



Australian Value Funds Management Ltd

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**Australian Stock Exchange
Continuous Disclosure Area**

Via: E Lodgement

Chairman's Address for the Extraordinary General Meeting of the Company to be held at the offices of the Company at 10am today.

"I welcome shareholders to this extraordinary general meeting of the Company to consider the various resolutions which have been put to shareholders for the purpose of voting upon.

The major purpose of today's meeting is for shareholders to consider and, if deemed fit, approve the acquisition by the Company of a 40% interest in the business of Garnaut Private Client Advisers (GPCA) on the basis set out in the letter which was sent to Shareholders accompanying the Notice of Extraordinary General Meeting dated 18th March 2005.

The consideration for the acquisition is a cash payment of \$3million and the issue of 11,333,333 shares in the Company, which imputs an enterprise value of \$16million of the GPCA business.

In summary, and as previously advised to shareholders when this transaction was announced on 11th March 2005, the Directors of the Company are of the view that the proposed acquisition of 40% of the business of GPCA will significantly enhance the value of the Company, and be substantially earnings per share accretive from day one.

The Directors also consider that the business of GPCA is highly complementary to the Company's other cornerstone investment in the superannuation and financial sector, being its 28% interest in the business of Carroll, Pike and Piercy (CPP). The two investments collectively mean that the Company, in the four and a half months since its listing, has achieved its objective of establishing the foundations to establish a meaningful presence in this growth sector.

I am able to advise shareholders, by way of update, that the business of CPP is tracking at the higher end of our initial expectations in the current year, and that the directors are confident that CPP will make a meaningful contribution to the Company's full year result. Shareholders should of course note that this year's contribution from CPP will effectively only be a six month contribution, given that this purchase only occurred in January 2005.

I am able to confirm that the value being ascribed to the business of GPCA, for the purpose of the acquisition, represents a multiple of approximately 5 times estimated maintainable earnings of the GPCA business. The earning estimate on an annualized basis equates to \$2.9 million, which is supported by the earnings of GPCA over the last four years (based upon its audited accounts).

I would also note that a prior independent valuation of the business of GPCA in 2002 (i.e. approximately 3 years ago) ascribed a then value to the business of \$14.6million, as compared to the value of \$16million being ascribed to the business as part of the transaction that shareholders are being asked to approve today. Since that time GPCA has increased its number of key business writers several fold, thereby enhancing the business profile and reducing key executive reliance.

The directors of the Company, based on discussions to date with Mr Chris Garnaut, who subject to the acquisition being approved today will become a director of, and major shareholder in the Company, have also identified significant growth potentials for the GPCA business.

These opportunities comprise both organic growth potential (in the context of the revised ownership structure of GPCA and its linkage to Australian Value Funds Management Limited as an ASX listed entity) and synergistic growth, in terms of the prospective linkages with the CPP business, and also the businesses of the Company in its own right and Armytage private Limited (as the Company's investment manager and principal strategic adviser). There are also opportunities to expand GPCA's geographical footprint, which is currently primarily concentrated in Melbourne, Sydney and Canberra.

For the reasons outlined above, your directors are confident that the GPCA transaction provides an exciting forward step for the Company and will contribute in a material fashion to increasing shareholder value in both the short and longer term.

As shareholders are aware, the Company and its board did not make any specific projections at the time of its capital raising and re-listing in December of last year. At this juncture, I am able and pleased to inform shareholders that the Company is trading ahead of budget and, with less than 3 months of the financial year to go and on the basis that shareholders approve this transaction today, anticipates reporting a strong second half result.

This will place the Company in a good position to commence being able to pay dividends. A further update in this regard will be provided once the Company's full year results are finalised".

Peter R Kennedy
Chairman