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**CHAIRMAN'S ADDRESS**  
**28<sup>th</sup> Annual General Meeting of Fiducian Group**  
**17 October 2024**

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Dear Shareholders,

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 2024.

### **HIGHLIGHTS**

Compared with the previous year, Net revenue increased by 11% to \$60.6 million, Underlying Net Profit After Tax (UNPAT), our cash generation capability, grew by 17% to \$17.7 million and Statutory Net Profit After Tax (NPAT) grew by 22% to \$15 million. Underlying earnings per share increased by 17% to 56.3 cents from 48.0 cents in 2023. Funds Under Management, Advice and Administration (FUMAA) grew by 10% to \$13.5 billion on 30 June 2024. Under current steady financial market conditions, it continues to rise and on the 30th of September FUMAA was \$14.2 billion.

Last year, Fiducian was included as one of the “Best under a Billion” by Forbes Asia. Companies are reviewed against a selection criteria which include growth in sales and profits and high return on equity. This was a positive recognition of Fiducian’s activities and a testament to the hard work done by our management team.

The Board’s mandate to management to operate a stable business that aims to deliver double digit growth over the long term based on the principles of People, Profit and Planet is being delivered.

### **BALANCE SHEET**

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, if circumstances dictate, 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.

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As a result, a fully franked final dividend of 21.1 cents per share has been declared for the recent half year, which will bring the total fully franked dividend declared for the 2024 financial year to 39.3 cents, an increase of 30% over the previous financial year. The full year dividend represents 70% of the Underlying NPAT (cash profit) for the year. The final dividend was paid on 12th September 2024 on issued shares held on the 29th of August 2024.

### **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**

Net operating cash flows increased from \$14.2 million in 2023 to \$19.5 million in 2024. Further, dividends of \$11.4 million were paid during the period and as well, \$1 million relating to a lease principal payment. As a result, net cash and cash equivalents increased by \$7 million (2023: increase \$2.2 million). Cash at year-end was therefore \$26.6 million compared to \$19.6 million at the end of 2023.

### **STAFF AND CHAIRMAN OPTIONS**

In accordance with the terms and conditions of the approved Employee and Director Share Option Plan, it has been determined that 85,000 options are to be issued to the Executive Chairman with respect to the year ended 30 June 2024, subject to Shareholder approval. The options can be exercised by him within five years on payment of \$7.26 a share. Details of the method of calculation and conditions attached to the options are presented in the Annual Financial Statements.

### **FINANCIAL PLANNING**

During the year, Funds under Advice grew from \$4.6 billion in June 2023 to \$4.8 billion in June 2024.

Internal training programs for financial advisers have intensified to enable them to deliver superior quality advice in a compliant manner. Consequently, client retention remains high. During this financial year several financial advisers retired, and new ones joined, the total number of financial advisers remained steady.

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 management to financial adviser ratios in Australia, but we feel this is necessary.

The Group provided loan funding of \$1.6 million to assist several franchisees to acquire financial planning practices.

Net inflows of \$281 million were received during the year. Practice Managers are focussing on helping our financial advisers lift their revenue, attract more clients and build their businesses. Our focus will remain on generating inflows through organic and inorganic growth, while further acquisitions of client bases that we believe can be quickly assimilated, continue to be negotiated.

### **SALARIED AND FRANCHISED OFFICES**

Fiducian Financial advice offices are now present in all states and territories of mainland Australia. Company owned offices now comprise over 50% of Funds under Advice. We now have 38 salaried advisers. Franchised offices also comprise around 50% of our Funds under Advice. We have 42 franchised financial planners nationally.

### **PLATFORM ADMINISTRATION**

Platform Administration offers portfolio wrap administration for superannuation and investment services to financial planners and as well, Separately Managed Accounts (SMAs) which offer investors direct access to a small number of shares and funds that are managed separately for them. Therefore, Fiducian labelled platforms for Fiducian financial advisers are now complemented by badged platforms and Auxilium, which deals only with the external independent financial adviser (IFA) market.

We have proven the capability of our administration system which is comfortably coping with the different requirements of external IFAs. Auxilium platforms for superannuation and non-superannuation IFA businesses are successfully competing against established players. Funds under administration for badges and Auxilium is gathering momentum. The first step of demonstrating the capability of FasTrack our administration system is progressing in full earnest and so far, 72 external financial advisers have registered with us to begin using Auxilium. We believe that Auxilium could become an important revenue earner for us.

Funds under administration on our Fiducian labelled platforms stood at \$3.55 billion on 30 June 2024. Overall growth in Net Funds under administration is driven by new inflows and market growth.

Funds under Administration for IFAs is around 11% of total Funds under Administration. Efforts are underway to build new relationships and increase net inflows from non-aligned financial planner groups, in particular, through SMA administration services and Auxilium.

## **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 is functioning well and carrying out its duties diligently. The Board is supported by the Office of Superannuation Trustee. It outsources key operational processes to specialist service providers and in particular to ensure accuracy in data reporting, has recently engaged a big four accounting firm to review data that is continuously reported to the Regulator.

During the year, Fiducian diversified funds were converted to Separately Managed Accounts. This is the rising trend in retail financial services. It gives investors the flexibility and control to alter their portfolios by themselves or with the help of their financial advisers, without being restricted by benchmark driven Trustee products that were introduced by us in 1997. This conversion allowed us to reduce our administration fees, which are getting closer to competing with Industry Fund fees and also against leading retail platforms that offer SMAs in the main. The fee reduction introduced on 01 June 2024 impacts our revenue by approximately \$1 million annually, which we intend to make up through higher inflows and funds under administration over the coming year.

## **FUNDS 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 to FORCE our financial planning system and to 'FasTrack', our platform administration system. The improvements provide integration with our on-line reporting tools and 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

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 as part of the Fiducian Family.

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 is a worldwide transformation of the work environment, which we have accommodated. We also understand the pressures posed by the cost-of-living crisis our employees are facing and have provided increases in salaries and bonuses to help them cope. 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 over 28 countries of origin, 22% are over 55 years of age, and 46% are female with 30% of them in senior roles.

## 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 that lift client care and operational efficiency.

## **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. Mrs Kerry Skellern who has operational experience and is also a consultant to other company directors joined the Board last year. Her appointment was ratified at the 2023 AGM and the skills she brings assist the board in its decisions.

## **GIVING BACK TO THE COMMUNITY**

Fiducian has continued providing support to community organisations and sporting teams linked to our financial planning network. We currently sponsor 18 amateur 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 couple of young lady golfers qualified last year for the USLPGA, while others are representing Australia as amateurs or turning professional.

Vision Beyond AUS (VBA), a charity supported by the Fiducian Group, has continued its services in hospitals in India, Myanmar, Nepal and Cambodia. More than 55,901 men, women and children who live in abject poverty have had their eyesight restored. In addition, surgical equipment has been donated to overseas hospitals. 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.

## **ECONOMIC AND FINANCIAL MARKETS**

The Australian economy grew 0.1% in the March quarter and 1.1% for the full year, sustained by consumption spending by households on essential items and by government on social benefits especially Medicare and energy rebates. However, the household saving ratio declined further and in per capita terms, the economy contracted for the fourth quarter in a row. High levels of immigration, a shortage of housing and relatively high interest rates are making home ownership difficult for young Australians. Many small businesses are struggling too and could close. Clearly the "cost of living crisis" is impacting ordinary Australians.

Domestic Interest rates ('RBA cash rate'), remains at 4.35%. While inflation has come down from its peak of 7.8% to around 4% now, the RBA would like more evidence of further declines before a rate cut is introduced. Unfortunately, Government spending is not supportive of the Reserve Bank's efforts. We believe it is likely to be higher rates for longer before visible signs of a slowing economy emerge.

The global economy has been growing at just under its longer-term trend rate, despite inflation fighting high interest policies of most of the world's major central banks. As the International Monetary Fund (IMF) noted 'while inflation trends are encouraging, we are not there yet'. However, the forecast is for average inflation to decline in the advanced economies. The objective is to engineer a soft landing, which is lower inflation and a slower economy, but with positive GDP growth.

Most major share markets have been strengthening since 2023. Indeed, through the first half of 2024, market movements have delivered high single digit to double digit increases. (18% for the NASDAQ). So, across the board, client portfolios have risen in value. This year could also bring positive results for clients, assuming that the inflationary outlook improves. The risk is that interest rates do not decline as expected because inflation remains sticky. Consequently, investors get disillusioned and sell out causing share markets to fall sharply.

Research forecasts we are receiving for 2024-25, suggest single to double digit positive earnings growth from companies represented on global share indexes. Therefore, we are approaching the coming year cautiously, but with a touch of optimism. Growth assets in our diversified portfolios remain marginally above benchmark, while our fixed interest exposure has been raised and is close to its benchmark. This represents a neutral strategy as we continue to observe the decisions of central banks and global financial institutions.

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 28 years our focus remains the establishment of a business with a rock-solid foundation and growth strategies to enable upscaling on existing capacity and leveraging our controlled, relatively low fixed cost base. This strategy has benefited us in difficult and uncertain times with increasing revenues and growing profits.

The Board's aim remains to build scale and deliver consistent double-digit earnings growth over the long term and Management is determined to stay committed to try and 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

Sydney

17 October 2024

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