
CHAIRMAN'S ADDRESS
25th Annual General Meeting of Fiducian Group
21 October 2021

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 entities for the year ended 30 June 2021. At the outset I must thank the Board, senior management and all our staff who have stood together and continued to support the company through the impacts of COVID 19.

HIGHLIGHTS

At the end of the last financial year, the world was in deep recession and stock markets which had declined by 35% around March 2020, had only started to stabilize. Massive fiscal and monetary stimulus was provided by developed and developing nations to keep their economies afloat and help their populace to feed themselves another day. A race to develop a vaccine for COVID-19 had begun in the hope that humans could develop antibodies to the virus.

Consequently, vaccines have been developed, economies are recovering and stock markets have been rallying strongly. Unfortunately, all have not taken the COVID-19 virus or its ability to mutate seriously. Hopefully, as seen in recent days, we are taking our first steps in returning to life in the new normal, whatever it may be.

Nevertheless, it has been pretty much business as usual at Fiducian. Operating under the principles of our Business Continuity Plan we have managed to look after our staff, grow the business and support our charity Vision Beyond Aus. Fiducian has shown that it is resilient against unexpected and adverse shocks and has adapted well to the changing operating environment and delivered a strong performance in the 25th year of its existence. This was achieved through a combination of consistent and assured inflows from our financial planning network, a strong recovery in stock markets worldwide and strict controls by management on cost and operational efficiencies.

The Crisis Management Team continues to meet twice a week to oversee the situation and plan for any issues which may impact the business. Its foremost priority is the safety, health, well-being and security of all our staff and associates that comprise the "Fiducian Family". We hope with the easing of restrictions in the coming months that we will be able to engage with all parts of the Fiducian Family in person soon.

I am pleased to advise that:

- All our people, the heart and soul of our business, are safe.
- All staff continued to work seamlessly from home with the support of their respective managers and the IT team.
- The dedication and contribution by senior management, staff and financial planners to deliver on business requirements has not waivered despite working from home for the last 16 months or more.
- Financial planners have maintained their client relationships and provided advice through video conferencing when face to face meetings were not possible.
- The client administration team for our platforms continued to deliver a seamless service without any disruption to our clients and exceeded the service level standards set.
- Through difficult times no one was retrenched, laid off or had their remuneration reduced. For their hard work and loyalty, generally all staff were rewarded with a salary increase for the next year and a bonus which was equal to or higher than what they had received in the previous year or received in accordance with their employment terms.
- The flagship diversified Fiducian Funds have maintained their superior rankings on the Morningstar Survey compared with up to 197 recognised fund managers in their peer groups. This superior performance includes the last twelve months and continues over the last ten years or more.

2021 FINANCIAL PERFORMANCE – FIDUCIAN GROUP

- Net inflows for the financial year grew by 5% to \$228 million (2020: \$217 million);
- Net revenue from ordinary activities increased by 6% from \$40.2 million to \$42.8 million, while gross margin was steady at 73%;
- Underlying Net Profit after tax which is a better reflection of the Group's cash generating ability, rose by around 11% from \$12.725 million to \$14.131 million. Management's mandate is to keep growing revenue, but to grow profits for shareholders at a faster rate;
- Basic Earnings per share on Statutory Net Profit After Tax rose by 16.2% from 33.3 cents to 38.7 cents.
- The dividend payment remains consistent with the Board's strategy of paying between 60% and 70% of NPAT, unless there are other compelling reasons not to, such as retaining free cash to grow the business or make acquisitions. The payout was 26.9 cents per share, an increase by 17% over the previous year;

- Combined Funds Under Management, Administration and Advice (FUMAA) rose from \$8.0 billion last year to \$10.4 billion at 30 June 2021, an increase of 30%; and
- A key feature of the company is that it has a strong balance sheet and currently remains debt free with a positive working capital and cash flow position.

FINANCIAL PLANNING

During the year, Funds Under Advice grew to \$3.7 billion (2020: \$3.0 billion) due to acquisitions of financial planning businesses, increases in net inflows and rising financial markets. Going forward, some adjustments may be made to the funds under advice figure due to erstwhile “grandfathered” clients not renewing their engagement with a financial planner. However, inflows have increased as newer financial planners begin to appreciate the many benefits of the Fiducian compliant process for their clients. Fiducian expects the highest level of compliance and client service from its financial planning network and this has been supported by additional investment in our compliance functions. Our focus will remain on generating inflows through organic and inorganic growth which is aided through new and efficient methods of telecommunication and video conferencing being used to assist financial planners in practice development, marketing, financial planning software training and investment products and strategies. Salaried offices comprise over 43.7% and franchised offices comprise the balance 56.3% of Funds Under Advice. Further acquisitions are being negotiated.

PLATFORM ADMINISTRATION

Platform Administration offers portfolio wrap administration for superannuation and investment services to financial planners as well as Separately Managed Accounts (SMAs). We believe that our capability and systems enhancements give us the ability to readily compete for such business and negotiations are underway with prospects who could use our services for administration of their SMAs. From September 2020, we modified the administration fees, which were reduced so that they fell within the bottom half of the fees of like for like competing platforms. As is the trend in the industry now, transaction and asset holding fees were introduced. To give complete transparency, investors will be able to drill down through Fiducian Online and view every single listed security that they hold anywhere in the world through Fiducian Funds. The hallmark of the Fiducian administration offering is quality in terms of daily processing, accuracy and customer service, which has been consistently delivered throughout the COVID-19 lockdown. Funds under administration stand at \$2.9 billion up 31.8% over the June 2020 balance of \$2.2 billion.

SUPERANNUATION

The Superannuation Trustee Board established for our public offer, superannuation wrap fund in March 2015 with equal independent directors operates professionally and with independence. 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. Since inception almost twenty five years ago, the performance of these funds to end of June 2021 as reported in the Morningstar Investment Performance Survey have been commendable. Some of our funds are distributed in New Zealand through their local platforms and we have recently registered these funds on a KiwiSaver offering.

OTHER SERVICES

Services provided by the Finance, Legal & Compliance, Business Development and Distribution, Marketing and Risk Management managers and their teams, are rarely noticed or considered. However, I must report that these persons have done a marvellous job under continued pressure from COVID-19 and supported all business activities effectively.

The Planners Council have voluntary participation by managers and financial planners. They have been a great sounding board for the Group and their feedback is valued.

The Executive Leadership Team of senior managers comprises our General Counsel and the Executive Chairs of Funds Management, Financial Planning, Finance, and Business Development who directly report to me. They along with other senior managers have provided great ideas for strategic development and operational support.

Through the year, staff of Fiducian voluntarily assisted the administration of Vision Beyond Aus, a charity that has helped restore eyesight through free surgery of over 43,000 men, women and children who live in poverty in India, Myanmar, Cambodia, Ethiopia and Nepal. In addition, VBA made a donation to acquire ventilators and monitoring equipment supplied to field hospitals set up in India as it battled to control the massive spread of the third wave COVID-19 infection. While COVID-19 restrictions have forced a slowdown in activity, we continue to support hospitals in these countries as needed.

CONTINUING GROWTH

Our focus over the last 25 years has been to establish a business with a rock solid foundation and build growth strategies around this base which are able to scale up on existing capacity and leverage our relatively low fixed cost base. This strategy has benefitted us in the difficult and uncertain times with increasing revenues and growing profits. Strong focus on cost and operational efficiency has enabled Management to make the difficult decisions on expenditure and cost priorities quickly without disturbing the growth momentum.

The Board's aim remains to build scale and deliver consistent double digit earnings growth in coming years and we are well positioned to deliver on our strategy through realising the potential of our Financial Planning, Platform Administration, Investment Management and Information Technology businesses.

On behalf of the Board, I would like to thank all participants for their individual contributions to the growth and success of Fiducian in our journey over the last 25 years.



Inderjit (Indy) Singh OAM

Executive Chairman

21 October 2021