

ASX Release – 26 April 2023

Insignia Financial 3Q23 Quarterly Business Update

Highlights:

- **Funds Under Management and Administration (FUMA)** increased by \$6.2 billion (+2.2%) to \$291.3 billion as at 31 March 2023
- **Total net inflows** for the quarter were \$660 million bringing total net inflows for FY23 to-date to \$604 million on a continuing basis
- **Platform net outflows** of \$453 million during the quarter reflected challenging conditions in the Advised channel, partially offset by continued strong net inflows into the Workplace channel
- **Net inflows** of \$1.1 billion into Asset Management were driven by \$902 million of inflows into Direct capabilities and \$211 million of inflows into Multi-Asset
- **Platform enhancements and alignment of offerings** ahead of the next phase of simplification

Insignia Financial Ltd (ASX: IFL) is pleased to provide this quarterly update for the three months ended 31 March 2023 (3Q23) delivering positive net inflows financial year-to-date while continuing to enhance and simplify its platform offering.

Overview of 3Q23 FUMA & Advisers

- **Funds Under Administration (FUA):** \$205.5 billion; Positive market movement of \$5.4 billion was partly offset by pension payments of \$706 million and net outflows of \$453 million, leading to an overall increase of \$4.2 billion (+2.1%).
- **Funds Under Management (FUM):** \$85.8 billion; Positive market movement of \$857 million combined with retail net inflows of \$117 million and institutional inflows of \$996 million, resulting in an overall increase of \$2 billion (+2.4%).
- **Advice:** There were 1,483 advisers in the Insignia Financial network as at 31 March 2023, a reduction of 42 advisers, as Insignia Financial continues to refine its Advice proposition.

Commenting on the quarter, Insignia Financial CEO, Renato Mota, said, “Growth in FUMA during the quarter reflects execution of our business strategy and stabilisation of investment markets.

“We have achieved net inflows of \$604 million on a continuing basis¹ so far this financial year. This further highlights the benefits of our diversified business model, with positive flows in Workplace, Retail Asset Management and Institutional Asset Management offsetting net outflows from Advised platforms, which have been impacted by market volatility and industry weakness. Our Workplace offering is continuing to attract strong inflows from previous business wins, while Asset Management has attracted strong institutional inflows.

“We continue to invest in, and enhance our proprietary Evolve platform ahead of the next phase of simplification, while enhancements to the ANZ Smart Choice Super product suite demonstrate our focus on process efficiencies and environmental responsibility”.

¹ Excluding divested Australian Executor Trustees and JANA businesses

Business update

Funds Under Administration (FUA)

FUA as at 31 March 2023 was \$205.5 billion, an increase of \$4.2 billion, as a result of positive market movement of \$5.4 billion (+2.7%), partly offset by pension payments of \$706 million and net outflows of \$453 million.

Strong net inflows into the Workplace Super channel continue, driven by ongoing momentum of implementing new business wins from prior periods, as well as improved member take-up and retention of workplace products.

Flows continue to improve in the Personal channel, again attributable to further take-up and retention of members through stapling and their employment lifecycle.

The Advised channel has again been impacted by broader investment market volatility, with net outflows of \$486 million. Expand Extra, Expand Essentials and MLC Core Wrap achieved positive net inflows during the quarter, offset by net outflows from MLC Full Wrap ahead of the transition of MLC Wrap to the Expand product suite on the Evolve platform.

Mr Mota said, “We continue to see strong positive momentum in our Workplace Super offering which has seen its best quarter since the businesses came together, with net inflows of \$553 million underscored by strength of ongoing superannuation guarantee contributions from members of our employer groups.

“The transition of MLC Wrap to Expand will add scale to the Evolve platform, offer an improved, contemporary customer experience, and build upon a foundation for future growth.”

Funds Under Management (FUM)

During the quarter, FUM grew by \$2 billion (2.4%) to \$85.8 billion, driven by net inflows of \$1.1 billion and positive market movement of \$857 million.

Direct capabilities attracted net inflows of \$902 million, predominantly attributed to additional allocations from existing institutional clients into Antares Fixed Income as the inflation and interest rate environment continued to stabilise.

Retail multi-asset net flows continued to be positive at \$112 million for the quarter driven by continued strong uptake of MLC’s managed account offerings.

Investment earnings of \$857 million were predominantly all in multi asset and attributed to the continued recovery in asset values, particularly in global listed equities. However, market movement in direct capabilities were marginally negative largely due to exposure to UK commercial property through Orchard Street Investment Management. This offset the mostly positive investment returns in Asset Management’s other listed equities and alternative asset classes.

Financial Advice

Insignia Financial maintained active advice services relationships with 1,483 financial advisers as at 31 March 2023 comprising 242 advisers in the Professional Services (Employed) channel and 1,241 advisers across Advice Services channels (Self-Employed and Self-Licensed).

Declines in adviser numbers have largely reflected changes in the industry² overall over the last several quarters.



Insignia Financial remains committed to achieving break-even in the Advice Services channel and to delivering overall profitability in Advice.

Advice model overview

Insignia Financial will change the naming conventions used to describe the Advice channels to Professional Services (employed) and Advice Services (self-employed and self-licensed) in order to improve understanding of the differences between the channels.

The Professional Services channel comprises Shadforth Financial Group (SFG) and Bridges and operates as a business-to-consumer (B2C) model, employing advisers to provide advice directly to clients on a fee-for-service basis. The integration of MLC Advice into Bridges and subsequent reshaping of the service proposition has seen a reduction in adviser numbers following alignment of resourcing models. This is expected to result in a short-term revenue reduction as low fee-paying clients are moved off fixed term service agreements.

Revenue through the Professional Services channel is derived from fees paid directly by Advised clients. Bridges fees are fixed and based on service packages, while SFG adopts a hybrid fixed fee and asset-based fee.

The Advice Services model provides business-to-business (B2B) 'advice as a service' to Self-Employed advisers operating under an Insignia Financial group AFSL (Australian Financial Services Licence), as well as to Self-Licensed advisers operating under their own license. Revenue from the Self-Employed channel comprises both fixed and revenue sharing models, with a practice fee forming the basis and incremental revenue coming from the additional Authorised Representatives (AR).

Within the Self-Licensed channel, advice firms pay fixed fees based on the services they elect, charged at a practice level with additional incremental revenue per AR.

Both the Professional Services and Advice Services models are supported by a central advice enablement function, providing efficiencies and scale advantages.

The losses in the Advice business have been largely seen within the Advice Services channel.

² ASIC Financial Advice Register (FAR) data. When reporting its Active Adviser data Insignia Financial excludes individuals who are listed as Authorised Representatives on the FAR per ASIC, but do not actively provide advice.

Transformation

During the quarter, Insignia Financial enhanced its proprietary Evolve platform and progressed alignment of its wrap offerings in anticipation of the major wrap product simplification scheduled for completion later in 2023. Those enhancements include investment menu additions, the introduction of tax optimisation calculation methods, increases in family fee aggregation limits and the cash account margin, as well as various investment and platform fee reductions (as previously communicated).

The ongoing enhancement of the Evolve platform further improves the Expand product offering, as demonstrated by its recent nomination as a finalist for Chant West's Advised Product of the Year 2023³. Insignia Financial continues to execute on its simplification agenda, which is in turn enriching the client experience, as well as delivering improved outcomes for members and other stakeholders.

Following the separation of the P&I business from ANZ, Insignia Financial has added new digital features for the ANZ Smart Choice Super product suite, enhancing the member experience. All member communications, including significant event notices, are now sent electronically by default, streamlining the end-to-end correspondence process and significantly reducing paper usage demonstrating Insignia Financial's dedication to being an environmentally responsible organisation.

Insignia Financial expects to provide further details of the Master Trust transition at or before full-year FY23 results.

Mr Mota added, "As we look to the remainder of 2023, our experience and track record in disciplined execution of strategic initiatives and opportunities gives us the confidence that we will continue to deliver benefits to members as well as shareholders in the face of uncertain investment market conditions."

This announcement was approved for release by the Insignia Financial Ltd Board.

³ <https://www.chantwest.com.au/fund-awards/finalists-2023/>

Appendix 1

Insignia Financial funds movement for the three months ended 31 March 2023:

Funds Movement by Channel

All Amounts \$m	FUMA 31-Dec-22	Net Flow	Internal Transfers	Pensions	Market/ Other	FUMA 31-Mar-23
Platforms						
IOOF	3,177	177	-35	0	78	3,397
P&I	15,906	-2	0	0	359	16,263
MLC	33,563	378	-431	-34	777	34,253
Workplace	52,646	553	-466	-34	1,214	53,913
IOOF	6,688	-72	10	-14	176	6,788
P&I	4,251	62	0	-3	89	4,399
MLC	21,234	-230	417	-7	474	21,888
Personal²	32,173	-240	427	-24	739	33,075
IOOF	31,149	361	26	-194	801	32,143
P&I	11,205	-158	0	-80	393	11,360
MLC	62,897	-689	12	-314	1,879	63,785
Advised	105,251	-486	38	-588	3,073	107,288
Closed ³ /Transition	11,244	-280	0	-60	358	11,262
Funds under Administration	201,314	-453	-1	-706	5,384	205,538
Asset Management						
Retail	30,920	112	0	0	746	31,778
Institutional	3,443	99	0	0	138	3,680
Multi-Asset	34,363	211	0	0	884	35,458
Retail	2,660	5	0	0	-21	2,644
Institutional	46,765	897	0	0	-6	47,656
Direct Capabilities	49,425	902	0	0	-27	50,300
Funds under Management	83,788	1,113	0	0	857	85,758
Total FUMA	285,102	660	-1	-706	6,241	291,296

1. Internal Transfers represent the transfer of funds between products within the same superannuation fund and/or IDPS Operator. Platform transfers may not net to zero due to timing differences. Asset Management transfers represent monies transferred to products included in Asset Management FUM.
2. Personal includes funds under administration (FUA) transferred from a corporate plan where the employee ceases employment with the corporate.
3. Closed FUA represents products that are closed to new business. Transition FUA represents funds in the process of transferring between classifications as a result of ongoing product simplification. Movements between transition and other classifications are represented in Internal Transfers.
4. Totals are subject to rounding.

Funds Movement by Entity

All Amounts	FUMA 31-Dec-22	Net Flow	Internal Transfers	Pensions	Market/ Other	FUMA 31-Mar-23
Platforms (FUA)						
IOOF	41,014	466	0	-208	1,056	42,328
P&I	41,113	-331	0	-138	1,146	41,790
MLC	119,187	-588	-1	-360	3,182	121,420
FUA	201,314	-453	-1	-706	5,384	205,538
Asset Management (FUM)						
IOOF	24,805	12	0	0	796	25,613
MLC	58,983	1,101	0	0	61	60,145
FUM	83,788	1,113	0	0	857	85,758
Total FUMA	285,102	660	-1	-706	6,241	291,296

Active Advisers¹

Channel	31-Dec-22	%	31-Mar-23	%	3-month change
Professional Services (Employed)	247	16.2%	242	16.3%	-5
Self-Employed (Licensed)	766	50.2%	750	50.6%	-16
Self-Licensed ²	512	33.6%	491	33.1%	-21
Total	1,525		1,483		-42

1. Advisers actively providing advice. This excludes individuals who are listed as Authorised Representatives on the Financial Advice Register (FAR) per ASIC, but do not actively provide advice.
2. Advisers not authorised under Insignia Financial licensees, but to whom Insignia Financial provides services through the Alliances, Dealer Associates and Connect business models.
3. Totals are subject to rounding.

Practice Numbers

Channel	31-Dec-22	31-Mar-23	3-month change
Self-Employed Practices¹			
Consultum	53	46	-7
Lonsdale	27	22	-5
M3	77	77	0
RI	104	103	-1
GPG	31	32	1
Tenfifty	111	110	-1
Total Self-Employed	403	390	-13
Self-Licensed Practices²			
Alliances	69	70	1
Dealer Associates	18	17	-1
MLC Connect	14	12	-2
Total Self-Licensed	101	99	-2
Total	504	489	-15

1. Self-Employed refers to those businesses that are independently owned but operate under one of the Insignia Financial AFSLs.
2. Self-Licensed refers to those businesses that are independently owned, do not operate under one of the Insignia Financial AFSLs, but utilise services provided by Insignia Financial.
3. Totals are subject to rounding.

About Insignia Financial Ltd

Insignia Financial has been helping Australians secure their financial future since 1846. During that time, we have grown substantially to become one of the largest groups in the financial services industry.

Insignia Financial provides advisers and their clients with the following services:

- **Platforms** for advisers, their clients and hundreds of employers in Australia;
- **Advice** services via our extensive network of financial advisers; and
- **Asset Management** products that are designed to suit any investor's needs.

Further information about Insignia Financial can be found at www.insigniafinancial.com.au

Future performance and forward-looking statements

This announcement contains certain "forward-looking statements". Forward looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Insignia Financial and its directors and management.

Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which statements are based. To the maximum extent permitted by law, Insignia Financial and its directors, officers, employees, agents, associates and advisors disclaim any obligations or undertaking to update publicly any forward-looking statements, whether as a result of new information, future events, or results or otherwise.

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