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IOOF Q1 FY2022 update

Q1 FY2022 highlights:

- **Continued growth in funds under management and administration (FUMA)**
- **Restated Group FUMA up \$2.4 billion to \$321.1 billion**
- **Transformation program on track with additional synergies being evaluated**
- **Results in line with expectations with all businesses growing over the quarter**

IOOF Holdings Limited (ASX: IFL) is pleased to provide this quarterly update covering the three months ended 30 September 2021 (Q1 FY2022), a period that saw continued growth in IOOF's funds under management and administration (FUMA).

As part of the simplification across IOOF, ANZ P&I and MLC, a single, consistent approach to calculating FUMA has been implemented to address the differences in methodologies across the three businesses. Details of these changes and a reconciliation to previous methodologies is provided in Appendix 1. There is no change to group profitability as a result of this FUMA restatement.

Also as previously advised, FUMA no longer includes Funds under Advice, with active adviser and practice numbers now being disclosed as more meaningful indicators of business performance.

Restated Group FUMA as at 30 September 2021 was \$321.1 billion, up \$2.4 billion over Q1 FY2022.

Overview of Q1 2022 FUMA

- **Funds Under Administration:** Increased by \$1.8 billion over the quarter to \$222.8 billion. Positive market movements of \$3.4 billion were offset by pension payments of \$0.8 billion and net outflows of \$0.9 billion. Net inflows into the IOOF Evolve-based platforms of \$0.4 billion were offset by outflows from the P&I platforms and MLC platforms, which showed early signs of stabilisation during the period.
- **Funds Under Management:** Increased by \$0.6 billion over the quarter to \$98.3 billion. Market gains of \$2.0 billion were offset by net outflows of \$1.4 billion. Positive flows into the IOOF Multi Series and mandate wins in the quarter were offset by mandate losses within the Jana and global listed REIT businesses, and the payment of annual distributions.
- **Advice:** The number of practices in the Self-Employed channel was 539, a decrease of 37 in the quarter. The number of Self-Licensed practices at 104 was largely unchanged in the quarter. The total number of advisers was 1,883 as at 30 September 2021. Adviser

numbers were down 65 for the quarter. A slight increase in the Employed channel was offset by a decline in the Self-Employed and Self-Licensed channels.

Mr Renato Mota, CEO of IOOF, said: "The results achieved over the quarter are in line with expectations. During a period of significant transformation, all our businesses grew, assisted by investment gains.

"We have strong early momentum since the acquisition of MLC with the progression of our transformation program. Continued simplification provides the foundation of future growth of our business, while synergy realisation will deliver benefits to clients and shareholders alike."

Business update

Financial Advice

As at the end of September, IOOF maintained active advice services relationships with 1,883 financial advisers, slightly lower than the numbers at the end of June.

"Adviser numbers in the profitable Employed channel remained relatively stable as the Self-Employed and Self-Licensed segments slightly declined during the quarter. Continued focus on practice sustainability as well as professional standards (eg FASEA examination) contributed to some re-basing of adviser numbers. Pleasingly 92% of our advisers have successfully completed their exams.

"The integration of MLC Advice has focused on introducing IOOF technology, including Wealth Central, to MLC advisers with a positive early response.

"The Self-Employed adviser channel is now being transitioned to a sustainable basis and, with the exception of MLC, is expected to be on a break-even runrate by the end of the financial year. The MLC Self-Employed segment is expected to break-even in the FY24/25 period," Mr Mota commented.

There was a decrease in the number of smaller practices in the Self-Employed channel due to the offboarding of 37 practices primarily from Lonsdale and M3 which ceased or transferred to new licensees. The number of Self-Licensed practices were stable throughout the quarter.

Correspondingly, the Self-Employed adviser numbers reduced by 63, with the main contributors being Lonsdale (19), Consultum (13) and M3 (10) as advisers moved to new licensees, with 5 moving to IOOF's Self-Licensed Alliances model. The majority of the departures were considered unsustainable for the advice strategy and associated support model.

Funds under Administration

Funds Under Administration (FUA) increased by \$1.8 billion, up 0.8%, to \$222.8 billion, including organic flows and market movements. A net outflow of \$0.9 billion was reported for the quarter.

Mr Mota stated: "Our Funds under Administration performed as expected and we were pleased with the strong flows in adviser-intermediated Evolve platform and MLC Wrap products. These

recorded strong positive net flows as a result of growing adviser support. Offsetting these gains were outflows from the acquired P&I and MLC mastertrust and legacy platforms.

“We have commenced a holistic product and platform review process, incorporating the MLC business to address the outflows. Meanwhile, in September, we enhanced and repriced a range of OneAnswer Index products, which now rank amongst the industry’s best value, compared to similar mastertrust offers. Early indications are that these enhancements are resonating with advisers, whilst Lonsec, a major research house has recently upgraded their ratings of these products to “recommended”.

“We remain on track to substantially simplify our platform environment through the delivery of the second and final phase of the Evolve21 migration in December.”

Funds under Management

Funds under Management (FUM) increased to \$98.3 billion over the quarter. Investment gains of \$2.0 billion was partially offset by a net outflow of \$1.4 billion.

The direct funds management business has the potential to experience material and irregular net flows as a result of its large institutional client base which can introduce volatility from period to period. Mr Mota commented, “This quarter’s outflow was a result of a couple of clients changing their property strategies to direct investment, as well as another choosing to take their portfolio construction capabilities inhouse.

“The IOOF Multi Series trusts continued to perform well, and there is positive momentum and mandate wins elsewhere across the direct investment business.

“Net inflows across MLC Wholesale and Managed Accounts were driven by strong momentum into MLC’s Core Wrap platform offering and growing adviser support for the newly launched MLC Separately Managed Account Model Portfolios.”

Transformation

During Q1 FY2022, IOOF made further progress in executing its transformation program, including:

- **Strategic priority refresh:** prioritising focus on operating model simplification, client engagement and financial wellbeing, ESG uplift and cultural integration.
- **Organisational design:** Continued work to simplify the business and align to strategic priorities remains on track. The recent repoint of the Technology division to Frank Lombardo, Chief Operating Officer, supports the integration and simplification agenda ensuring the technology capabilities are more deeply embedded in IOOF’s ways of working.
- **Rebrand:** Proposed rebrand from IOOF Holdings Ltd to Insignia Financial Ltd which signifies the fusing of organisations, and aligns to future goals. The name change is subject to shareholder approval at IOOF’s Annual General Meeting on 25 November. The

cost of changing to the new corporate brand will be \$2-3 million, funded from the existing transformation and integration budget.

- **Synergy targets:** The previously stated combined acquisition pre-tax synergy run rate target of \$218 million per annum by the end of FY2024, and the FY22 synergy run-rate range of \$80-100 million, remain on track.
- **Additional synergy evaluation:** An analysis of accelerating the product and platform simplification is currently underway. This provides the potential to deliver additional synergies, with additional implementation costs. Further information will be provided as the evaluation progresses.

Mr Mota concluded: "Within the first six months of ownership of MLC, we are making significant progress in transforming our business' operating model to deliver on our strategic priorities. Our focus remains on simplifying the business allowing for greater concentration on delivering future growth. We are evaluating the opportunity to accelerate the extraction of further synergies, albeit with some additional integrations costs, and expect to be able to conclude and report on this analysis by the interim results."

- ENDS -

This announcement was approved for release by the IOOF Holdings Ltd Board.

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IOOF funds movement for the three-month period ended 30 September 2021:

1. Funds movement by Channel:

All Amounts \$m	FUMA 30-Jun-21	Net Flow	Internal Transfers ¹	Pensions	Market/ Other	FUMA 30-Sep-21
IOOF	3,603	(18)	(41)	0	49	3,594
P&I	17,190	(233)	0	0	155	17,112
MLC	35,496	79	(497)	(34)	686	35,730
Workplace	56,290	(171)	(538)	(34)	890	56,436
IOOF	6,915	(35)	82	(17)	93	7,038
P&I	4,266	24	0	(3)	19	4,306
MLC	20,654	(457)	456	(12)	388	21,029
Personal	31,836	(469)	538	(32)	500	32,374
IOOF	15,450	563	334	(89)	235	16,493
P&I	25,154	(567)	0	(157)	272	24,702
MLC	68,323	(154)	41	(335)	1,186	69,061
Advised	108,926	(157)	375	(580)	1,694	110,257
Private Trustee	4,575	34	0	0	27	4,637
Closed/Transition	19,387	(110)	(375)	(107)	281	19,076
Funds under Administration	221,014	(873)	0	(754)	3,393	222,780
IOOF	23,509	(357)	0	0	469	23,621
MLC	74,182	(1,051)	2	0	1,534	74,667
Funds under Management	97,691	(1,407)	2	0	2,003	98,289
Total FUMA	318,704	(2,280)	2	(754)	5,396	321,069

1. Internal Transfers represent the transfer of funds between products of the same legal entity (i.e within the same superannuation fund). Internal transfers do not incorporate transfers between separate legal entities, eg. transfers between a product controlled by MLC to a product controlled by IOOF would be incorporated in net flows. Note that internal transfers within MLC do not net to \$0 due to timing differences on balances transferred at the end of each reporting period.

2. Funds movement by Entity:

All Amounts \$m	FUMA 30-Jun-21	Net Flow	Internal Transfers	Pensions	Market/ Other	FUMA 30-Sep-21
IOOF	48,414	432	0	(213)	686	49,319
P&I	46,610	(776)	0	(160)	446	46,121
MLC	125,989	(529)	0	(381)	2,261	127,340
Funds under Administration	221,014	(873)	0	(754)	3,393	222,780
IOOF	23,509	(357)	0	0	469	23,621
MLC	74,182	(1,051)	2	0	1,534	74,667
Funds under Management	97,691	(1,407)	2	0	2,003	98,289
Total FUMA	318,704	(2,280)	2	(754)	5,396	321,069

3. Comparative funds movement for the quarter ended 30 June 2021

All Amounts \$m	FUMA 31-Mar-21	Net Flow	Acquired FUMA	Internal Transfers	Pensions	Market/ Other	FUMA 30-Jun-21
IOOF	3,448	11	0	(27)	0	171	3,603
P&I	16,390	(96)	0	0	0	896	17,190
MLC	0	18	35,068	(145)	(10)	567	35,496
Workplace	19,839	(68)	35,068	(172)	(10)	1,634	56,290
IOOF	6,526	(2)	0	80	(17)	329	6,915
P&I	3,974	76	0	0	(3)	219	4,266
MLC	0	(47)	20,210	132	(3)	362	20,654
Personal	10,500	(27)	20,210	212	(23)	910	31,836
IOOF	9,250	735	0	5,131	(66)	400	15,450
P&I	24,818	(579)	0	0	(173)	1,088	25,154
MLC	0	134	66,856	14	(112)	1,431	68,323
Advised	34,068	289	66,856	5,145	(352)	2,920	108,926
Private Trustee	4,422	39	0	0	0	114	4,575
Closed/Transition	22,371	(195)	1,425	(5,184)	(134)	1,102	19,387
Funds under Administration	91,200	92	123,559	1	(519)	6,680	221,014
IOOF	22,136	90	0	0	0	1,282	23,509
MLC	0	287	73,040	1	0	854	74,182
Funds under Management	22,136	377	73,040	1	0	2,137	97,691
Total FUMA	113,337	469	196,599	2	(519)	8,816	318,704

4. Active Advisers¹

Channel	30 June 2021	%	30 Sept 2021	%	3 month change
Employed	296 ³	15.2%	303	16.1%	7
Self-Employed (Licensed)	1,047	53.7%	984	52.3%	(63)
Self-Licensed ²	605 ³	31.1%	596	31.7%	(9)
Total	1,948		1,883		(65)

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 IOOF licensees, but to whom IOOF provides services through the Alliances, Dealer Associates and Connect business models.

3. Restated: Subsequent review of the status of MLC Advisers in the numbers for June 2021 has found: MLC Advice (Employed) – 10 advisers included previously do not actively provide advice.

Connect (Self-Licensed) – 17 advisers were Corporate Authorised Representatives, not individual advisers.

5. Practice Numbers

Channel	30 June 2021	30 Sept 2021	3 month change
Self-Employed Practices¹			
Bridges	2	1	(1)
Consultum	91	86	(5)
FSP	4	0	(4)
Lonsdale	62	50	(12)
M3	135	123	(12)
RI	126	124	(2)
GPG	35	35	0
Tenfifty	121	120	(1)
Total Self-Employed	576	539	(37)
Self-Licensed Practices²			
Alliances	72	72	0
Dealer Associates	21	19	(2)
MLC Connect	11	13	2
Total Self-Licensed	104	104	0
Total	680	643	(37)

1. Self-Employed refers to those businesses that are independently owned, but operate under one of the IOOF AFSLs.

2. Self-Licensed refers to those businesses that are independently owned, do not operate under one of the IOOF AFSLs, but utilise services provided by IOOF.

Appendix 1- Summary of Revised Methodology

Following the completion of the MLC acquisition, IOOF has revised the methodology used across to the group to calculate FUMA in order to ensure consistency of reporting across IOOF, P&I and MLC entities. In addition to consistency, the objective of new methodology is to better align recognition of FUMA with recognition of revenue to ensure gross margin percentages are more representative of the underlying economics of each reporting segment.

The new FUMA methodology sees reported FUMA reduce by \$134.7b, with no change to revenue or profitability.

1. Recognition of FUA and FUM associated with Master Trust and Investment Trust products

Under the previous methodology client monies was recognised as Master Trust FUA or Investment Trust FUM, and again as Portfolio Management FUM. This approach attempted to delineate between services provided to the client. The new methodology attempts to simplify the approach by removing the delineation and recognising the integrated nature of the investment solution.

There is no change in actual revenues or client monies managed associated with this change in methodology. There will be a re-alignment of income and expenses between reporting segments to better align the underlying economics with FUMA, and this will be updated in 1H22.

Following is a summary of the FUMA impacts :

- a. Impact on reported FUMA for the IOOF products
 - Nil
- b. Impact on reported FUMA for the MLC products
 - The new methodology will continue to report Master Trust FUA and Investment Trust products FUM but will not recognise the FUM associated with Portfolio Management (~\$102b)
- c. Impact on reported FUMA for the P&I products
 - The new methodology will continue to report P&I FUA but will not recognise the P&I FUM associated with Portfolio Management (~\$34b)

2. Treatment of FUM in majority owned Boutiques

IOOF will now recognise FUM at 100% for majority owned Boutiques. This aligns the recognition of FUM with the recognition of revenue and expenses which are fully consolidated. Previously FUM was reported at the proportional interest ownership.

3. Treatment of FUM where IOOF is the Responsible Entity and Product Issuer

IOOF will now recognise FUM at 100% wherever IOOF are the Responsible Entity and Product Issuer, including where the underlying management of those Funds is performed by minority interest owned Boutiques. This aligns the recognition of FUM to the recognition of revenue and expenses for RE and Product issuer services. Previously FUM associated with these Funds was reported at the proportional interest ownership of the minority interest Boutique.

A summary of the adjustments is included in the table below.

All Amounts \$m	Closing FUMA Per 30-Jun-21 Business Update	Net Adjustments*	Restated Closing FUMA 30-Jun-21
IOOF	48,414	0	48,414
P&I	46,610	0	46,610
MLC	125,989	0	125,989
Funds under Administration	221,014	0	221,014
IOOF	23,509	0	23,509
P&I	33,665	(33,665)	0
MLC	175,171	(100,989)	74,182
Funds under Management	232,345	(134,655)	97,691
Total FUMA			318,704

*The breakdown of net adjustments can be found below:

Breakdown of net adjustments	\$m
De-recognition of P&I Investment Management FUM	(33,665)
Total P&I	(33,665)
Recognition of majority interest in Boutiques at 100%	224
Recognition of 100% of FUM where IOOF is the RE- previously proportional recognition	852
De-recognition of FUM for Portfolio Management services	(102,065)
Total MLC	(100,989)
Total FUMA Adjustments	(134,655)

About IOOF Holdings Ltd

IOOF 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.

IOOF provides advisers and their clients with the following services:

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

Further information about IOOF can be found at www.ioof.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 IOOF 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, IOOF and its directors, officers, employees, agents, associates and advisors disclaim any obligations or undertaking to update publicly any forward-looking statements, whether as a result of new information, future events, or results or otherwise.