an additional source of cash flow funding to support and grow the funds management businesses. Current market conditions are challenging. However, we expect to be able to report positive progress on the disposal program over the next few months.

Our exposure to Forestry is at various levels such as direct ownership of 361 woodlots, a management contract in respect of a scheme of which we are not the Responsible Entity and loan receivables secured against the woodlots of some investors. Current carrying values reflect what we would expect to recover in the normal course from the harvest and sale of timber but we are looking at options of bringing forward the realisation of value through the sale of our interests to a rival operator.

We have made a fresh application but have not yet obtained a tax ruling for a modified form of in specie distribution to Viento Group Shareholders of all of the shares in the wholly owned subsidiary Constance Range Pty Ltd (CPRL). This subsidiary is the holder of a 70% interest in the Constance Range iron ore exploration project in North West Queensland. Concurrently we are pursuing alternatives for realising the inherent value of our interests in the exploration license.

As disclosed in the accounts to 30 June 08 the company has a 50% interest in a syndicated land holding at Kingscliff in NSW which is funded by a third party. The loan facility is due for repayment in January 2009. The syndicate members are currently attempting to arrange equity funding for the repayment of this facility.

Update/Outlook

Since the accounts to 30 June 2008 were released the directors consider that due to the deteriorating economic conditions the recoverable value of a number of balance sheet assets have declined. In particular the amounts receivable from loans to associated entities and other capitalised expenses may not be fully recoverable. Market conditions are expected to remain challenging as the economy slows and these values may weaken further as investment markets adjust to declining levels of liquidity.

Management has responded to these changed market conditions by consolidating our operations, reducing our cost base and realising assets to maximise liquidity. We will actively manage the business and take whatever steps are necessary to preserve shareholder value.

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Directors/Staff

I would like to thank staff for their commitment and directors for their support over what has been a very difficult year.

MAURICE KLUGE
Chief Executive Officer