



CHAIRMAN'S ADDRESS
21st Annual General Meeting of Fiducian Group
19th October 2017

As Chairman of Fiducian Group, I want to comment on some highlights of the past year:

BUSINESS ACTIVITY

- Financial planning businesses have been acquired with client bases of about \$97 million for our salaried and franchise planners in Victoria and New South Wales over the past year. As acquisitions continue to assimilate we expect increased revenue and earnings growth in accordance with our disciplined approach to balancing growth and returns.
- There are now 21 salaried financial planners in company owned offices throughout Australia that manage over 48.8% of funds under advice.
- There are now 37 franchised financial planners that manage over 51.2% of funds under advice and also 9 accounting practices in our "Associate" franchise program which should convert to full franchises when education and training programs are complete;
- The Information Technology division has developed and implemented system changes required by 30 June 2017 to meet new superannuation legislation in respect of contributions and personal caps. They also completed further enhancements to deliver straight through processing to our administration system that now integrates with "On-line" reporting tools and "Force" financial planning software to provide greater efficiency and flexibility for administration and advisers.
- The Planners Council, IT User Group and Platform User Group have all contributed significantly to the advancement of Fiducian; and
- Fiducian has continued to raise funds for charity and strongly supported Vision Beyond AUS to assist 8 hospitals, located in India, Myanmar, Nepal and Cambodia, to restore eyesight to 24,000 persons who live in abject poverty.

2017 FINANCIAL PERFORMANCE

- Consolidated underlying net after tax profit increased to \$8.71 million, up 24%, and, after Amortisation, Reportable after tax net profit increased to \$7.51 million, up 29% on the previous year;



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- Consolidated revenues from ordinary activities increased by 15%, whilst the gross margin remained constant at 74%;
- Consolidated net cash operating expenses were controlled, but increased by 9.9%, due mainly to increased staffing relating to acquisitions, and compares to an increase of 25.3% over the previous financial year;
- Combined Funds under Management, Administration and Advice (FUMAA) increased to \$5.7 billion, showing a growth of 59% over the past 3 years;
- Fully franked dividends declared for the 2017 year have increased by 28% to 16.0 cents per share, up from 12.5 cents in the previous year; and
- Fiducian Funds performed exceptionally well against comparative funds in the industry as recorded by Morningstar Investment Performance Survey. The flagship diversified funds, Fiducian Balanced, Growth, and Ultra Growth Funds, were each ranked in the top 5 over the year whilst the Capital Stable was 20th out of 122 funds. These funds were all in the top quartile in 36 of the 37 annualised returns over the past ten years, which is an outstanding achievement.

CURRENT YEAR EXPECTATIONS

With the continuing growth and increasing challenges of the business, the management team is likely to expand, as required. As a first step, the Managing Director, Mr. Indy Singh, will now take on the role of Executive Deputy Chairman, which will allow me to transfer the chairmanship of Fiducian to him over the next 3 years, the speed of which will depend on management support to relieve him of some current involvements. Indy already Chairs the Fiducian Investment Management and Fiducian Services subsidiaries. These are the first steps in the implementation of our succession planning strategy.

The Board is cautious but confident that, subject to an improving economic and financial market environment in Australia and internationally:

- Fiducian has significant capacity and strategies in place for further growth in its traditional revenue base and has loyal financial planners and staff to assist such growth;
- Funds under Administration should grow as financial markets strengthen and further benefit from recent financial planning acquisitions;
- Operating expenses are expected to remain tightly controlled, but likely to continue to expand to meet further growth;



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- The Board's strategy to grow at double digit earnings per share annually remains and management is working hard to achieve this target;
- Fully franked dividends should increase with profit growth;
- The previously announced on-market buy-back of Fiducian shares shall continue and in the absence of other earnings accretive opportunities be applied;
- Acquisitions of client bases shall continue, subject to them being appropriate and funding being available.
- The company currently remains debt free with positive working capital and operating cash flows; and
- Management profit reports for the first quarter are ahead of budget expectations as Funds under Administration have grown since June as a result of good net inflows and funds performance. If this situation continues, it should assist achievement of profit growth expectations.

The Board, Management Team and staff are all working to achieve our expectations and my thanks go to each individual for their contribution to the growth and success of Fiducian.

Robert Bucknell, Chairman
Fiducian Group Limited

19/10/2017