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Annual General Meeting – Chairman's and CEO's Address

Please find attached Chairman's address and Chief Executive Officer's address to be given to the OFM Investment Group 2004 Annual General Meeting convened for 2.30 pm on 26 October 2004.

Yours faithfully

CATHERINE JONES
COMPANY SECRETARY

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OFM INVESTMENT GROUP LIMITED
ANNUAL GENERAL MEETING
26 OCTOBER 2004

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

It is my pleasure to present for your consideration the financial reports for the year under review and in so doing, provide an overview of the progress to date and our plans for the company. Rick Curtis will also address you in more detail on some of these matters.

As the former Friendly Society members present today will know, the OFM Investment Group Limited, was formed on the demutualisation of the Over 50's Mutual Friendly Society in July 2001. The purpose of the demutualisation was to return to the members, in the form of shares in the new company, the value that had been locked away in the management accounts of the Friendly Society.

The Friendly Society was established as a successful funds management and financial services business by adopting a cautious and careful approach to the investment of the retirement funds of senior Australians, and the Directors of the new company have carried forward that philosophy in expanding the investment options for its investors.

As a consequence, OFM has since de-mutualisation, embarked on an active strategy to invest its capital in the development of new and relevant investments products for older Australians. In doing so it has sought to capitalise on its position as a trusted funds manager in the retirement sector. This is our niche and this is the area where we will increasingly focus our attention in the future.

I am pleased to report that the results for the year under review, to 30 June 2004 were most satisfactory.

Despite significantly higher expenditure on staff and resources needed for the development of our business, our net profit after tax increased by 32% to $9.386m. and over $5.6m has been returned to shareholders by way of dividends .

The company principally derives its revenues from management fees from funds under management. It is pleasing therefore to report that for the first time in many years, the funds under management overall increased in 2004, as a direct consequence of the launch of the first of our property syndicates.

It is pleasing too, to report that there was a steady increase in profits derived by the company from its property, mortgage and insurance businesses.

These matters are set out in full in the financial statements provided to you and we will be pleased to address any detail in the accounts in questions later in the meeting.

It is also pleasing to note that the value of the shares has risen from initial $1.60 on listing to $2.28 at close of business yesterday.

I would like to say a few words about our businesses before outlining to you our forecasts for the current year.

The Friendly Society has experienced some decline in funds under management which we would expect to continue as the traditional investments bonds mature. Nevertheless Over 50's Mutual is still the second largest of Australia's Friendly Societies after IOOF.

The management of the Friendly Society investments, although well settled by now, continues to occupy much care and attention and we are constantly seeking new efficiencies and improvements in this area.

For example, I am pleased to report that Friendly Society bond investors, in a special meeting for the purpose this morning, approved rule changes which will permit expanded and more flexible investment mandates.

During the year we successfully changed our outsourced administration provider from State Trustees to a specialist out-sourced manager, Financial BPO. This change is working well and to the advantage of our investors.

We are also continuing to develop our successful business relationship with Invocare Limited in the management of pre-paid funeral funds through Over 50's Guardian Friendly Society.

The returns on our major Friendly Society fixed interest fund in 2004 was 3.44% tax paid, comparing favourably with the returns on the principal fixed interest products offered by the other major Friendly Societies.

Nevertheless the main challenge for the Friendly Society was to meet the need which we saw for a higher yielding bond established within the Friendly Society framework and tax regime.

In order to meet this need we launched the Blue Print series of bonds in association with the respected Van Eyk Group.

These bonds provide a degree of exposure to equity markets, as selected by the investor. They have been accepted on recommended lists of major advisory groups but of equal importance to us, they provide current investors an opportunity to introduce higher yielding component into their Friendly Society portfolio by switching some or all of their investments to these new bonds.

The annualised after tax returns on the OFM Blue Print Balanced Fund for the 6 months to September was 8.2%, and on the OFM Blue Print High Growth Fund, 12.84%, providing an attractive switching option to those investors willing to take advantage of the potential for higher returns, (and it must be said, the higher risk), associated with the greater exposure to equity markets.

In managing our investments, the Board and staff have access to a range of expert advice from asset allocation manager Mercer, and to the funds management expertise of Citigroup, Barclays and Macquarie.

The Australian economy appears to be enjoying a period of relative prosperity and financial markets have benefited from the containment of inflation and interest. I note that Access Economics has recently forecast that the Reserve may raise interest rates a further 25 to 50 basis points to address some increases in the underlying inflation rate, but that it may also wind those increases back as housing activity bottoms out in the first half of 2006.

Access also draw attention to rises in interest rates in the US and UK consequent upon on a booming world economy and the potential consequences for Australia in the longer term – developments which we will, together with our expert advisers, continue to monitor closely.

The development of property related products was, and remains, the focus of our programme to provide alternative higher yielding investment products with appeal to the careful investor ie. investments capable of delivering superior returns whilst being consistent with the security conscious requirements of our traditional investors.

We now have in the company valuable specialist property skills and experience. Our CEO Rick Curtis has considerable experience in property and he has recruited a property team with the capacity to identify and capitalise on opportunities in this area.

Our plan was to establish property syndicates in the first instance, and some considerable time was spent in acquiring a valuable and impressive portfolio of properties during 2003. Following the completion of licensing and after formalities the first Property Trust was launched in November 2003.

According to research material published recently by Managed Investment Assessments, this was a busy time in the unlisted Property Trust market. Their research shows that at 30 June 2004 there was $689m of equity being raised in the unlisted Property Trust market of which only $361m was committed.

Nevertheless units in our trust have been successfully sold to our investor base, and through financial planners, and given the solid initial return of 8.2% being achieved by the trust, it has been possible to retain some units within the Friendly Society portfolios to enhance the earnings of the Benefit Funds.

At the close of the 2004 financial year, OFM contracted to purchase a further office building in Little Lonsdale Street, Melbourne. We have an addition, recently purchased a small shopping centre in suburban Chisholm in the Australian Capital Territory which we propose to hold as an investment pending a review of various development options. We expect to offer these properties to investors through listed or unlisted vehicles in 2005.

Mortgages have always been a significant part of the investment portfolios of the Friendly Society Benefit Funds, providing generally higher returns than received from bonds, and boosting the returns of those funds with mortgages within their investment mandates.

Although we out-source other fund management functions, we have always managed mortgages in house in the Friendly Society. We have expanded the mortgage division which now includes the expertise to provide mezzanine lending and development finance, in conjunction with first mortgage Friendly Society funding.

The skills and experience in mortgage management gained over many years has provided us with an opportunity to establish the OFM Mortgage Income Fund which I am delighted to announce is taking public subscription for the first time today.

You will see from the product disclosure statement, available from the booths at the conclusion of the meeting, that the trust has been established with the objective of providing sound returns from first mortgage investments, consistent with our business strategy to provide alternative, high yielding secure investments to senior Australians.

The Trust was only established formally on 1 August this year, and although this is a relatively short time frame, and subject to the usual caveats about past earnings etc. , it is worth noting that the running yield after fees is 6.8%. We anticipate that the yields on our trust will continue to compare favourably with the returns currently available from the other principal mortgage trusts available in the market place.

Towards the end of 2003 Rick Curtis, together with Chris Martin head of our retirement products division, travelled to US, Canada and UK to examine the developed markets in those countries for reverse mortgages.

They returned with great enthusiasm for the product and have now established a team and resources to develop reverse mortgage lending as a major component of the OFM business.

Although many of you may have already received information on our new Seniors Home Equity Release Loan, today marks its official launch. In launching this product we join a handful of financial institutions including the Commonwealth Bank and St George Bank which are taking a leading role in this growing market.

This loan is designed to enable retirees to gain access to some of the equity currently locked in their valuable properties and to provide funds for any worthwhile purpose.

Under a normal housing loan, an initial advance is provided which is required to be progressively returned to the lender. The OFM Seniors Home Equity Release Loan reverses this process by allowing qualifying home owners to borrow against the security of the their property with no obligation to repay until the property is sold either by them or as part of their estate.

Although the concept could not be simpler, the service needs to be provided by a trusted organisation with an empathy for the investment requirements of senior Australians. OFM is ideally placed to provide that service. As I have mentioned, a great deal of time and effort has been expended in the engaging people with the appropriate skills and experience and putting in place the necessary systems and resources to ensure the integrity of this process.

We believe that growth will be underpinned by several key drivers. These include the fact that in addition to the vast majority of wealth generally being held in the family home, life expectancy continues to lengthen and retirement income streams continue to be under pressure due to a combination of low interest rates and tightening governing policies in respect of Social Security Entitlements.

Reflecting over 12 months of research, our product incorporates the best features from similar products from around the world. These include fixed interest rates reverting to variable, and the opportunity for borrowers to protect a portion of the value of their home under our Inheritance Protection Option.

The Australian Seniors Home Equity Release Market is in infancy. This is despite the fact that 413,000 homes worth more than $160b are owned by people over the age of 65 in metropolitan Melbourne and Sydney alone.
Similar products are not only being offered in USA, UK and Canada but also in France and Japan and our research indicates that the Australian market is likely to experience significant growth in the coming years.

We are all very optimistic about the role the product can play not only enhancing the lifestyle of Australian retirees but also in establishing OFM as a market leader in this important new product class.

Our budget for the OFM Seniors Home Equity Release Loan product, anticipates a significant take up into 2005/06, but our commitment to its development comes with some considerable cost in the short-term. Although we have budgeted for substantial take up of the loan product in the current year, we expect the net cost to the company to be in excess of $1.3m in 2005.

We are also budgeting for lower fee income from property trust activity and lower returns from property investments during the current year.

As a consequence, profits for 2005 are forecast to be just in excess of $7m – more in line with 2003 results than 2004, but we are confident that investment in new business will produce appropriate returns in the medium to long-term.

Importantly, despite this reduced profit forecast, we intend maintaining the dividends at the current level of 11c per share, distributing in 2005 therefore, approximately 80% of the anticipated profits.

The management of OFM's capital requirements is of course under regular review.

Our strong balance sheet will enable us to fund the initial $20m of loan advances required to establish the OFM Seniors Home Equity Release Loan business, prior to taking up appropriate wholesale funding and completing securitisation arrangements.

Our current capital reserves are also required to fund property acquisitions to implement our property funds management strategies, and provides us with flexibility to continue to pursue other appropriate acquisitions as and when the opportunities arise.

Although we do not anticipate the need to raise additional capital in the immediate future, neither do we intend to follow the lead of some of the major companies this year in returning capital to shareholders.

Finally I would like to add a few comments on Board structure and operations.

Alex Nimmo who is well known to many of you as the former Chairman of the Mutual Friendly Society, has announced his intention to retire at the end of the current financial year. He played a key role in the merger of Mutual with Over 50's Friendly Society and in the subsequent demutualisation and listing of the company. As Chairman of the Audit Committee he has guided the Board not only in the traditional areas involved with audit but through the expanded range of regulatory, compliance and risk management obligations, which increasingly consume much of the time and resources of our company.

Alex Nimmo has had a distinguished business career and has made a significant contribution to the workings of this company. As this will be his last Annual General Meeting I take this opportunity to thank him personally, and thank him on your behalf.

It is proposed for the foreseeable future, that the remaining five Board members, who represent a range of relevant skills and experience, will manage Board responsibilities without an additional appointment. In order to ensure that this is done effectively, each of the Board members will serve on the two principal committees, Investment and Audit, with the result that both investment issues and audit and compliance matters, will receive the full attention of the all of the members of the Board.

We expect that this will produce a more effective Board whilst continuing to contain costs of Board operations.

It is Board policy to reward superior performance and achievements so as to both attract and retain the best possible staff in our business, and particulars of the remuneration of the top 5 executives are disclosed in the Annual Report for your review.

The Report also sets out full particulars of Directors remuneration which I note, has not been increased since the minor CPI type adjustments at the expiration of 2003.

I would like to thank all my Board colleagues and staff for their effort in achieving a most satisfactory result for the year under review.

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CHIEF EXECUTIVE OFFICER'S
ADDRESS TO SHAREHOLDERS

Good afternoon Ladies and Gentlemen. Thank you all for taking the time to attend the annual meeting of OFM Group shareholders.

The Chairman has introduced each of the Directors and I would like now to introduce the key senior management of the Company – Catherine Jones, Terry Reid, Anthony Ongarello, Gordon Thirlwall, Stuart Boys, John Benporath, Stan Thomson and Chris Martin.

The Chairman has addressed in some detail the financial results for the year ending 30 June 2004. In short, we forecast last year an increase in net profit of 28% for 2004 and delivered a 32% increase. For first time in many years the Group issued new products and as a consequence funds under management for the Group actually increased. A good result and cause for minor celebration. However there is still a long road to travel.

I finished last year's address to shareholders by emphasising that no one should underestimate the difficulty of the task ahead for the Company to re-establish itself in the funds management and financial services markets. The Company operates in a very competitive and highly regulated industry with most participants having significant head starts in all wealth management product areas. It is an industry dominated by a few major players with very deep capital, technology and people resources and extensive tied distribution channels. Whilst the past year has seen acceleration in the establishment of boutique pure investment managers - small fund managers, distributors, trust companies and the like have had to continue to fight hard for their place in the sun.

If we reflect on the experiences of 2004, the key time and resource consumers for the Company were getting new products to the market and dealing with increased regulatory requirements - particularly from ASIC, APRA and the ASX. We started the motor in terms of issuing new product, but we recognise that OFM has a long way to go before we get it done to a fine art. Whilst the Company endorses the various new licensing, regulatory and corporate governance principles that came into effect in 2004, shareholders should recognise that for a company the size of OFM all of these came with significant bottom line and opportunity costs. Most significant is the sheer amount of time spent by management and the Board in addressing the additional documentation and processes issues involved.

Analysts often ask me - what are the key strategic issues that keep me awake at night. For OFM they are undoubtedly:

- Firstly, finding the right new products to develop and matching them with an effective distribution strategy.
- Secondly, prudently and effectively investing the Company's cash resources.

I haven't listed good corporate governance, financial discipline and the safe investment of funds as issues, because in this Company they are absolute givens as I outlined in detail in my address last year.

Product development in 2004 focused on extending the existing friendly society investment bond range to include an Australian share fund, a balanced fund and a high growth fund. A key intent was to seek to retain as many existing clients as possible by giving them the option to shift at no cost out of existing fixed interest based funds to higher return equities based funds. Various other measures were also initiated during the year to better service our valued Friendly Society members, including a separate policy holders meeting which occurred this morning.

We also issued our first unlisted property trust. A key strategic intent behind developing a property funds management business was that it is one of the few funds products that can provide up-front fees. In part, the strategy for the Company in the medium term was that profits from a developing property funds management business would help offset losses in establishing other longer-tail funds products.

I would like to emphasise that when we talk about developing a property funds management business we are not saying that the strategy is to turn the Company into a property company. The strategy is to broaden the range of financial products offered by the Group. Acquisition and management of direct property is just one element of this strategy.

Given OFM's heritage, we see an opportunity to develop a significant market reputation in post retirement financial products. When we examined that market there were two immediate opportunities for OFM – developing annuities and/or developing equity release or reverse mortgages. We have deferred development of annuity type products until the combined market impact of the revised Centrelink asset test rules and new term allocated pensions can be assessed. We therefore focused on establishment of the equity release products, which the Chairman has previously spoken about. I congratulate Chris Martin and his team on their work to date in getting those new products to market.

The other key strategic issue for OFM is the effective use of its relatively large cash resources. During the year we continued to examine numerous acquisition opportunities in funds management, property, mortgage portfolios and retirement related businesses, but have been unwilling to pay the prices sought. Potential acquisitions are actively sourced internally as well as through numerous external advisers operating on a success fee basis. It is disappointing that we have been unable secure appropriate acquisitions, but we are determined to maintain a disciplined approach and only make acquisitions at realistic and sustainable prices. The current market realities are that, notwithstanding intense competition, the economy is doing well and there are few participants looking to sell out.

The Company has considered various share buy back options as a means of reducing cash holdings and improving shareholder returns in the short term. However the Board and management are focused on the long term development of the Company - including the likely capital requirements in the medium term for reverse mortgage and potential annuity products. At this early stage in the development of the Company it is felt it is better to maintain a strong balance sheet. This strategy is consistent with the basis on which the Group was demutualised and then listed in 2002.

I turn now to the outlook for 2005. In announcing the 2004 result we forecast a reduction in net profit for 2005 to approximately the 2003 result of $7.1 million. However we also stated that it was the Company's intent to maintain the same dividend return as achieved in 2004 of 11 cents per share by increasing the dividend payout ratio. On the 2003 figure of $7.1 million, this would mean a payout ratio of approximately 80%. Given the Company' current strong cash position, this target is easily manageable.

Like all companies we need to balance competing objectives. The target forecast profit figure in 2005 was struck as a deliberately managed balance between investing in the development of future products and still maintaining a strong dividend return to shareholders. In order to maintain dividend payments to shareholders we elected to defer a number of potential product development opportunities. As noted earlier, most funds management products are long tail in that they require scale to achieve profitability, which inevitably takes a number of years. However funds tend to be reasonably sticky and therefore provide long term management fees.

There are two key drivers behind the forecast reduction in net profit for 2005. Firstly the new seniors equity release business is expected to incur a loss of $1.3 million due to extensive start up costs, particularly those associated with ensuring that the products are capable of being funded on a sustainable basis through external wholesale financing and later securitisation of the portfolio. Accounting standards today require those costs to be expensed in the year incurred rather than be capitalised as an investment. We intend to take a measured approach to development of the seniors equity release business in 2005, with sales of $15 million to $30 million forecast. We want to ensure that all of our risk management and control procedures are operating effectively before extending the product range and marketing to the broader market. It is therefore too early to give any reliable public forecasts as to the likely sales for this business in 2006 and 2007. However we fundamentally we believe that the market for seniors mortgages and other associated products offers a significant long term growth opportunity for the Company.

The second key profit impact is that a key impediment to further developing the property funds management business as planned is the absence of suitable investment properties available for purchase. The competition for the few properties that do become available remains extremely intense. The state of the property market has impacted the forecast for 2005 in two ways – lower rental income whilst the properties are held on balance sheet ($1 million) and reduced opportunities to increase management fees. Realistically we could not lock into our forecasts substantial property acquisitions in 2005 even though we are working very hard to secure those opportunities.

None of what we have said should be interpreted as if we are downbeat about the future. The reverse is true in that we see numerous exciting opportunities for the Company going forward. We have simply sought to be as up front and realistic as possible with the market regarding the status of the Company's development. In turn, we think the market appreciates that there is a longer term plan for the Company being implemented.

Finally, I once again thank the Board, staff, shareholders and our key external relationship partners for their efforts and support during the year.