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**CHAIRMAN'S ADDRESS**  
**23<sup>rd</sup> Annual General Meeting of Fiducian Group**  
**17<sup>th</sup> October 2019**

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In my first year as Chairman of Fiducian Group, I welcome attendees to our 23<sup>rd</sup> Annual General Meeting. First I would like to thank Bob Bucknell, who successfully chaired this company from its inception in 1996, but stayed on the Board after the AGM last year. His presence on the Board helps us to retain his vast experience and knowledge and we continue to benefit from his valued contributions.

I shall now comment on some highlights of the past year:

**BUSINESS ENVIRONMENT**

The Board's strategy to grow the business organically and inorganically remains. This has resulted in a continuation of the positive earnings momentum of prior years and we strive to generate increased earnings from the various revenue generating businesses within the Group.

Last year, the financial services sector was presented with significant headwinds. Early in the financial year, interest rates were considered too high, igniting fears of a global recession. The US – China Trade war and the unknown impact from an impending Brexit threatened Global growth. At home, there was the Royal Commission on mis-conduct by the financial services sector and Banks and in addition, a poll prediction of a Labour Party federal election win that would introduce a host of new taxes. None of these geo political activities encouraged people to go out and invest their hard-earned money in financial markets. Consequently, some of the Banks and other financial institutions within the ambit of our operations, have been reporting significantly reduced earnings, or in cases, even losses. Substantial restructuring of business models, particularly in financial planning is underway and entities are being merged or shut down along with the ejection of financial advisers from erstwhile dealer groups. It has been reported that in instances, this is causing family stresses and mental health issues for participants.

I am pleased to advise that the Fiducian business model has withstood this difficult environment without modification. We have instead, grown our staff head-count and indeed as the results show, underlying net profit after tax rose by around 15% last year against the general trend.

## 2019 FINANCIAL PERFORMANCE – FIDUCIAN GROUP

- Net revenue from ordinary activities increased by 9% from \$33.8 million to \$36.7 million, while gross margin remained constant at 74%;
- Underlying Net Profit after tax which is a better reflection of the Group's cash generating ability, rose by around 15% from \$10.5 million to \$12 million. Management's mandate is to keep growing revenue, but to grow profits for shareholders at a faster rate;
- Statutory Cash operating expenses were controlled, but increased by 9.4%, mainly due to new staff absorbed following acquisitions of financial planning client bases and in particular, a bigger investment in recruitment of additional staff to monitor compliance of our financial planning network and for business development and distribution;
- Basic Earnings per share on Statutory Net Profit After Tax rose by 12.2% from 29.4 cents to 33 cents. A dividend of 22.3 cents per share was paid, an increase over the 20 cents per share paid in 2018. The dividend payment remains consistent with the Board's strategy of paying between 60% to 70% of NPAT, (unless there are other compelling reasons not to) and retaining free cash to grow the business or make acquisitions; and
- Combined Funds Under Management, Administration and Advice (FUMAA) rose from \$6.7 billion to \$7.4 billion at 30 June 2019 an increase of 10.4%. FUMAA has risen by 107% over the past 5 financial years. Post 30 June 2019, acquisition of client bases in Tasmania and Victoria were made. Taking into account new acquisitions, market driven growth and net inflows of funds after 1 July 2019, FUMAA to end September has already risen to around \$8.1 billion.

## FUNDS UNDER MANAGEMENT

Funds Under Management in the Fiducian Funds have delivered to expectations. In particular, our diversified funds, Growth, Balanced and Capital Stable that are used as a core investment in most client portfolios, performed in the top quartile over 1,3,5, 7 and 10 years to 31 July. In addition there were three 1<sup>st</sup> place rankings, two 2<sup>nd</sup> place rankings, a 4<sup>th</sup> and a 5<sup>th</sup> place out of the entire survey that last year comprised of 187 of the world's top fund managers competing in Australia. The Ultra Growth fund was second quartile over the last two years due to weakness in the small company and emerging markets sectors, but nevertheless ranked 2<sup>nd</sup>, 4<sup>th</sup> and 1<sup>st</sup> in its category over 5, 7 and 10 years. It appears that, our objective of being above the average of our peers and delivering superior longer term returns with below average risk is being achieved.

## **FINANCIAL PLANNING**

The funds under advice to 30 June 2019, grew from \$2.41 billion to 2.74 billion. Subsequent acquisitions and growth after 1 July, have lifted Funds Under Advice to \$3.3 billion. The number of financial planners currently stands at 72. As always we focus on the quality, skill level, compliance and client focus of our financial planners and not purely on recruiting numbers for the sake of it. Approximately 52% of funds under advice comes from 9 salaried offices and 48% from 32 franchised offices.

## **INFORMATION TECHNOLOGY**

A number of enhancements to improve functionality and efficiencies for users have been made to FORCE - our financial planning system, FasTrack - our client administration system and Fiducian OnLine - our portfolio reporting system. New reporting requirements stipulated by the Regulators and Tax Office have been developed and are functional. We expect that our client administration system will in the next few months, become completely automated with seamless transaction from the financial planners' desk to reporting an investment to a client. This will lift efficiency in the administration area and substantially expand capacity to handle larger volumes of throughput at minimal cost increase.

## **PLATFORM ADMINISTRATION**

Administration services have been exemplary over the past year as all service levels have been met or positively exceeded. System enhancements have improved transaction efficiencies and accuracy. Over \$2.1 billion is now administered on our platforms.

## **BUSINESS DEVELOPMENT 7 DISTRIBUTION (BDD)**

The BDD team established late last year, has been active in recruiting new franchised financial planners and as well in sourcing and managing acquisitions. Just under \$600 million of client assets have been acquired and planner numbers have increased by 5 over the last 12 months to October this year. Their focus now is on recruiting quality financial planners from amongst the turmoil and retrenchments by the large institutions and banks. Further acquisitions of client bases are also in the pipeline.

## OTHER SERVICES

Services provided by the Finance, Legal & Compliance, Marketing and Risk Management managers and their teams are rarely noticed or considered. However, I must report that these persons have done a marvellous job in supporting all business activities and regulatory demands and without them, the growth we exhibit would be unlikely to occur.

The Planners Council, IT and Platform User Groups have voluntary participation by managers and financial planners. They have as usual, been a great sounding board for the Group over the year and their feedback is valued.

The Executive Leadership Team of senior managers comprises our General Counsel and the executive Chairs of Funds Management, Financial Planning, Finance, and Business Development who directly report to me. They along with other senior managers have provided great strategy development and operational support.

Through the year, staff of Fiducian voluntarily assisted the administration of Vision Beyond Aus, a charity that has helped restore eyesight through free surgery of almost 37,000 men, women and children who live in poverty in India, Myanmar, Cambodia and Nepal. As well, Vision Beyond Aus has funded the eye screening of 8,000 children living in rural areas of Nepal. Many who have been beneficiaries of our support, believe that they have been given a new life or can become productive members of their community.

## CONTINUING GROWTH

The Board remains cautious but confident that, subject to an improving economic and financial market environment in Australia and internationally, along with the hard work of all staff, its strategy of delivering double digit earnings growth can be achieved.

The company currently remains debt free with positive working capital and operating cash flows. Management report that for the first quarter, profit is close to budget. If revenue growth continues in this manner, profit growth expectations could be met.



I thank all our staff, members of various committees, stakeholders, subsidiary board directors and the Fiducian Group Board for their hard work and support to the company. In particular, I thank all our shareholders for their trust and confidence in Fiducian and assure them that we are all working hard to ensure that shareholder and community expectations are met into the future.

Indy Singh (Executive Chairman)

Fiducian Group Limited

17 October 2019