

Insignia Financial 1Q24 Quarterly Business Update

Highlights

- **Strong early progress on FY24-26 Strategic Initiatives:**
 - **MLC Wrap migration to Expand (Evolve23) on-track for delivery in 2H24**
 - **Cost Optimisation program delivering benefits – on track to realise \$60–70 million in-year and \$175–190 million of gross annualised benefits over FY24-26**
 - **Master Trust strategy planning and execution progressing**
 - **Advice Services partnership model continues to be supported by advisers as model and structure finalised**
- **Funds Under Management and Administration (FUMA) reduced by \$1.9 billion (-0.6%) to \$293.1 billion as at 30 September 2023**
- **Total net outflows for the quarter were \$1.4 billion largely reflecting platform net outflows of \$1.3 billion primarily from MLC Wrap ahead of migration**

Insignia Financial Ltd (ASX: IFL) is pleased to provide this quarterly update for the three months ended 30 September 2023 (1Q24) as it makes strong progress on achieving its FY24-26 strategic initiatives to strengthen and simplify the business, reduce costs, and improve growth momentum.

Insignia Financial CEO, Renato Mota, said, “We are delivering strongly against our FY24-26 strategic initiatives announced in July and are on-track to meet our FY24 gross in-year target of \$60 to \$70 million and our total FY24-26 gross annualised benefit target of \$175 to \$190 million.

“FY24 is a year of transition, with the strategic initiatives being undertaken expected to result in a meaningful and sustainable improvement in earnings growth during this three-year strategy. Over FY24-26 our investment in technology will enhance our position for the future, enable simplification and efficiency benefits, and deliver superior client outcomes.”

Overview of 1Q24 FUMA & Advisers

- **Funds Under Administration (FUA):** \$205.5 billion; negative market movement of \$1.3 billion combined with net outflows of \$1.3 billion and pension payments of \$926 million led to an overall decrease of \$3.5 billion (-1.7%).
- **Funds Under Management (FUM):** \$87.6 billion; Positive market movement of \$1.8 billion partly offset by net outflows of \$115 million, resulted in an overall increase of \$1.7 billion (+2.0%).
- **Advice:** There were 1,385 advisers in the Insignia Financial Advice network as at 30 September 2023, a reduction of 28 advisers over the quarter.

Funds Under Administration (FUA)

FUA as at 30 September 2023 was \$205.5 billion, a reduction of \$3.5 billion (-1.7%) over the quarter. The decrease was driven by market movement of -\$1.3 billion (-0.6%), net outflows of \$1.3 billion, and pension payments of \$926 million.

Workplace Super flows remained resilient over the quarter, attracting net inflows of \$223 million, offset by the transition of \$595 million to the Personal channel. The continued resilience of flows in the Workplace channel, which excludes the one-off impact of new clients wins, highlights the organic flow potential of the Workplace offering, supported by the increase in the Superannuation Guarantee rate from 10.5% to 11%, a higher proportion of contributory members following the removal of low balance and inactive accounts, members actively choosing us when they join a new employer under stapling rules, along with our premium service proposition amongst medium to large employers and ongoing high levels of engagement with the employees of our employer clients.

While the Evolve platform continued to attract net inflows, these were offset by outflows primarily from MLC Wrap in advance of the MLC Wrap to Expand migration in 2H24. Flows into MLC Wrap are expected to continue to be challenged until completion of the migration to Expand in 2H24.

Research published during the quarter by Wealth Insights, based on a sample of 500 advisers, indicated Expand Extra and Expand Essentials were set to capture a substantially higher proportion of flows among current users over the next two years.

Funds Under Management (FUM)

FUM as at 30 September 2023 increased by \$1.7 billion to \$87.6 billion, driven by revaluation of \$1.8 billion, partly offset by modest net outflows of \$115 million.

As part of the repricing for a number of Private Equity portfolios, the basis for fees charged was changed from committed and called capital to net asset value (NAV). As a result, FUM has been adjusted accordingly so that FUM wholly correlates to the revenue that it derives, and this revaluation is reflected in Market/Other.

Financial Advice

There were 1,385 financial advisers in the Insignia Financial network as at 30 September 2023 comprising 219 advisers in the Professional Services (Employed) channel and 1,166 advisers across Advice Services channels (Self-Employed and Self-Licensed).

The reduction of 28 advisers was primarily from within the Professional Services channel as a result of right-sizing of adviser numbers within Bridges. The reduction in the Adviser Services channel largely reflects the discontinuation of the Lonsdale license, with seven practices (representing 19 authorised representatives) joining Consultum from Lonsdale.

CEO Transition

On 20 October 2023, Insignia Financial announced that, by mutual agreement, CEO, Mr Renato Mota will step down from his role effective from the end of February 2024.

Insignia Financial Chairman, Mr Allan Griffiths said, "We have developed a clear vision for Insignia Financial and remain focused on delivering FY24 outcomes and executing our strategic organisational priorities. Our focus, growth prospects, and purpose remain unchanged, and I am confident we can deliver our plan based on our track record of execution.

"Looking forward, delivery of our strategic priorities will result in a sustainable, cash flow generating business, with a strong balance sheet, and foundation for growth, leveraging the scale from our position as one of Australia's leading wealth managers."

Mr Griffiths added, "We have commenced the search for a new CEO to lead the next phase of Insignia Financial's growth and a search firm has been appointed."

FY24-26 Strategic Initiatives

MLC Wrap Migration

The planned migration of MLC Wrap to Expand (Evolve23) is on target to be completed in 2H24, which will enable the successful migration of nearly \$40 billion of funds under administration across approximately 100,000 member accounts.

As part of preparations for the migration and our ongoing commitment to create a superior user experience and efficiencies for advisers and their clients, several enhancements were implemented during 1Q24. Improved adviser navigation and new communication channels for messaging have been released along with customisable user permissions including transacting authority. Other changes included real-time, dynamic tax estimation for proposed trades, in addition to enhancements to our suite of adviser and client reporting. Further improvements are planned in the months ahead including expansion of our managed account offering.

Financial Advice: creation of new Advice Services partnership model

In support of its aim to deliver more affordable and accessible advice for all Australians and to accelerate the growth prospects of its Advice business, Insignia Financial announced its intention to reset its financial advice operating model including the establishment of a new partnership ownership model for its self-employed licensees comprising RI Advice Group Pty Ltd (RI), Consultum Financial Advisers Pty Ltd (Consultum) and TenFifty.

The proposed partnership model continues to generate a high level of interest and enthusiasm from advisers. The leadership team structure for the new entity has been confirmed with recruitment for vacant roles to commence shortly. The leadership team structure, equity options, future of the advisory boards and business plans will be announced at adviser roadshows to be held at the end of year, along with the new name for the new business.

Insignia Financial is also in advanced discussions with interested parties regarding the potential sale of the Millennium3 (M3) licence.

Cost Optimisation Program

In July 2023, Insignia Financial announced a cost optimisation program to deliver a total of \$175-190 million¹ of annualised benefits, to be realised over FY24-FY26 from further organisational design efficiencies, Wrap consolidation, exit of the NAB TSA, Master Trust platform strategy and the restructure of Advice.

The cost reduction program has been mobilised and is now in delivery phase with organisation redesign progressing well and new structures being confirmed.

The net investment of \$260-\$285 million to fund the FY24-26 Initiatives will be funded from existing cash and facilities and \$150-\$160 million of investment spend is expected to be incurred in FY24.

Mr Mota said, "We have a very clear execution path for FY24 which delivers strong growth prospects and improved efficiencies in FY25 and beyond."

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

¹ Total savings target including Evolve23 savings and Advice break-even benefits previously announced

Appendix 1

Insignia Financial funds movement for the three months ended 30 September 2023:

All Amounts \$m	FUMA 30-Jun-23	Net Flow	Internal Transfers	Pensions	Market/ Other	FUMA 30-Sep-23
Platforms						
IOOF	3,559	69	-95	0	-37	3,496
P&I	17,016	-76	0	0	-81	16,859
MLC	34,993	230	-500	-37	-94	34,592
Workplace	55,568	223	-595	-37	-212	54,947
IOOF	6,905	-71	61	-18	-59	6,818
P&I	4,616	47	0	-4	-36	4,623
MLC	22,568	-361	468	-10	-21	22,644
Personal²	34,089	-385	529	-32	-116	34,085
IOOF	33,236	535	33	-272	-311	33,221
P&I	15,323	-314	0	-126	-147	14,736
MLC	64,070	-1,022	35	-419	-431	62,233
Advised	112,629	-801	68	-817	-889	110,190
Closed ³ /Transition	6,747	-343	0	-40	-100	6,264
Funds under Administration	209,033	-1,306	2	-926	-1,317	205,486
Asset Management						
Retail	31,007	125	0	0	121	31,253
Institutional	3,830	18	0	0	-20	3,828
Multi-Asset	34,837	143	0	0	101	35,081
Retail	2,671	-116	0	0	34	2,589
Institutional	48,433	-142	0	0	1,663	49,954
Direct Capabilities	51,104	-258	0	0	1,697	52,543
Funds under Management	85,941	-115	0	0	1,798	87,624
Total FUMA	294,974	-1,421	2	-926	481	293,110

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/from products included in/excluded from 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 30-Jun-23	Net Flow	Internal Transfers	Pensions	Market/ Other	FUMA 30-Sep-23
Platforms (FUA)						
IOOF	43,700	533	0	-290	-407	43,536
P&I	42,231	-654	0	-162	-348	41,067
MLC	123,102	-1,185	2	-474	-562	120,883
FUA	209,033	-1,306	2	-926	-1,317	205,486
Asset Management (FUM)						
IOOF	24,732	-139	0	0	-107	24,486
MLC	61,209	24	0	0	1,905	63,138
FUM	85,941	-115	0	0	1,798	87,624
Total FUMA	294,974	-1,421	2	-926	481	293,110

Active Advisers¹

Channel	30-Jun-23	%	30-Sep-23	%	3-month change
Professional Services (Employed)	242	17.1%	219	15.8%	-23
Self-Employed (Licensed)	686	48.5%	684	49.4%	-2
Self-Licensed ²	485	34.3%	482	34.8%	-3
Total	1,413		1,385		-28

Practice Numbers

Channel	30-Jun-23	30-Sep-23	3-month change
Self-Employed Practices¹			
Consultum	43	50	7
Lonsdale	3	0	-3
M3	74	70	-4
RI	102	101	-1
GPG	32	31	-1
Tenfifty	110	102	-8
Total Self-Employed	364	354	-10
Self-Licensed Practices²			
Alliances	71	71	0
Dealer Associates	14	14	0
MLC Connect	12	12	0
Total Self-Licensed	97	97	0
Total	461	451	-10

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. Self-Employed refers to those businesses that are independently owned but operate under one of the Insignia Financial AFSLs.
4. 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
5. 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;
- **Financial Advice** 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 obligation 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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