

28 October 2011

The Manager
Company Announcements Office
ASX Limited
Level 8, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Sir/Madam

Yellow Brick Road announces entry into funds management

Yellow Brick Road Holdings Limited (ASX Code: YBR) ("**Yellow Brick Road**") is pleased to announce that it has signed a shareholders agreement (the "**Agreement**") with Coolabah Capital Investments Pty Limited ("**Coolabah Capital**") to enable Yellow Brick Road to commence internal manufacturing of funds management solutions.

Under the Agreement, Yellow Brick Road and Coolabah Capital have established a new entity, YBR Funds Management Pty Ltd ("**YBRFM**"), which will seek to develop simple and safe cash-like, fixed-income and other related investment products for Yellow Brick Road's current and future customers.

YBRFM is owned 50:50 by Yellow Brick Road and Coolabah Capital.

The three key elements of Yellow Brick Road's business strategy are:

1. Building the Yellow Brick Road brand as a trusted, independent and affordable provider of financial advice for every Australian;
2. Delivering quality advice at a local level through a growing branch network supported by a team of specialists; and
3. Assembling a streamlined range of products and services that can support the implementation of advice.

The establishment of YBRFM is entirely consistent with all three elements and builds further momentum around the strategy for Yellow Brick Road branded products.

The vertical integration to be achieved via YBRFM will help Yellow Brick Road diversify its cash-flows and permit Yellow Brick Road to move up the product value-chain. YBRFM will develop a range of low-risk, high return, high liquidity, enhanced cash, variable and fixed income solutions to satisfy investor appetite for less volatile asset-classes, and will support young Australians looking to maximize their savings, give investors an

alternative when looking to diversify their investments away from the volatility of the sharemarket, and retirees looking for safer but more effective ways of investing their retirement nest egg.

Under the terms of the Agreement:

- YBRFM will endeavour to establish managed investment schemes to be able to offer the financial products to potential investors;
- Yellow Brick Road will provide the funding for the business for up to the first two years of the venture;
- Yellow Brick Road will be primarily responsible for marketing and branding the financial products that are to be developed through its branch network and client base; and
- Coolabah Capital is responsible for ensuring YBRFM is able to access the necessary fixed income investment and funds management expertise.

Coolabah Capital will co-invest in any new products alongside Yellow Brick Road.

The Directors of YBRFM are Matt Lawler, CEO of Yellow Brick Road, Scott Walters, Yellow Brick Road's Head of Product Development, Darren Harvey, Chairman of Coolabah Capital, and Christopher Joye, a leading financial economist.

Mr Harvey has spent more than two decades working in the fixed-income markets, including 10 years at Deutsche Bank in Sydney, where he was a Director of Fixed-Income and Head of Option Trading, specializing in interest rate solutions, and in London, where he was a Director in Deutsche Bank's proprietary investment team focusing on fixed-income strategies. Mr Joye is regarded as one of Australia's leading financial economists, commentators and innovators, and is a director and founder of the award-winning funds management business, Rismark International, which is 53% owned by Macquarie Bank.

Mr Joye has also agreed to serve as a Strategic Adviser to the broader Yellow Brick Road group of companies on product development across home loans, deposit-taking, securitisation, funds management and general retirement & superannuation. In this role, Mr Joye will supply portfolio construction and financial economics advice to enable YBRFM, and the Yellow Brick Road group of companies, to best capitalise on changing investment conditions.

Yellow Brick Road's Executive Chairman, Mark Bouris, commented, "Yellow Brick Road has for some time recognized that the ageing of our population combined with the turbulent capital market environment means that Australians are seeking certainty and security of returns rather than just growth, which can come with the cost of higher volatility. We recognize the need to provide Australians with an alternative and to make available to them products to satisfy their needs across the entire wealth management spectrum, not just home loans. The establishment of YBR Funds Management allows Yellow Brick Road to bring smart ideas, advice and products to Australians and to move into some higher-margin activities that are in high demand amongst our customer base."

Mr Harvey added, "I am delighted to be able to help lead YBR Funds Management's investment team. In recent times, Australians have shown that they have a tremendous appetite for defensive strategies that protect against extreme market volatility, and the fixed-income asset-category fits as a complementary solution within

Yellow Brick Road's broader product suite. Mark Bouris and Matt Lawler have tremendous track-records in the non-bank and bank sectors, respectively, and I am delighted to be able to partner with them."

Mr Joye said, "Having worked with Yellow Brick Road's founders in different capacities over the years, I am thrilled to be able to help contribute to the fulfillment of their differentiated strategic vision. Mark Bouris and the team at Yellow Brick Road have recognised that Australians today have vastly more exacting and sophisticated financial advice, savings, credit and wealth management needs than they did 10 or 20 years ago. For years I have argued that Australian investment portfolios are too heavily skewed towards volatile risk asset-classes, such as Australian shares, global shares, and commercial real estate. Domestic savers are in desperate need of genuine diversification, and YBR Funds Management has the opportunity to supply them with this via its suite of products."

Mr Bouris added, "With the investment talent assembled within YBR Funds Management, together with our growing brand and strong distribution network, we look forward to the imminent release through Yellow Brick Road's branches across Australia of our first funds management products for Australian savers and investors."

For and on behalf of
YELLOW BRICK ROAD HOLDINGS LIMITED



Richard Shaw
Company Secretary