ASX ANNOUNCEMENT

LETTER TO SHAREHOLDERS

SYDNEY, Wednesday 8 November 2017: Managed Accounts Holdings Limited (ASX: MGP)

Attached is a letter that the Company will send to its shareholders with respect to the Company's Share Purchase Plan and other matters.

For further information, please contact:

David Heather
Chief Executive Officer
(02) 8006 5900

8 November 2017

Dear Shareholder

Invitation to participate in Share Purchase Plan (SPP)

You will have already received an SPP Offer Booklet with further details on the SPP in the past couple of days. Managed Accounts Holdings Limited (ASX: MGP) ("MGP" or "Company") is pleased to invite eligible shareholders to participate in a Share Purchase Plan (SPP), following its highly successful Share Placement to raise approximately $34 million from 28 high quality institutional investors and sophisticated investors to part fund the proposed acquisition of Linear Financial Holdings Pty Ltd ("Linear") and merge the companies. The Share Placement was heavily oversubscribed and is subject to shareholder approval. We expect a strong uptake under the SPP as we ready MGP for strong growth post the proposed merger.

The offer to our shareholders is to participate in the SPP and acquire up to $15,000 in new ordinary shares in MGP at A$0.28 per share, as per the Share Placement issue price. The closing share price of MGP as at 7 November 2017 was A$0.34, an increase of 21.4% over the SPP price of A$0.28.

SPP Purpose

The SPP specifically aims to raise capital to part fund the acquisition of Linear to fund Linear's third party debt, the cash component of the acquisition, further customer acquisition and business development opportunities and to pay for transaction costs.

Growth Outlook

Future of Financial Advice (FoFA) reforms are leading to advisers seeking independence and this is leading to a significant shift of advisers away from bank owned and bank aligned firms to their own Australian Financial Services Licence (AFSL) or non-bank firms. In addition, this is leading to a migration of funds under administration from bank owned administration platform to independent administration providers such as MGP.

Also, participants across the independent advisory and stockbroking channels are increasingly adopting a Managed Discretionary Account (MDA) business model to manage portfolios and implement investment decisions. The move from mutual co-existence models to non-unitised structures presents a once-in-a-decade structural change for the financial services sector. Firms gain significant administration efficiencies while investors retain all the benefits of professional investment management with full transparency. In this regard, we refer to the attached article published in the Australian Financial Review on 10 October 2017 which highlights this significant opportunity. The article is attached for your reference.

MGP is extremely well positioned for the growth opportunities both of these structural shifts present.

We expect the merged entity to be double digit earnings accretive post full synergies (before transaction and implementation costs). FY19 guidance is for EBITDA of $7.5-$8.5 million, based on projected combined revenue in FY19 of approximately $23.5 million.

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managedaccounts holdingslimited

SPP Eligibility

MGP shareholders in Australia and New Zealand (being holders of fully paid ordinary shares as at 7.00pm (AEDT) on 11 October 2017) are eligible to subscribe for up to $15,000 of new MGP shares under the SPP. New MGP shares issued under the SPP will rank equally with existing MGP shares.

In summary, the SPP will assist in enabling MGP to realise its potential as a leader in administration solutions within the independent advisory, broking and institutional segments. We appreciate your support of the Company and your fullest participation in the SPP.

Should you have any questions, please feel free to contact myself or David Heather on 1800 446 971 or 02 8006 5900.

Regards

Don Sharp
Executive Chairman

Demand grows for managed accounts

Alice Uribe

David Heather, chief executive of managed discretionary account provider Managed Accounts Holdings, says a "metamorphosis" in the advice industry is behind a spike in investor interest in independent platform administration businesses that offer access to more transparent managed accounts.

"Clearly the market is looking at it as a growth sector," Mr Heather said.

"Investor interest in the space is coming from a metamorphosis in the industry. Years ago, we went from master trusts to wraps in a fairly major way," he said.

"What managed accounts represent is a fairly big shift from a non-discretionary (wrap) solutions to a discretionary solution, and I think those types of successes only occur in the industry once every 20-odd years."

Traditional wraps coming from large institutions have been a favoured option for advisers and their clients to consolidate an investment portfolio and financial plans. Westpac's BT Wrap has 29 per cent of the $750 billion platform market, while CBA's CFS FirstChoice has 32 per cent.

But key financial planning reforms,

"Metamorphosis": David Heather.

which became mandatory in July 2013, raised the bar for financial adviser compliance and saw a drift towards independent, tech-savvy platforms such as Netwealth and Powerwrap.

It also prompted the rise of more transparent investment methods such as managed accounts, where the investor maintains direct ownership of an investment portfolio.

Funds under management (FUM) for managed accounts in Australia now stand at nearly $50 billion – an increase of $8.9 billion or 22.5 per cent in the six months from 31 December 2017, according to Institute of Managed Account Professionals figures.

"Managed accounts are a large market – and growing quickly. It seems the benefits they offer investors and their advisers are finally being realised," said IMAP chairman Toby Potter.

Last week *Street Talk* revealed Managed Accounts Holdings, which listed in 2014, would fund its proposed acquisition of rival firm Linear via a $34 million capital raising. If the deal succeeds it will mark one of the most significant consolidations in the managed accounts, platform and administration services industry.

Mr Heather said the company was getting shareholders' agreements in place for the institutional placement.

It comes as Netwealth, which offers separately managed accounts (SMAs), prepares for a $900 million initial public offering that could catapult its founders onto the *Financial Review* Rich List.

"All that does is make managed accounts a mainstream [investment] solution," Mr Heather said.

"All of the hype around the Netwealth IPO is the investment industry's recognition of a new generation player getting to a size, and that's great to see from my perspective."

When it hits the boards, Netwealth will trade alongside Hub24 and Praemium.