

September 2023 quarterly business update

ASX Release – 19 October 2023

Strong inflows continue and new strategic partner announced

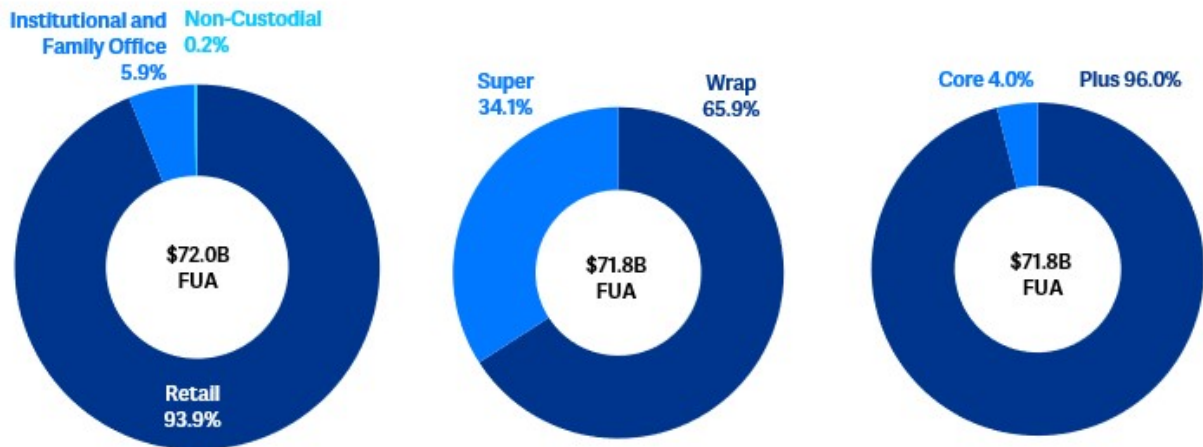
Quarterly highlights

- Funds Under Administration (FUA) increased by \$1.7 billion for the September quarter to \$72.0¹ billion, comprising FUA net inflows of \$2.1 billion and negative market movement of \$0.4 billion.
- FUA increased by 23.9% or \$13.9 billion for the 12 months to 30 September 2023.
- Record 12 month FUA inflows of \$18.8 billion highlighting strong underlying inflows and new client wins.
- Custodial FUA inflows of \$4.7 billion for the September quarter. Partially offset by higher than expected client partial withdrawals from high net worth (HNW) and ultra-high net worth (UHNW) accounts, due to financial market conditions and resulting off-platform investments in Term Deposits. A number of initiatives have recently been implemented to retain more of these assets on our platform which are detailed in the Business update and outlook.
- Non-custodial FUA of \$176 million at 30 September 2023 and Non-custodial FUA net inflows of \$43 million for the September quarter. After a successful launch, the service continues to attract considerable interest and support from the industry.
- Funds Under Management (FUM) increased by \$0.5 billion for the quarter ended 30 September 2023 to \$16.5 billion. FUM net inflows for the September quarter were \$0.8 billion.
- Managed Account balance increased by \$0.6 billion for the September quarter to \$14.2 billion, comprising Managed Account net inflows of \$0.8 billion and negative market movement of \$0.2 billion. Notably, Managed Account net inflows increased 118.3% or \$0.4 billion for the quarter. The growth was primarily attributed to successful launch of 24 new Managed Account models in the September quarter.
- A new strategic partnership has been announced today with iCapital², a global fintech platform driving access to alternative investments for the wealth management industry. Netwealth will distribute global private market and hedge fund investments to financial advice firms and their wholesale clients across Australia. Netwealth will serve initially as iCapital's exclusive Australian distribution partner for iCapital sponsored funds.

¹ The August results announcement included a FUA update (\$72.2 billion - 11 August). From this date to the 30th of September, financial markets experienced a material negative market movement which resulted in a FUA reduction.

² Institutional Capital Network, Inc., and its affiliates (together, "iCapital").

Composition of FUA



Quarterly platform statistics

	Sep-2022	Dec-2022	Mar-2023	Jun-2023	Sep-2023	Growth#
Funds Under Administration (FUA)						
FUA – Custodial	58,103	62,414	65,883	70,146	71,801	23.6%
FUA – Non-custodial	-	33	40	126	176	-
Total FUA	58,103	62,447	65,923	70,272	71,977	23.9%
FUA Inflows – Custodial	4,656	4,115	3,658	6,180	4,714	1.2%
FUA Outflows – Custodial	(1,716)	(2,031)	(1,981)	(3,117)	(2,684)	-
FUA Net inflows Custodial	2,940	2,085	1,677	3,063	2,030	(31.0%)
FUA Net Inflows – Non-custodial	-	21	6	91	43	-
Total FUA Net Inflows	2,940	2,105	1,683	3,154	2,073	(29.5%)
Funds Under Management (FUM)						
Managed Account	11,479	12,229	13,035	13,592	14,177	23.5%
Managed Funds	2,020	2,211	2,300	2,368	2,290	13.4%
Total FUM	13,498	14,440	15,335	15,960	16,467	22.0%
Net Inflows – Managed Account	624	244	378	345	753	20.6%
Net Inflows – Managed Funds	208	120	14	27	8	(95.9%)
Total FUM Net Inflows	832	364	392	371	761	(8.5%)
Accounts (number)	118,464	121,032	123,649	127,507	129,572	9.4%
Market Movement						
Market movement FUA – Custodial	(489)	2,226	1,792	1,201	(376)	-
Market movement FUA – Non-custodial	-	12	2	(5)	7	-
Total FUA market movement	(489)	2,238	1,793	1,196	(369)	-
Total FUM market movement	(412)	577	504	253	(254)	-

All figures in \$millions unless otherwise stated

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

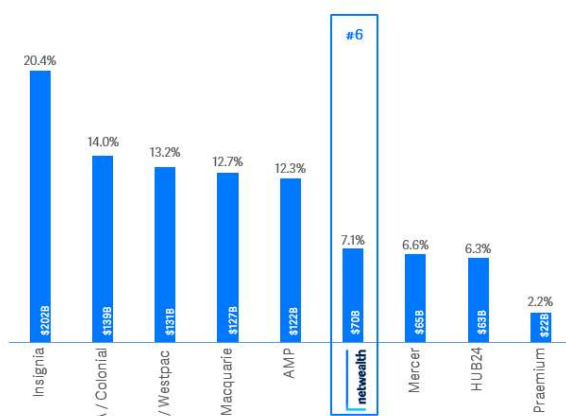
Growth is the percentage increase on prior year corresponding period

- The Netwealth Cash transaction account balance was 6.3% of FUA at 30 September 2023.
- Outflows for the quarter are at elevated levels, though we note that more than 50% of the outflows are non-fee paying FUA. They relate primarily to:
 - Clients partially withdrawing funds to invest in off-platform investments including term deposits and other fixed income investments; and
 - Large partial withdrawals from HNW and large accounts.
- Member accounts at 30 September were 129,572, an increase of 2,065 accounts for the September quarter.

Platform growth and performance

- Netwealth achieved the highest industry platform 12 month net funds flows and increased its market share to 7.1% at 30 June 2023, up 1.1% for the 12 months to 30 June 2023.

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



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Jun 2023
Total industry retail FUA of \$993B (as at Jun 23)

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



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Jun 2023
Total net fund flows of +\$10.6B (Not included above: Others \$0.2B and circa \$35B for the transition of BT's Master Trust business to Mercer's Platform)

Business update and outlook

- Whilst the current macro-economic and interest rate environment creates some short term challenges and, as outlined above, has led to a period of elevated outflows we believe this is cyclical in nature and maintain our very positive outlook.
- Our new business pipeline and conversion remains strong, our client satisfaction remains high and our market leading product suite and service ensures we continue to attract substantial inflows from existing and new clients across all our key market segments.

- In response to the changing economic environment and adviser and client demand, Netwealth continues to add to its investment menu, including alternative investments and a suite of income options, highlighting our commitment to expanding access to a wide range of diverse investment opportunities for advisers and their clients.
 - Netwealth has launched an industry-first small parcel bond service: Netwealth now provide direct access to bond parcels at a substantially lower entry point of \$50,000 in contrast to the \$500,000 typically required. The service is facilitated through our partnership with Income Asset Management Group (IAM). IAM provides financial advisers with direct access to a wide array of bonds, including investment grade, high yield, domestic, and international bonds.
 - Netwealth's new strategic partnership with iCapital will provide a unique private market offering to Australian investors. iCapital offer an extensive menu of private investments, including equity, credit, real estate, infrastructure and hedge funds. iCapital will also provide Netwealth with product support through its in-house research and diligence team, and a bespoke suite of educational tools.
 - Netwealth has expanded the range of annuities available from 3 to 8 and integrated term annuities into our platform, allowing advisers to invest in term annuities directly through the platform in a seamless and efficient process.
 - Our term deposit menu has been extended, now including 4, 5 and 9 month terms (in addition to the 3 and 6 month and 1, 3 and 5 year terms already available) for super and investment accounts with term deposits from ANZ, Bank of Queensland or NAB from 3 months up to 5 years offering more flexibility in managing cash allocations.
 - Netwealth will launch a 31-day notice cash fund before the end of the calendar year. This is a low-risk cash management option that offers a higher interest rate than the platform cash account.
- Netwealth will shortly make it possible for advisers to exclude term deposits, cash and annuities from their fees to support client returns.
- Netwealth has successfully re-launched its new core product, competitively priced and targeted at the mass affluent and emerging affluent sectors. Currently offering 41 managed models, across a range of asset classes, risk profiles, and investment strategies.
- Netwealth continues to add to the extensive suite of digital features and functionality on the platform. Particularly in our ability to assist advisers to manage and administer both custodial and non-custodial assets through our whole-of-wealth platform service and data integration with external providers.

- 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.

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*Investment Trends May 2023 Adviser Technology Needs Report