SFG Australia & IOOF enter into Scheme Implementation Agreement

16 May 2014

Key transaction terms

- SFG Australia Limited ("SFGA") and IOOF Holdings Limited ("IOOF") have entered into a Scheme Implementation Agreement under which SFGA will merge with IOOF via a Scheme of Arrangement ("Scheme")

- SFGA shareholders will be offered 0.104 of an IOOF share for each SFGA share (the "Share Consideration") which implies a value per SFGA share of $0.90 (based on IOOF's 90 day VWAP[1] of $8.70 to 15 May 2014)
  - IOOF is also making available a cash alternative, subject to a maximum cash component of $100 million in aggregate
  - The proportion of cash consideration received will depend on:
    a) the proportion of SFGA shareholders that elect to receive cash; and
    b) calculated based on the VWAP of IOOF shares over the 10 trading days immediately before the Scheme Meeting
  - SFGA shareholders will own ~22% of IOOF's pro-forma issued share capital post-transaction[2]

- The proposed transaction represents:
  - An implied value per SFGA share of $0.90, equivalent to a market capitalisation for SFGA of $670m[3]
  - An implied premium of 24.6% to SFGA's 90 day VWAP to 15 May 2014
  - An implied valuation multiple of 18.5x[4] SFGA's underlying net profit after tax for the 12 months ended 31 December 2013

1. VWAP means Volume Weighted Average Price
2. Based on total IOOF shares on issue of 232m and assuming $100m cash consideration paid to SFGA shareholders and 66m new IOOF shares are issued at IOOF's 90 day VWAP of $8.70 to 15 May 2014
3. Based on IOOF's 90 day VWAP of $8.70 to 15 May 2014 and SFGA shares outstanding of 741m including performance rights
4. Based on IOOF's 90 day VWAP of $8.70 to 15 May 2014

Key transaction terms (continued)

- IOOF expects the proposed transaction to deliver significant value to shareholders of both SFGA and IOOF:
  - Expected to generate pre-tax synergies of ~$20m per annum by FY16

- IOOF intends to maintain the current SFGA client facing brands, operating model and client proposition
  - Business as usual for SFGA's clients, advisers, accountants and employees

- Tony Fenning will remain with the combined group as a Senior Advisor. In addition, Tony Fenning, Jim Kilkenny and Sam Gannon, all current Board members of SFGA, have agreed to join a new Advisory Forum which will advise the SFGA businesses following the merger

- IOOF will finance the maximum $100m of cash through bank facilities
  - IOOF's pro-forma net debt / EBITDA will be 0.4x post-transaction[1]

- **The SFGA Board unanimously recommends[2] that SFGA shareholders vote in favour of the Scheme, and SFGA Directors intend to cause any SFGA shares in which they have a relevant interest to be voted in favour of the Scheme**
  - Several SFGA Directors who are also SFGA shareholders, and another SFGA shareholder, have entered into call option deeds giving IOOF the right to purchase, in aggregate, ~16% of the issued share capital in SFGA in certain circumstances. The details of the call option deeds will be disclosed in a notice of change of interests of substantial holder to be lodged by IOOF with the ASX in due course

1. Pro-forma net debt based on consensus 2014 net debt and additional $100m of funding. FY14E EBITDA based on Bloomberg consensus as at 15 May 2014
2. Subject to an independent expert concluding that the proposed transaction is in the best interests of SFGA shareholders and in the absence of any superior proposal

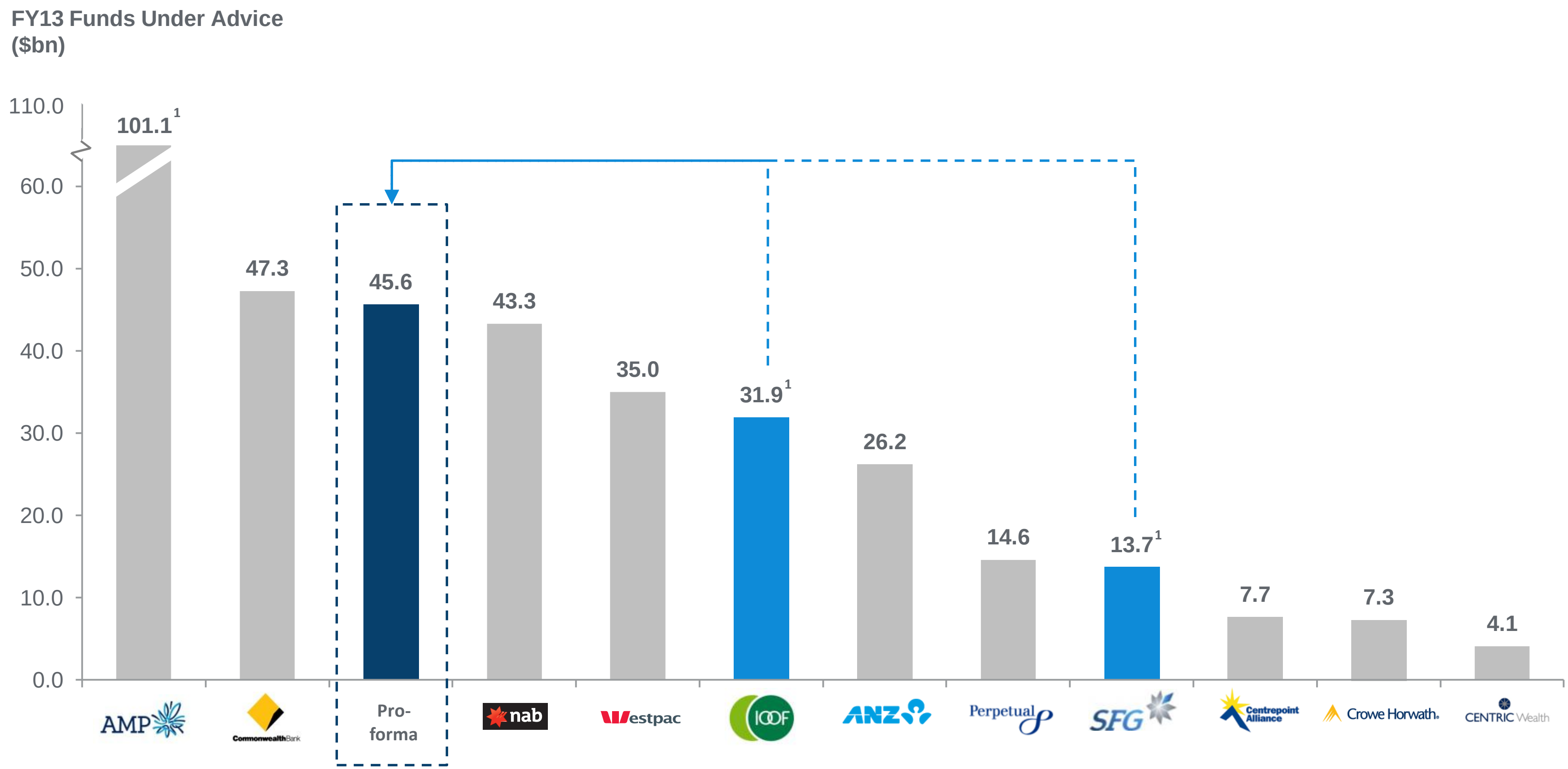
Transaction strategic rationale

Complementary businesses	• Natural fit between SFGA's existing capabilities and IOOF • Captures revenue across the value chain including advice, portfolio administration, accounting, insurance, SMSF and investment management complemented by access to IOOF's platforms and products • SFGA's differentiated advice proposition targeting the HNW and SME client segments complements IOOF's current offering • The merger of the businesses is in line with IOOF's long term growth strategy • The combined business will be more balanced towards financial advice, representing ~30% of pro-forma revenue
Enhanced scale	• Significantly enhances the position of the combined business to become: – The third largest advice business in Australia by Funds Under Advice ("FUA")[1]; and – One of the largest listed wealth management businesses in Australia • The merger with SFGA will increase IOOF's total advisers by 19% to 1,119 advisers
Retains the strength of the SFGA model	• Preserves the non-affiliated independence of SFGA's advisers • Provides IOOF with brand and capabilities to target HNW and affluent clients • Lachlan Partners enhances IOOF's exposure to SMSF clients • Opportunity to broaden IOOF's administration and advice proposition, including accounting advice to SME owners • SFGA's deep client relationships will be enhanced with access to IOOF's products at improved price points
Significant value to SFGA shareholders from combined business	• SFGA shareholders will own ~22% of IOOF's pro-forma issued share capital post-transaction[2] • Expected to generate pre-tax synergies of ~$20m per annum by FY16 • IOOF is an experienced consolidator with a strong track record of successful integration and achievement of synergies
Continued oversight by senior SFGA team	• Tony Fenning, Jim Kilkenny and Sam Gannon, all current Board members of SFGA, have agreed to join a new Advisory Forum which will advise the SFGA businesses following the merger • Advisers will continue to be supported by SFGA's Best Advice team and regional management structure

1. Source: Company filings (FY2013), Money Management top 100 dealer group survey 2013, company website
2. Based on total IOOF shares on issue of 232m and assuming $100m cash consideration paid to SFGA shareholders and 66m new IOOF shares are issued at IOOF's 90 day VWAP of $8.70 to 15 May 2014

Combined market position

The combined business will be the third largest advice business in Australia by FUA

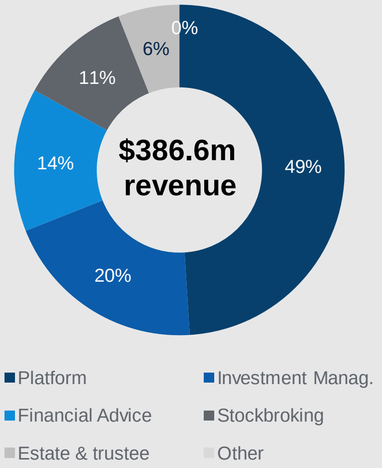


Source: Company filings (FY13), Money Management top 100 dealer group survey 2013, company website
1. As at 31 March 2014

Combined business

IOOF (standalone)[1]	SFGA (standalone)	Combined business
FUMAS[2] of $123.9 billion	FUMAS[2] of $30.5 billion	FUMAS[2] of $154.4 billion
937 advisers	182 advisers	1,119 advisers

IOOF (standalone)[1]



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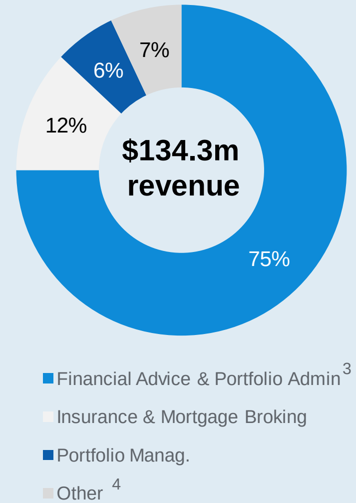
SFGA (standalone)



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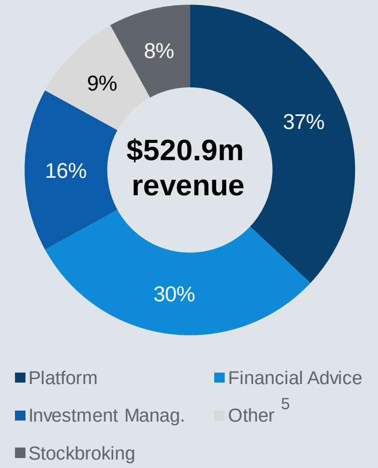
Combined business



Source: Company filings (FY13), broker research, Money Management Top 100 Dealer Group Survey 2013
1. IOOF revenue = gross margin for each business unit + stockbroking gross margin
2. FUMAS – Funds Under Management, Administration, Advice and Supervision (data as at 31 March 2014), SFGA has no Funds Under Supervision
3. Financial Advice and Portfolio Administration have been grouped for illustrative purposes
4. Other includes: Stockbroking, Accounting, Other
5. Other includes: Insurance & Mortgage Broking, Accounting, Estate & Trustee, Other

Indicative transaction timetable

Date	Action
Late June 2014	First Court Hearing
Early July 2014	SFGA dispatch Explanatory Memorandum to SFGA shareholders
Early August 2014	Scheme Meeting
Early August 2014	Second Court Hearing
Early August 2014	Effective Date
Mid-to-late August 2014	Implementation Date

SFGA overview

A unique, high quality financial advice & wealth management firm

- Leading non-aligned client focused financial advice and end-to-end wealth management firm, listed on the Australian Securities Exchange (ASX: SFW)
- Professional, HNW and SME focused financial advice and accounting business models
- Fully integrated wealth management advice and implementation services across the client value chain – predominantly fee for service
- Shadforth Financial Group was awarded **"Money Management Independent Dealer Group of the Year"** in July 2013
- Significant scale, national footprint and industry presence
- Experienced management team, with strong transaction execution and integration credentials
- Aligned interests of management, advisers and staff with shareholders

Unique, national adviser footprint

1. Lachlan Partners has offices in Sydney and Melbourne and operate from established Shadforth offices in Brisbane
2. State Manager and Advice Manager manage both Tasmania and South Australia

The best advice journey for SFGA

SFGA was formed from the merger of strategically aligned organisations committed to making a difference to clients

2006	2007	2008	2009	2010	2011	2012	2013	2014

- 13 individual practices
- Creation of Shadforth
- One brand
- Corporatised business model
- Creation of ASX-listed SFG Australia through the merger of Shadforth & Snowball
- Strategic merger with Lachlan Partners
- **August 2014** Proposal for SFGA to merge with IOOF via a Scheme of Arrangement

- Strategic foundations & tuck-ins
- Creating scale & diversification (WPFG merger)
- Selective vertical integration
- Integrated advice business
- Tuck-ins of Jeena Partners, Life Financial Services, Spencers Accountants, Parkside, W Corp, ITS and Pindi

Contemporary business model

Integrated advice & implementation services across the entire client value chain

Business owners | Family office clients | HNW clients | Affluent clients

External Advice Businesses (and their clients)

Advice businesses

Professional Advice Model

LACHLAN PARTNERS

- Private clients & business owners
- 46 accountants & 11 financial advisers

shadforth Financial Group

- HNW focus
- Smaller accounts & corporate solutions
- 123 employed Advisers & Relationship Managers

Affiliate, Licensed Services

western pacific Financial Advisors

16 practices & 43 advisers nationally

B2B Adviser Services

SFG Alliance Services

Adviser Services and Solutions, Platforms & Funds

Solutions & Support

SFG AdviserHQ **Best Advice: IP & Best Practice**

Implementation Solutions & Corporatised Support Services

- mosaic Portfolio Advisers — **Portfolio Construction & Management**
- finHQ Financial Scoreboard — **Platform Services**
- shadforth Insurance Brokers — **Insurance Services**
- shadforth Financial Group — **Stockbroking**
- SFGc Corporate Services — **Corporate Services**

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