

31 October 2018

Attention: Company Announcements  
ASX Limited

## InvestSMART Business Update – Quarter Ending 30 September 2018

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

	<b>FY19 Q1</b>	<b>FY18 Q1</b>
	(Qtr end Sep 2018)	(Qtr end Sep 2017)
Commissions income - Fund Managers <sup>^</sup>	1,292,702	1,300,048
Commissions income - Insurance	461,579	478,456
Funds management fees	192,101	62,832
Subscription income	1,121,310	1,493,282
Other Income <sup>Ø</sup>	21,789	106,594
<b>Total Income</b>	<b>3,089,480</b>	<b>3,441,213</b>
Rebates paid	491,276	505,619
Employee costs	1,464,324	1,380,089
Marketing costs	690,117	295,701
Other expenses	641,440	592,704
<b>Total Operating Expenses</b>	<b>3,287,157</b>	<b>2,774,113</b>
<b>Operating Profit Before Tax, Amortisation and EBE</b>	<b>(197,677)</b>	<b>667,100</b>
<b>Cash at Bank (end of period)</b>	<b>4,769,028</b>	<b>5,776,088</b>

<sup>^</sup>Includes commissions from Home Loans and General Insurance

<sup>Ø</sup> Other Income includes interest earned on cash-at-bank and gains on investments (excluding unrealised gains on ventures investments)

## Commentary on financial performance for Q1 FY2019

### **Commissions Income - Fund Managers & Insurance**

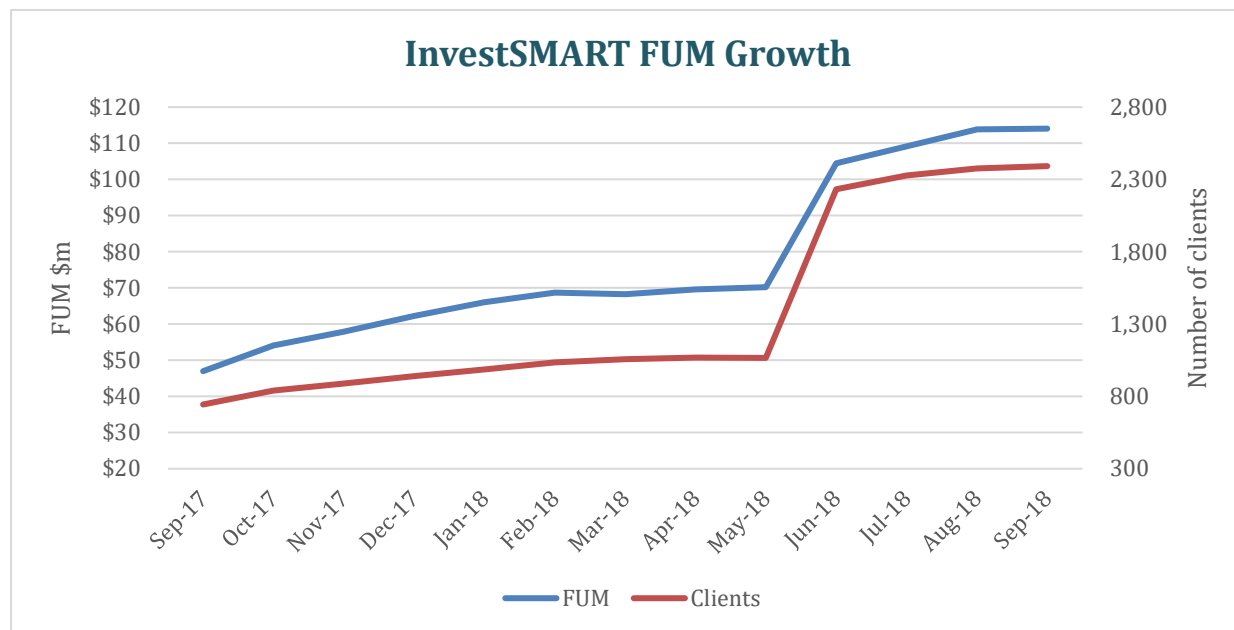
Income, Gross Written Premium and client retention rates were within management's expectations for the quarter. In the absence of further legislative changes and movements in the All Ordinaries Index, we expect recent retention rates to be relatively stable. The Interim Report of the Financial Services Royal Commission was submitted on 28 September 2018. The timing of any impact on commissions remains uncertain with no immediate impact on expected FY19 profitability.

## Funds Management Fees

Total funds under management (FUM) have grown from \$33.2m at 30 June 2017 to \$114.0m at 30 September 2018, resulting in a threefold increase in fees over the prior corresponding period. Over the quarter ended 30 September 2018 FUM grew from \$104.4m to \$114.0m.

We're focused on building this revenue stream to offset and surpass any loss in its historical sources of revenue. Growing FUM is our primary revenue growth driver in FY19 and beyond.

The chart below shows growth in FUM and our funds management clients for since September 2017:



## Subscriptions

Eureka report retention rates have stabilised and were within management's expectations for the quarter. Intelligent Investor retention rates were within management's expectations for the quarter.

## Operating expenses

During the quarter we focussed marketing expenditure on brand in addition to digital and above the line advertising. These initiatives will raise awareness of our new InvestSMART brand and reposition our service to better articulate the benefits of our digital wealth advice platform and low-cost online investment services to existing and new members.

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