

5 February 2021

Business update – quarter ending 31 December 2020

Delivering growth transitioning to digital wealth platform focused business

HIGHLIGHTS

- **Funds Management Fees** growth of 55.8% to \$351,066 for the December ended quarter (Q2 FY2021) over the prior September ended quarter (Q1 FY2021) generated from its proprietary Professionally Managed Accounts (PMAs) and ASX listed exchange traded funds
- **Funds under management (FUM)** grew 18.2% to \$246.4 million in Q2 v Q1 FY2021 driven by the launch of new products, net fund inflows and growth in investors
- **Subscription income** decline of 3.0% to \$1.186 million in Q2 v Q1 FY2021 from our content driven products (Intelligent Investor and Eureka Report); **subscribers** slightly decreased at 10,073 compared to the prior quarter of 10,087
- **Commissions Income (Insurance)** increased by 4.4% to \$373,883 in Q2 v Q1 FY2021 (the superannuation derived products component of the business accounting for circa 12% is to be discontinued from 1 January 2021)
- **Commissions Income (Fund Managers)** decline of 32.6% to \$239,349 Q2 v Q1 due to Treasury Laws Amendment seeing industry wide cessation of grandfathered commissions income (phasing out during calendar 2020 and fully discontinued from 1 January 2021), in line with management's expectation
- **Total Income** remained flat at -1.3% at \$2.16 million in Q2 v Q1 FY2021, strongly impacted by continued phasing out of Commissions Income (Fund Managers business and partly within the Insurance business)
- **Products & services:** launch of the **Intelligent Investor Australian Equity Growth Fund** exchange traded managed fund (ASX: IIGF), Initial Offer raised \$33 million
- **Cash at Bank:** strong cash position with \$4.7 million at 31 December 2020
- **Outlook:** We expect to see growing total quarterly revenues as we continue to build funds under management in both InvestSMART's Professionally Managed Accounts and Intelligent Investor ETFs, following cessation of grandfathered commissions income on 1 January 2021

InvestSMART Group Limited (**InvestSMART** or the **Company**) (ASX: INV), a leading Australian digital wealth and advice platform, providing low cost investment solutions, is pleased to provide a business update for the December ended quarter, Q2 FY2021.

FINANCIAL RESULTS

Income from Funds Management Fees grew 55.8% to \$351,066 in Q2 v Q1 FY2021 on the back of growing funds under management (FUM) and **Subscription Income** declined 3.0% to \$1,186 million in Q2 v Q1 FY2021. These two business areas are the focus of InvestSMART moving forward.

Total Income remained flat at -1.3% to \$2.16 million (Q2 v Q1 FY2021). This is in line with management's expectation as the business transitions out of **Commissions Income – Fund Managers** and the Superannuation component of **Commissions income – Insurance**, as required by Treasury Laws Amendment seeing industry wide cessation of grandfathered commissions income (fully discontinued from 1 January 2021).

Financial Results Summary*	FY2021 Q1 September quarter \$	FY2021 Q2 December quarter \$	%
Income			
Funds management fees	225,357	351,066	55.8
Subscriptions#	1,223,269	1,186,186	-3.0
Commissions income – Insurance (contains elements of legacy business to fully discontinue from 1/1/2021)	358,089	373,883	4.4
Commissions income – Fund Managers (legacy business fully discontinued from 1/1/2021)	354,876	239,349	-32.6
Other income	27,959	9,838	-64.8
Total Income	2,189,550	2,160,322	-1.3
Operating Expenses			
Rebates paid	122,030	100,592	-17.6
Employee costs	1,192,740	1,143,647	-4.1
Marketing costs	130,050	185,706	42.8
Other expenses	668,777	707,899	5.8
Total Operating Expenses	2,113,597	2,137,845	1.1
Operating Profit/(Loss)	75,953	22,476	-70.4
Cash at Bank (end of period)	5,218,113	4,722,258	

* Quarterly results are prepared by management and are unaudited.

Investment content driven publications.

Operating expenses

Marketing expenditure in the December quarter focussed on digital distribution of our products. Advertising focussed on the advantages of capped management fees, diversification (particularly international portfolios), the launch of IIGF and our subscription products.

DIVISIONAL COMMENTARY

Funds under management (FUM)

FUM continued to grow during the quarter reaching \$246.4 million at the end of the December quarter, a 18.2% increase on the prior quarter (Q1 FY2020).

This follows a combination of net fund inflows into our suite of products (3 Intelligent Investor ASX listed ETFs and InvestSMART Professionally Managed Accounts) from existing and new investors.

InvestSMART PMA Platform

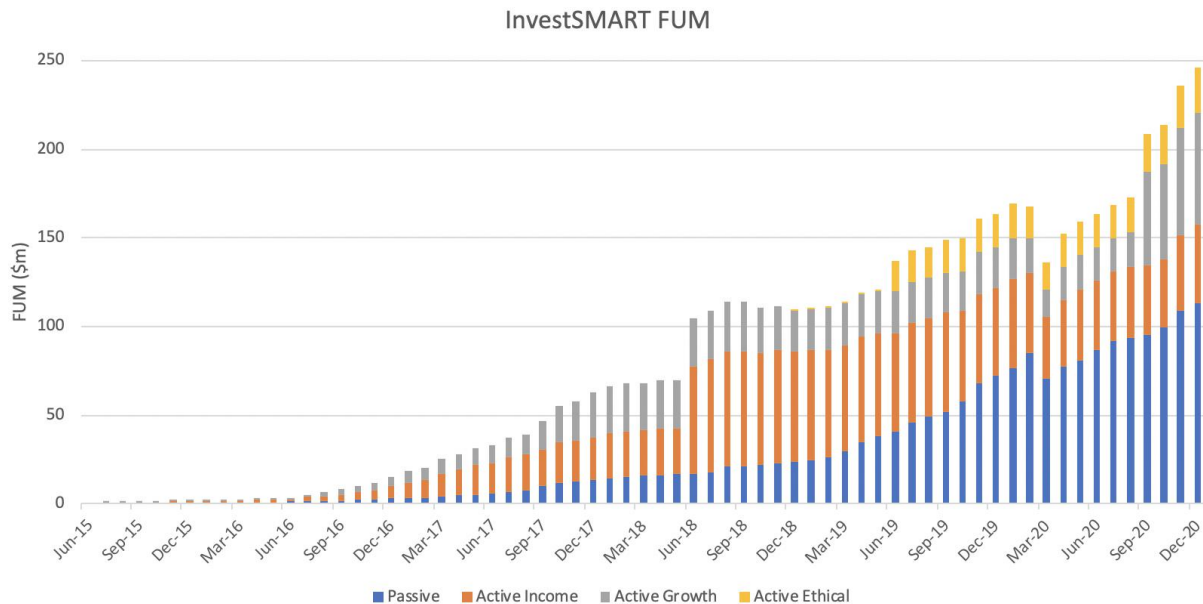
The InvestSMART Professionally Managed Account (PMA) Platform, launched in November 2018, continues to receive consistent monthly net fund inflows increasing from 19% to \$113.3 million from \$95.5 million at 30 September 2020 (under a capped fee model).

The total number of **PMA accounts** increased by 16.5% to 1,045 accounts in the quarter, up from 879 accounts at 30 September 2020.

Intelligent Investor ASX listed ETFs

Total funds under management (FUM) across **Intelligent Investor investments** (under a variable fee model) increased 18% to \$133.0 million from \$113.0 million at 30 September 2020.

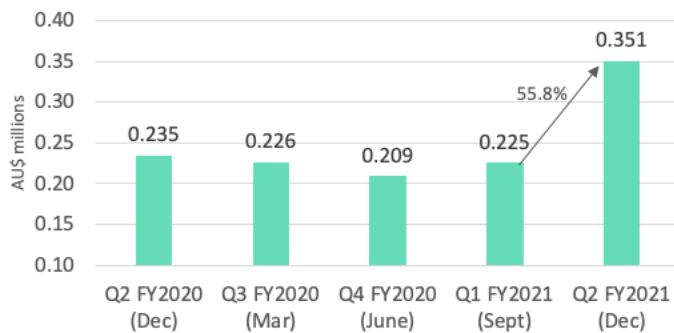
The chart below shows growth in FUM across our suite of products (see 'About InvestSMART' at the end of this announcement for further detail on our products).



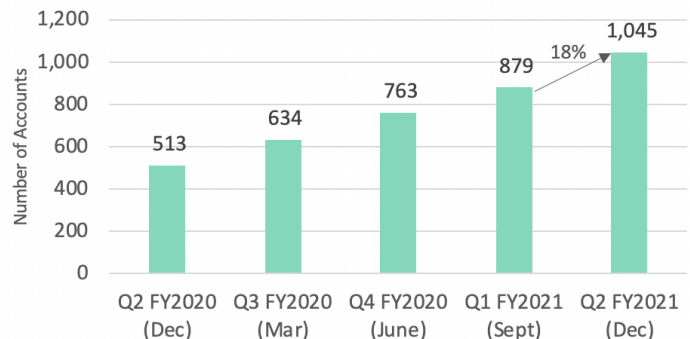
Funds Management Fees

Funds Management Fees grew 55.8% to \$351,066 in Q2 v Q1 FY2021, generated from Professionally Managed Accounts and ASX listed exchange traded funds (ETFs) on the back of FUM growing 18.2% to \$246.4m in Q2 v Q1 FY2021, driven by the launch of new products, net fund inflows and growth in investors.

Funds Management Fees Income - Quarterly



PMA Accounts - Passive

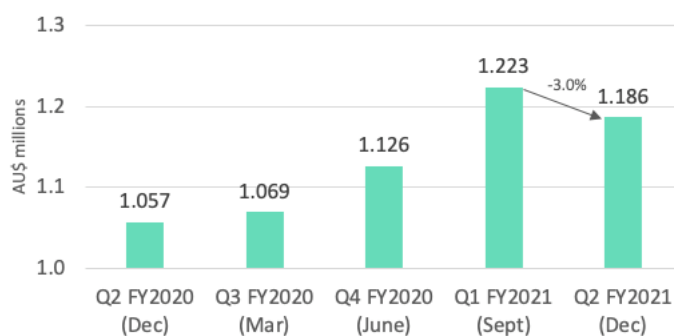


Subscriptions

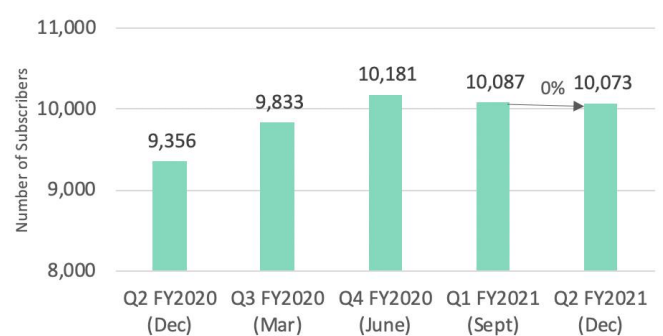
Subscription income from fee paying subscribers to our Intelligent Investor and Eureka Report content driven products declined by 3.0% on the prior quarter to \$1.186 million.

Total subscribers slightly decreased at 10,073 compared to the prior quarter of 10,087.

Subscription Income - Quarterly



Subscribers



Commissions Income – Insurance

Commissions Income – Insurance, grew 4.4% to \$373,883 (Q2 vQ1 FY2021), or adjusting for seasonality comparing to Q2 FY2020, was down 15.1%. This was within management's expectations for the quarter.

A small portion of insurance commissions (roughly 12%) are affected by cessation of grandfathered commissions on Superannuation derived products, to discontinue from 1 January 2021.

Commissions Income – Fund Managers

Income generated from the legacy businesses of Commissions Income (Fund Managers) declined 32.6% to \$239,349 (Q2 vQ1 FY2021). This was within management's expectations for the quarter.

Commissions income is primarily affected by the timing of terminations, leading to a phasing out, of funds management trail commissions. Government legislation requires the cessation of trailing commissions on managed funds by 1 January 2021. Product providers continued to cease payments on all products over the December 2020 quarter.

PRODUCTS AND SERVICES

InvestSMART was the issuer of a new exchange traded fund during the quarter, launching the **Intelligent Investor Australian Equity Growth Fund** (ASX: IIGF) (announced 6 October 2020). The fund is a continuation of the Intelligent Investor Growth model portfolio. This is the third ETF listed by InvestSMART on the ASX. The Initial Offer raised \$33 million (funds under management).

The newly listed fund sits alongside the **Intelligent Investor Australian Equity Income Fund** (ASX: INIF) and the **Intelligent Investor Ethical Share Fund** (ASX: INES).

FUND PERFORMANCE

InvestSMART PMA Platform

The latest quarterly report and performance of each of InvestSMART's 9 investment portfolios can be viewed [here](#), click 'learn more' to view each portfolio.

Intelligent Investor ASX listed ETFs

1. Intelligent Investor **Australian Equity Income Fund – ASX: INIF**
 - Latest quarterly report, click [here](#)
2. Intelligent Investor **Ethical Share Fund – ASX: INES**
 - Latest quarterly report, click [here](#)
3. Intelligent Investor **Australian Equity Growth Fund – ASX: IIGF**
 - Latest quarterly report, click [here](#)

MARKETING – ENGAGEMENT AND CONVERSION

Engagement and Conversion

We remain focused on building awareness of our services through digital advertising, search engine optimisation and media coverage through key spokespeople such as Paul Clitheroe and Alan Kohler. With over 20 years of experience in dealing directly with small balance retail clients, we know that awareness builds trust and engagement, which leads to conversions.

InvestSMART's The Intelligent Investor and Eureka Report membership based content publications and tools (Bootcamp and Portfolio Manager), developed to assist investors, continue to be effective lead generators to bring prospective investors into InvestSMART's investment products.

CORPORATE

Share buy back

During the quarter, the Company continued its on-market buy back of shares of up to 5% of its issued share capital (announced on 25 June 2020). During the quarter Long-Term Incentive Plan ("LTIP") and Employee Share Option Plan ("ESOP") shares were cancelled and replaced with an Employee and Director Share Plan ("EDSP") as approved at the company's AGM on 11 November 2020.

Director appointment and resignation

Ms Effie Zahos was appointed as Independent Non-Executive Director during the quarter (announced 11 November 2020). Effie has a background in banking and brings a wealth of experience in the Australian retail financial industry and is a leading personal finance commentator and author.

Mr Kevin Moore, Independent Non-Executive Director, resigned from the Board (announced 11 November 2020).

Annual General Meeting

InvestSMART held its FY2020 AGM on 11 November 2020. All resolutions put to shareholders were passed. Chairman Paul Clitheroe's address and Managing Director Ron Hodge's presentation slides can be viewed [here](#).

Annual Report

InvestSMART's FY2020 Annual Report was lodged with the ASX on 12 October 2020. The document can be viewed [here](#).

Cash position

InvestSMART maintains a strong funding position of \$4.7 million cash at bank (31 December 2020).

OUTLOOK

InvestSMART Managing Director, Ron Hodge, said "It is pleasing to see InvestSMART has now successfully transitioned away from its legacy grandfathered commissions and built its own suite of investment and advice solutions. We expect to see the company growing total revenue quarter on quarter as we continue to build funds under management in both our InvestSMART's Professionally Managed Accounts and Intelligent Investor ETFs, following the industry wide cessation of grandfathered commissions income on 1 January 2021.

This document has been authorised for release by order of the Board.

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

About InvestSMART Group Limited (ASX: INV)

An ASX listed leading Australian wealth platform focused on digital advice, helping clients achieve their financial goals through the use of exchange traded funds (ETF), under a low cost investment model. Today, we touch over 690,000 Australians who are building investing knowledge by consuming our content, using our tools and investing through our products. **We seek to be Australia's #1 wealth platform to do-it-yourself investors.**

InvestSMART has growing funds under management (FUM) of \$246m (end 2020) and offers membership based investment content driven publications to fee paying subscribers (Intelligent Investor and The Eureka Report).

InvestSMART is Chaired by Paul Clitheroe, one of Australia's pioneering fee-for-service financial planners and most respected and trusted media commentators.

Products & services. InvestSMART Group runs Professionally Managed Accounts (PMA)* with capped fees (up to \$451) and under its Intelligent Investor brand, three active ASX listed ETFs.**

PMA Accounts focus on investing into a large universe of preferred ETFs selected to provide a unique balance between performance returns, cost efficiency and risk diversification. Our proprietary investment research methodology screens a large universe of Australian and overseas ETFs, selecting only those which deliver leading returns relative to performance benchmarks and which have low management fees. Investors can create customised and diversified investment portfolios (based on ETFs) to suit their individual needs. Our investment portfolios differ in the levels of risk and return, and each offers a different investment emphasis.***

The Intelligent Investor and Eureka Report membership based content publications and tools were developed to assist investors. **Intelligent Investor** is a provider of research based views on companies and investment themes. This research also forms the basis for stock selection in Intelligent Investor's ASX listed active ETFs. **The Eureka Report** is founded by Alan Kohler and today remains its Editor-in-Chief, one of Australia's most experienced business commentators. Eureka Report provides commentary and insights on investment strategy (including SMSF), markets and companies (including CEO interviews).

Technology. InvestSMART deploys and develops proprietary digital solutions to efficiently and effectively run its business to deliver exceptional customer experience – quality advice, research and easy-to-use tools for its clients. Investment tools developed by InvestSMART provide foundational knowledge for investors, such as through our short course 'Bootcamp', and free tools to monitor and assess investment performance via our 'Portfolio Manager'.

Overview of InvestSMART's Investment Products

Name	Type	Description
Professionally Managed Accounts with 'capped fees'*/**	Professionally managed risk adjusted portfolios	Investments into preferred ETFs (ASX listed)
<ul style="list-style-type: none"> InvestSMART Conservative Portfolio (diversified across asset classes) InvestSMART Balanced Portfolio (diversified across asset classes) InvestSMART Growth Portfolio (diversified across asset classes) InvestSMART High Growth Portfolio (diversified across asset classes) InvestSMART Australian Equities Portfolio (single asset class) InvestSMART International Equities Portfolio (single asset class) InvestSMART Property & Infrastructure Portfolio (single asset class) InvestSMART Interest Income Portfolio (single asset class) InvestSMART Hybrid Income Portfolio (single asset class) 		
Active investment ETFs***	ASX listed active ETFs run by InvestSMART Group	Active ETF directly invests into ASX listed equities
<ul style="list-style-type: none"> Intelligent Investor Australian Equity Income Fund – ASX: INIF Focused on cash rich businesses with ability to pay growing dividends. (launched June 2018) Intelligent Investor Ethical Share Fund – ASX: INES Focused on ethically and socially responsible undervalued stocks. (launched June 2019) Intelligent Investor Australian Equity Growth Fund – ASX: IIGF Focused on capital growth by investing in undervalued Australian equities. (launched October 2020) 		

* **Professionally Managed Account (PMA):** the investor holds legal and beneficial ownership and the underlying securities are registered under their name, within the investment portfolio.

** 'Active' ETFs can be directly purchased on market (are ASX listed) and can also be accessed via InvestSMART's PMAs.

*** Asset classes: bonds, cash, Australian and international equities and property (all within exchange listed ETF structures).