Plan B Group Holdings Limited
Annual General Meeting

18 November 2009

Managing Director's Address

The 2008-09 Annual Report of the Company details the significant impact that the Global Financial Crisis (GFC) had on our financial results last financial year.

At the time of writing my Managing Director's Review for inclusion in the Annual Report, there were tentative signs that market volatility was abating, that the Australian economy (and to a lesser extent the world economy) was recovering and that earlier economic forecasts might be too pessimistic.

Against that background, I noted that:

- Plan B's client loyalty remained strong;
- The Company's investment performance remained strong;
- Management's response to the deteriorating business conditions had been swift and effective;
- Plan B had continued to achieve organic growth; and
- The Company had successfully completed a major acquisition.

While recognising that the fall in earnings per share (EPS) and total dividends in FY2009 were disappointing for the Board and our shareholders, my report noted that the Group remained well positioned for future growth and margin improvement. Our view was based on a number of key factors as follows:

- Plan B's integrated advice and investment model is ideal given the recent experiences of investors, which have reinforced the need to seek sound advice and investment solutions based on rigorous academic research;
- Our fiduciary relationship ideally positions us to address the changing regulatory environment;
- The reduced and streamlined operating cost base of the Company provides us with the opportunity to increase operating margins as revenues improve; and
- Plan B's strong balance sheet and healthy net cash position enable us to implement further business initiatives and pursue selective acquisitions.

The last 12 months have indeed confirmed the strength of Plan B's business model and I am now pleased to reaffirm our view of the Company's favourable future growth prospects.

I want to briefly turn to the performance of the Group in the current financial year-to-date and our outlook for the remainder of the 2010 financial year (FY2010).

Year-to-Date Performance

We are cautiously optimistic that the worst of the GFC is behind us, especially in Australia and also in New Zealand.

Of particular note was the extremely strong rebound of equity markets in the 1st Quarter of FY2010. The Australian market (S&P/ASX 300 Index) produced its highest quarterly return since September 1987, of 21.64%. More importantly, given the deep diversification and tilts to small and value stocks carried by Plan B's equity portfolios, Plan B's Australian Core Equity portfolio outperformed the index by 2.15% in the 1st Quarter of FY2010, as it has done over the three years to September 2009 (+1.19% pa).

International markets also performed strongly, although the rapid appreciation of the Australian dollar detracted from our portfolios' returns. Nonetheless, the MSCI World ex Australia Index (hedged to the Australian dollar) produced its strongest return since the quarter ended June 2006, of 14.80%. As was the case with Plan B's Australian Core Equity portfolio (and for the same reasons), our International Core Equity portfolios outperformed their respective benchmarks by 2.54% (unhedged) and 2.79% (hedged) during the quarter.

Of course, our clients have a far longer investment horizon than just three months. More important to them is the overall recovery in the value of their portfolios since the beginning of the market downturn in September 2007 and the performance of their portfolio over the long term.

To illustrate this point, consider the following scenarios:

- A portfolio invested in the MSCI world index as at the end of September 2009 would need to grow 38% to return to pre-September 2007 levels (in Australian dollar terms); and
- Similarly, a portfolio invested in the S&P/ASX would have to recover over 26% to get back to pre-crash levels.

On the other hand, a structured exposure to varying mixes of growth (local and international shares, with a tilt to small cap and value stocks) and defensive (cash and fixed interest) assets, should deliver a much better outcome than any fund linked solely to a share index. For example:

- Investors in Plan B's Market 35 Pool require only a 2% gain to return to pre-September 2007 levels, after allowing for our management fees; and
- Investors in Plan B's Market 55 pool are only 7.8% off their peak September 2007 levels.

While severe market downturns are never comfortable for our clients, the downside risk of such events is significantly mitigated through Plan B's well structured, diversified portfolios. Every one of our seven diversified market pools has exceeded their respective benchmark returns over the three years to September 2009, (by 1.29% p.a. in the case of Market 55). Likewise, Plan B's Australian Core Equity portfolio exceeded its respective benchmark returns over the three years by 1.19% pa, and in the case of Plan B's International Core Equity portfolios by 0.66% pa (unhedged) and 1.16% pa (hedged).

The combination of the improvement in investment markets, positive net new inflows across all distribution channels and continuing high client retention rates resulted in Plan B's Funds under Management, Administration or Advice (FUMA) growing 12.5% in the September 2009 Quarter, to $2.06 billion. Importantly, our on-platform FUMA increased by 13.7% to $1.57 billion.

However, the severity of the GFC was such that average on-platform FUMA in the September 2009 Quarter, a key driver of Group recurring revenue, was still marginally below the average on-platform FUMA in the September Quarter of the previous financial year. Nonetheless, as an indication of the improvement in operational performance, I am pleased to report that both net revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) were higher in the September 2009 Quarter than in the prior comparable period as a result of the initiatives undertaken by management and their swift response to the downturn.

Outlook

Turning now to the outlook for the future, I am also pleased to report that the strong start to the current financial year underpins our continuing optimism for the remainder of the current financial year. Certainly the forward indicators are all pointing in the right direction:

- Plan B's client loyalty remains strong;
- The Group continues to experience net new investment inflows;
- All of our diversified investment pools continue to exceed their respective benchmarks;
- Expense control remains a key focus of management; and
- The worst of the financial crisis looks to be behind us.

During the second half of the current financial year, the Company expects to enhance its margin through a significant migration of off-platform FUMA in relation to the clients of newly acquired Strategic Financial Management. Likewise, inorganic growth is expected to resume in 2010 – several prospective acquisitions and the recruitment of additional Partnership Financial Services affinity partners, both in Australia and New Zealand, are currently being pursued.

In the absence of unforeseen circumstances, assuming that market conditions remain stable and operating expenses grow more slowly than revenues as anticipated, the Board's present expectation is for a strong increase in the Group's EBITDA margin, Net Profit After Tax and EPS (excluding the impact of impairment).

Your Directors and Management continue to drive the Group along a prudent path of long term shareholder value growth. The world has changed and will continue to change, but because of the Group's robust business and investment philosophies Plan B's relevance, attractiveness and competitiveness continues to be enhanced, not threatened.

We urge the Federal Government to deliver a stable regulatory environment and fiscal policy settings, especially with respect to Australia's world-class superannuation system. Investor and consumer confidence must be restored in the wake of the GFC and must be uppermost in the minds of the relevant Ministers as they consider their responses to the Henry tax review and the Cooper review into the Superannuation Industry.

We remain focused, patient and committed to our clients and shareholders alike. The Group is well positioned to achieve much higher profits and dividends and to deliver an improved share price performance both in this financial year and beyond as investment markets recover, investor confidence returns and the scale economies embedded in the Group are exploited.

Denys Pearce
Managing Director