

ASX Release – 22 July 2024

Insignia Financial 4Q24 Quarterly Business Update

Overview

- Return to positive net inflows: total net inflows for the quarter were \$189 million, supported by improved advised platform flows following the successful migration of MLC Wrap to Expand, and continued momentum in Workplace
- Funds Under Management and Administration (FUMA) reduced by \$1.0 billion (-0.3%) to \$311.3 billion as at 30 June 2024
- OnePath Custodians Pty Ltd (OPC) enters enforceable undertaking with APRA and pays \$10.7m in infringement notices
- 2H24 increase of \$135 million after tax for legacy remediation programs
- New operating model and executive appointments announced to drive improved accountability, risk management, efficiency, and focus on profitable growth
- Underlying FY24 result expected to exceed upgraded guidance supported by higher average FUMA and benefits of cost optimisation program
- Successfully separated self-employed advice licensee business (known as Rhombus Advisory) while retaining a 37% equity share

Insignia Financial Ltd (ASX: IFL) provides this quarterly update for the three months ended 30 June 2024 (4Q24).

Insignia Financial CEO, Scott Hartley, said, “We have seen strong progress on our FY24 strategic initiatives during the year including successful migration of MLC Wrap to Expand, and delivery of targeted cost optimisation.

“In addition, I am pleased to announce that we successfully completed the separation of Rhombus Advisory on 1 July 2024. Through this unique and innovative partnership model, we will continue to have an equity stake in Rhombus Advisory’s high-quality advice licensee business, whilst focusing on strengthening our relationships with Rhombus advice practices. This is another important milestone in our strategy to simplify and optimise our business.

“FUMA remained resilient in a quarter of mixed markets with platforms returning to net inflows following the successful wrap migration in the previous quarter. Post-migration, Expand provides the Wrap business the scale and focus to drive future growth.

“Disappointingly, we have had to take up a further provision to address a significant increase in remediation for legacy quality of advice and product compliance issues. We acknowledge the impact these historic remediation programs have had on shareholders; however, it is important that clients are fully remediated. Importantly, we expect this is our final provision increase related to the legacy advice remediation program which is now substantially complete, and that funding the advice and product remediation increases announced today will not require a capital raise from shareholders.

“Looking forward, the operating model changes announced earlier this month will provide clear lines of accountability enhancing our focus on improved risk governance and management, driving profitable growth and enabling each of our businesses to focus on competing in their respective markets.

“Pleasingly we expect to exceed our FY24 earnings guidance, driven by strong revenue supported by higher average FUMA, and the benefits of the optimisation program.”

Remediation and APRA action

The FY24 remediation provision will increase by an estimated \$135 million after tax (\$188 million pre-tax), driven by:

- An increase of \$58 million after tax related to completed assessments for self-employed advisers which exhibited far higher failure rates than expected based on past experience. Assessments for these advisers have been completed.
- \$41 million after tax estimate for a small number of advisers where assessments are not yet finalised and will be completed internally. This assessment is based on assumptions updated for the recent Quality of Advice detriment experience.
- \$23 million after tax, related to the enforceable undertaking to APRA from OnePath Custodians Pty Ltd (OPC) including client remediation, and infringement notices totalling \$10.7 million, in respect of a failure to comply with APRA's direction relating to the time taken to remediate breaches of "accrued default amounts" requirements and related alleged contraventions of "default" contributions requirements. These steps resolve APRA's concerns in respect of these matters.
- \$20 million after tax related to historic product remediation.
- Partly offset by GST refunds on remediation payments of \$8 million.

Overview of 4Q24 FUMA & Advisers

- **Funds Under Administration (FUA):** \$222.0 billion, a decrease of \$1.4 billion (-0.6%).
- **Funds Under Management (FUM):** \$89.4 billion, an increase of \$464 million (+0.5%).
- **Advice network:** 1,086 advisers, a reduction of 14 advisers over the quarter.

Funds Under Administration (FUA)

FUA as at 30 June 2024 was \$222.0 billion, a decrease of \$1.4 billion (-0.6%) over the previous quarter. The decrease was driven by pension payments of \$994 million and negative market movement of \$585 million (-0.3%), partially offset by net inflows of \$162 million.

The return to net inflows was largely attributable to a significant improvement in Advised platform flows following the successful migration of MLC Wrap to Expand in the previous quarter with flows across our Advised Wrap platforms improving by \$1.3 billion during the quarter. The Expand platform saw net inflows of \$535 million in the first quarter post-consolidation, a strong result that contributed to total net inflows of \$2.1 billion in FY24.

The Workplace channel has continuing strong momentum, with net inflows of \$479 million over the quarter and \$1.4 billion for the year to 30 June 2024. Organic flows for the Personal channel continue to improve, with net outflows of \$80 million for the quarter continuing a trend of reducing outflow in each quarter throughout FY24.

Funds Under Management (FUM)

FUM as at 30 June 2024 increased by \$464 million to \$89.4 billion (+0.5%), driven by market movement of \$437 million (+0.5%) and \$27 million in net inflows.

Net inflows of \$255 million into multi-asset offerings for the quarter were driven by continued strong inflow momentum in MLC's contemporary Managed Accounts offering, with \$200 million in net inflows for the quarter. The offering continues to accrue scale, with over \$800 million in inflows during FY24 contributing to FUM of \$2.3 billion at 30 June 2024. The termination of a small institutional mandate in Intermede's Global Equities capability resulted in net outflows of \$228 million for the quarter.

Financial Advice

There were 1,086 financial advisers in the Insignia Financial network as at 30 June 2024 comprising 200 advisers in the Professional Services (Employed) channel and 886 advisers across Advice Services channels.

A reduction of 8 advisers in the Professional Services channel reflects the impact of cost optimisation and efficiency initiatives.

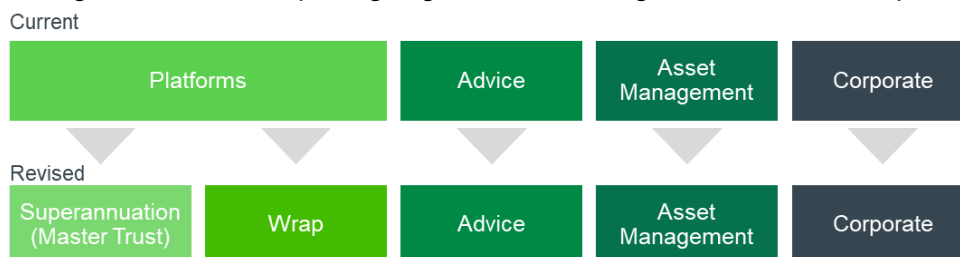
The Shadforth business has achieved record new client growth in FY24, with 547 new client families onboarded, while the bespoke Shadforth Portfolio Service offering on the Expand platform achieved \$1.3 billion in net inflows for the year. The Advice Services channel saw relative stability in adviser numbers ahead of the launch of Rhombus Advisory.

Operating model and executive team changes

On 11 July 2024, Insignia Financial announced a revised operating model and new executive team, to drive increased accountability and enhance the focus on growth opportunities across the business.

The new structure will comprise four dedicated lines of business: Asset Management, Superannuation (Master Trust), Wrap Platform and Advice. Each business line will be led by an executive with end-to-end accountability, to drive improved risk governance and management, positive sustainable growth and profitability, and improve customer outcomes.

From 1H25, Insignia Financial's reporting segments will be aligned to the revised operating structure:



FY24 results will continue to be presented on the current basis.

Financial Advice: creation of Rhombus Advisory

Rhombus Advisory, which comprises the Consultum, RI Advice and Tenfifty self-employed advice businesses, was successfully separated on 1 July 2024. Upon separation, advisers and key management took ownership stakes in Rhombus Advisory, while Insignia Financial has retained 37% of equity.

Insignia Financial's Professional Services Advice businesses, Shadforth and Bridges, remain wholly owned and the new operating model will allow improved focus on unlocking the growth potential of both businesses.

On a financial reporting basis, Rhombus Advisory will be deconsolidated from the Insignia Financial Group in FY25, with the remaining investment equity accounted in Insignia Financial's accounts.

FY24 Guidance Update

Insignia Financial expects to exceed the upgraded FY24 net revenue margin and EBITDA margin guidance provided in February and is on-track to achieve the upper end of the \$60-70 million range for gross in-year optimisation benefits announced last year, resulting in a net reduction in operating costs of \$20-25 million compared to FY23.

FY24 UNPAT is expected to be in the range of \$212-218 million, driven by strong revenue supported by higher average FUMA, and the benefits of the optimisation program.

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

Appendix 1

Insignia Financial funds movement for the three months ended 30 June 2024:

All Amounts \$m	FUMA 31-Mar-24	Net Flow	Internal Transfers	Pensions	Market/ Other	FUMA 30-Jun-24
Platforms						
IOOF	3,817	94	-66	0	-31	3,814
P&I	18,378	35	-31	0	78	18,460
MLC	37,092	351	-437	-35	-4	36,967
Workplace	59,287	480	-534	-35	43	59,241
IOOF	7,457	14	24	-17	-7	7,471
P&I	5,190	101	31	-5	-8	5,309
MLC	24,939	-195	378	-11	106	25,217
Personal²	37,586	-80	433	-33	91	37,997
IOOF	78,138	384	41	-586	-473	77,504
P&I	15,460	-225	2	-139	-104	14,994
MLC	26,535	-193	57	-164	-80	26,155
Advised	120,133	-34	100	-889	-657	118,653
Closed ³ /Transition	6,396	-203	0	-37	-64	6,092
Funds under Administration	223,402	163	-1	-994	-587	221,983
Asset Management						
Retail	32,767	215	0	0	139	33,121
Institutional	4,315	39	0	0	11	4,365
Multi-Asset	37,082	254	0	0	150	37,486
Retail	2,655	-15	0	0	13	2,653
Institutional	49,154	-212	0	0	274	49,216
Direct Capabilities	51,809	-227	0	0	287	51,869
Funds under Management	88,892	27	0	0	437	89,356
Total FUMA	312,294	190	-1	-994	-150	311,339

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. Certain products within Direct Capabilities Asset Management FUM are reported one month in arrears.
5. Totals are subject to rounding.

Funds Movement by Entity

All Amounts	FUMA 31-Mar-24	Net Flow	Internal Transfers	Pensions	Market/ Other	FUMA 30-Jun-24
Platforms (FUA)						
IOOF	89,411	492	0	-603	-512	88,788
P&I	43,935	-260	0	-174	-78	43,423
MLC	90,056	-69	-1	-217	3	89,772
FUA	223,402	163	-1	-994	-587	221,983
Asset Management (FUM)						
IOOF	25,728	167	0	0	59	25,954
MLC	63,164	-140	0	0	378	63,402
FUM	88,892	27	0	0	437	89,356
Total FUMA	312,294	190	-1	-994	-150	311,339

Active Advisers¹

Channel	31-Mar-24	%	30-Jun-24	%	3-month change
Professional Services (Employed)	208	18.9%	200	18.4%	-8
Self-Employed (Licensed)	485	44.1%	483	44.5%	-2
Self-Licensed ²	407	37.0%	403	37.1%	-4
Total	1,100		1,086		-14

Practice Numbers

Channel	31-Mar-24	30-Jun-24	3-month change
Self-Employed Practices¹			
Consultum	47	51	4
RI	94	95	1
Tenifty	97	97	0
Total Self-Employed	238	243	5
Self-Licensed Practices²			
Alliances	63	61	-2
Dealer Associates	12	12	0
MLC Connect	6	6	0
Total Self-Licensed	81	79	-2
Total	319	322	3

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

Tracing our origins back to 1846, today the Insignia Financial Group is a leading Australian wealth manager. Our services cover a wide range of financial needs, including:

- **Superannuation, pension and investment platforms** – as one of the largest superannuation and pension providers in Australia, we offer a number of award-winning investment solutions, used by many of Australia's largest employers and financial advisers.
- **Asset management** – we provide access to a broad suite of investment capabilities across a range of multi-asset and single asset classes.
- **Financial advice** – our advisers offer coaching, guidance and advice based on clients' needs.

Further information can be found at www.insigniafinancial.com.au.

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