

# December 2018

## Quarterly business update

ASX Release – 25 January 2018

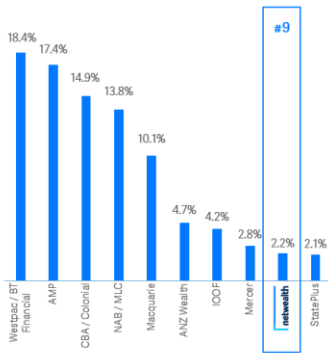
## Netwealth Funds Under Administration at \$19 billion with net flows offsetting adverse global markets.

### Highlights

- Net Funds Under Administration (FUA) flows for Q2 were \$876 million while market movement was negative \$1.2 billion resulted in FUA of \$19.0 billion at 31 December 2018, a small decrease of \$0.3 billion (-1.5%) for the quarter.
- FUA increased \$3.6 billion over the last 12 months (up 23.0% on December 2017).
- While net flows for the quarter were below previous quarter and PCP flows, we remain confident of continued strong growth following significant competitor and industry changes which are occurring.
- Following the announcement of new competitor pricing in late July 2018, many advice groups and financial intermediaries temporarily deferred their platform decisions to re-evaluate the impact of the re-pricing. Many groups have now completed their reviews resulting in Netwealth being successful in winning their business.
- Recent industry events together with the Royal Commission hearings created additional impetus for advisers to review their platform strategies where they might not have otherwise done so providing Netwealth with additional significant opportunities.
- Importantly our pricing, technology and service strategy continues to be successful during the December quarter with a significant number of advisers and intermediaries selecting Netwealth as their preferred platform against incumbent platforms and/or in-house administration.
- We expect these new groups to begin transitioning clients in early CY 2019 and we continue to maintain a strong pipeline of new opportunities. Transitions traditionally take varying periods to complete with some commencing immediately while others being spread over a period.
- In the latest September 2018 *Strategic Insights* quarterly platform market update, Netwealth achieved the highest platform flows for the 12-month period to September 2018 of \$4.4 billion (51.4% of total platform market flows). Netwealth continued to win an outsized share of net FUA flows relative to its market share at 23 times its market share percentage of FUA at 2.2%.
- To capitalise on the significant market opportunities and expected increase in new business inflows, we have brought forward additional resources in Sales and IT which have largely been offset by lower personnel costs in other areas in the first half.

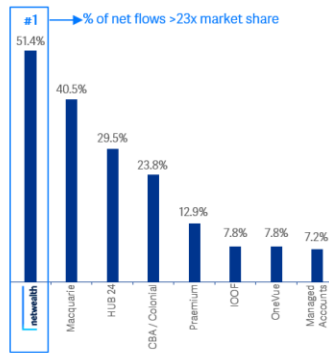
## Platform growth and performance

Platform providers by FUA market share<sup>(1)</sup> % market share (Sep 2018)



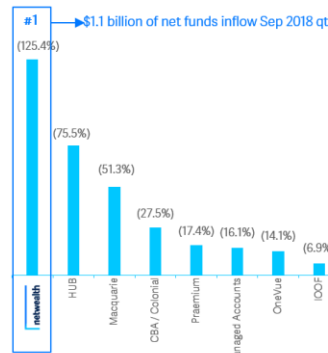
Source: Strategic Insight: Master Trusts, Platforms & Wraps (Sep 2018)  
 (1) Total industry retail FUA of A\$859.9bn (as at Sep 2018)

Platform provider net funds flows<sup>(2)</sup> % market share (12 months to Sep 2018)



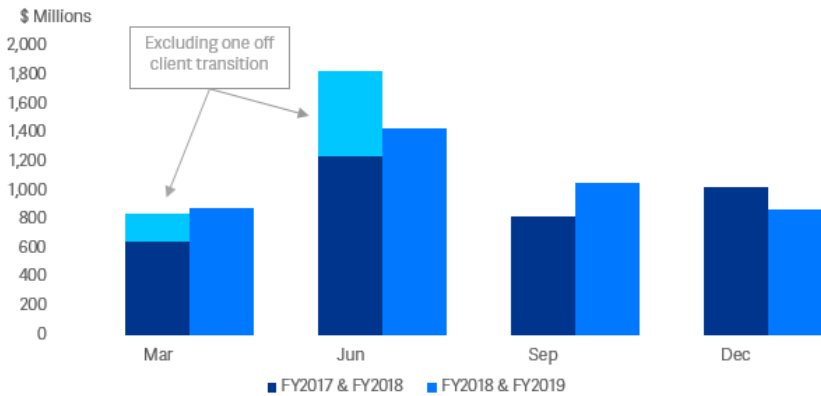
Source: Strategic Insight: Master Trusts, Platforms & Wraps (Sep 2018)  
 (2) Total net flows of A\$8.6bn (12 months to Sep 2018)

Platform providers net funds flow<sup>(3)</sup> % market share (quarter to Sep 2018)



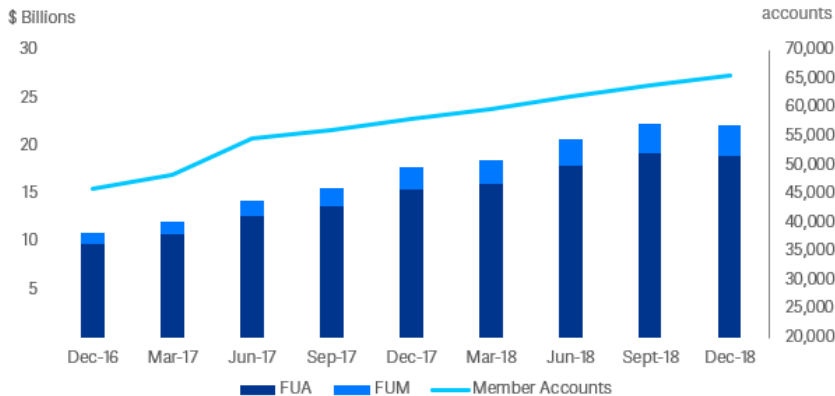
Source: Strategic Insight: Master Trusts, Platforms & Wraps (Sep 2018)  
 (3) Total net flows of negative A\$(0.9)bn (quarter to Sep 2018)

### FUA net inflows per quarter V's PCP



PCP - 12 month prior comparative period (FY2017 & FY2018)  
 CP - current period (FY2018 & FY2019)

### Growth in FUA, FUM & Member Accounts



## Quarterly platform statistics

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Growth*
<b>Funds Under Administration</b>						
Funds Under Administration	15,436	16,008	17,960	19,277	18,988	23.0%
Fee Paying FUA %	65.2%	64.6%	61.6%	60.9%	62.3%	(4.4%)
FUA net inflows	1,023	879	1,440	1,060	876	(14.4%)
<b>Funds Under Management</b>						
Managed Account	1,406	1,584	1,834	2,050	2,114	50.4%
Managed Funds	1,020	978	1,011	1,041	1,025	0.5%
<b>Total FUM</b>	<b>2,426</b>	<b>2,562</b>	<b>2,846</b>	<b>3,091</b>	<b>3,139</b>	<b>29.4%</b>
Managed Account net inflows	279	174	136	162	166	(40.5%)
Managed Funds net inflows	5	(31)	12	52	39	649.4%
<b>FUM net inflows</b>	<b>284</b>	<b>143</b>	<b>148</b>	<b>215</b>	<b>205</b>	<b>(28.0%)</b>
<b>Other Metrics</b>						
Financial Intermediaries (number)	2,190	2,244	2,271	2,329	2,393	9.3%
Member Accounts (number)	58,012	59,695	62,097	63,871	65,688	13.2%

The cash balance as at 31 December 2018 remains at a similar level to the previous quarter

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 quarter

## Platform enhancements

### New developments

During the quarter Netwealth released a range of new platform features and products focused on improving the delivery of advice and increasing client engagement.

### Key initiatives included:

- New report summaries, reports and report options.

### Development focus for remainder of the Financial Year

During the remainder of the financial year, we will continue to enhance our service and platform offering through the following initiatives:

- Addition of Challenger annuities to platform.
- Further cash management and transactional capabilities will be launched providing sophisticated options to manage cash.
- Ongoing report enhancements including new reports and summaries, account consolidation and individual report customisation for on platform and off platform assets.
- New online application and process including automated KYC verification and authentication options.

- New multi asset transaction providing users the ability to trade, switch and rebalance all assets including domestic and international equities, managed funds, term deposits, Managed Account models and cash in one transaction. The new feature will also support multiple advice workflow processes including the ability to generate electronic Records of Advice.
- The expansion of our Retail and Private Label Managed Account service, including the addition of new models, strategies and functionality.

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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; December 2017 Platform Competitive Analysis and Benchmarking Report & Investment Trends, May 2018 Planner technology report.