

# June 2018

## Quarterly business update

ASX Release – 13 July 2018

## Netwealth reaches \$17.96 billion Funds Under Administration with \$1.95 billion increase in Q4

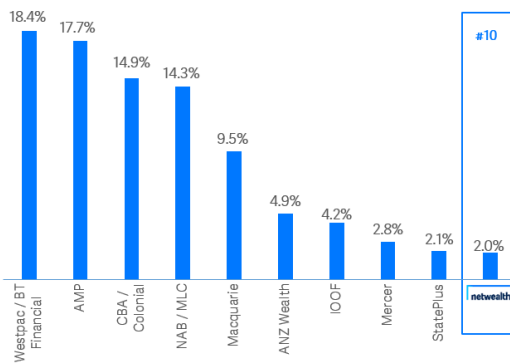
### Highlights

- Netwealth lifts its profit guidance to  $\approx 6\%$  above FY18 Pro-forma NPAT<sup>1</sup> prospectus forecast.
- Funds Under Administration (FUA) at 30 June was \$17.96 billion, an increase of \$1.95 billion for the quarter and \$5.2 billion for the 12 months ended 30 June 2018 ("FY 2018") (41% increase).
- Net FUA inflow was \$1.4 billion for the quarter and \$4.2 billion for FY 2018. The quarter net inflow was 16% higher than the prior corresponding period ("PCP"). The PCP inflows benefited from the 2017 stronger super reforms. (PCP has been adjusted for a one-off client transition which was included Q4 2017).
- Market movement was positive \$512 million for the quarter and \$1 billion for FY 2018.
- Funds Under Management (FUM) including the Netwealth Managed Account was \$2.8 billion, an increase of \$284 million for the quarter (11%) and \$1.3 billion during FY 2018 (82%). The Netwealth Managed Account grew to \$1.8 billion, an increase of 170% for FY2018.
- In the March 2018 Strategic Insights quarterly platform market update, Netwealth achieved the highest platform flows for the year ended March, obtaining 22.1% (\$4.6 billion) of total net inflows.
- In accordance with our strategic direction to maintain our position as Australia's No. 1 platform, and to take full advantage of the current favourable industry trends, we will be increasing our investment in the distribution team, as well as adding an additional IT development team focused on data analytics and artificial intelligence applications. We have commenced recruiting for these new roles.
- Netwealth was rated Australia's No. 1 platform for overall satisfaction for the 7th year in a row in the Investment Trends Planner technology report released in May 2018.
- Netwealth was the clear winner among administration platforms measured by adviser satisfaction level and investment functionality, according to Adviser Ratings research published in July 2018.
- Netwealth won the award for "Best Advised product" in the annual Chant West Super Awards – 2018. Items noted for Netwealth's success were the range of Managed accounts offered, the Netwealth Core product options including the new GSS SMA and our SMART ROA tool which help adviser efficiency and lead to better client outcomes.
- Together with Banquer, Netwealth was awarded Financial Literacy Campaign of the Year at the MAX Awards (Marketing, Advertising and Sales Excellence Awards). We continue to support financial literacy in schools with more than 170 schools and 7,500 children participating in the program which provides classrooms with an online virtual economy. For more information, visit [www.banquer.co/netwealth](http://www.banquer.co/netwealth).

1. Pro forma NPAT forecast has been prepared consistently with the IPO Prospectus, adjusted for the impact of the transactions fees and discontinued operations. It is subject to the audit of the financial statements for the Netwealth Group Limited as at 30 June 2018.

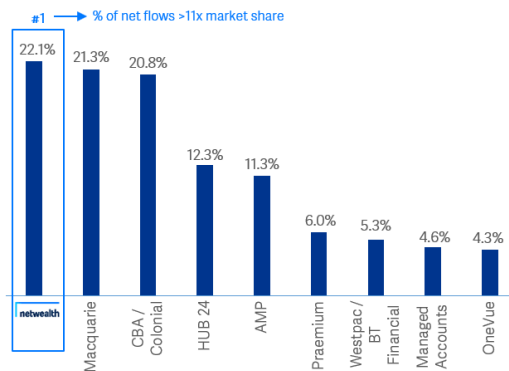
## Platform growth and performance

Platform providers by FUA market share<sup>(1)</sup>  
% market share (March 2018)



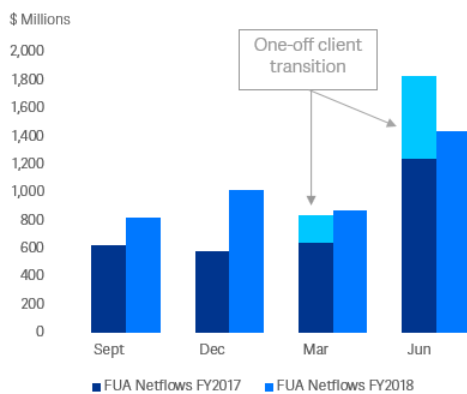
Source: Strategic Insight: Master Trusts, Platforms & Wraps (Mar 2018)  
(1) Total industry retail FUA of A\$809.3bn (as at Mar 2018)

Platform provider net funds flows<sup>(2)</sup>  
% market share (12 months to March 2018)

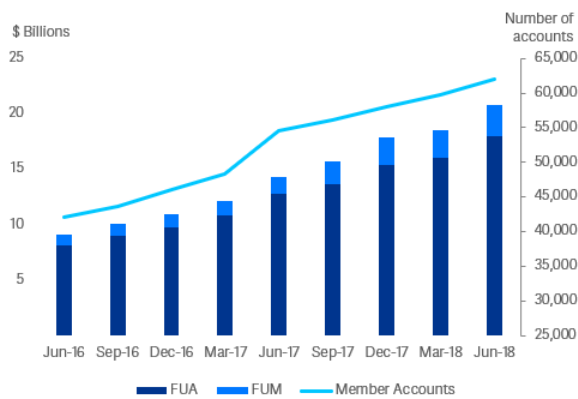


Source: Strategic Insight: Master Trusts, Platforms & Wraps (Mar 2018)  
(2) Total net flows of A\$20.6bn (12 months to Mar 2018)

FUA Netflows per quarter with PCP



Growth in FUA, FUM & Member Accounts



## Quarterly platform statistics and commentary

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
<b>Funds Under Administration</b>					
Funds Under Administration	12,747	13,710	15,436	16,008	17,960
Administration Fee Paying FUA %	69.3%	67.7%	65.2%	64.6%	61.6%
Net FUA Flows	1,831 ***	824	1,023	879	1,440
<b>Funds Under Management</b>					
Managed Account	679	1,005	1,406	1,584	1,834
Managed Funds	884	984	1,020	978	1,011
<b>Total FUM</b>	<b>1,563</b>	<b>1,990</b>	<b>2,426</b>	<b>2,562</b>	<b>2,846</b>
Net Flows Managed Account	201	282	279	174	136
Net Flows Managed Funds	26	125	5	(31)	12
<b>Net FUM Flows</b>	<b>227</b>	<b>408</b>	<b>284</b>	<b>143</b>	<b>148</b>
Member Accounts (number)	54,628	56,100	58,012	59,695	62,097

\*all figures in \$millions unless otherwise stated

\*\*all figures provided are unaudited & net flows do not include market movement

\*\*\*Q4 2017 includes \$590m one off client transfer and impact of stronger super changes

### Commentary

- The administration fee paying % of net flows for the quarter (48.5%) was lower than recent quarters due to an increased proportion of net flows coming from higher value wrap accounts where balances exceed the fee cap. For the quarter, administration fee paying FUA% decreased from 64.6% to 61.6%.
- We have recently increased our fee cap from \$1 million to \$2.5 million on many of our new larger opportunities. If the take up of this option is as expected, we would expect the fee paying % on new inflows should increase gradually over 2019 and beyond. We do not expect this change will impact the average revenue per account.
- Where the administration fees cap out on larger accounts, Netwealth nonetheless earns a higher absolute administration fee per account compared to smaller accounts and typically also earns higher ancillary fees.
- The pooled cash balance was \$1.55 billion at 30 June 2018.
- Managed account net flows were \$136 million for the quarter and \$871 million for FY 2018.

## Platform enhancements

### New developments

During the quarter Netwealth released a range of new platform features and products focused on improving the delivery of advice and increasing client engagement.

#### Key initiatives included:

- The addition of 4 new Netwealth diversified index models available on both the Core and Plus investment menus providing simple and low-cost investment solutions for clients.
- Managed models were added to our SMART solution ("Sophisticated Modelling and Rebalancing Technology") to provide additional multi-asset capabilities.
- A range of managed account enhancements were made including the addition of managed models to our re-investment and auto-sell transactions and new client preference options to allow for greater client customisation.
- Enhanced security features supporting optional two factor authentication on website login.
- A new automated data feed to SuperConcepts for efficient SMSF administration.

### Development focus for remainder of the calendar year

During the remainder of the calendar year, we will continue to enhance our service and platform offering through the following initiatives:

- New adviser and client portal interface, with intuitive navigation and a number of new features designed to simplify and improve the user experience.
- Ongoing report enhancements including new reports and summaries, account consolidation and individual report customisation for on platform and off platform assets.
- Further development of the Netwealth IOS and Android mobile apps which will be upgraded and enhanced reflecting continued user adoption by both advisers and clients.
- New cash management and transactional capabilities will be launched providing sophisticated payment, investment and rebalancing solutions.
- The expansion of our Retail and Private Label Managed Account service, including the addition of new models, strategies and functionality.

## Update on corporate activity

- Netwealth continues to be focused on being a specialist platform without any ownership of any Advice businesses.
- In the March 2018 quarterly update, Netwealth advised that it had entered into a transition agreement with the responsible entity of a managed investment scheme. As at 30 June this transaction had resulted in \$14.2m of FUA being added with inflows expected to total approximately \$50 mil. The amount payable by Netwealth in respect of this transaction is based on actual funds transferred to Netwealth. An initial capital payment of \$300,000 has been made and the final amount payable is likely to be significantly less than the maximum \$3 million originally disclosed in the prospectus due to a lower than anticipated transition of funds.

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## About Netwealth

Netwealth is a financial services company listed on the Australian Stock Exchange (ASX: NWL).

Netwealth was founded in 1999 and established to provide astute investors and wealth professionals with a better way to invest, protect and manage their current and future wealth. As a business, Netwealth seeks to enable, educate and inspire Australians to see wealth differently and to discover a brighter future.

Netwealth offers a range of innovative portfolio administration, superannuation, retirement, investment and managed account solutions to investors and non-institutional intermediaries including financial advisers, private client and high net worth firms.

Netwealth's award-winning platform is currently rated Australia's Number 1 Platform for overall functionality and overall satisfaction\* providing wealth professionals with the technology required to efficiently manage and add value to their clients.

\*Investment Trends June 2018 Planner Technology Report and Investment Trends December 2017 Platform Benchmarking Report.