snowball
GROUP LIMITED

Managing Director's Address to Shareholders
General Meeting – 12 February 2010

Thanks Quentin. Good morning to you all.

Today represents the next milestone in Snowball's development. It marks an important step in Snowball's plans for growth in a rapidly changing industry. If today's resolutions are approved, Snowball will have greater capacity to deliver not only advice solutions to customers but also enhanced investment portfolios and portfolio reporting packages. This will assist us to better serve our clients, meet the needs of the regulators and enhance Snowball's revenues and margins. Allied to these changes is the opportunity to enhance liquidity on the Snowball share register.

I will briefly discuss the strategy underpinning the transaction and touch on our upcoming half yearly results which, as stated by Quentin, are to be released this coming Tuesday.

Let's start with the consumer. Our research shows that consumers are increasingly demanding more value for money from their advisers, greater transparency and investment and administration solutions that are responsive to their individual needs. Clients should share in scale benefits, choosing a solution that best meets their needs from a basket of advice, investment and administration packages that can deliver scale benefits.

The regulators are similarly encouraging the industry to embrace "better value" solutions, pass scale benefits onto clients and enhance transparency, while reducing complexity and conflicts of interest.

Inevitably, margins across the supply chain will come under pressure and advisers are faced with the challenge of ensuring that they can maintain their margins by capturing that part (or parts) of the supply chain that enables the adviser to meet the needs of the client and the regulator - in a way that gives adviser groups control over the pricing of the inputs into their advice, investment and administration packages, and over the sharing of the benefits of scale.

This observable fact means that advisers who wish to survive and prosper in this "new order" must be able to control not only the "initiating" strategic advice solution but also its implementation in terms of investment portfolios, portfolio administration and reporting. Only those with sufficient scale will be able to achieve this end and be in a position to increasingly build on that scale to the benefit of clients and shareholders alike. Advice groups that currently have scale and that can deliver these integrated services will be best placed in the new environment to generate sustainable profitability and business growth.

Accordingly, as a part of Snowball's long term strategy, we believe it makes sense for adviser groups to selectively pursue strategic vertical integration opportunities to expand their advice and product offering, delivering associated benefits to clients.

That's where Officium Capital comes in. Officium Capital represents, amongst other things, the acquisition of an investment portfolio construction and fund-of-funds management capability – one which, at around $465M in funds under management, already has some scale and which can be offered throughout Snowball's advice distribution channels, thereby delivering further scale and synergy benefits. We expect to generate significant revenue synergies by leveraging Officium's capability throughout our existing distribution channels and client bases.

As mentioned in our 2009 Annual Report, Snowball is also actively pursuing a number of strategic initiatives to develop best practice product and service solutions. These also include portfolio administration and reporting solutions that deliver Snowball greater control over the out-sourced inputs to these services as well as the outcomes within a client's portfolio, be they portfolios housing managed funds, or direct investments or a combination of the two. Officium Capital's existing responsible entity and other infrastructure assists to facilitate this initiative as well.

In addition to the benefits just described, the Officium Capital transaction also allows Officium Group, all things being equal, to distribute Snowball shares to the underlying Officium Group shareholders. The Officium Group shareholders are predominantly the Western Pacific senior advisers and practice owners. A distribution of these shares will benefit Snowball by further aligning the interests of Western Pacific practice owners and senior advisers to that of the Snowball Group and importantly provide the opportunity for greater liquidity in the stock. It also serves to eliminate the conflict of interest that existed by virtue of those advisers' direct ownership of a portfolio construction business that they supported. The distribution will effectively commence the normalisation of the share register, allow Snowball to manage conflicts more straightforwardly, and provide greater strategic flexibility for Snowball in the future.

As noted in the Explanatory Memorandum and in our announcement of the transaction, the majority of the shares to be distributed will be held in escrow for up to two years and proportionately be able to be sold in sales processes managed by Snowball. This seeks to provide an appropriately structured liquidity mechanism for Officium Group vendors and the market generally.

The first sell down process will occur after the distribution of the shares to the underlying Officium Group shareholders, which should be around April of this year. Snowball intends to utilise its existing broker and investor relationships, as well as new relationships, to facilitate each sell down process at each point in time. As such, we have been and will be actively seeking market input and feedback regarding interest in Snowball and will continue to do so.

In summary, the transaction meets a number of key strategic priorities. It presents an opportunity to assist us to better serve our clients and to pro-actively respond to regulatory trends. It assists with maintaining and enhancing Snowball's revenue streams and margins. It represents the beginning of greater liquidity in Snowball stock, more flexible funding sources and the chance to achieve a re-rating of the company in the market, previously made more difficult by the large parcel of stock tied up in one single entity.

As I alluded to earlier, in its totality, this transaction is a seminal moment in our history and a key milestone for Snowball.

I now, turn briefly to our upcoming results. The proposed acquisition of Officium Capital and other re-investment in the business to address the current regulatory reform agenda, have been the major focus for Snowball in the first half of 2010, which has impacted our statutory reported profit compared to the prior corresponding period. The relative recovery in markets, coupled with a moderate increase in consumer sentiment and activity has contributed to a 20% plus increase in funds under advice. Total revenue has increased in the order of 9% in the first half of 2010 compared to the prior period. Operating EBITDA is up materially off the back of sustained operational cost control, the contribution from acquisitions and the overall increase in revenue. Reported net profit will, however, be down compared to the prior corresponding period due to one off acquisition costs associated with the Officium transaction this half, the favourable impact of the one-off profit on the sale of the accounting business and other one-off benefits that occurred in the prior corresponding period. We expect that our forecast operating performance in the second half, coupled with the absence of the effects of the one offs mentioned earlier, will result in more favourable second half net profit comparisons against corresponding periods.

Further details of the result will be released on Tuesday.

Tony McDonald
Managing Director