

March 2020 quarterly update

Next-gen platform attracts high ratings

20 April 2020, Melbourne: Praemium provides its update for the March 2020 quarter. A year on from the major platform upgrade, the company has received high praise from industry pundits, including:

- » 4th place on debut for Investment Trend's Australia platform rankings
- » 2nd place on debut for the lang cat's UK platform scorecard
- » Winner of the Best Innovation award at the City of London Wealth Management Awards
- » UK platform achieved a maximum possible 5-star Defaqto rating
- » Praemium, along with 45 leading technology firms, was included in the inaugural S&P/ASX All Technology Index (XTX)

Key results for the quarter

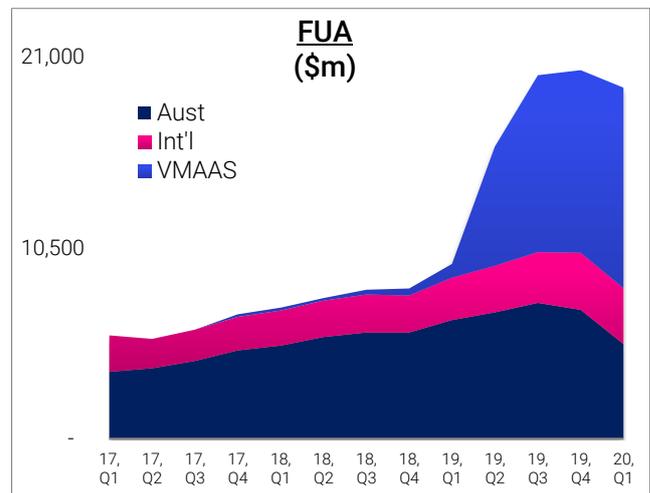
Global FUA for the March 2020 quarter totalled \$19.4 billion, an increase of 101% on last year, of which:

- » FUA for the Australia SMA/IMA platform was \$5.2 billion, down 20% on last year
- » FUA for the International SMA/IMA platform was \$3.1 billion, up 31% on last year
- » FUA for VMAAS reached \$11.1 billion, up 1,360%

Total FUA of \$19.4 billion was a 5% decline over the previous quarter, despite the ASX and FTSE declining 24% and 31% respectively.

Overall custodial platform FUA declined 19% to \$8.3 billion over the March quarter, comprising \$321million in net inflows, offset by \$1 billion in market movements and \$1.2 billion from an ongoing client transition.

Underlying Australia platform FUA growth for the past 12 months is 19%, excluding the client transition.



Refer to the Key Statistics table for further detail

COVID-19 response

Praemium continues to operate normally during this unprecedented time, and we remain committed to maintaining the same high levels of service clients have come to expect from us. Our focus is to the safety of our clients, employees, and members of the public above everything else.

With COVID-19 present in all 6 countries in which we operate, Praemium has implemented our Groupwide Response Plan that includes stringent safety measures to limit the spread of the virus. We have completed successful BCP (business continuity plan) transitions across our global network, with all staff across our 10 offices now required to work from home. We continue to follow the relevant advice and guidance issued by governmental health authorities.

Praemium is also harnessing the power of our global IT and infrastructure teams, who are working around the clock to maintain our daily protocols and high standards of service wherever our clients are. Praemium systems provide follow-the-sun, 24x7 support, and our operations are underpinned by top-tier global infrastructure providers Microsoft and Equinix, both which have enacted their BCPs successfully.

Praemium business resilience

Praemium is a resilient business. Though the market correction has impacted our FUA levels, our revenue is highly diversified with nearly half coming from non-FUA sources. This includes subscription-based VMA, VMAAS, WealthCraft and Plum Software products. We also have a geographically diverse revenue base with clients in Australia, the UK, Dubai, Singapore, Hong Kong, the Channel Islands and South Africa, and product diversity across our UK and Australia platforms.

Praemium has a strong balance sheet, solid cash flows and no debt. While market volatility creates challenges, revenues and profitability continue to be largely resilient as the company has responded quickly to manage our cost base, and to preserve our global team. Praemium has the financial strength and capabilities that will enable us to continue to operate at the high standards our clients expect.

How we are supporting clients

We have developed and are known for next-gen technological solutions that are ideally suited to help businesses manage difficult times such as this. Praemium's digital technology and capabilities enable advisers to interact with clients completely remotely, allowing them to:

- » Create applications online via Adviser Portal
- » Provide digital acceptance for clients, eliminating the need for wet signatures and hard copies
- » Send payments electronically
- » Execute top-ups and payments online
- » Provide client reporting and important documentation via the Investor Portal.

Advisers can monitor investor sentiment daily via *Insights* on our Adviser Portal to learn of clients that are potentially at risk or in need of greater support during this time. Alternatively, advisers can set up their Portal to send them email notifications of any unusual client activity. This will help advisers focus support to where it is needed most.

With such high market volatility, it is now more important than ever that our investment managers are fully empowered to help investors. Praemium's real-time dynamic rebalancer enables investment managers to make changes quickly to their SMA models in response to new information. Changes to model portfolios will be implemented immediately and traded at the next trading point, ensuring that portfolios are in line with each other and with the manager's latest thinking.

How we are supporting platform investors

Monetary policy is currently driving interest rates down in Australia and impacting the returns that investors earn on cash. Praemium's policy on cash margins has always been predicated on the notion that clients are treated fairly. Following the recent drop in rates by the RBA, we are still able to deliver an interest rate above RBA on client cash held in Praemium's SMA and IMA. In the event rates continue to fall, Praemium, acting on client best interest, will respond appropriately.

In the UK, Praemium is monitoring daily any declines in investor portfolios. We are proactively providing 10% drop notifications as mandated by the regulator and delivering to investors, either via the Investor Portal or through the post as requested by the investor. We concurrently notify the adviser, so they are fully informed about the status of their clients' portfolios and can manage the relationship accordingly.

Industry recognition

This quarter saw Praemium's platform technology recognised in two major industry benchmark reports. Firstly, Praemium's Australian platform leapt into the top four of the *2019 Investment Trends Platform Benchmarking Report*, one year on from the successful release of our award-winning next generation Managed Accounts platform. In addition to the top four ranking, Praemium was rated 1st in Managed Accounts Product Offering, 1st in Integration with Financial Planning Software and APIs, and best practice in multiple sub-categories.

Praemium's UK platform was rated 2nd overall by advisers in *the lang cat 2020 Platform Market Scorecard*¹. Importantly, Praemium placed second in support (first in senior management support) and

¹ The lang cat is a respected UK platform ratings expert whose PMS is published quarterly and provides regular and timely insight across market activity, platform developments, regulatory, economic and technological landscapes. It supplies data on market sizing and trends and looks in depth at various aspects of platform, proposition, business performance and platform pricing.

took first place in value for fees charged. The report also noted our paperless direct debits and digital applications functions, as well as the fact that we provided a choice of electronic re-registration providers. Pleasingly, 90% of Praemium's respondents state that Praemium is their primary platform, which is significantly higher than most other firms rated, and none use Praemium to hold legacy assets.

Development Highlights

Our global development team continued to deliver on our product roadmap this quarter, with:

- » Launch of new platform screening functionality for environmental, social and governance (ESG) assessments, enabling advisers to customise investment portfolios across several different ESG categories such as fossil fuels, alcohol, tobacco, gambling, adult entertainment and animal testing
- » Launch of the first ESG model with Australian Ethical to allow investment in an actively managed, diversified Australian share portfolio of companies selected for their ESG credentials
- » A new suite of investor and business reports and functionality, including: a first-to-market infographic overview; simple consolidated investor report by valuation, model portfolios and asset allocation; and enhancements to bespoke reporting
- » Launch of new business-level dashboards, giving oversight of advisers and clients
- » Microsoft Power BI dashboard integration
- » Unique mFund tracking and reporting capability
- » New adviser tools including modelling and calculators
- » Simplified document sharing with investors
- » New Insights and Activity for Advisers

Comments from CEO

Praemium CEO Michael Ohanessian made the following comments about the quarter:

"Praemium, like everyone in the global community, is managing under volatile and uncertain times. I am comforted and impressed by the resilience of the business through our superior products, technology and people. Our technology infrastructure is a source of great strength and has allowed our global teams to respond quickly, proactively and professionally. We continue to work hard to support our clients and help them manage their businesses in this difficult environment.

"We are fortunate that around 40% of our revenue is non-asset based, and it is good to see our non-asset-based revenue is growing strongly. The VMA administration service has continued its strong growth, adding another \$1 billion in assets under administration in the March quarter. Our ability to report on and deliver 100% accurate investment tax statements for even the most complex securities, both locally and internationally, is unique and a source of long-term competitive advantage. Along with our excellent integrated managed accounts platform, we believe we have the next-generation solution supported by a strong digital capability.

"It is a year since we launched our new full-service platform that delivers a full range of managed accounts solutions, be they HIN-based or custody. The platform upgrade in early 2019 has been enhanced with a number of innovative digital features. One obvious example is *Insights*, the first platform-based artificial intelligence solution that helps advisers with client retention. In times of great volatility, uncertainty and anxiety, it is solutions such as *Insights* that can have a big impact for advisers and their clients.

"Having launched the upgraded fully integrated managed accounts platform, we started the process of showing our new capabilities to industry ratings agencies. I am very proud to say we have come a long way in a short period of time. In the March quarter:

- » Our Australia platform debuted at #4 out of a total of 18 platforms in the *2019 Investment Trends Platform Benchmarking Report*. I'm happy to report that, even through this pandemic, our development velocity continues unabated and we expect to make further strides up the ladder.
- » Our UK platform debuted at #2 out of a total of 19 platforms in the *lang cat 2020 Platform Market Scorecard*. An excellent result and gratifying to be formally recognized for our unique capabilities.

"We were also thrilled to be included in the new *S&P/ASX All Technology Index* alongside Australia's greatest technology companies; to have won Best Innovation at COLWMA; and to receive a 5-star Defaqto rating.

“Most importantly, I want to thank all the staff at Praemium, of whom I'm incredibly proud. Through this unprecedented crisis, it's our people that are making a difference, making our technology come alive and having a meaningful and positive impact on so many people.”

Key statistics

Platform flows (\$m) ¹	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20
Gross inflows					
Australia	510	616	742	519	393
International	234	287	281	325	311
Total gross inflows	744	903	1,023	844	704
Net inflows					
Australia	286	192	375	261	152
International	152	213	183	228	169
Total net inflows (pre-transition)	438	405	558	489	321
Australia (client transition)	-	-	-	(756)	(1,242)
Total net inflows (post-transition)	438	405	558	(267)	(921)

FUA (\$m)	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20
Australia Platform	6,534	6,958	7,481	7,093	5,213
International Platform ²	2,349	2,574	2,795	3,147	3,074
Total Platform FUA³	8,883	9,532	10,276	10,240	8,287
VMAAS ⁴	757	6,557	9,746	10,065	11,062
TOTAL FUA	9,640	16,089	20,022	20,305	19,349

Investment Mgmt, Smart ^{im} (\$m)	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20
Managed Funds, FUM	484	419	382	335	298
Model Portfolios, FUA	338	358	365	376	331
TOTAL	822	777	747	711	629

Notes (all figures provided are unaudited):

¹ Current quarter's International flows are translated at the quarter average of 0.5067.

² International FUA in GBP is translated at spot rate for quarter end FUA of 0.5006.

³ Platform FUA includes SMA (Separately Managed Account) professionally managed model portfolios and IMA (Individually Managed Account) bespoke portfolios with single assets.

⁴ VMAAS comprises FUA under the non-custodial VMA Administration Service.

This announcement is authorised by the Board of Praemium Limited

For further information contact Paul Gutteridge, Company Secretary, Ph: 1800 571 881

About Praemium (ASX: PPS): Praemium is a global leader in the provision of technology platforms for managed accounts, investment administration and financial planning. Praemium services in excess of 300,000 investor accounts covering over \$140 billion in funds globally for more than 1,000 financial institutions and intermediaries, including some of the world's largest financial institutions.

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