

19 October 2017

Attention: Company Announcements  
ASX Limited

*By E-Lodgment*

## InvestSMART Business Update – Quarter Ending 30 September 2017

We present below our unaudited financial results on a consolidated basis to assist in understanding our underlying performance:

	<b>FY18 Q1</b>	<b>FY17 Q4</b>
	(Qtr end Sept 2017)	(Qtr end June 2017)
Commissions income - fund managers	1,339,499	1,301,059
Commissions income - insurance	439,006	465,026
Funds management fee income\$	72,361	34,047
Subscription income	1,493,282	1,519,985
Other Income Ø	106,594	13,708
<b>Total income</b>	<b>3,450,742</b>	<b>3,333,825</b>
Rebates paid	505,619	505,530
Employee costs	1,380,089	1,383,473
Other expenses§	888,405	810,564
<b>Total operating expenses</b>	<b>2,774,113</b>	<b>2,699,567</b>
<b>Operating profit before tax, amortisation and EBE</b>	<b>676,629</b>	<b>634,258</b>
<b>Cash at Bank (end of period)</b>	<b>5,776,088</b>	<b>4,935,046</b>

\*Quarterly results have been prepared by management and are unaudited.

§Includes additional non-recurring accrual for fees on SMA products (\$16,680) and accrual for performance fees (\$9,529)

Ø Other Income includes interest earned on cash-at-bank, profit on sale of Ventures investment and unrealised gain on Level 1 and Level 2 financial assets

## Commentary on financial performance for Q1 FY2017

### **Commissions income – Fund Managers**

Revenue fell marginally compared to the preceeding quarter as movement to non-trail products such as MySuper slowed. The deadline for transition to MySuper was 1 July 2017, we expect this revenue line to broadly stay in line with movements in the ASX All Ordinaries Index over FY18. InvestSMART will continue to transition towards fees from our own products for revenue growth.

### **Commissions income – Insurance**

Revenue was affected by a seasonal drop in commissions over September and the MySuper effects described above. In June 2017, in line with our growth focus on life insurance and funds under management, we launched a newly developed online life insurance aggregator.

### ***Funds management fee income***

Growing funds under management (FUM) in our investment products is our main growth driver. Our Responsible Entity license was approved by ASIC in July and we issued our first retail product, the InvestSMART Australian Small Companies Fund. See below for further commentary on growth in funds under management.

### ***Subscriptions***

Overall subscriber numbers have fallen over the past quarter as we move more subscription members to funds under management in our products, which may include a complimentary subscription, and some members have decided not to renew at higher prices following the acquisition of Eureka Report.

We expect more of our subscription members to transition to our investment products in coming years. This is expected to generate higher retention and total revenue per client.

### ***Other income***

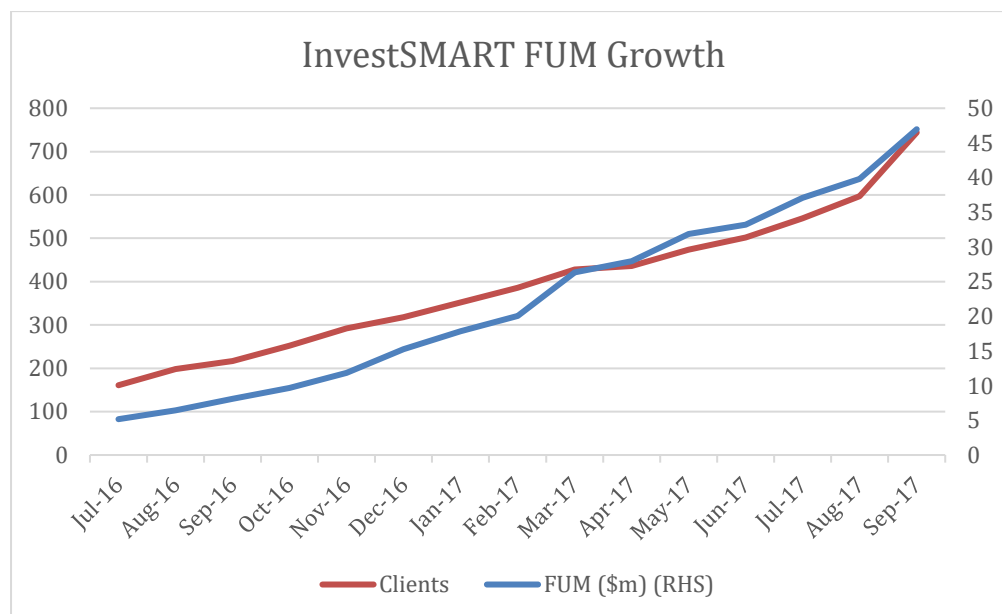
Other income includes a realised gain of \$65k on sale of a “ventures” investment (unlisted investment). This investment was valued at \$493k as a level 3 financial asset within the fair value hierarchy in the financial report for the year ended 30 June 2017.

### ***Employee costs and other operating Expenses***

Other expenses increased as costs (particularly marketing costs) are deployed to grow funds under management. This trend is expected to accelerate over the remainder of FY18.

## **FUM Growth**

Funds under management increased by \$14m over the quarter to \$47m (from \$33m at 30 June 2017).



For further information or comment, please contact Paul Clitheroe, Chairman or Ron Hodge, Managing Director and CEO, at InvestSMART Group on 02 8305 6000