

Insignia Financial 4Q23 Quarterly Business Update

Highlights:

- **Funds Under Management and Administration (FUMA) increased by \$3.7 billion (+1.3%) to \$295 billion as at 30 June 2023**
- **Achieved positive net inflows target for FY23: \$667 million on a continuing basis¹**
- **Final phase of 3-Year MLC Separation and Integration program confirmed**
 - **Future state Master Trust Platform selected**
 - **New Advice Services partnership model announced to drive future Advice profit and growth**
 - **Second wave of acquisition synergies and cost efficiencies underway**

Insignia Financial Ltd (ASX: IFL) is pleased to provide this quarterly update for the three months ended 30 June 2023 (4Q23) as it delivers positive net inflows for the full financial year and executes important strategic initiatives to continue to simplify the business and improve growth momentum.

Insignia Financial CEO, Renato Mota, said, “Since completing the acquisition of MLC in May 2021, our priority has been the safe and timely integration of MLC and the creation of Insignia Financial. This has resulted in the accelerated delivery of benefits aligned to management’s original 3-year plan.

“The 2024 financial year represents the final year of the 3-year horizon, and we are today announcing a series of additional initiatives in support of growth beyond 2024.

“Against this backdrop, we saw continued momentum in flows delivering positive net inflows across both our Platform and Asset Management businesses, bringing full-year net inflows to \$667 million on a continuing basis.”

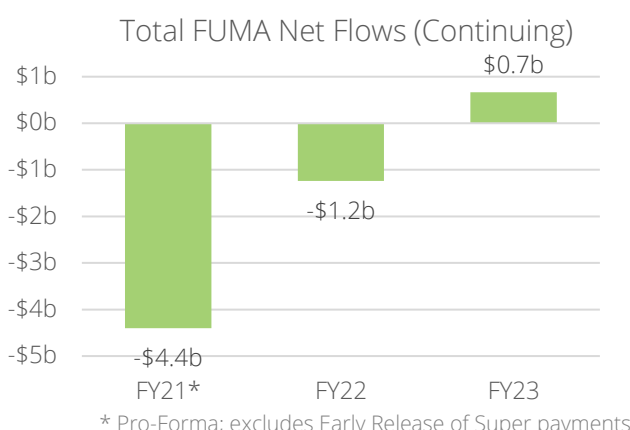
Overview of 4Q23 FUMA & Advisers

- **Funds Under Administration (FUA):** \$209.0 billion; Positive market movement of \$4.3 billion combined with net inflows of \$19 million for the quarter, were partly offset by pension payments of \$782 million, leading to an overall increase of \$3.5 billion (+1.7%).
- **Funds Under Management (FUM):** \$85.9 billion; Positive market movement of \$1.6 billion combined with net inflows of \$46 million, were partly offset by internal transfers of \$1.5 billion, resulting in an overall increase of \$183 million.
- **Advice:** There were 1,413 advisers in the Insignia Financial Advice network as at 30 June 2023, comprising 242 advisers in the Professional Services (Employed) channel and 1,171 advisers in the Advice Services channels (Self-Employed and Self-Licensed). This is 70 fewer in total than for the previous quarter.

Funds Under Administration (FUA)

FUA as at 30 June 2023 was \$209.0 billion, an increase of \$3.5 billion (1.7%) over the quarter. The increase was driven by market growth of \$4.3 billion (2.1%) and net inflows of \$19 million, partly offset by pension payments of \$782 million.

Workplace Super delivered positive net inflows of \$648 million during the quarter, bringing full-year net inflows to \$2.0 billion, and again marking the best quarter of net flows since the acquisition of MLC.



The Workplace offering won 12 new employer mandates over FY23 representing approximately \$500 million of new assets. Retention of all existing employer clients and improved member take up over the year reflect the strength of Insignia Financial's Workplace product and service offerings.

The Advised platform offering saw improved flows during the quarter, with net outflows reducing to \$180 million, driven by continued strong inflows into the Evolve platform. During the year, Expand Extra, Expand Essential and the Shadforth Portfolio Services (SPS) added a further \$1.9 billion of net inflows. The continued strong flows into the Expand wrap suite and SPS, hosted on Evolve, highlight the strength of Insignia Financial's go-forward proprietary wrap platform, with Expand Essential Pension recently rated 5 Apples, a 'Highest Quality Fund' by Chant West, and Expand Extra nominated for the Advised Product of the year by Chant West.

Funds Under Management (FUM)

FUM as at 30 June 2023 was largely flat for the quarter at \$85.9 billion, driven by net inflows of \$46 million and positive market movement of \$1.6 billion, largely offset by internal transfers of \$1.5 billion.

Reported Funds Under Management were reduced by \$1.5 billion as a result of transfers between OnePath Optimix and IOOF MultiSeries products¹.

Financial Advice

Insignia Financial maintained active advice services relationships with 1,413 financial advisers as at 30 June 2023 comprising 242 advisers in the Professional Services (Employed) channel and 1,171 advisers across Advice Services channels (Self-Employed and Self-Licensed).

Adviser numbers in the Professional Services (Employed) channel have stabilised following the integration of MLC Advice into Bridges, while the reduction of advisers in the Advice Services channel largely reflects the closure of Lonsdale.

¹ To avoid double counting, FUM is recognised only where a separate Asset Management fee is charged. The \$1.5 billion internal transfer represents the transfer from products with a separate Asset Management fee to products with a bundled fee, which is recognised in the Platforms segment. There is no change to revenue at a Group-level.

Strategy Update

Insignia Financial has, during the year, continued to add to its strong track-record of delivering on strategic initiatives, including accelerated synergy benefits realised ahead of the original 3-year plan.

These achievements now provide the opportunity for a strategic refresh, allowing Insignia Financial to prioritise and focus with greater clarity on unlocking the full opportunities of the MLC acquisition through finalising separation and integration, while focusing investment in its key areas of competitive advantage.

Underpinning Insignia Financial's ambition of creating financial wellbeing for all Australians is a unique set of diversified business capabilities allowing it to create specific combinations of advice, platform, and asset management insights to deliver more affordable and accessible financial outcomes for clients across a spectrum of needs.

This has led to today's announcements addressing key initiatives and opportunities in the below areas:

- Platforms: target state Master Trust strategy
- Financial Advice: creation of a new Advice Services partnership model
- Efficiency Program: delivering additional synergy and cost reduction benefits

Platforms: target state Master Trust strategy

Following an extensive assessment of Master Trust platform solutions and consideration of several strategic approaches, Insignia Financial has decided to combine various foundational aspects of technology between its Wrap and Master Trust platforms under a shared technology ecosystem. This will include two registry platform pillars: its proprietary Wrap platform 'Evolve'; and a Master Trust platform based around FIS Global's (FIS) Compass registry. The commonality across the operating environment will provide opportunities for removal of duplication and minimise the cost and risk of change.

Insignia Financial has selected FIS as the provider of the go-forward Master Trust registry platform for its superannuation and pension products. FIS, a Fortune 500® company, currently supports existing MLC Master Trust capabilities and is a leading provider of technology solutions to financial services firms globally. MLC has maintained a relationship with FIS for more than 24 years, with registry system Compass utilised for MLC MasterKey. Compass is a robust, well-supported, and scalable application platform supporting over 70 million members worldwide.

Mr Mota said, "We have undertaken a comprehensive review of Master Trust solutions and identified our optimal future state. Our decision to utilise an existing platform solution will reduce transition risk, expedite implementation and importantly, minimise client, member, and adviser disruption as we deliver an improved experience."

It is expected the foundational aspects of the new environment will be in place by mid-2025, prior to the expiry of the Transitional Services Agreement with National Australia Bank (NAB), which has been extended for an additional two years.

Following feedback from financial advisers, the planned migration of MLC Wrap to Evolve (Evolve23) has been pushed back from 1H24 to 2H24 in order to ensure adviser readiness for the change, and to deliver the best client and adviser experience.

Financial Advice: creation of new Advice Services partnership model

Central to Insignia Financial's strategic opportunity is creating value through delivering improved financial outcomes for all Australians, through more affordable and accessible advice. To achieve this, Insignia Financial today announces its intention to reset its financial advice operating model to competitively leverage opportunities for sustainable growth.

The changes to its Advice Services business will provide it with a clearer, more innovative, and sustainable value proposition, through a new partnership ownership model for its self-employed licensees comprising RI Advice Group Pty Ltd (RI), Consultum Financial Advisers Pty Ltd (Consultum) and TenFifty.

While the new brand name and identity has yet to be established, this new business is being developed under the working name of Advice Services Co, or ASC ("ASC").

ASC represents the ambition to create Australia's largest adviser-owned licensee group, positioning it to capitalise on the dynamic self-employed advice market with the support of Insignia Financial. ASC will operate with independent management, oversight and governance, with input from both Insignia Financial as well as key advice practice representatives.

Initially, Insignia Financial will hold a majority stake in ASC reducing over time as advisers are invited to receive equity in ASC. Insignia Financial's continued shareholding will ensure alignment and commitment to the self-employed advice model through an ongoing partnership. ASC will have a strong mandate to grow the number of advice practices and advisers operating under its licences.

Commenting on the new partnership, Mr Mota said, "This is a transformational initiative for our Advice offering and will accelerate the return to profitability of our Advice business, while ensuring our Advice Services model is positioned for growth as the financial advice industry continues to evolve.

"ASC will be owned and run for advisers, with the backing and support of Insignia Financial. The formation of ASC creates an adviser focused licensee that can innovate in support of an emerging high quality, self-employed profession.

"It also provides Insignia Financial with greater opportunity to focus on the growth of its Professional Services Advice businesses, Shadforth Financial Group and Bridges Financial Services, expanding the scope of advice through superannuation, and the development of new technology-enabled advice delivery to leverage future opportunities presented by the Government's response to the Quality of Advice Review².

"The greater focus and specialisation of both organisations will lead to better outcomes for clients, making advice more accessible to more Australians."

Insignia Financial will contribute staff, resources and working capital to ASC and will continue to support the new business under a transitional services agreement for 12 months from completion, which is expected to occur in the coming months. Insignia Financial will also provide a capped indemnity to the new entity for any historical remediation relating to conduct under Insignia Financial's ownership.

An extensive cost and operating model review has been undertaken and ASC is expected to be profitable after the initial 12-month establishment period. ASC will be led by an experienced management team, headed by CEO Darren Whereat. Key management personnel will also participate in equity.

² The Government responded to the Quality of Advice review on 13 June 2023 as part of its Delivering Better Financial Outcomes package. The Delivering Better Financial Outcomes package comprises three streams: Stream one – removing onerous red tape that adds to the cost of advice with no benefit to consumers; Stream two – expanding access to retirement income advice; and, Stream three – exploring new channels for advice.

Separate to the establishment of ASC, ownership of Godfrey Pembroke Group Pty Ltd (GPG) is expected to be returned to Godfrey Pembroke advisers with Insignia Financial retaining a minority stake. Insignia Financial is also in discussions with interested parties regarding the potential sale of the Millennium3 (M3) licence. The closure of the Lonsdale licence is almost complete, with a number of advisers transitioning to Consultum or moving to self-licensing through Insignia Financial's Alliances offer.

Insignia Financial has previously committed to a profit (UNPAT) target of \$10 million for its Advice segment on a run-rate basis by the end of FY24, a target that is expected to be met following the implementation of the new Advice Services model. Advisers operating under the Advice Services licensees (ASC, GPG and M3) contribute approximately \$24 billion to Insignia Financial's FUA, of which ASC represents approximately \$21 billion.

Additional Synergy and Cost Reduction Benefits

As part of its acquisition of MLC, Insignia Financial committed to \$150 million of cost savings in the three years following completion in May 2021. Having delivered this target in the first 18 months of ownership, work has continued to identify additional synergy opportunities. A total of \$175-190 million³ of annualised benefits has been identified, to be realised over FY24-FY26.

The program will utilise Insignia Financial's transformation capability and take a single cost-reduction approach across various initiatives, including MLC Wrap Integration (Evolve23), Advice break-even and the second phase of MLC acquisition synergies. A single financial target will be established and tracking of progress will be provided at an aggregate level. The total investment to deliver these initiatives will be approximately \$260-285 million over two years, and Insignia Financial is targeting a cost-to-income ratio in the mid 60%-range within three years, with additional opportunities for improvement beyond the next three years through further simplification. Insignia Financial has previously disclosed a target cost-to-income ratio in the low to mid-60% range once target end state is reached.

Further details and breakdown of the costs and benefits, along with FY24 outlook will be provided with FY23 results in August 2023.

Mr Mota further added: "Our update today reflects the strong progress we have made in delivering to our strategic priorities as we continue to simplify the business.

"We believe through the transformational initiatives announced, we are well positioned for opportunities ahead as we build a business that is adaptable and aligned to our ambition to improve financial wellbeing for all Australians."

4Q23 Business Update Briefing

Insignia Financial will hold a briefing on the 4Q23 Business Update at 12pm on 27 July 2023. Participants wishing to ask questions can register [here](#) and the webcast can be accessed [here](#). A copy of the slides that will be presented at the briefing are included in Appendix 2.

This announcement was approved for release by the Board of Directors of Insignia Financial Ltd.

³ Total savings target including Evolve23 savings and Advice break-even benefits previously announced

Appendix 1

Insignia Financial funds movement for the three months ended 30 June 2023:

Funds Movement by Channel

Funds Movement by Channel						
All Amounts \$m	FUMA 31-Mar-23	Net Flow	Internal Transfers	Pensions	Market/ Other	FUMA 30-Jun-23
Platforms						
IOOF	3,397	132	-41	0	71	3,559
P&I	16,263	64	219	0	470	17,016
MLC	34,253	452	-403	-34	725	34,993
Workplace	53,913	648	-225	-34	1,266	55,568
IOOF	6,788	-21	9	-15	144	6,905
P&I	4,399	103	-8	-3	125	4,616
MLC	21,888	-206	384	-7	509	22,568
Personal²	33,075	-124	385	-25	778	34,089
IOOF	32,143	680	32	-221	602	33,236
P&I	11,360	-156	4,008	-99	210	15,323
MLC	63,785	-704	14	-345	1,320	64,070
Advised	107,288	-180	4,054	-665	2,132	112,629
Closed ³ /Transition	11,262	-325	-4,219	-58	87	6,747
Funds under Administration	205,538	19	-5	-782	4,263	209,033
Asset Management						
Retail	31,778	182	-1,471	0	518	31,007
Institutional	3,680	58	0	0	92	3,830
Multi-Asset	35,458	240	-1,471	0	610	34,837
Retail	2,644	-12	0	0	39	2,671
Institutional	47,656	-182	0	0	959	48,433
Direct Capabilities	50,300	-194	0	0	998	51,104
Funds under Management	85,758	46	-1,471	0	1,608	85,941
Total FUMA	291,296	65	-1,476	-782	5,871	294,974

1. Internal Transfers represent the transfer of funds between products within the same superannuation fund and/or IDPS Operator. Platform transfers may not net to zero due to timing differences. Asset Management transfers represent monies transferred to/from products included in/excluded from Asset Management FUM.
2. Personal includes funds under administration (FUA) transferred from a corporate plan where the employee ceases employment with the corporate.
3. Closed FUA represents products that are closed to new business. Transition FUA represents funds in the process of transferring between classifications as a result of ongoing product simplification. Movements between transition and other classifications are represented in Internal Transfers.
4. Totals are subject to rounding.

Funds Movement by Entity

All Amounts	FUMA 31-Mar-23	Net Flow	Internal Transfers	Pensions	Market/ Other	FUMA 30-Jun-23
Platforms (FUA)						
IOOF	42,328	790	0	-235	817	43,700
P&I	41,790	-269	0	-154	864	42,231
MLC	121,420	-502	-5	-393	2,582	123,102
FUA	205,538	19	-5	-782	4,263	209,033
Asset Management (FUM)						
IOOF	25,613	124	-1,471	0	466	24,732
MLC	60,145	-78	0	0	1,142	61,209
FUM	85,758	46	-1,471	0	1,608	85,941
Total FUMA	291,296	65	-1,476	-782	5,871	294,974

Active Advisers¹

Channel	31-Mar-23	%	30-Jun-23	%	3-month change
Professional Services (Employed)	242	16.3%	242	17.1%	0
Self-Employed (Licensed)	750	50.6%	686	48.5%	-64
Self-Licensed ²	491	33.1%	485	34.3%	-6
Total	1,483		1,413		-70

1. Advisers actively providing advice. This excludes individuals who are listed as Authorised Representatives on the Financial Advice Register (FAR) per ASIC, but do not actively provide advice.
2. Advisers not authorised under Insignia Financial licensees, but to whom Insignia Financial provides services through the Alliances, Dealer Associates and Connect business models.
3. Totals are subject to rounding.

Practice Numbers

Channel	31-Mar-23	30-Jun-23	3-month change
Self-Employed Practices¹			
Consultum	46	43	-3
Lonsdale	22	3	-19
M3	77	74	-3
RI	103	102	-1
GPG	32	32	0
Tenfifty	110	110	0
Total Self-Employed	390	364	-26
Self-Licensed Practices²			
Alliances	70	71	1
Dealer Associates	17	14	-3
MLC Connect	12	12	0
Total Self-Licensed	99	97	-2
Total	489	461	-28

1. Self-Employed refers to those businesses that are independently owned but operate under one of the Insignia Financial AFSLs.
2. Self-Licensed refers to those businesses that are independently owned, do not operate under one of the Insignia Financial AFSLs, but utilise services provided by Insignia Financial.
3. Totals are subject to rounding.



Insignia Financial

4Q23 Business Update

27 July 2023

Master Trust Target State Strategy

Two platform solution leveraging shared technology ecosystem over time



Master Trust

Vendor platform (Compass - FIS)

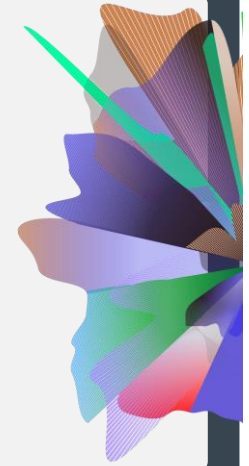
\$118 billion

EXPAND

Wrap

In-house (Evolve)

\$82 billion



Shared technology ecosystem



Client experience
(inc. digital & other
channels)



Data, reporting &
analytics



Client servicing
capabilities
(inc. onboarding, CRM)



Back office functions
(inc. general ledger)



Infrastructure, operations,
identity management
& cyber security

Advice Model Reset

Creation of Advice Services partnership model



A new partnership ownership model for self-employed licensees comprising RI Advice Group Pty Ltd (RI), Consultum Financial Advisers Pty Ltd (Consultum) and TenFifty

Ambition to create Australia's largest adviser-owned licensee group:

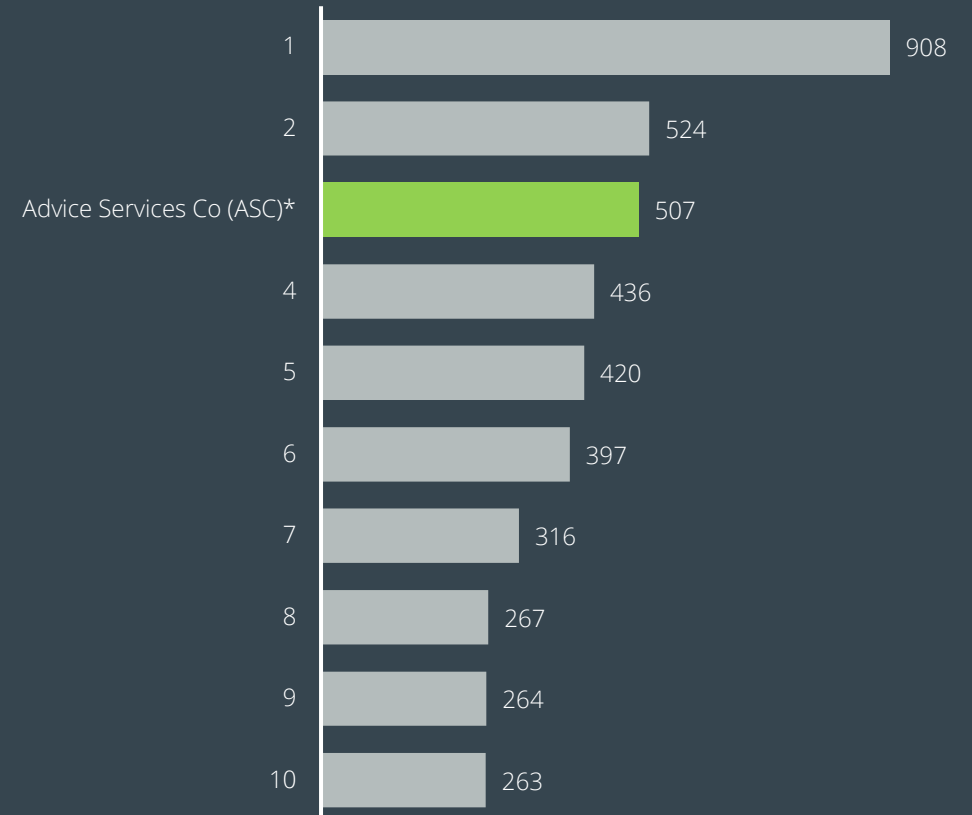
- Advice Services Co (ASC) will be owned and run for advisers, with the backing and support of Insignia Financial
- Aligned interests will allow ASC to be more focused, agile, and attractive as a partner to advisers
- ASC value propositions to evolve over time to capitalise on opportunities in a dynamic segment of the advice profession



Insignia Financial to focus on the growth of its Professional Services Advice business, expanding the scope of advice through superannuation, and the development of new technology-enabled advice delivery.



Authorised Representatives by Group as at 30 Jun 2023

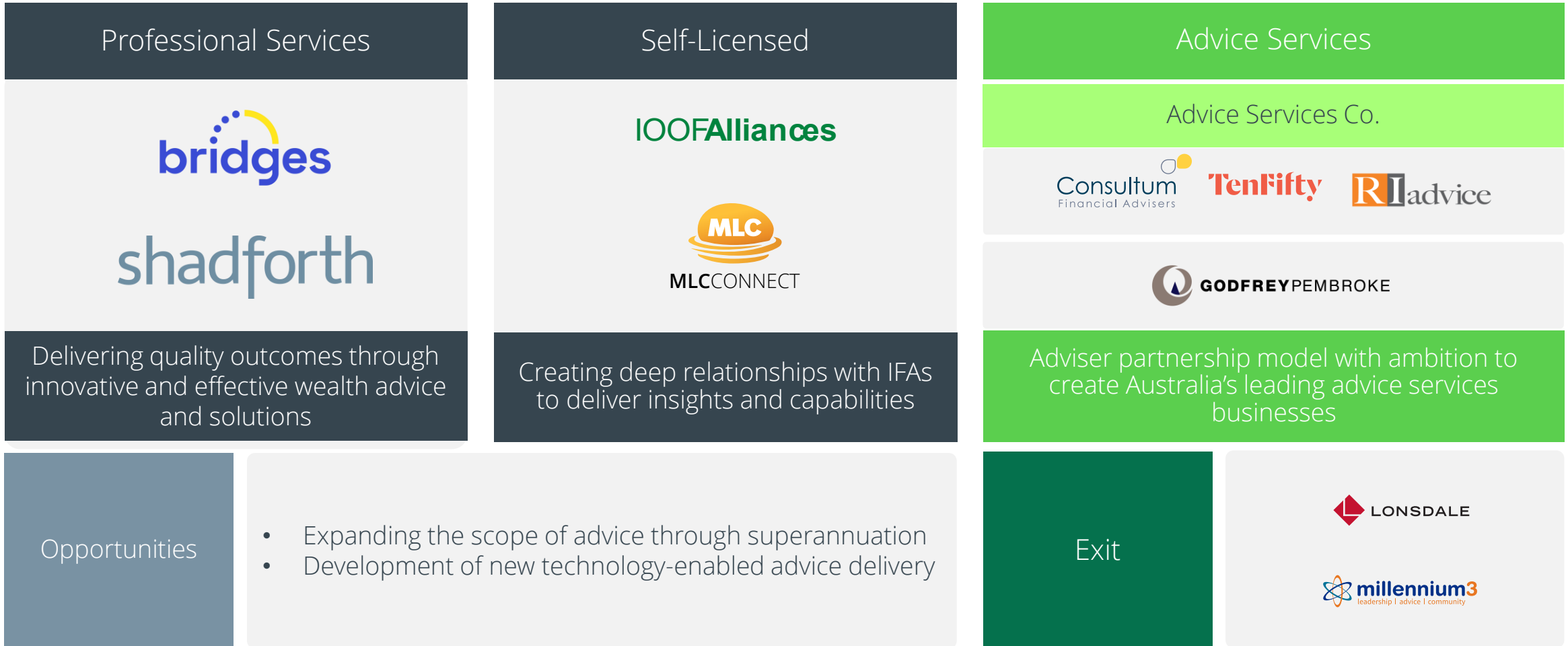


* ASC includes Authorised Representatives (ARs) of Consultum and RI Advice as per the ASIC Financial Advisers Register as at 30 June 2023, plus 18 ARs who joined Consultum from Lonsdale in early July 2023.

Source: ASIC Financial Advisers Register as at 30 June 2023

Advice Future Model

New partnership ownership model for self-employed and renewed focus on Professional Services and emerging opportunities



Summary of Initiatives

Funding principles: Investments funded by existing facilities and available cash; FY24 closing senior leverage estimated to be at the lower-mid end of target leverage range^{1,2}.

Tracking and reporting: All Opex savings and investment spend to be tracked and reported at an aggregate level.

Treatment of project spend / UNPAT adjustments: The one-off costs incurred in relation to the initiatives identified below will be excluded from the calculation of UNPAT, consistent with current practice. Similar future investments will not be adjusted and will be funded inside operating expenditure.

Cash Investment FY24-FY26

Separation and Master Trust	~\$160-\$175m
Shared foundational ecosystem investment	~\$50-\$60m
Balance of Wrap consolidation spend (Evolve 23) ³	~\$15m
Cost to deliver additional synergies	~\$70-\$75m
Advice restructure	~\$45-\$50m
Less capital release ⁴	(\$80-\$90m)
	\$260-\$285m

Annualised Benefits Realised FY24-FY26

Gross Opex savings from cost reduction and synergies, TSA Exit and Wrap consolidation (Evolve23) ⁵	~\$140-\$150m
Advice Restructure ⁶	~\$35-\$40m
<ul style="list-style-type: none"> • Expected cost reduction • Advice segment profit of ~\$10m UNPAT on FY24 exit run-rate 	
	\$175-\$190m

1. Assumes normal market conditions
2. Assumes receipt of IOOF Ltd sale proceeds and capital release
3. Remaining component of Evolve23 investment of \$30-35m previously announced
4. Expected release of corporate capital currently held by IFL, following fund simplification; subject to Board approvals
5. Evolve23 target savings of \$30-35m previously announced
6. Assumes continued consolidation of ASC; expectation is to deconsolidate after 12-18 months

About Insignia Financial Ltd

Insignia Financial has been helping Australians secure their financial future since 1846. During that time, we have grown substantially to become one of the largest groups in the financial services industry.

Insignia Financial provides advisers and their clients with the following services:

- **Platforms** for advisers, their clients and hundreds of employers in Australia;
- **Advice** services via our extensive network of financial advisers; and
- **Asset Management** products that are designed to suit any investor's needs.

Further information about Insignia Financial can be found at www.insigniafinancial.com.au

Future performance and forward-looking statements

This announcement contains certain "forward-looking statements". Forward looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Insignia Financial and its directors and management.

Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which statements are based. To the maximum extent permitted by law, Insignia Financial and its directors, officers, employees, agents, associates and advisors disclaim any obligation or undertaking to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

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