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**CHAIRMAN'S ADDRESS**  
**26<sup>th</sup> Annual General Meeting of Fiducian Group**  
**20 October 2022**

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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 operating entities for the year ended 30 June 2022.

## **HIGHLIGHTS**

During the financial year gone by, our 26th since inception, we have continued to capitalise on the main revenue earning segments of our business model - Platform Administration, Funds Management and Financial Planning. All these business arms are supported by our Fintech capability, which has produced in-house proprietary technology and software systems that allow us to innovate, lift productivity and subsequently generate profits for our shareholders.

Investment markets were steadily rising from June 2021 and preliminary financial results were exceeding budget targets. That is, until two unexpected events in February hit the global economy. The first was the Russian military attack on Ukraine which dislocated supplies and prices rose sharply. Simultaneously, China received another COVID-19 scare. Its zero Covid policy prevented people from working and they shut down their ports. Consequently, financial markets fell sharply from February as investors weighed the possible damage to corporate profits, higher inflation and a resurrection of West vs East military rivalry.

We had our highest ever net inflows of \$309 million over the year. However, the sharp declines in financial markets impacted our Funds Under Management, Administration and Advice (FUMAA) adversely and truncated further earnings growth expectations. Nevertheless, our business model is resilient and we again delivered a double digit underlying earnings per share growth for shareholders.

The acquisition of the financial planning business of People's Choice Credit Union (PCCU) and assimilation, absorbed a great deal of our management resources for induction, training and consolidating revenue. This is now completed and employees from PCCU have readily adopted our Fiducian family culture and IT systems, and are constructively supportive of our processes. Fiducian staff involved in the exercise have done an exemplary job and need to be congratulated.

Our principles of People, Planet and Profit stand firm. We are indeed fortunate to have a loyal and experienced management team and dedicated staff who have delivered seamless operations with efficiency under trying conditions to deliver a great client experience.

Management and the Board remain positive for further growth of Fiducian in the future. Wars always end and modern medicine finds cures for pandemics. Our expanded network of financial advisers is expected to deliver funds flows that exceed our recent record-breaking year. Significant efforts are being directed to distribution of new products and services and we remain on the lookout for further earnings per share accretive acquisitions of client bases. As is always the case, the recent volatility may subsequently be offset by strong financial market growth and we intend to capitalize on this transformation in the future, for the benefit of our shareholders, stakeholders and people.

## **FINANCIAL INFORMATION – RESULTS FOR THE YEAR**

Despite record breaking net inflows from our existing network of financial planners, most major equity and fixed interest markets delivered negative returns for the year to 30 June 2022. As FUMAA fell, so did our ability to expand earnings. Fortunately, our business model has continued to be resilient, weathered the adverse impact of a changed economic environment and enabled the consolidated entity to deliver a Statutory Net Profit after Tax increase of 9% to \$13.3 million (2021: \$12.2 million). The underlying earnings per share lifted 11.1% from 44.9 cents in 2021 to 49.9 cents in the current year. After the acquisition of client bases and absorbing recent share market declines, the combined FUMAA grew 5% to \$10.9 billion over the previous year (June 2021 \$10.4 billion). Any recovery in financial markets should consolidate further revenue increases in the year ahead.

## **CAPITAL MANAGEMENT**

A key feature of the company is that it continues to maintain a clean Balance sheet and remains debt free with a positive working capital and cash flow position. However, if circumstances dictate, a capital raising or debt funding may be considered where suitable acquisitions or business growth opportunities present themselves.

## **FINAL DIVIDEND**

The Board remains prudent, but is confident that the future of the business is positive and likely to continue to strengthen through organic growth and acquisitions of client bases that can benefit from the Fiducian process. As a result, a fully franked final dividend of 14.90 cents per share was declared

which brought the total fully franked dividend declared for the 2022 financial year to 29.7 cents, an increase of 10% (2021: 26.90 cents). The full year dividend represents 70% of the statutory NPAT for the year. The final dividend was paid on 12 September.

## **ON MARKET BUY-BACK**

During the year, no shares were bought back on market leaving 31.48 million shares on issue at year-end.

## **CASH FLOW AND FINANCIAL HIGHLIGHTS**

Net operating cash flows increased from \$16.0 million in 2021 to \$18.7 million in 2022. During the year, the Group took advantage of growth opportunities through the acquisition of the PCCU business and funding of two salaried and franchisee offices among other investment activities aggregating to \$9.7million, while dividends of \$9.3million and \$1.5million in other financing activities were paid during the year. As a result, net cash and cash equivalents decreased by \$1.8 million (2021: increase \$5.3 million). Cash at year-end was therefore \$17.5 million compared to \$19.3 million at the end of 2021.

Funds under management advice and administration grew to \$10.94 billion on 30 June 2022. At 30 September 2022, it is now \$11.0 billion due to financial market weakness. Net Revenue to 30 June rose 19% to 51.2 million from \$42.9 million in the prior year. Statutory NPAT grew by 9% to \$13.3 million. Basic earnings per share on Underlying Net Profit After Tax (UNPAT) rose by 11% to 49.9 cents.

## **FINANCIAL PLANNING**

During the year, Funds under Advice grew from \$3.7 billion in June 2021 to \$4.4 billion in June 2022. The Group expanded its domestic footprint in South Australia and Northern Territory through its acquisition of the financial planning business of PCCU, which on acquisition, increased the Group's funds under management by around \$1.1 billion. This could contribute annually a recurring revenue of \$6.4 million based on current estimates.

Fiducian expects the highest level of compliance and client service from its financial planning network. Regulatory oversight and supervision of our financial planners has been supported by additional recruitment in the practice management and compliance team to provide compliance

coaching. This is an expensive proposition and it is possible that we have one of the highest supervisory management to financial adviser ratios in Australia, but one that we feel is necessary.

Our extensive internal training program continues through webinars and video-conferencing. Consequently, client retention remains high.

Two face to face Professional Development days were held in Sydney. After a period of almost three lockdown years due to COVID-19, an annual conference was held in September this year and much appreciated by all advisers. Our focus will remain on generating inflows through organic and inorganic growth, while further acquisitions of client bases and increases in franchised offices are being negotiated.

## **SALARIED AND FRANCHISED OFFICES**

We now have company owned offices with salaried financial planners located across New South Wales, Victoria, Western Australia, South Australia, Queensland, Northern Territory and Tasmania that continue to contribute to overall results. Salaried offices now comprise over 55.6% of Funds under Advice. We now have 41 salaried advisers. Franchised offices now comprise around 44.4% of our Funds under Advice. We have 45 franchised financial planners nationally.

## **PLATFORM ADMINISTRATION**

Platform Administration continues to offer accurate and efficient services. Therefore, in April this year, we launched a new platform called Auxilium. As a disruptor, it offers SMAs and wide ranging investment options to external dealer groups and small self-licensed financial advisers who are currently using large competitors' platforms. Our business development team recently found some success in registering external Licensees to start using our platforms. There is sufficient capacity in our administration team to offer this service to the external market.

Commencing 1 June 2022, administration fees in Fiducian platforms were reduced in line with our competitors' offerings. This means that total fee revenues in 2023 could be adversely impacted by up to \$1 million. We expect this reduction to be absorbed through normal operations and increased inflows and asset management functions.

Funds under administration on our platforms stood at \$2.85 billion on 30 June 2022. At 30 September 2022, this currently stands at \$2.78 billion.

## **INDEPENDENT FINANCIAL PLANNERS (IFAs)**

Funds under Administration for IFAs is around 8.4% of total Funds under Administration. Efforts are underway to build new relationships and increase net inflows from non-aligned financial planner groups, in particular, through SMA administration services and wider adoption of our existing platforms and funds.

## **SUPERANNUATION**

The Superannuation Trustee Board established for our public offer, superannuation wrap fund in March 2015 with a majority of independent directors operates professionally and with independence. In line with our board renewal policy, three new replacement directors have been appointed to the Board. Two of them are independent female directors possessing exceptional qualifications and experience and should add value to the Board. The Board is supported by the Office of Superannuation Trustee and outsources key operational processes to specialist service providers.

## **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 assets through a range of underlying fund managers to reduce risk and volatility.

## **INFORMATION TECHNOLOGY**

The Fiducian Information Technology development team has been busily working from both home and head office to provide system enhancements that deliver efficiency and wide ranging functionality to FORCE our financial planning system and to 'FasTrack', our platform administration system. The improvements provide integration with our on-line reporting tools and give us an edge when competing for administration related business and as well, scope to distribute FORCE on a standalone basis.

## **HUMAN RESOURCES, MANAGEMENT AND STAFF**

At Fiducian, we have always acknowledged staff as our most important and valuable asset and we continue to nurture and help them grow personally and into positions of responsibility. Our strategy to view our staff as a large Fiducian family standing alongside each other in difficult times has held us in good stead as staff have reciprocated with a show of superior performance and loyalty in volatile times.

Management has taken a hybrid approach to working, with teams splitting their working days between the office and home while continuing to discharge their duties, meet regulatory obligations and remain connected with their colleagues and clients. This transformation of the work environment has been made possible by our IT enhancements.

Fiducian has been and will always be an equal opportunity employer. Our diversity policy encourages persons of different race, gender, sexual preferences, religion, national or ethnic origin, age or disability and skills to participate and receive recognition, reward and management responsibility commensurate with their performance. Employees are from 26 different countries of origin, 49% are female with 15% of female employees in senior roles. Twenty two percent of our employees are over 55 years of age.

## **PLANNERS COUNCIL**

The Planner Council members are drawn from our network and have again made a significant contribution to the Company during the past year. It continues to fulfil its role as a sounding board for the Company's management and Boards and is a valuable resource and forum to alert us on financial planning issues and software developments that may need consideration.

## **BOARD OF DIRECTORS**

The Board of Directors and Management has worked together cohesively as a team with respect and candour for each other but with a clear mutual understanding of each other's roles and responsibilities in achieving optimal performance. While acknowledging that the strength of financial markets influence future performance, the Business Plan for the year ahead focusses on competitive advantages to lift profits through organic growth as well as acquisitions and more franchised offices. Management remains committed to achieving the goals and objectives set down in the plan.

## **COMMUNITY SUPPORT**

Despite lockdowns and restrictions, Fiducian has continued providing support to community organisations and sporting teams linked to our financial planning network. Vision Beyond AUS, a charity supported by the Fiducian Group, has been increasing its footprint despite the shackles of the pandemic in hospitals in India, Myanmar, Nepal, Cambodia and Ethiopia. More than 46,095 men, women and children who live in abject poverty have had their eyesight restored in addition to the surgical equipment donated to overseas hospitals. Some 18,000 children have been screened for eye disabilities in rural areas of Nepal. Fiducian staff continue to provide volunteer assistance to the charity in the areas of accounting, administration and marketing to ensure that every single dollar contributed by generous donors goes towards eliminating visual impairment in the world.

## **CURRENT ECONOMIC AND MARKET ENVIRONMENT**

The global economy has been facing headwinds from February this year. Inflation has been pushed higher by excessive government spending in an environment of full employment and pent-up consumer demand. This year, the International Monetary Fund (IMF) is forecasting global growth to be 3.6%. Growth in the developing world is expected to be led by China (4.4%) and India (8.2%). Growth forecasts could be lowered over coming months due to rising interest rates and withdrawing of liquidity from the financial system.

Global corporate earnings are forecast to grow by a solid 11% this year. (Yardeni Research). However, if central banks continue to engage in severe monetary tightening, then earnings in at least some major jurisdictions could be weaker than these forecasts suggest.

The US Federal Reserve has stated that the battle against inflation is unconditional and that interest rates will be raised until there is compelling evidence that inflation is returning to 2%. Other major central banks could follow. Sharp declines in global share markets across the world suggest a slowdown in growth and inflation to occur.

From 2020 until early 2022, investors enjoyed significant gains. Recent falls have however, resulted in a marked improvement in share market valuation measures. This is positive for future price rises that would benefit investors. Nonetheless, for our diversified funds we have taken a cautious approach to stay marginally below benchmark in our allocation to 'growth' assets. This will change when we perceive signals suggesting a recovery in share prices is on the cards.

As always, we recommend that investors should consult a Fiducian financial planner to develop a financial plan with the aim of achieving a diversified investment strategy that could help them realise their financial goals.

## OUTLOOK

Consistent with our strategy over the last 26 years, our focus remains the establishment of a business with a rock solid foundation and growth strategies, to enable upscaling on existing capacity and leveraging our relatively low fixed cost base. This strategy has benefited us in the difficult and uncertain times with increasing revenues and growing profits. Strong focus on cost and operational efficiency has enabled Management to make difficult decisions on expenditure and cost priorities quickly without disturbing growth momentum. The Board's aim remains to build scale and deliver consistent double-digit earnings growth in coming years over the long term and Management is determined to stay committed and focused in this difficult climate, to try to achieve this goal.

On behalf of the Board, I would like to thank all participants for their individual contributions to the growth and success of Fiducian.



Inderjit (Indy) Singh OAM

Executive Chairman

20 October 2022