

21 February 2018

Attention: Company Announcements
 ASX Limited

By E-Lodgement

Reviewed Financial Results for H1 FY2018 (extract)

Below is a summary of our reviewed consolidated accounts for H1 FY2018 with prior period comparisons to assist in understanding our underlying performance:

| | FY18 Q2 | FY18 HY | FY17 Q2 | FY17 HY |
|---|--------------------|------------------|--------------------|------------------|
| | (Qtr end Dec 2017) | (to Dec 2017) | (Qtr end Dec 2016) | (to Dec 2016) |
| Commissions income - Fund Managers [^] | 1,207,908 | 2,507,957 | 1,192,841 | 2,607,490 |
| Commissions income - Insurance | 495,734 | 974,189 | 609,705 | 1,161,695 |
| Funds management fees | 79,254 | 142,086 | 11,734 | 18,060 |
| Subscription income | 1,258,188 | 2,751,470 | 1,651,867 | 3,452,986 |
| Other Income ^Ø | 141,211 | 247,805 | 64,515 | 84,485 |
| Total Income | 3,182,295 | 6,623,507 | 3,530,663 | 7,324,716 |
| | | | | |
| Rebates Paid | 447,723 | 953,342 | 477,245 | 1,015,489 |
| Employee Costs | 1,398,586 | 2,778,675 | 1,307,827 | 2,894,215 |
| Other Expenses | 868,428 | 1,756,833 | 952,234 | 1,891,007 |
| Total Operating Expenses | 2,714,737 | 5,488,850 | 2,737,306 | 5,800,711 |
| | | | | |
| Operating Profit Before Tax, Amortisation and Employee Benefit Expense | 467,557 | 1,134,657 | 793,357 | 1,524,005 |
| <i>Employee benefit expense</i> | | (169,768) | | (82,298) |
| <i>Unrealised gain/(loss) on ventures investments</i> | | 378,396 | | (50,000) |
| PBTA | | 1,343,285 | | 1,391,707 |
| <i>Amortisation of intangibles</i> | | (683,330) | | (683,330) |
| <i>Tax expense</i> | | (35,254) | | (225,736) |
| Reported NPAT | | 624,701 | | 482,641 |
| | | | | |
| Cash at Bank (end of period) | 5,302,168 | 5,302,168 | 4,836,718 | 4,836,718 |

[^]Includes commissions from Home Loans and General Insurance

^Ø Other Income includes interest earned on cash-at-bank and gains on investments (excluding unrealised gains on ventures investments)

Commentary on financial performance for HY FY2018

Commissions Income - Fund Managers & Insurance

Commissions income from fund managers increased on the prior quarter due to increases in the underlying equities market. This was offset by clients moving to non-trail products such as MySuper before the 1 July 2017 deadline. MySuper reforms also impacted Insurance commissions. Gross written premium has stabilised since 1 July 2017.

InvestSMART received its Responsible Entity License in July 2017 and launched a newly-developed online life insurance aggregator. We expect distribution of our own FUM products and new commissions on life insurance to offset revenue losses due to previous legislative changes (FOFA and MySuper) and falling subscriptions over time.

Fund Management Fees

Growing funds under management (FUM) in our investment products is our main growth driver. FUM grew consistently on a month by month basis. This is expected to continue and, as new products are issued and marketing activity increases, accelerate.

Subscriptions

Prior to buying the business in May 2016, Eureka Report subscription numbers were in sharp decline. Over the past 18 months we have been able to improve monthly retention rates by on average 16% to 64%, but we still have more work to do to match Intelligent Investor monthly retention rates of 87%. Total subscriber numbers have fallen over the past quarter as some members choose not to renew and others receive a complimentary membership upon investing in one of our funds.

We expect more of our subscription members to transition to our investment products in coming years, which we believe will generate higher retention rates and higher quality revenue per client.

Other income

Other income includes interest income, gains on investments in our SMAs & managed funds and realised gains on Ventures Investments. InvestSMART realised a net gain of \$165,490 for the half-year on the sale of two Ventures investments - Stockspot & SelfWealth.

Employee costs and other operating Expenses

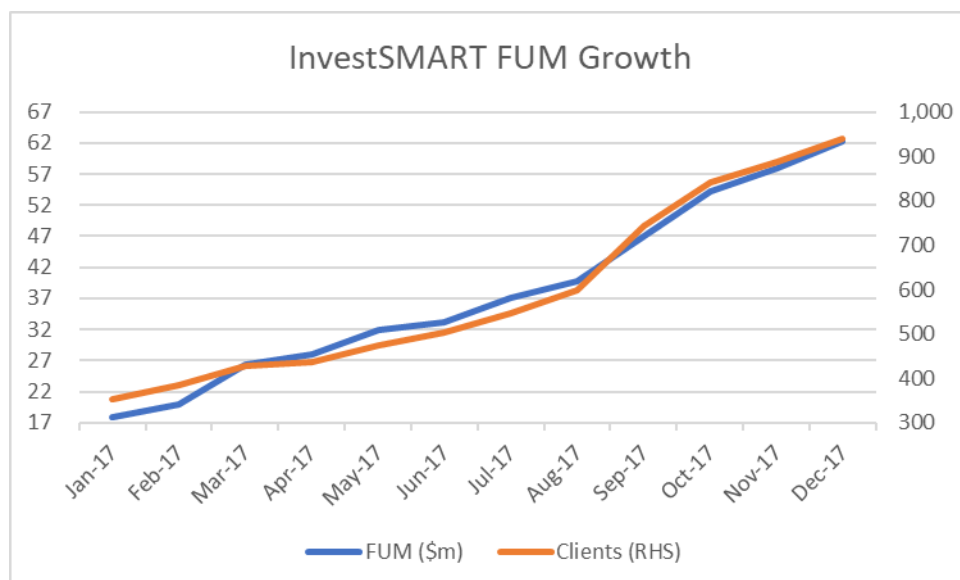
Employee costs increased over the quarter as the Group increased resources for future growth in FUM in FY2018. Operating expenses declined, although they are expected to increase significantly over the remainder of FY18 as expenditure is allocated to marketing and funds management. Sales and marketing staff increased, and the company has appointed a marketing specialist to the Board, Kevin Moore.

Non-cash income & expenses

The unrealised gain on investments shown above relates to the Board's valuation of the Group's investments in fintech start-ups held in the AWI Ventures subsidiary.

InvestSMART FUM Growth continues

The chart below shows growth in funds under management and customers for the calendar year:



InvestSMART recently received authorisation from ASIC to issue its own investment management products (as a “Responsible Entity”) and has launched a Small Companies Fund to our subscribers. We intend to issue additional products in the near future. The average balance per client remained stable around \$65,000 over the quarter.

Our proprietary Portfolio Manager continues to drive our automated investment advice services, filter content, and deliver improvements in members’ portfolio construction using InvestSMART investment funds. Assets managed in the portfolio manager continue to grow, providing enormous opportunity to build investment products and services to help our members reach their financial goals.

| | Jun-17 | Sep-17 | Dec-17 | Change QoQ | Change |
|--|---------------|---------------|----------------|------------|-----------|
| Total Number of Portfolios on PM system | 88,892 | 94,765 | 100,535 | 6% | 7% |
| Value of Shares | 8,774,429,101 | 9,046,831,004 | 10,307,692,929 | 14% | 3% |
| Value of Funds | 1,964,275,045 | 2,046,593,892 | 2,313,663,056 | 13% | 4% |
| Value of Property | 7,494,427,822 | 7,849,579,583 | 8,625,464,421 | 10% | 5% |
| Value of Cash | 1,876,695,681 | 1,952,924,775 | 2,147,221,650 | 10% | 4% |

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