

13 August 2009

## **ASX RELEASE**

Dear Shareholders

### **Everest Business and Strategy Update and Board Changes**

I am pleased to provide Everest Financial Group Limited (Everest or EFG) shareholders with our 2009 half year earnings guidance and an update on business strategy.

#### **2009 Half Year Earnings Guidance**

Based upon unaudited management accounts, it is anticipated that half year earnings before interest, taxation, depreciation and amortisation (EBITDA) will be approximately \$1.3 million for the six month period to 30 June 2009. The statutory EBITDA of \$1.3 million includes one off expense items of approximately \$0.6 million which relate to various cost management and restructuring initiatives. Excluding these items, and including interest income received, the underlying pre-tax operating result is expected to be approximately \$2.2 million.

As at 30 June 2009, Everest had approximately \$19 million of cash on deposit and no borrowings.

We will release our 2009 half year earnings announcement on or around 26 August 2009.

#### **Board Changes**

Trevor Gerber, Chairman of Everest, will retire from the Board today. Trevor has been an integral part of the Everest business since joining the Board in February 2005 and his counsel has been invaluable, particularly during the recent turbulent times. I cannot express enough thanks to Trevor for his support and commitment to Everest.

We are however pleased to announce that Greg Martin will join the Everest Board, and replace Trevor as Chairman, effective today. Greg brings a wealth of experience, having previously spent more than 25 years working with The Australian Gas Light Company (AGL) including the positions of Managing Director and Chief Executive Officer over a 5-year period. Greg is a non-executive director of the Australian Energy Market Operator (AEMO), a non-executive director of Energy Developments Limited, Chairman of the New South Wales Royal Botanic Gardens and Domain Trust and Chairman of Jackgreen Limited. He is a former Chairman of NGC Holdings Limited (a former New Zealand-listed company), former Chairman of the Energy Supply Association of Australia and former Chief Executive of Challenger Infrastructure, part of the Challenger Financial Services Group. I look forward to working closely with Greg, Marea and the rest of the team.

## **Business Update**

Throughout the recent challenging times, the Everest team has been focused on maximising investor outcomes within our existing investment funds, both in terms of investment performance and liquidity where available. We are pleased to report that there have been some recent positive developments in relation to certain funds. Most notably, Everest's largest fund, the Everest Alternative Investment Trust (EAIT), has announced that it will conduct an early withdrawal offer, which will be paid to investors in early September 2009. This brings forward investors' ability to access capital from the fund by approximately four months.

Everest has previously announced its intention to wind down certain funds by redeeming or selling assets, paying down any fund leverage (where applicable) and returning proceeds to investors. We anticipate that the orderly realisation of these assets will continue well into 2010 and potentially beyond depending on the specific fund and underlying assets.

As at 30 June 2009, Assets under Management (AUM) was approximately \$820 million. The termination of the Sunsuper mandate at the end of August 2009 will impact the level of AUM going forward, as will the EAIT withdrawal offer.

In line with our declining AUM, Everest has implemented a number of cost management initiatives which have included:

- a significant reduction in headcount – from 41 full time equivalent employees (FTEs) at 31 December 2007 to 15 currently. This has resulted in upfront one-off termination costs. This has positioned the business to benefit from significant on-going cost savings and efficiency gains, while refocussing the team towards the more value-added end of the business;
- proposed relocation or sub-lease of a portion of our existing premises; and
- a further reduction in other business overheads.

Everest has spent considerable time in the product development phase and is on track to launch new investment products in the second half of this year.

## **New Initiatives**

The continued market volatility has only served to reinforce our view that absolute return funds have a legitimate and valuable place within investors' portfolios. The proper selection of investment managers requires rigorous and detailed research as well as access to the world's leading investment managers. Everest is uniquely qualified in the Australian market to deliver this investment process as well as access for investors.

During these unprecedented market conditions, particularly in the first half of 2009, we have seen many of our underlying investment managers deliver satisfactory returns. Our investment managers have generally de-risked their portfolios and are now positioned with strong, well capitalised balance sheets. The current environment is offering very attractive investment opportunities with far less competition as many players have been forced to exit the market.

We believe that the best way to capitalise on the opportunity provided by current market conditions will be via targeted or themed portfolios around sub-strategies (eg credit, long/short equity) and/or regions (eg North America, emerging markets).

Everest has developed a portfolio of high conviction, opportunistic credit focused investment managers, who we believe are best placed to prosper from the current dislocated environment, particularly opportunities brought on by the expected increase in corporate default rates over the next few years. These investment managers will be part of a new Everest Credit Opportunities Fund to be launched in September of this year. This fund will initially be seeded by Everest from its cash reserves. We will consider investing further cash reserves for similar strategic initiatives.

## Personnel Changes

As well as our focus on cost initiatives, we are committed to rebuilding to maximise the inherent scalability of the business and have introduced new team members that bring with them new energy, experience and skills into the business.

Tim Ivers and Stuart Kingsmill have recently joined Everest as senior members of the investments team. Tim has joined us from UBS and Stuart from Standard Bank. We also intend to take advantage of current market conditions to make further strategic additions to the team. Going forward, Gary Kalmin, who joined Everest in January 2008, will assume the role of CFO/COO, completing the senior management team at Everest.

In summary, I trust that our continued hard work and dedication will yield results. I believe we provide unique investment access and products to the Australian market. The quality of our staff continues to improve, providing both a demanding and exciting working culture. We remain wholly focused on rebuilding Everest for the benefit of all of our stakeholders.

I wish to thank our shareholders for their loyal support and look forward to providing updates on further developments as we look to grow the Everest business.

Yours sincerely



**Jeremy Reid**  
Chief Executive Officer