

23 April 2021

Business update – quarter ending 31 March 2021

Digital wealth platform continues to deliver strong growth

HIGHLIGHTS

- **Funds Management Fees** continued growth trend of 14.7% to \$402,519 for the March ended quarter (Q3 FY2021) over the prior December ended quarter (Q2 FY2021)
 - **Funds Under Management (FUM)** grew 17.0% to \$288.4 million in Q3 v Q2 FY2021 driven by the completion of a secondary offer for the Ethical Share Fund – ETF (raising \$17.7 million), and net fund inflows and growth in investors
 - **PMA Platform investor accounts** grew 19.0% to 1,244 over the prior quarter
- **Subscription income** growth of 3.2% to \$1.224 million in Q3 v Q2 FY2021 from our content driven products (Intelligent Investor and Eureka Report), forming an important element of our customer ecosystem
 - **Subscribers** grew 4.4% to 10,520 compared to the prior quarter of 10,073
- **Outlook:** After a number of difficult years transitioning the business, Management is excited to see top line growth in our normal operating business and expect this to continue for the foreseeable future.

InvestSMART Group Limited (**InvestSMART** or the **Company**) (ASX: INV), a leading Australian digital wealth and advice platform, providing low fee investment solutions, is pleased to provide a business update for the March ended quarter, Q3 FY2021.

FINANCIAL RESULTS

Income from Funds Management Fees grew 14.7% to \$402,519 in Q3 v Q2 FY2021 on the back of growing **Funds Under Management (FUM)** and **Subscription Income** grew 3.2% to \$1.224 million in Q3 v Q2 FY2021. These two business areas are the focus of InvestSMART. Continued growth in these two business is founded on InvestSMART's unique platform of attractive investment products, advice and tools built inhouse over the past few years and a member base of nearly 700k built up over 20 years.

Total Income declined -8.5% to \$1.977 million (Q3 v Q2 FY2021) or grew 2.9% on our normal operating business (rebased to exclude discontinued Commissions Income – Fund Managers). This is in line with management's expectation.

In the March quarter, the business fully transitioned out of **Commissions Income – Fund Managers** and the Superannuation component of **Commissions income – Insurance**, as legislated resulting in industry wide cessation of grandfathered commissions income (income fully discontinued from 1 January 2021).

Operating expenses

Rebates paid increased slightly, despite commissions being lower, due to cyclical impacts.

Marketing costs in the March quarter focussed on digital distribution of our products, advertising focussed on the advantages of capped management fees, diversification, the completion of a secondary offer for the Ethical Share Fund (ASX: INES) and our subscription products. A new digital marketing agency was appointed during the quarter.

Other expenses increased slightly due to one-off expenses.

Financial Results Summary*	FY2021 Q2 December quarter \$	FY2021 Q3 March quarter \$	%
Income			
Funds management fees	351,066	402,519	14.7
Subscriptions [#]	1,186,186	1,223,744	3.2
Commissions income – Insurance [^] (contains elements of legacy business fully discontinued from 1/1/2021)	373,883	346,288	-7.4
Commissions income – Fund Managers (legacy business fully discontinued from 1/1/2021)	239,349	-	-
Other income	9,838	4,928	-49.9
Total Income	2,160,322	1,977,479	-8.5
Operating Expenses			
Rebates paid	100,592	107,446	6.8
Employee costs	1,143,647	1,145,466	0.2
Marketing costs	185,706	186,854	0.6
Other expenses	707,899	746,233	5.4
Total Operating Expenses	2,137,844	2,186,000	2.3
Operating Profit/(Loss)	22,476	(208,521)	n.a.
Cash at Bank (end of period)	4,722,258	4,758,403	

* Quarterly results are prepared by management and are unaudited.

[#] Investment content driven publications.

[^] Includes commissions from Home Loans & General Insurance (\$20k for March quarter) - previously included under Commissions from fund managers.

DIVISIONAL COMMENTARY

Funds Under Management (FUM)

FUM continued to grow during the quarter reaching \$288.4 million at the end of the March quarter, a 17.0% increase on the prior quarter (Q2 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

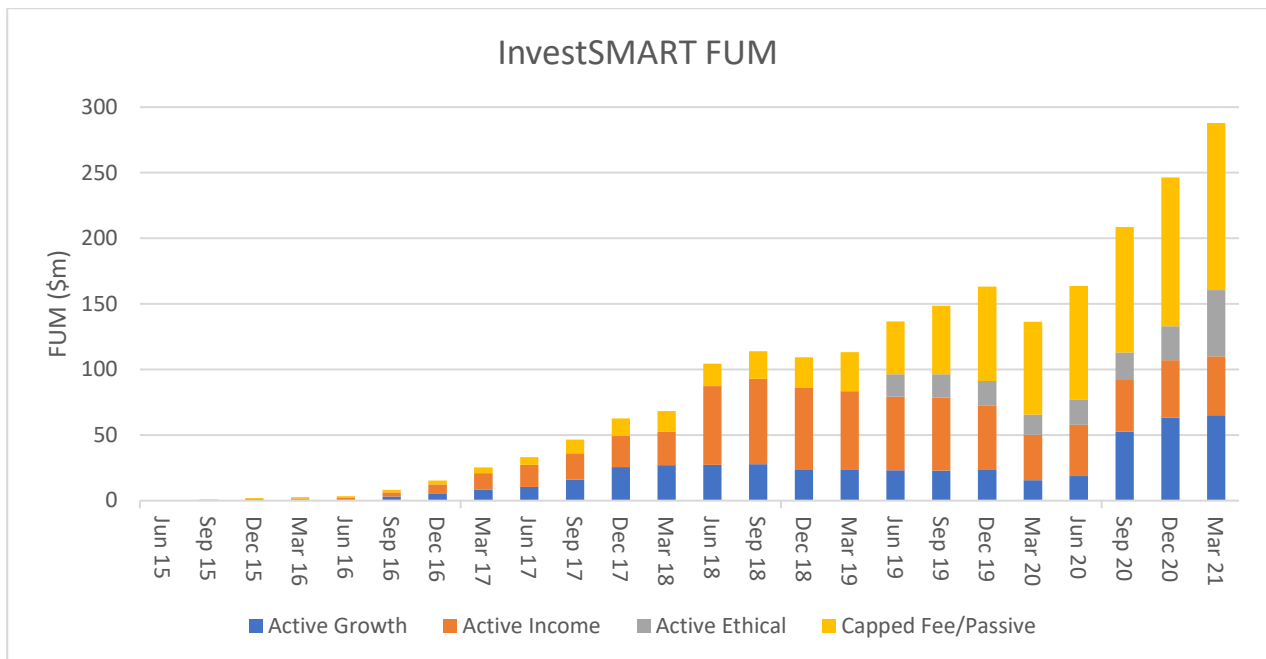
The InvestSMART Professionally Managed Account (PMA) Platform, launched in November 2018, continues to receive consistent monthly net fund inflows increasing 12.4% to \$127.3 million from \$113.3 million at 31 December 2020 (under a capped fee model).

The total number of **PMA investment accounts** increased by 19.0% to 1,244 accounts in the quarter, up from 1,045 accounts at 31 December 2020.

Intelligent Investor ASX listed ETFs

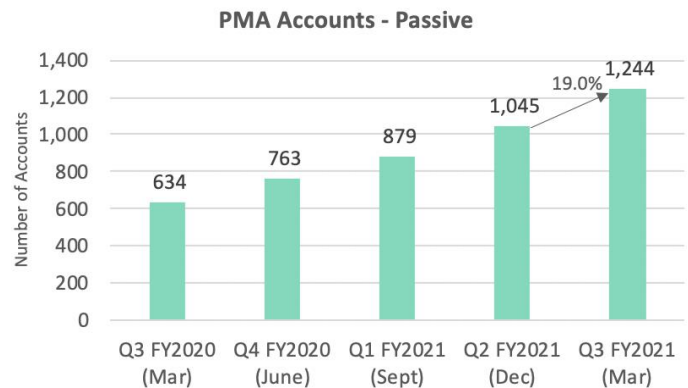
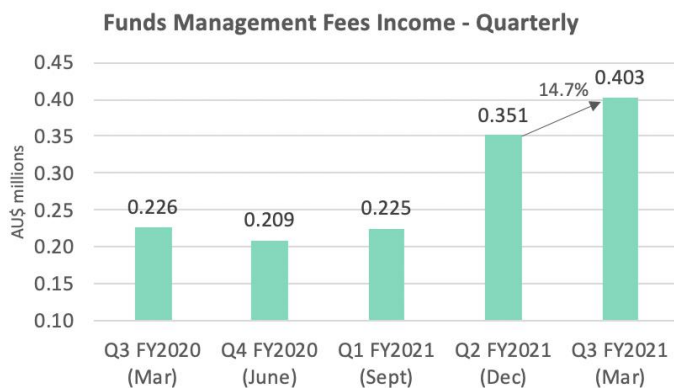
Total funds under management (FUM) across **Intelligent Investor investments** (under a variable fee model) increased 21.0% to \$161.0 million from \$133.0 million at 31 December 2020 (see also commentary under Products and Services).

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

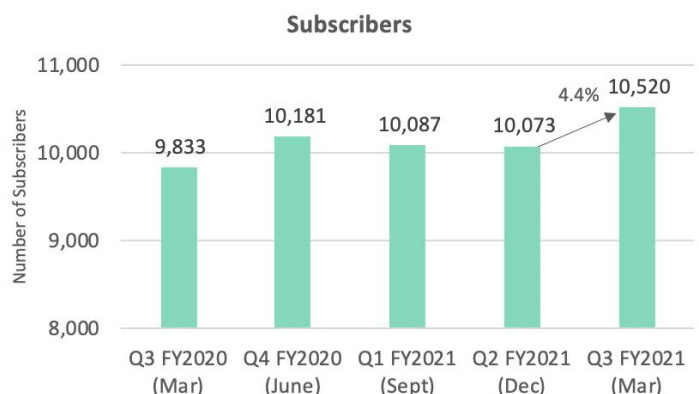
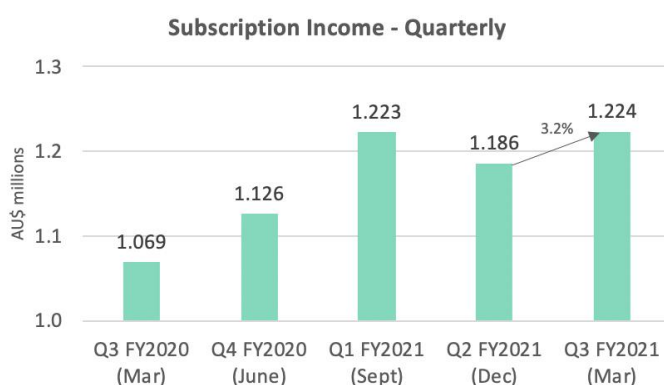
Funds Management Fees grew 14.7% to \$402,519 in Q3 v Q2 FY2021, generated from Professionally Managed Accounts and ASX listed exchange traded funds (ETFs) on the back of FUM growing 17.0% to \$288.4 million in Q3 v Q2 FY2021, driven by the completion of a secondary offer for the Ethical Share Fund ETF, net fund inflows and growth in investors.



Subscriptions

Subscription income from fee paying subscribers to our Intelligent Investor and Eureka Report content driven products grew 3.2% on the prior quarter to \$1.224 million.

Total subscribers grew 4.4% to 10,520 compared to the prior quarter of 10,073.



Commissions Income – Insurance

Commissions Income – Insurance, declined -7.4% to \$346,288 in Q3 v Q2 FY2021, or adjusting for seasonality comparing to Q2 FY2020, was down 4%. This was within management's expectations for the quarter.

A small portion of insurance commissions (roughly 9%) 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) ceased from 1 January 2021 compared to the prior quarter of \$239,349. This was within management's expectations for the quarter.

Government legislation required 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, in advance of the deadline.

PRODUCTS AND SERVICES

A secondary offer was completed for the Ethical Share Fund (ASX: INES) one of three ETFs operated under the InvestSMART's Intelligent Investor brand. The offer raised \$17.7 million. Read the [3 March ASX announcement](#) to learn more about the secondary offer.

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, Alan Kohler and Effie Zahos. 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

The Company has an on-market share buy back in place (announced 25 June 2020). No shares were bought back on-market during the quarter.

CEO interview with Alan Kohler

During the quarter, Alan Kohler interviewed InvestSMART Group's CEO, Ron Hodge entitled 'InvestSMART's strategy to replace trailing commissions income'. The interview is available [here](#) at the Eureka Report and was lodged on the ASX platform.

Investor presentation

A new investor presentation was released on the ASX platform. View [1 March ASX announcement](#) to learn more.

Cash position

InvestSMART Group maintains a strong funding position of \$4.8 million cash at bank (31 March 2021).

OUTLOOK

InvestSMART Managing Director, Ron Hodge, said "Excluding March quarter discontinued grandfathered commissions of circa \$240k still present earned in the December 2020 quarter, it was pleasing to see top line growth of nearly 3% quarter on quarter for our normal operating business. After a number of difficult years transitioning the business, Management is excited to see growth in our underlying business and expect this to continue for the foreseeable future."

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)



INTELLIGENT INVESTOR

eureka
report

We seek to be Australia's #1 wealth platform to do-it-yourself investors.

InvestSMART has built Australia's premier direct to investor wealth platform focused on digital investment advice. Our proprietary wealth platform helps clients achieve their financial goals through our low fee funds, content and tools ecosystem, including Intelligent Investor and Eureka Report.

Today, we interact with over 699,000 Australians who are building investing knowledge by consuming our content, using our tools and growing and protecting their wealth through our investment solutions. Funds Under Management (FUM) total \$288m (end March 2021).

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

PMA Investment 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. 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. The Eureka Report, founded by Alan Kohler, provides commentary and insights on investment strategy, markets and companies.

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'.

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

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.