

# CHAIRMAN'S ADDRESS 27<sup>th</sup> Annual General Meeting of Fiducian Group 19 October 2023

As Executive Chairman and on behalf of the directors, I am pleased to present this report on the consolidated operating performance of Fiducian Group Limited and its controlled operating entities for the year ended 30 June 2023.

### **HIGHLIGHTS**

Fiducian is now in its 27th year of operation and remains a profit generating company. The Board's mandate to management, to operate a stable business to deliver steady growth, based on the principles of People, Profit and Planet is being delivered.

Our Fintech capability continues to churn out new features and functionality for FORCe, our financial planning software and FasTrack our platform administration system, which is also used to administer Auxilium, our new product for the external IFA market. The interest from Independent Financial Advisers (IFAs) has been encouraging. In a short period, we now have around \$210 million under administration in Auxilium and badged products, which we expect could become a valuable revenue generator and add to our core business.

The core Fiducian label businesses of Platform Administration, Funds Management and Financial Planning have operated efficiently and delivered revenue as expected.

We began this eventful year at \$10.9 billion of Funds Under Management Advice and Administration (FUMAA). Share markets, which are the key driver of our assets turned upward between October 2022 and January 2023 and then drifted sideways. This resilience of the market supported by inflows to our funds and platforms helped us end the financial year with FUMAA just over \$12.3 billion. This is a higher starting point and subject to market movements over the next twelve months, could deliver positive revenue growth.

The platform administration fee adjustment in June 2022 that reduced revenue by almost a million dollars is now fully absorbed. So too is the revenue lost at integration and the additional salary cost of 40 new employees from the acquisition of the financial planning business of People's Choice Credit Union (PCCU) in South Australia.

The rate of improvement in South Australia is reassuring and the performance exhibited over recent months could well propel it to the position of our largest contributor to new funds inflow in 2023-24.



Over the year, our advisers have spent a great deal of time adjusting portfolios of retiree clients by executing re-contribution strategies on a client best interest basis. On a client's passing, this strategy will enable their beneficiaries to pay less tax when inheriting death benefits. Net inflows to Fiducian platforms for the financial year have come in at \$265 million. This excludes net inflows of around \$100 million in the platform badges from external IFAs stated earlier. Over the next financial year, our expanded network of financial advisers is expected to deliver funds flows that exceed those of the current financial year.

Investment markets appear impacted by a global increase in interest rates to bring down inflation and also uncertainty from Russia's war to invade Ukraine. Inflation is coming down, but it is still too high, and the risk is that high interest rates could cause a recession in North America, Europe and Australia within 6 to 12 months. However, as has historically been the case, post-recession periods have delivered strong share market growth for years to come and we intend to capitalise on this transformation for the benefit of our shareholders, stakeholders and people.

To expand sources of revenue generation, effort is being directed to distribution of platform administration services through Auxilium and badged products, which could disrupt the established platform market. We also remain on the lookout for further earnings per share accretive acquisitions of client bases and growing our Fiducian franchise network. Greater emphasis on promoting our successes through marketing is planned. Management remains committed to achieving the goals and objectives set down in next year's business plan, which focuses on our competitive advantages to lift profits.

Fiducian staff and management have done an exemplary job under difficult circumstances and need to be congratulated. Management and the Board remain positive for further growth of Fiducian in the future.

## FINANCIAL INFORMATION - RESULTS FOR THE YEAR

The Underlying Net Profit After Tax decreased by 4% to \$15.1 million (2022: \$15.7 million). Statutory Net Profit After Tax decreased by 7% to \$12.3 million (2022: \$13.3 million) as a consequence of the decline in the average FUMAA from early in the financial year. The underlying earnings per share decreased 4% from 49.9 cents in 2022 to 48.0 cents in the current year.



# **CAPITAL MANAGEMENT**

A key feature of the company is that it continues to maintain a clean Balance Sheet and remains debt free with a positive working capital and cash flow position. However, a capital raising or debt funding may be considered where suitable acquisitions or business growth opportunities present themselves.

### **FINAL DIVIDEND**

The Board remains prudent, but is confident that the future of the business is positive and likely to continue to strengthen through organic growth and acquisitions of client bases that can benefit from the Fiducian process.

As a result, a fully franked final dividend of 18.0 cents per share has been declared which will bring the total fully franked dividend declared for the 2023 financial year to 30.3 cents (2022: 29.7 cents). The full year dividend represents 63% of the Underlying NPAT (cash profit) for the year. The final dividend was paid on 11th September 2023 on issued shares held on the 28th of August 2023.

#### ON MARKET BUY-BACK

During the year, no shares were bought back on market leaving 31.44 million shares on issue at year end.

## **CASH FLOW AND FINANCIAL HIGHLIGHTS**

Dividends of \$8.6 million were paid during the period. Cash at year-end was \$19.6 million compared to \$17.5 million at the end of 2022.

#### STAFF AND CHAIRMAN OPTIONS

In accordance with the terms and conditions of the approved Employee and Director Share Option Plan, no options will be issued.

### **FINANCIAL PLANNING**

During the year, Funds under Advice grew from \$4.4 billion in June 2022 to \$4.6 billion in June 2023.



The Group provided loan funding of \$1.1 million to assist two franchisees to acquire financial planning practices. Net inflows of \$265 million were received during the year from aligned advisers. Fiducian expects the highest level of compliance and client service from its financial planning network. It is possible, that we may have one of the highest supervisory managements to financial adviser ratios in Australia, but we feel this is necessary.

Company owned offices with salaried financial advisers are now based in New South Wales, Victoria, Western Australia, South Australia, Queensland, Northern Territory and Tasmania and continue to contribute to overall results. Salaried offices now comprise over 53.4% of Funds under Advice. We now have 41 salaried advisers. Franchised offices now comprise around 46.6% of our Funds under Advice. We have 39 franchised financial planners nationally.

## PLATFORM ADMINISTRATION

Fiducian labelled platforms for Fiducian financial advisers are now complimented by badged platforms and Auxilium, which deal only with the external market.

Funds under administration on our Fiducian labelled platforms stood at \$3.27 billion on 30 June 2023. Overall growth in Net Funds under administration is driven by new inflows and market growth.

## **INDEPENDENT FINANCIAL ADVISERS (IFAs)**

IFAs hold around 14% of total Funds under Administration. Efforts are underway to build new relationships and increase net inflows from them.

#### **SUPERANNUATION**

The Superannuation Trustee Board established for Fiducian Superannuation Service, our public offer superannuation wrap fund in March 2015 with a majority of independent directors, operates professionally and with independence. The Trustee Board including new directors that joined last year, is functioning well and carrying out its duties diligently. The Board is supported by the Office of Superannuation Trustee and outsources key operational processes to specialist service providers.

### **FUNDS UNDER MANAGEMENT**

Our in-house Manage-the-Manager system of investment continues to attract the majority of retail funds placed with us. Fiducian Funds have performed well over the medium to long-term in their respective categories as we diversify their assets through a range of underlying fund managers to reduce risk and volatility.



#### INFORMATION TECHNOLOGY

The Fiducian Information Technology development team has been busily working from both home and head office to provide system enhancements that deliver efficiency and wide-ranging functionality. The improvements give us an edge when competing for administration related business for Auxilium and as well scope to distribute FORCe on a standalone basis.

## **HUMAN RESOURCES, MANAGEMENT AND STAFF**

At Fiducian we have always acknowledged staff as our most important and valuable asset and we continue to nurture and help them grow personally and into positions of responsibility. Our strategy to view our staff as a large Fiducian family standing alongside each other in difficult times has held us in good stead as staff have reciprocated with a show of superior performance and loyalty in volatile times.

Management has taken a hybrid approach to working, with teams splitting their working days between the office and home while continuing to discharge their duties, meet regulatory obligations and remain connected with their colleagues and clients. This transformation of the work environment has been made possible by our IT enhancements.

Fiducian has and will always be an equal opportunity employer. Our diversity policy encourages persons of different race, gender, sexual preferences, religion, national or ethnic origin, age or disability and skills to participate and receive recognition, reward and management responsibility commensurate with their performance. Employees are from 26 different countries of origin, 49% are female with 15% of female employees in senior roles. 22% of our employees are over 55 years of age.

# **ADVISERS COUNCIL**

The Advisers Council is drawn from our supporting financial advisers and has again made a significant contribution to the Company during the past year. It continues to fulfil its role as a sounding board for the Company's management and Boards and is a valuable resource and forum to alert us on financial planning issues, FORCe enhancements and FasTrack changes.

## **BOARD OF DIRECTORS**

The Board of Directors and Management has worked together cohesively as a team with respect and candour for each other but with a clear mutual understanding of each other's roles and



responsibilities in achieving optimal performance. Mr Robert Bucknell our founding Chairman and visionary for the company's future has decided that he will retire from the Board at the AGM. Mr Bucknell has guided the company and mentored others through the last 27 years, for which we will remain forever grateful. He will be missed. Mrs Kerry Skellern who has operational experience and is also a consultant to other company directors has joined the Board. Her appointment should be ratified at the AGM.

### **COMMUNITY SUPPORT**

Fiducian has continued providing support to community organisations and sporting teams linked to our financial planning network. We currently sponsor 18 teams across Australia. For the last three years we have supported the junior development program for coaching at Avondale Golf Club in Sydney. While our contribution is modest, we are proud that a young lady golfer from the club, has qualified last year for the USLPGA and won a tournament in just her third event.

Vision Beyond AUS (VBA), a charity supported by the Fiducian Group, has continued its services in hospitals in India, Myanmar, Nepal, Cambodia and Ethiopia. More than 50,345 men, women and children who live in abject poverty have had their eyesight restored. In addition, surgical equipment has been donated to overseas hospitals. Some 18,000 children have been screened for eye disabilities in rural areas of Nepal. Fiducian staff voluntarily provide accounting, administration and marketing support to VBA to ensure that every single dollar contributed by generous donors goes towards eliminating visual impairment in the world.

### CURRENT ECONOMIC AND MARKET ENVIRONMENT

The global economy has continued to slow this year in response to severe measures taken by monetary authorities around the world, and especially across the advanced economies, to counter rising inflationary pressures.

Inflation reached its highest level in more than 40 years in a number of jurisdictions before starting to trend lower towards the end of last year.

This year, the International Monetary Fund is forecasting global growth to be 2.8%, the US to grow by 1.6% and economists predict Australian growth to remain lacklustre. Growth in the developing world is expected to be led by China (5.2%) and India (6%). IMF notes however, that 'risks to the outlook are skewed to the downside'.



This year earnings from share markets are forecast to contract or stay flat in major economies, but expand in China and India (Yardeni Research). It now appears that restrictive monetary policy could stay in place until inflation is much lower and global earnings may not rebound until 2024, when they are forecast to rise by 11%.

Nonetheless, for our diversified funds we continue to take a cautious approach and remain close to benchmark in our allocation to 'growth' assets and fixed interest.

As always, we recommend that investors should consult a Fiducian financial adviser to develop financial plans with the aim of achieving diversified investment strategies that over time could help investors realise their financial goals.

# **OUTLOOK**

Consistent with our strategy over the last 27 years our focus remains on growth strategies to enable upscaling on existing capacity and leveraging our controlled, relatively low fixed cost base.

The Board's aim remains to build scale and deliver consistent double-digit earnings growth in coming years over the long term and Management is determined to stay committed and focused in this difficult climate, to attempt to achieve this goal.

On behalf of the Board, I would like to thank all participants for their individual contributions to the growth and success of Fiducian.

Inderjit (Indy) Singh OAM,

**Executive Chairman** 

19 October 2023