

December 2019 Quarterly business update

ASX Release – 23 January 2020

FUA up \$3.2 billion to \$28.5 billion. Record FUA net inflows for the December quarter.

Highlights

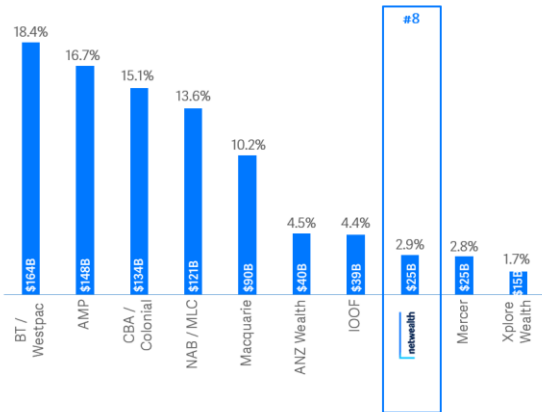
- Funds Under Administration (FUA) of \$28.5 billion at 31 December 2019, an increase of \$3.2 billion (12.6% increase) for the quarter and \$9.5 billion (50.2% increase) for the year to December 2019.
- FUA net inflows of \$2.9 billion for the December 2019 quarter, an increase of \$2.0 billion (228.3% increase) compared to Prior Corresponding Period (PCP). Market movement in the quarter accounted for a further \$0.3 billion increase in FUA. Excluding our largest client transition currently underway, the underlying FUA net inflows are at record levels, 102.9% above PCP and 22.2% above September 2019 quarter.
- FUA net inflows for 1H2020 of \$4.4 billion, an increase of \$2.4 billion (124.9% increase) compared to 1H2019 and \$2.0 billion (81.6% increase) compared to 2H2019.
- Funds Under Management at 31 December 2019 of \$5.7 billion, an increase of \$1.3 billion (29.4% increase) for the quarter.
- Managed Account at 31 December 2019 of \$4.4 billion, an increase of \$1.3 billion (40.6% increase) for the quarter. Managed Account net inflows of \$1.2 billion for the quarter.
- Software as a Service (SaaS) revenue for “Xwrap”, Netwealth’s non-custodial reporting service is now being collected and will be progressively rolled out during the remainder of this financial year.
- In the latest September 2019 Strategic Insights quarterly platform market update, Netwealth achieved the highest platform inflows for the September 2019 quarter of \$1.5 billion and \$4.8 billion for the 12-months ended 30 September 2019. Netwealth recorded the highest rolling 12-month inflows for the sixth consecutive quarter, increasing market share to 2.9%¹ at 30 September 2019.
- Netwealth was ranked highest overall for digital wealth application/service among wealth institutions in the Digital Wealth Report January 2020 by Investment Trends.
- In Adviser Ratings 2019 Financial Advice Landscape Report December 2019, Netwealth ranked first for net promoter score, adviser experience, ongoing adviser support, overall functionality and client experience.

1. Strategic Insights: Master Trusts, Platforms and Wraps (September 2019)
PCP reference to December 2018 quarter

Platform growth and performance

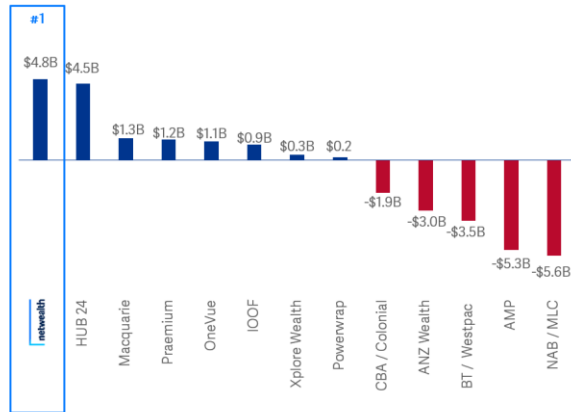
Netwealth continued to lead the industry FUA net inflows, as many advisers and clients continued to transition to Netwealth and/or increased their funds on the platform. Netwealth has moved up one place to be the 8th largest platform.

Platform providers by FUA market share¹
% market share (Sep 2019)



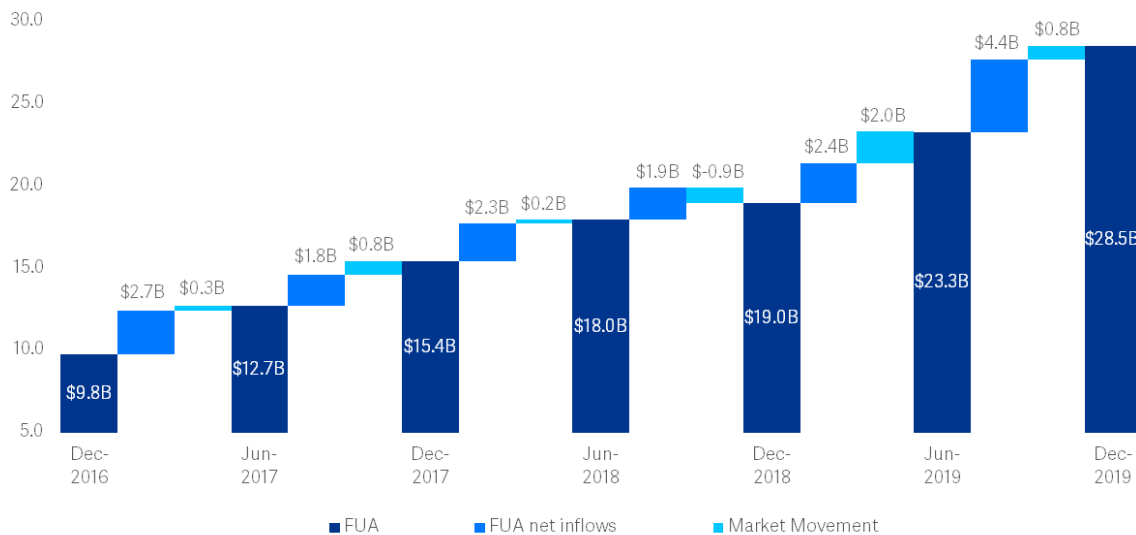
Source: Strategic Insight: Master Trusts, Platforms & Wraps (Sep 2019)
1. Total industry retail FUA of \$887.8B (as at Sep 2019)

Platform provider net funds flows²
\$'Billions (12 months to Sep 2019)



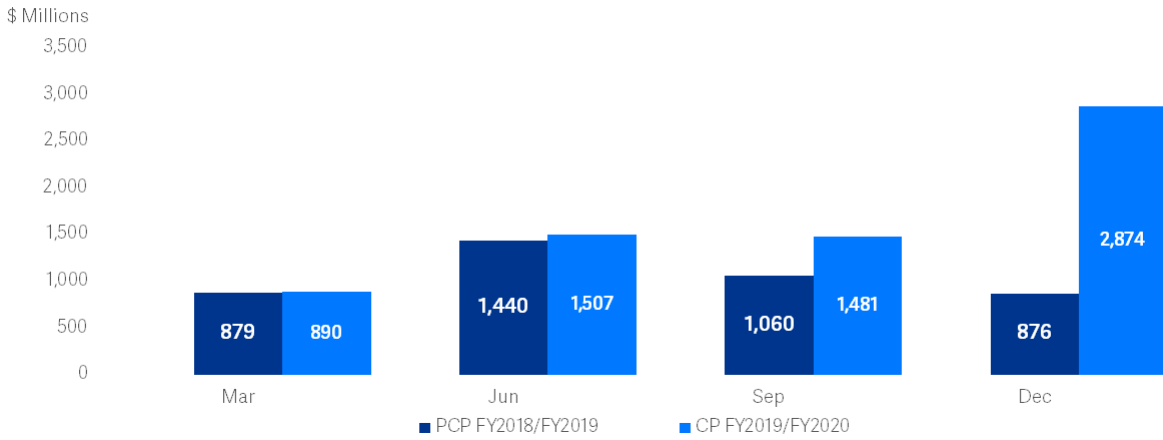
Source: Strategic Insight: Master Trusts, Platforms & Wraps (Sep 2019)
2. Total net flows of negative \$-6.7B. (12 months to Sep 2019) (Not included above - Others of -\$1.7B)

Half yearly growth in FUA from Dec 2016 to Dec 2019



Source; Netwealth

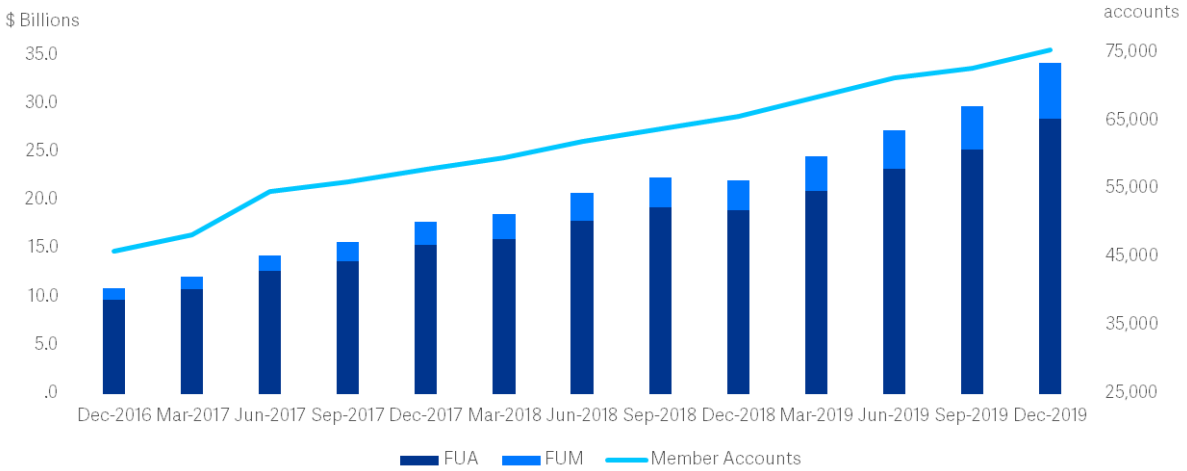
FUA net inflows per quarter V's PCP



PCP - prior corresponding period (FY2018/FY2019)
 CP - current period (FY2019/FY2020)

Source: Netwealth

Growth in FUA, FUM & Member Accounts



Source: Netwealth

Quarterly platform statistics

	Dec-2018	Mar-2019	Jun-2019	Sep-2019	Dec-2019	Growth*
Funds Under Administration						
Funds Under Administration	18,988	21,055	23,337	25,320	28,511	50.2%
Fee Paying FUA %	62.3%	61.0%	61.0%	61.2%	60.9%	(1.4%)
FUA net inflows	876	890	1,507	1,481	2,874	228.3%
Funds Under Management						
Managed Account	2,114	2,409	2,760	3,105	4,368	106.6%
Managed Funds	1,025	1,110	1,186	1,336	1,382	34.8%
Total FUM	3,139	3,519	3,946	4,442	5,749	83.2%
Managed Account net inflows	166	159	263	287	1,217	632.7%
Managed Funds net inflows	39	20	38	170	32	(17.7%)
FUM net inflows	205	178	301	457	1,249	509.8%
Member Accounts (number)	65,688	68,511	71,424	72,711	75,512	15.0%

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

Pooled cash as a % of FUA reduced to 7.0% of FUA at 31 December 2019 reflecting seasonal factors and the higher proportion of FUA held in the Managed Account and the Wrap Service which typically hold lower cash balances than the Superannuation fund.

Commentary and outlook

- FUA net inflows for the quarter continued to increase with a material uplift in FUA net inflows from existing and new licensees, with the largest individual Licensee accounting for approximately 38% of FUA net inflows in the quarter and the balance being well diversified.
- Our strategy continues to be focused on delivering best in class functionality, technology and service at a competitive price which can be tailored to our client's individual needs, investment requirements and sophistication. We continue to build out our IT and Operations teams for scale and to maintain our technology functionality and service leadership.
- A number of Financial Intermediaries have indicated they will adopt and transition to a new "premium" product option which provides greater investment flexibility and functionality for sophisticated and high net-worth clients. The new option is expected to be released in March 2020 as part of a major product update to both the Wealth and Super Accelerator products and services.
- As part of the new product release we will also be adding the ability to establish and run managed accounts with an external responsible entity, providing greater flexibility and choice to Financial Intermediaries in addition to increasing our ability to expand our distribution and capacity in the managed accounts market.
- New clients are being onboarded at pricing below our current retail rate card and our back book is expected to continue to move progressively to these new pricing arrangements.
- With the end to all grandfathered commissions by 31 December 2020 we expect significant transition opportunities as advisers seek more competitive pricing and greater functionality.
- Following a better than expected 1H2020 FUA net inflows and to reflect the impacts of 1H2020 market movements, we increase our FUA outlook from \$30 billion to exceed \$32 billion at 30 June 2020 (assumes no further market movement in second half of FY2020).
- The increase in 1H2020 FUA net inflows and updated FUA outlook are not expected to result in a significant change to our FY2020 profitability given the above pricing impacts and the strategic acceleration in our investment in IT infrastructure, people and software.

About Netwealth

Netwealth is a financial services company listed on the Australian Stock 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 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 providing exceptional service and independent researchers continue to rate our technology as best in class*.

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; and
- Managed Funds.

Netwealth's digital platform supports how our financial products are delivered to market. For instance, via the platform, financial intermediaries and clients can invest and manage a wide array of domestic and international products.

The platform is built, developed and maintained by Netwealth's 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, risk and governance and our custodial services.

*Investment Trends; December 2018 Platform Competitive Analysis and Benchmarking Report & Investment Trends, April 2019 Planner Technology Report.

This document has been authorised for release by CFO and Company Secretary, Mr Grant Boyle.

For further information please contact:

Grant Boyle
Chief Financial Officer
grant@netwealth.com.au

T: 03 9657 1488