

CHAIRMAN'S ADDRESS

Austock Group Limited AGM
Tuesday 25 October 2011

Slide 1 – Chairman's address

1. It's a pleasure to report to you the performance and progress of your company for the 2011 financial year.
2. As reported last year, Australian equity markets continue to face exposure to both international and local uncertainty. The global financial markets are currently experiencing extreme levels of volatility with wild swings in both value and volume. This has made for a very challenging environment for the stockbroking industry in Australia, and for Austock.
3. In 2011, your company's management, lead by Paul Masi, continued to execute the strategy the Austock Board presented to Shareholders at last year's AGM; that is:
 - a. To minimise overheads and costs within the business,
 - b. To focus on core activities, and
 - c. Importantly, to invest in and grow the Private Wealth division.
4. Much progress has been made within your company for the year.
5. Austock recorded a modest level of profit off the back of a strengthened Property division, an expanding Life business and the gain on the sale of our investment in the Registries businesses.
6. The Group's Corporate Finance and Securities business had a difficult first half but, importantly, improved meaningfully in the second half where it delivered an operating profit. Given market conditions through the period, this is a very admirable result.
7. Each of the company's businesses performed commendably in 2011. I will pass you over to Paul Masi shortly to provide a detailed review of each business, however I wish to touch on a few notable items.
8. Austock Corporate Finance had a good year where it undertook more than 17 notable transactions, including 12 capital raisings. Against both its global and local peers, Austock ranked in the Top 10 for capital raisings completed in Australia in 2H 2011 (Thomson Reuters ECM League Tables).

9. Our Institutional Trading business faced a very challenging environment, much like many of our institutional clients, which was characterised by decreased institutional volumes and an increasingly crowded market.
10. Our Research team continued to provide a premium services and is widely seen as the premier mid-cap and emerging market research house. This has been recognised by the winning of a number of awards highlighting the consistent accuracy of Austock's research calls in the market.
11. Austock Property has achieved a number of major operational milestones during the year including a debt refinancing of three funds on improved terms. The success in turning around this business, in particular the flagship Australian Education Trust, has recently been recognised with the team the recipients of three industry awards, including:
 - a. The "Ernst & Young, Joe Curlewis Property Trust Industry Award", as part of the API (VIC) Excellence in Property Awards on 2 September 2011,
 - b. The Australian 2011 "A-REIT of the Year 2011" presented by Property Investment Research (PIR) on 17 October 2011, and
 - c. The "2011 Property Trust Industry Award" presented by the Commonwealth Bank / Australian Property Institute (NSW) on 20 October 2011.
12. Austock Life had a successful year, increasing its managed funds every month throughout the year, resulting in a 33% overall increase in FUM. This has been achieved through the hiring of new business development staff and the successful promotion of Life's products into dealer group and financial planning networks. Life continues to broaden its relationships in NSW and QLD, with ambitions to expand into WA in 2012.
13. The acquisition of Druids Friendly Society was completed on 1 July 2011 and has added \$15 million of additional FUM to the business.
14. In 2011, Austock Securities successfully acquired Minc Wealth Management (rebranded Austock Capital Management) for the purposes of providing Separately Managed Accounts (SMA) to our Private Wealth clients.
15. The opportunity also became available for teams of experienced advisers to join the company. In so doing, Austock now has a national Private Wealth presence with offices in Perth, Adelaide and the Gold Coast, in addition to Melbourne and Sydney. This has been a key component of our strategic process and has been achieved at a minimal cost outlay, yet will underpin the organisation's distribution capability going forward.
16. I would like to confirm that Austock remains well-capitalised and debt free moving in to 2012.

17. Of the litigation matters referred to in the Annual Report, Austock remains confident of resolving them without a material financial impact of the Group.
18. On the personnel side, your company has had a period of stability over the last 12 months and, apart from certain strategic hires, the senior management team and Group Board remain the same. The benefit of this can be seen in the improving profitability as an outcome of the strategies that were implemented last year. In this regard I would like to commend your Company's CEO, Paul Masi, and his senior team. A great job in very difficult times.
19. You will note the comment in the Explanatory Statement which accompanied the Notice of Meeting that Mr Vic Cottren today retires by rotation in accordance with Rule 11.1(d) of the Constitution and does not offer himself for re-election. Vic has served as a director of Austock Group since April 1999 and I would like to take this opportunity to thank Vic for his significant contribution to the Company during his period of service.
20. Ladies and gentlemen, despite the progress that was made this year, Austock has been operating in a very difficult environment.
21. The Group Board and management continue to discuss strategic issues which affect Austock, including the size and breadth of our business, the liquidity of the share register and the underlying industry structure. All of these issues, including the positioning of the company, are consistently being reviewed by the Board.
22. I would now like to hand over to our CEO / Managing Director, Paul Masi, for an update on the business.
23. Thank you Paul.