

December 2023 quarterly business update

ASX Release – 29 January 2024

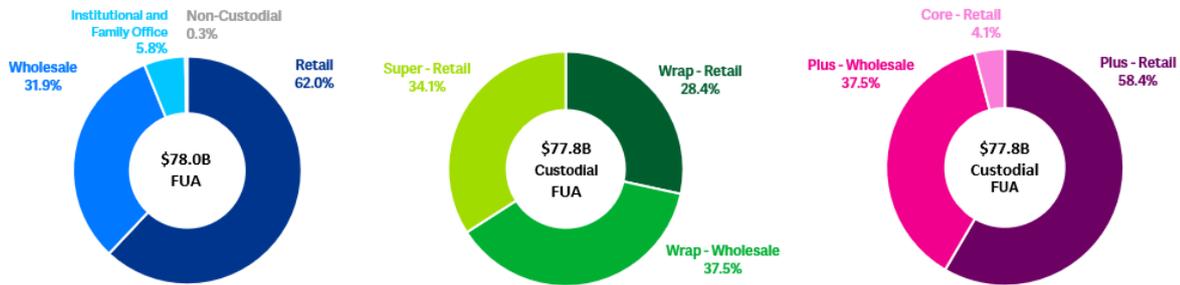
Netwealth achieves record increase in FUA of \$6 billion. FUA reaches \$78 billion at 31 December.

Quarterly highlights

- Funds Under Administration (FUA) at 31 December 2023 of \$78.0 billion. FUA increased by \$6.0 billion for the December quarter comprising FUA net inflows of \$2.6 billion and positive market movement of \$3.4 billion.
- FUA net inflows of \$2.6 billion for quarter is 25% higher than PCP¹. Record 12-month FUA inflows of \$19.7 billion.
- FUA increased by 24.9% or \$15.6 billion for the 12 months to 31 December 2023. Comprising FUA net inflows of \$9.5 billion and positive market movement of \$6.0 billion.
- Non-custodial FUA of \$228 million at 31 December 2023 and non-custodial FUA net inflows of \$48 million for the December quarter. Since its launch, the non-custodial administration service has been steadily gaining support and recognition across the industry.
- Funds Under Management (FUM) increased by \$1.6 billion for the quarter ended 31 December 2023 to \$18.1 billion. FUM net inflows for the December quarter were \$0.7 billion.
- Managed Account balance increased by \$1.3 billion for the December quarter to \$15.5 billion, comprising Managed Account net inflows of \$0.6 billion and positive market movement of \$0.7 billion.

¹ PCP prior year corresponding period (Dec 22 quarter)

Composition of FUA



Quarterly platform statistics

	Dec-2022	Mar-2023	Jun-2023	Sep-2023	Dec-2023	Growth [#]
Funds Under Administration (FUA)						
FUA – Custodial	62,414	65,883	70,146	71,801	77,772	24.6%
FUA – Non-custodial	33	40	126	176	228	591.7%
Total FUA	62,447	65,923	70,272	71,977	78,000	24.9%
FUA Inflows – Custodial	4,115	3,658	6,180	4,714	4,922	19.6%
FUA Outflows – Custodial	(2,031)	(1,981)	(3,117)	(2,684)	(2,336)	15.0%
FUA Net inflows Custodial	2,085	1,677	3,063	2,030	2,586	24.1%
FUA Net Inflows – Non-custodial	21	6	91	43	48	131.1%
Total FUA Net Inflows	2,105	1,683	3,154	2,073	2,634	25.1%
Funds Under Management (FUM)						
Managed Account	12,229	13,035	13,592	14,177	15,513	26.9%
Managed Funds	2,211	2,300	2,368	2,290	2,560	15.8%
Total FUM	14,440	15,335	15,960	16,467	18,073	25.2%
Net Inflows – Managed Account	244	378	345	753	588	141.3%
Net Inflows – Managed Funds	120	14	27	8	159	32.4%
Total FUM Net Inflows	364	392	371	761	747	105.3%
Accounts (number)	121,032	123,649	127,507	129,572	132,826	9.7%
Market Movement						
Market movement FUA – Custodial	2,226	1,792	1,201	(376)	3,386	-
Market movement FUA – Non-custodial	12	2	(5)	7	4	-
Total FUA market movement	2,238	1,793	1,196	(369)	3,389	-
Total FUM market movement	577	504	253	(254)	859	-

All figures in \$millions unless otherwise stated

All figures provided are unaudited & net flows do not include market movement

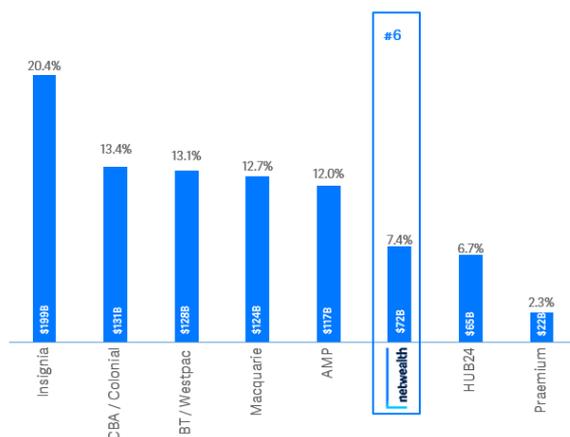
Growth is the percentage increase on prior year corresponding period

- The Netwealth Cash transaction account balance was 5.6% of FUA at 31 December 2023, which was lower than the average for the quarter.
- Market growth for 1H2024 was \$3.0 billion due to a strong recovery and performance in November and December with an increase of \$4.9 billion. Although market movements up and down do impact revenue, the impacts are diluted due to ancillaries largely being unaffected by market movements and administration fee tiering.
- In recent quarters, we have reported elevated outflows which were, in part, due to clients investing in term deposits and fixed interest products off platform. To improve the client experience and retention of assets on the platform we delivered a number of initiatives including new functionality and an increased range of fixed income products. These initiatives (when combined with stronger equity markets), appear to have been effective, with FUA outflows beginning to decrease and the December month being the lowest since February.
- Net inflows into the relaunched Core product have been steadily improving with net inflows for December quarter of \$0.1 billion (180% increase on PCP).
- Member accounts at 31 December were 132,826, an increase of 3,254 accounts for the December quarter.

Platform growth and performance

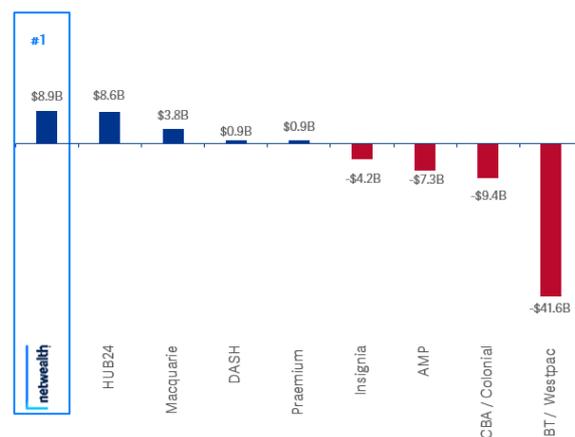
- Netwealth achieved the highest industry platform 12 month net funds flows and increased its market share to 7.4% at 30 September 2023, up 1.1% for the 12 months to 30 September 2023.

Platform providers by FUA market share
% market share (Sep 2023)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2023
Total industry retail FUA of \$975B (as at Sep 23)

Platform provider net funds flows
\$'Billions (12 months to Sep 2023)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2023
Total net fund flows of -\$5.0B (Not included above: Others circa -\$0.6B and circa \$35B for the transition of BT's Master Trust business to Mercer's Platform)

Business update and outlook

Netwealth has launched several initiatives that provide advisers and their clients with a diverse range of investment options including:

- a strategic partnership with iCapital that offers a unique global private market investment opportunity;
 - expanded range of annuities, term deposits and cash funds;
 - a 31-day notice cash fund was launched, offering a competitive rate of 25 basis points over RBA on cash;
 - an industry-first small parcel bond service; and
 - flexibility to manage advice fees where advisers and clients can now mutually agree to adjust or exclude advice fees, expressed as specific percentages, across term deposits, cash, annuities, or any combination thereof.
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- We are seeing increased demand for environmental, social and corporate governance (ESG) and responsible options. During the December quarter we added six BlackRock ESG managed models, which are a range of model portfolios that emphasise ESG criteria. These models employ passive investment strategies and diversify across asset classes such as managed funds, ASX-listed ETFs, and cash.
 - Netwealth has received reasonable assurance from its auditors, Deloitte on Service Organisation Controls, SOC 2. This provides external assurance that effective controls are in place for the Netwealth platform over the security, availability, processing integrity, confidentiality, and privacy of customer data.
 - The technology environment is changing extremely quickly and innovations in artificial intelligence, especially with the rise of generative AI are being actively explored to improve efficiency, productivity, client engagement and service.
 - In the first half we have continued to invest in our people. Employee vacancies are at low levels, and we have enhanced capability through additional senior appointments to manage and drive growth.
 - New business pipeline and conversion across all major segments remains very strong. Looking forward, we maintain a positive outlook for the future and the growth opportunity ahead of us is significant.
 - As reported above, inflows for Calendar Year 2023 were at record levels and we are confident that the range of new initiatives and products delivered should continue to reduce outflows which we believe were largely driven by adverse market conditions.

- Grant Boyle, who has been our Chief Financial Officer since 2017, has advised his desire to step down in 2024. Whilst his timing is flexible, the current plan is for Grant to hand over to a new CFO after the FY2024 Financial Reporting is completed. Netwealth will commence an executive search process to identify and appoint a suitable candidate. Grant and Netwealth are committed to ensuring a smooth transition and continued success during this change in leadership.
- Netwealth remains in a strong financial position:
 - Highly profitable, with strong EBITDA margin;
 - A very high correlation between EBITDA and operating cashflow, resulting in strong cash generation;
 - Very high levels of recurring revenue, which results in predictable revenue; and
 - Low capital expenditure, debt free and significant cash reserves.

About Netwealth

Netwealth is a financial services company listed on the Australian Securities Exchange (ASX: NWL). Netwealth was created with an entrepreneurial spirit to challenge the conventions of Australia's financial services.

We are a technology company, a superannuation fund trustee, and an administration business. Above all we exist to inspire people to see wealth differently and discover a brighter future.

Founded in 1999, Netwealth is one of the fastest growing wealth management businesses in Australia.

We are rated No.1 by our clients for overall satisfaction*.

Our financial products are:

- superannuation including accumulation and retirement income products;
- investor directed portfolio services for self-managed super and non-super investments;
- managed accounts;
- managed funds;
- self-managed superannuation funds administration; and
- non-custodial administration and reporting services.

Netwealth's digital platform supports how our financial products are delivered to market. Financial intermediaries and clients can invest and manage a wide array of domestic and international products through the platform.

The platform is built, developed, and maintained by our technology team. It is continuously enhanced using feedback from financial intermediaries, clients and other users and receives wide industry recognition as having market-leading functionality.

Supporting our financial products and technology platform is a significant investment in our people and resources to administer support, execute both custodial and non-custodial services and manage risk and governance.

This document has been authorised for release by the CFO and Joint Company Secretary, Mr Grant Boyle.

For further information please contact:

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*Investment Trends May 2023 Adviser Technology Needs Report