



28 January 2021

IOOF Q2 2021 Business Update

IOOF's Funds Under Management, Advice and Administration (FUMA) is down \$0.4 billion to \$202.4 billion for the quarter to 31 December 2020 (Q2 2021). This reflects a strong quarter with an uplift of \$12.7 billion due to market movements, largely offset by one-off negative movements of \$10 billion including; \$8.1 billion from the termination of the BT relationship; \$1.5 billion from the liquidation of IOOF's Cash Management Fund and a \$0.4 billion one-off transfer from the Cash Management Trust.

Key highlights of Q2 2021 FUMA*:

- **Financial Advice:** \$1.3 billion net outflows including outflows as a result of the advice business transformation under Advice 2.0 and excluding \$363 million flow from IOOF Aligned Licences to IOOF Alliances (prior comparative period (**pcp**): \$939 million net inflow). In addition, \$8.1 billion was transferred out of the business due to previously announced changes to external platform arrangements with BT.
- **Portfolio & Estate Administration:** \$40 million net inflows; (pcp: \$360 million net inflow).
- **Investment Management:** \$2.2 billion net outflows including \$1.9 billion outflows due to reinvestment simplification into external interest-bearing cash accounts delivering improved client outcomes. The revenue differential resulting from this reinvestment is negligible; (pcp: \$145 million net outflow).
- **Pensions & Investments (P&I):** \$625 million net outflows; (pcp: broadly consistent with outflow profile under ANZ ownership).

* Excluding the impact of Early Release of Super (ERS)

IOOF Chief Executive Officer, Renato Mota, said, "We are making good progress towards the transformation of the business. In particular, we are transforming the advice business through our Advice 2.0 strategy and progressing our platform simplification strategy, while supporting IOOF's open architecture approach and enabling choice for our clients.

"This quarter has seen ongoing impacts of ERS, especially the final opportunity for early access. As well, we have experienced the ongoing impacts of COVID, including client concern and uncertainty around ongoing and potential economic impacts. Our ClientFirst approach has been invaluable in ensuring that our clients have the support that they need during times of significant uncertainty.

"There has been strong market performance over the quarter and as a result of the scale and diversity of our business, the market contribution of \$12.7 billion to FUMA has largely offset outflows.

"We have continued to meet key milestones in the execution of our transformation program including Advice 2.0 and Evolve. We are progressing well and meeting targets to enable the completion of the proposed MLC acquisition before 30 June 2021."

Impact of Early Release of Super on net flows

Payments made under the ERS scheme during the quarter have impacted Q2 2021 net flows. IOOF (including P&I) has paid 10,800 requests totalling approximately \$80 million from IOOF and P&I platforms in relation to the ERS scheme during the quarter:

- IOOF (excluding P&I) has paid 2,779 requests totalling \$21 million.
- The P&I business has paid 8,021 requests totalling \$59 million. There were redemptions from P&I investment management solutions of \$53 million to successfully fulfil the platform requests for ERS payments.

This is a significant reduction on the September 2020 quarter which saw 77,890 requests paid totalling \$619 million.

The P&I business continues to see greater impact from ERS due to its higher proportion of Employer Super and direct members in its platform business vs IOOF's predominantly advised client base. The ERS scheme ended on 31 December 2020.

Business commentary

Financial Advice

Mr Mota explained that Advice 2.0 is IOOF's strategic response to both an era-defining transformation of the financial advice industry and of the company. In this new era, Advice 2.0 is designed to deliver a step-change in the quality and affordability of advice and construct an economically sustainable advice model.

Mr Mota said, "Advice 2.0 has resulted in changes to the way that advisers choose to utilise IOOF's services. We have seen practices with \$363 million in funds under advice choose to become self-licensed and continue to utilise services under the IOOF Group. We have also seen 22 advisers with \$869 million in funds under advice transition from IOOF licences due to various reasons including some practices that we don't view as economically sustainable under our future advice model. The financial impact of the total \$1.3 billion advice outflows is not material.

Mr Mota added, "Building an advice model that is sustainable in its own right, without economic subsidisation and allowing for ongoing investment in technology and processes is critical in ensuring that financial advice is more affordable and available to more Australians."

The financial advice segment was also impacted by the termination of IOOF's relationship agreement with BT which was announced to the market on 18 December 2020. IOOF received a one-off settlement of \$80 million pre-tax in January 2021 which takes into consideration amounts owed in recognition of IOOF's rights under the agreement. This agreement represented Funds under Advice of \$18.8 billion as at 30 November 2020, more than half of which has been retained in IOOF's FUMA total:

- \$8.1 billion transferred to BT and removed from IOOF's FUMA total. This outflow relates to the value of the funds under advice with non-IOOF licensed advisers who utilised the open architecture arrangement between IOOF and BT.
- \$10.7 billion retained in IOOF's FUMA total from advisers licensed by IOOF that utilised IOOF's open architecture arrangement with BT and remain as funds under advice.

On 18 December 2020, IOOF also announced an agreement had been entered into with HUB24 where HUB24 would act as platform administration and custody provider. In addition, IOOF and HUB24 would collaborate to develop a range of solutions including private label super and investment products with IOOF entities to be the responsible governing entities.

Portfolio & Estate Administration

Portfolio & Estate Administration experienced continued net inflows of \$40 million (excluding ERS).

IOOFs Managed Accounts solution, MPS, reached a significant milestone of over \$1 billion in FUA. The majority of these managed accounts are administered on Evolve.

Total net inflows for flagship solutions (IOOF Essential, eXpand, IOOF Pursuit, IOOF Employer Super and Shadforth Portfolio Service (SPS)) were \$164 million.

Mr Mota said, “We saw continued significant growth in the number of accounts opened and total numbers of licensees utilising Evolve based solutions; IOOF Essential, eXpand and SPS – total number of accounts more than doubled to 12,512 and licensees tripled to 55.

“We have also launched our Evolve Hub which is available online at <https://www.ioof.com.au/evolve> which contains detailed information and timelines relating to our platform transformation objectives.”

IOOF Essential, eXpand and SPS	Dec-19	Dec-20	Increase on pcp
Total number of Accounts	5,727	12,512	6,785
Total number of Licensees	15	55	40

Investment Management

The investment management segment experienced outflows of \$2.2 billion. Of this outflow, \$1.9 billion was due to undertaking simplification of our operating model by liquidating the IOOF Cash Management Fund (\$1.5 billion) and transferring funds out of the IOOF Cash Management Trust (\$0.4 billion). These were reinvested into external interest-bearing cash accounts delivering improved client outcomes. The revenue differential resulting from this reinvestment is negligible.

P&I

Excluding ERS, P&I experienced outflows at a run rate broadly consistent with outflow profile under ANZ ownership.

As part of the integration of P&I, planning surrounding the delivery of improved client outcomes and experience is currently underway.

Integration update & MLC preparation

During the quarter, significant activities have been undertaken to progress with P&I integration and prepare for the MLC acquisition completion.

On 1 December 2020, IOOF held a virtual investor briefing covering Advice 2.0, Evolve21 and Transformation. A copy of the presentation materials can be found here¹.

Updates on key milestones include:

- Remain on track to deliver \$43 million of annualised synergies by 30 June 2021 from P&I integration.
- Lenders’ consents for MLC acquisition received on 8 October 2020.
- ACCC announced it will not oppose IOOF’s proposed acquisition of MLC on 14 December 2020.

- ENDS -

¹ Available at: https://www.ioof.com.au/__data/assets/pdf_file/0008/416816/IOOF-Virtual-Investor-Briefing-2020-Access-and-presentation-materials.pdf

This announcement was approved for release by the IOOF Holdings Ltd Board.

Enquiries:

Rachel Scully
Head of Investor Relations
IOOF Holdings Ltd
P: +61 3 8614 4530
M: +61 438 601 942

E: rachel.scully@ioof.com.au

Media enquiries:

Louise Watson
Managing Director
Symbol Strategic Communications
P: +61 2 8011 0591
M: +61 419 185 674

E: lwatson@symbolstrategic.com.au

Funds movement for the three-month period ended 31 December 2020

All Amounts \$m	FUMA 30-Sep-2020	Net Flow	Early Release Super	Transfer to IOOF Alliances	BT transfer	Pensions	Market/ Other	FUMA 31-Dec-2020
Financial Advice	54,296	(1,241)	-	(87)	(8,063)	(104)	3,123	47,924
Ex-ANZ Advice Licensees ¹	16,499	(17)	-	(276)	-	(60)	1,226	17,372
Funds Under Advice and Distribution Total	70,795	(1,259)	-	(363)	(8,063)	(163)	4,349	65,295
Portfolio Estate & Administration	42,319	40	(21)	-	-	(190)	2,684	44,832
Investment Management	22,644	(2,168)	-	-	-	-	1,372	21,848
P&I Platform	42,986	(542)	(59)	-	-	(163)	2,691	44,914
P&I Investment Management	24,082	(83)	(53)	-	-	-	1,554	25,501
P&I Total	67,068	(625)	(111)	-	-	(163)	4,246	70,415
Total FUMA	202,826	(4,011)	(132)	(363)	(8,063)	(516)	12,650	202,390

Funds movement for the six-month period ended 31 December 2020

All Amounts \$m	FUMA 30-Jun-2020	Net Flow	Early Release Super	Transfer to IOOF Alliances	BT transfer	Pensions	Market/ Other	FUMA 31-Dec-2020
Financial Advice	54,213	(1,066)	-	(537)	(8,063)	(210)	3,587	47,924
Ex-ANZ Advice Licensees ¹	16,322	(82)	-	(276)	-	(129)	1,536	17,372
Funds Under Advice and Distribution Total	70,535	(1,149)	-	(813)	(8,063)	(339)	5,124	65,295
Portfolio Estate & Administration	41,989	266	(180)	-	-	(382)	3,138	44,832
Investment Management	22,386	(2,230)	-	-	-	-	1,693	21,848
P&I Platform	43,268	(927)	(519)	-	-	(332)	3,424	44,914
P&I Investment Management	24,121	(109)	(476)	-	-	-	1,965	25,501
P&I Total	67,389	(1,036)	(995)	-	-	(332)	5,389	70,415
Total FUMA	202,297	(4,148)	(1,174)	(813)	(8,063)	(1,053)	15,343	202,390

¹ Ex-ANZ Advice Licensees FUMA and flows are one month in arrears

About IOOF Holdings Ltd

IOOF 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.

IOOF provides advisers and their clients with the following services:

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

Further information about IOOF can be found at www.ioof.com.au