
CHAIRMAN'S ADDRESS
24th Annual General Meeting of Fiducian Group
22nd October 2020

As Executive Chairman and on behalf of the directors, I am pleased to present this report on the consolidated operating performance of Fiducian Group Limited and its controlled entities for the year ended 30 June 2020. At the outset I must thank the Board, senior management and all our staff who have stood together and supported the company through the COVID 19 crisis, something none of us have experienced before in our lives.

HIGHLIGHTS

The 2018-19 year brought significant disruption to financial services businesses. Globally from the BREXIT and the US China Trade war and as well from home with a Federal election and the Royal Commission. The 2019-20 year has brought its own issues with COVID 19. There was strong growth in the first half of this financial year leading into the first two months of calendar 2020 and we were projecting a strong result. Then came the coronavirus, which forced large scale business closures and a sharp 35% stock market decline in March 2020.

A new term "Resiliency" was coined for business. This is the ability of a business to absorb external shocks and come out better than the competition. It is the key to survival and long-term prosperity of businesses in uncertain times as such companies have business models that make them better prepared and able to take effective action. The last two years have proven that Fiducian's model is on the right track and can still deliver positive results for shareholders, while at the same time taking care of its people and supporting the community.

Governments across the world were taken by surprise at the ferocity with which businesses were shutting down and announced massive stimulus packages in a matter of months, which in some cases is ten times the amount spent over 3 to 5 years during the Global Financial Crisis. How this money will be repaid by citizens is a question for another time. However, for now it has helped people to survive.

The Crisis Management Team meets twice a week to oversee the situation and plan for any issues which may impact the business. Its foremost priority is the safety, health, well-being and security of all our staff and associates that comprise the "Fiducian Family". Within a few days of the Government

announcing lock-down measures, our Pandemic Response Plan was put in action to ensure continuation of a seamless service to our clients and stakeholders.

I am pleased to advise that:

- All our people, the heart and soul of our business, are safe.
- All staff are able to work from home. A remarkable achievement by our IT team, which worked late into the night to ensure connectivity and even delivered Surface Pro tablets to homes where needed.
- The dedication and contribution by senior management, staff and financial planners has been nothing short of exemplary. They have worked long hours and modified their work processes to deliver on business deliverables.
- Financial planners have stepped up their client contact and communication by phone and video conferencing to ensure that clients continue to receive quality advice.
- The client administration team for our platforms has delivered a seamless service without any disruption to our clients. All service level standard requirements have been met and in cases exceeded.
- No one has been retrenched, laid off or had their remuneration reduced. This should assist with retention of skilled staff.
- For their hard work, all staff are rewarded with a salary increase for the coming year and bonuses equal to what they received last year or as per their employment terms.
- Despite the severe share market decline in March, flagship diversified Fiducian Funds have maintained their superior rankings on the Morningstar Survey compared with up to 197 recognized fund managers in their peer groups. This includes the last twelve months and even going back over the last ten years and more. Funds have shown a good recovery after the March decline.
- Cost controls, efficient working methods and our resilience to external shocks have shown that we can still deliver earnings per share growth for shareholders, maintain dividend payments and also keep our staff happy, clearly against the trend for the financial services industry. This is in spite of the fact that FUMAA at 30 June 2020 is lower than February 2020 due to the reported share market volatility.
- Net inflows in the difficult second half of this financial year were 36% higher than the first six months of the year.

- We believe that eventually share markets will recover, employment will return, the world will come to a new normal and we will continue to operate through simpler, cost controlled and more efficient technology driven methods.
- The Board, management and staff therefore remain optimistic for superior growth and a continuation of steady well-managed expansion over the next 3 to 5 years.

2020 FINANCIAL PERFORMANCE – FIDUCIAN GROUP

- Net inflows for the financial year grew by 107% or \$217million (2019: \$105 million);
- Net revenue from ordinary activities increased by 10% from \$36.7 million to \$40.2 million, while gross margin was steady at 73%;
- Underlying Net Profit after tax which is a better reflection of the Group's cash generating ability, rose by around 6% from \$12 million to \$12.725 million. Management's mandate is to keep growing revenue, but to grow profits for shareholders at a faster rate;
- Basic Earnings per share on Statutory Net Profit After Tax rose by 1% from 33 cents to 33.3 cents after making adjustments for the new accounting standard for leases and a higher tax rate of 30% (2019: 27.5%).
- Statutory Cash operating expenses were controlled, but increased by 7% mainly due to new staff absorbed following the acquisition of the My State Bank retail financial planning client base in Tasmania;
- The dividend payment remains consistent with the Board's strategy of paying between 60% and 70% of NPAT, unless there are other compelling reasons not to, such as retaining free cash to grow the business or make acquisitions. The payout was 23 cents per share, an increase by 3.1% over the previous year which is against the trend followed by most financial services businesses in the current environment;
- Combined Funds Under Management, Administration and Advice (FUMAA) rose from \$7.4 billion last year to \$8 billion at 30 June 2020, an increase of 8% after absorbing the big share market decline experienced in March this year; and
- A key feature of the company is that it has a strong balance sheet and currently remains debt free with a positive working capital and cash flow position.

FINANCIAL PLANNING

During the year, Funds Under Advice grew to \$3.0 billion (2019: \$2.7 billion) due to acquisitions of financial planning businesses and increases in net inflows. Fiducian expects the highest level of compliance and client service from its financial planning network and regulatory oversight and supervision has been increased. Our financial planners continue to deliver superior quality advice through webinars and video conferencing. As a consequence, client retention remains high and many grandparents, we notice, are happily learning new internet skills. Salaried offices comprise over 50.5% and franchised offices comprise the balance 49.5% of Funds Under Advice. Further acquisitions are being negotiated.

PLATFORM ADMINISTRATION

Platform Administration offers portfolio wrap administration for superannuation and investment services to financial planners as well as Separately Managed Accounts (SMAs). We believe that our capability and systems enhancements give us the ability to readily compete for such business and negotiations are underway with prospects who could use our services for administration of their SMAs. From September 2020, we modified the administration fees, which were reduced so that they fell within the bottom half of the fees of like for like competing platforms. As is the trend in the industry now, transaction and asset holding fees were introduced. To give complete transparency, investors will be able to drill down through Fiducian Online and view every single listed security that they hold anywhere in the world through Fiducian Funds. Funds under Administration were adversely impacted by the falls in share markets across the world in March 2020. Funds under administration stand at \$2.2 billion up 6.3% over the June 2019 balance of \$2.1 billion.

SUPERANNUATION

The Superannuation Trustee Board established for our public offer, superannuation wrap fund in March 2015 with equal independent directors operates professionally and with independence. The Board is supported by the Office of Superannuation Trustee and outsources key operational processes to specialist service providers. The Federal Government has legislated an early release from superannuation scheme to assist Australians, who have had a reduction in their income due to the COVID-19. The withdrawals from Fiducian Superannuation have been approximately \$2 million in total, which is negligible in the scheme of things.

FUNDS UNDER MANAGEMENT

Our in-house Manage-the-Manager system of investment continues to attract the majority of retail funds placed with us. Fiducian Funds have performed well over the medium to long-term in their respective categories as we diversify their assets through a range of underlying fund managers to reduce risk and volatility. Since inception some twenty years ago, the performances of these funds to end of June 2020 as reported in the Morningstar Investment Performance Survey have been commendable. The returns of our flagship diversified funds have recovered strongly and as at end August we had several number one rankings against all Australian and International fund managers represented on recognised performance surveys over the last ten years.

OTHER SERVICES

Services provided by the Finance, Legal & Compliance, Business Development and Distribution, 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 under pressure from COVID-19 and supported all business activities effectively.

The Planners Council, IT and Platform User Groups have voluntary participation by managers and financial planners. They have been a great sounding board for the Group 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 ideas for strategic 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 41,000 men, women and children who live in poverty in India, Myanmar, Cambodia, Ethiopia and Nepal. As well, Vision Beyond Aus has funded the eye screening of 8,000 children living in rural areas of Nepal. While COVID-19 restrictions have forced a slowdown in activity, we continue to support hospitals in these countries as needed.

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 continued growth can be achieved.

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.



Inderjit (Indy) Singh OAM

Executive Chairman

22 October 2020