

December 2017 Quarterly Business Update

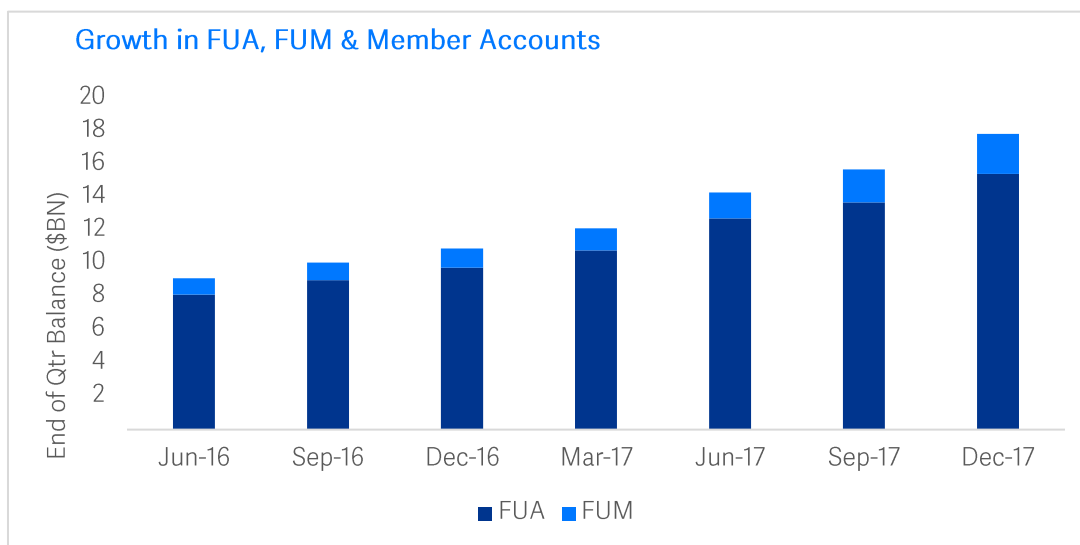
ASX Release – 18 January 2018

FUA growth of \$1.7 billion

Highlights

- Funds Under Administration (FUA) at 31st December is \$15.4b which is an increase of \$1.7b for the quarter (13% increase) and \$5.7b over the past 12 months (58% increase)
- Funds Under Management (FUM) is \$2.4b which is an increase of \$436m for the quarter (22% increase) and \$1.3b over the past 12 months (109% increase). The Managed Account grew to \$1.4b which is an increase of 311% in past 12 months
- Net FUA Flows for the quarter were \$1.0b
- Ongoing enhancements include the launch of Netwealth mobile phone app, SMART ROA (Record of Advice) functionality, integrated banking feeds and many new features designed to improve practice efficiency for intermediary's and investor outcomes
- Brought forward the hiring of an IT scrum team* to maintain market leadership in addition to the continuing development of our technology platform, taking total IT staff to 61

Platform growth and performance



*A scrum team is 6 person development team consisting of 3 programmers, 2 business analysts and a tester

Quarterly Platform statistics

	Jun-17 Qtr	Sep-17 Qtr	Dec-17 Qtr
Funds Under Administration			
Funds Under Administration	12,747	13,710	15,436
Administration Fee Paying FUA %	69.3%	67.7%	65.2%
Net FUA Flows	1,831	824	1,023
Funds Under Management			
Managed Account	679	1,005	1,406
Managed Funds	884	984	1,020
Total FUM	1,563	1,990	2,426
Net Flows Managed Accounts	201	282	279
Net Flows Managed Funds	26	125	5
Net FUM Flows	227	408	284
Member Accounts (number)	54,628	56,100	58,012

\$millions unless otherwise stated

Figures provided are unaudited & net flows do not include market movement

Netwealth continued to experience strong and consistent growth. Net FUA Flows for the quarter were \$1.0b.

The administration fee paying FUA % decreased from 69.3% to 65.2% during first half year reflecting a higher average account size of new members joining the platform and the higher proportion of flows into the Wrap product.

During the quarter the proportion of FUA held in our pooled cash fund decreased to 8.5%. We believe this decrease is due to investors increasing their exposure to equities in the rising markets which occurred over the past six months.

Net FUM Inflows for the quarter were \$284m. This growth was driven predominantly by the continued success of Managed Account (MA) product, which achieved net Inflows of \$279m.

Strategic Insights released their September quarter market share report during December. As at 30 September, Netwealth achieved the 3rd highest platform inflows being 21% of the total market flows, and had a market share of 1.8% of the total Platform market up from 1.7% the previous quarter.

Platform Enhancements

New developments

Following the successful update to the core platform to support the Stronger Super Changes in June 2017 Netwealth released new platform functionality focused on removing friction from the advice process and increasing client engagement.

Key features included:

1. The launch of a new mobile phone app which provides business, portfolio and account information for both intermediaries and Netwealth account holders.
2. SMART ROA's were released in December and provide intermediaries with the ability to produce highly customised and automated Records of Advice (ROA's) for multiple clients in a fraction of the time compared to traditional methods. Importantly all recommendations can be accepted online by a client. The new service which is provided free for intermediaries on the platform looks to significantly reduce one of the industry's major administrative burdens.
3. An option to integrate external banking and debt information with the platform has been added to allow a complete view of their client's wealth. Data can be easily connected and integrated from over 100 Australian financial institutions. Release of this functionality to intermediaries and clients will occur in the coming quarter.
4. Continued enhancements to X-wrap which allows for non-custodial or "off platform" assets to be administered and reported on have been delivered throughout the period including performance and asset allocation reports.
5. The launch of bulk trading for managed funds and term deposits which allow intermediaries to undertake highly efficient trading for multiple client accounts whilst also ensuring timely implementation.
6. We have expanded the investment products and categories available to our wholesale investors to include the ability to purchase over the counter (OTC) bonds.

Development focus for remainder of the Financial Year

During the balance of the financial year we will be focused on enhancing our service and platform offer:

1. The mobile app functionality will continue to be upgraded, including the launch of an Android version. Our vision is that the app will become an integral communication and authorisation service for intermediaries and clients.
2. External bank feed functionality will be broadened to capture transactional data and provide financial insights and reports.
3. Expansion of our Retail and Private Label Managed Account service, including the addition of new models and strategies to meet the needs of different client segments and life stages.
4. Ongoing focus on user experience, navigation, adviser efficiency and client engagement.

Update on Corporate Activity

- The negotiations relating to sale of the Bridgeport and Pathway businesses, are continuing. These sales are expected to be completed by the end of the financial year.

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About Netwealth

Netwealth is a financial services company listed on the Australian Stock Exchange (ASX: NWL).

Netwealth was founded in 1999, and established to provide astute investors and wealth professionals with a better way to invest, protect and manage their current and future wealth. As a business, Netwealth seeks to enable, educate and inspire Australians to see wealth differently and to discover a brighter future.

Netwealth offers a range of innovative portfolio administration, superannuation, retirement, investment and managed account solutions to investors and non-institutional intermediaries including financial advisers, private client and high net worth firms.

Netwealth's award-winning platform is currently rated Australia's Number 1 Platform for overall functionality and overall satisfaction* providing wealth professionals with the technology required to efficiently manage and add value to their clients.

*Investment Trends May 2017 Planner Technology Report and Investment Trends December 2016 Platform Benchmarking Report.