

4/5/2022

The Directors  
Selfwealth Limited  
Level 7, 130 Lonsdale Street  
Melbourne, VIC 3000

REQUEST FOR DISTRIBUTION OF STATEMENT TO MEMBERS PURSUANT TO  
SECTION 249P OF THE CORPORATIONS ACT 2001 (CTH)

Datt Capital and its associates ('Shareholders') are Members of Selfwealth Limited holding more than 5% of the votes that may be cast on the resolutions proposed to be moved at the upcoming general meeting.

Pursuant to section 249P of the Corporations Act, the Shareholders request the Company to give all its members a copy of the enclosed statement against the resolutions proposed to be moved at the next general meeting of the Company.

signed electronically by Emanuel Datt on 4th May 2022

Emanuel Datt for and on behalf of the Shareholders

MEMBERS STATEMENT PURSUANT TO SECTION 249P OF THE CORPORATIONS ACT 2001 (CTH)

Datt Capital owns just under 10% of the issued shares in Selfwealth Limited.

**We will be voting AGAINST all resolutions and strongly encourage all holders to vote AGAINST all resolutions at the upcoming EGM.**

We held a number of meetings, earlier in the calendar year, with the lead requisitioning shareholders, Nicholas Kephala and Andrew Ward.

Initially, Mr Ward was keen to be appointed as the Chairman of Selfwealth's board however, subsequently we were introduced to Mr Schafer and Mr Spork as nominees of the requisitioning shareholders.

Their proposed strategy focuses on cost cutting measures and further delays in the product roadmap rather than leveraging and further monetising the strength of the Selfwealth brand. The overall impression was haphazard relative to the considered growth strategy being pursued at present by the company.

### *Board Nominees*

**We believe the resolutions equate to a takeover by stealth.**

**The requisitioning members (holding ~16% of the company) are requesting board representation equating to 50% of the board vote. Clearly this is a disproportionate, unacceptable level of influence relative to their collective shareholding.**

**In addition, the requisitioning shareholders and proposed directors may have equity interests in and/or commercial engagements with competitors and/or potential acquirers of Selfwealth.**

Mr Ward recently sold a venture to competing clearing house provider FinClear; which in our opinion may cloud future commercial decisions influenced by the nominee directors, should they be appointed.

Mr Spork, one of the nominated directors, currently acts as the responsible manager for a competing retail broking solution (APP Securities), which is a clear conflict of interest.

The proposed directors have previously acted as the joint CEOs and non-executive directors of Clime Investment Management ('Clime'), a smaller ASX-listed entity (ASX:CIW).

**It is inappropriate that two, independent non-executive director positions should be granted to two individuals with an enduring, close working relationship.**

Mr Schafer was removed from Clime's board in circumstances that we consider atypical in 2021.

After 10 years of service, a resolution for Mr Schafer to be removed was put forward by an executive of the company and supported by 95% of voting shareholders. This was despite no members statement being released by the requisitioning member and Mr Schafer releasing a personal statement.

Mr Schafer ostensibly enjoyed a long and stellar career at Clime however, we regard the sudden, opaque termination of his tenure to be a red flag.

We note that Mr Spork stepped down from Clime shortly after Mr Schafer's removal, further evidence of the close relationship between the two individuals.

**Accordingly, we have concerns that the proposed directors are not aligned with Selfwealth's corporate culture and ethos.**

### *Existing Directors*

We support maintaining the present structure of the board and augmenting it in the appropriate manner.

**We welcome the addition of appropriately qualified directors to augment the skill set of the present board however, believe an independent, professional process will provide the best outcome for all shareholders.**

This is in contrast to the 'brute force' exercise which the requisitioning shareholders are currently conducting.

We have found John O'Shaughnessy (a director since Selfwealth's IPO) to be savvy and erudite on all matters pertaining to financial services and corporate governance. His interest and enthusiasm for Selfwealth and innovation within financial services is palatable and we believe his continued involvement will be an asset.

Rob Edgley has grown Selfwealth's business materially since his appointment as CEO in late 2019 and subsequent shift to non-executive director in April 2021.

Rob was instrumental in managing Selfwealth's meteoric growth with limited resources throughout the dark era of the Covid pandemic and Melbourne lockdowns, which were the longest experienced by any jurisdiction globally.

Rob exercised good judgement in choosing to step down as CEO. This ensured that Selfwealth was led by the best person for the job, not just the incumbent individual.

We have found Rob in all our dealings to be a man of integrity with a genuine passion and desire to do what is in the best interests of Selfwealth and all its shareholders.

## *Strategy*

Whilst delays to the product roadmap have been frustrating for shareholders and users alike, we feel that the company has 'turned a corner'.

Selfwealth has now built out a competent, internal technology team and we expect to see faster, more consistent iterative improvements to the product going forward.

**We believe that it would be destructive to shareholder value to tear up the present strategy to 'future-proof' and lay the foundations for the next layer of services for the Selfwealth platform. Indeed, any deviation from the present strategy would likely result in significant delays to further product improvements.**

We believe the board has demonstrated significant capital discipline, controlling outgoings whilst maintaining strong organic growth over the past 3 years. FY2021 accounts were solidly cashflow positive whilst FY22 is a transitional year of enhancing the organisation's capability to compete for many years ahead as part of the growth strategy being executed by the present CEO.

The Selfwealth brand is trusted, well-recognised and reputable amongst Australian customers; in contrast to many of our competitors. This value, at present, is not being recognised by the market, is a frustration shared by all shareholders.

## *Competitive landscape*

Selfwealth operates in a fiercely competitive niche of the market.

**Direct competitors in the Australian retail broking space have raised >\$150 million in growth capital over the past 2 years. Despite this Selfwealth has experienced the strongest absolute growth out of any of the challenger brands at the lowest customer acquisition cost.**

**In less than 3 years, Selfwealth has grown active clients to over 120,000 or by 8 times over the period. By our estimation, this represents a market share of approximately 10% of Australia's retail broking market.**

Over the same timeframe, the company has grown assets under management ('AUM') to \$9 billion or by 7 times; and revenue by 6 times.

Selfwealth has grown into Australia's 3<sup>rd</sup> largest retail broker in a very short timeframe, despite the competitive tensions, and continues to capture an outsized portion of customer churn in the sector.

**This growth has not occurred merely by luck but is a testament to the fine efforts extended by the company's board and staff members; following a prudent, considered growth strategy.**

## *Conclusion*

There is no doubt in our mind that Selfwealth can grow into a substantial and valuable Australian financial services business over time given it pursues the right strategy and product suite.

Selfwealth's large, growing user base, improving product and broad retail reach is an enormous source of latent future value.

**We, along with the requisitioning shareholders, mutually agree that Selfwealth is a company with outstanding future prospects; despite the current depressed share price and broader market.**

It is notable that Selfwealth's most prominent direct competitor (a private, venture capital backed company), raised \$50 million (Selfwealth's approximate enterprise value) in late April despite its AUM being a mere 25% of Selfwealth's size.

This certainly is a demonstration of the immense value that may be realisable by our still growing company over time, given a prudent growth strategy, if not more.

In our experience as professional investors, we observe that stability within an organisation preserves shareholder value and speeds innovation. This is contrast to the approach that the requisitioning shareholders intend on taking with the resolutions being put forth at the general meeting.

Datt Capital remains supportive of the present board and looks forward to seeing the team execute upon the planned product roadmap and product suite.

**We will be voting AGAINST all resolutions and strongly encourage all holders to vote AGAINST all resolutions at the Extraordinary General Meeting.**