

ASX Release Date: 1<sup>st</sup> February 2018

## December 2017 Quarterly Business Update

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### Highlights

- Transaction to merge with Linear successfully completed with the integration process on track, Executive appointments well advanced and merger synergies being realised against plan
  - Record quarterly net inflows for the pre-merger Managed Accounts business of \$113.6m for the quarter ended 31 December 2017 and net inflows of \$74.8m for the Linear business for the period from 16 November 2017 to 31 December 2017
  - Combined group Funds under Administration (FUA) as at 31 December 2017 of \$12.36 billion
  - Execution of four Memorandums of Understanding (MoUs) for the December 2017 quarter
  - Integrated approach to clients using a “best platform for the client” approach implemented
  - Linear international capability being assessed for use by the pre-merger MGP client base
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Managed Accounts Holdings Limited (ASX: MGP, the Company) one of Australia’s leading managed account and investment administrators, provides an update on the Company’s activities and business for the three months ending 31 December 2017.

MGP CEO David Heather commented, *“This quarter was one of the most significant to date for MGP as we completed the merger with Linear Financial Holdings Pty Ltd (Linear) and executed on a number of key tasks involved in that transaction that are expected to achieve real growth for the company and its shareholders, as the Company aims to confirm itself as Australia’s leading managed account and investment administration business. I’m very proud of the dedication of our staff during this period, as we achieved completion of a range of key tasks over the quarter, particularly from mid-November when the integration process commenced. A number of significant milestones, both operationally and commercially, have been achieved on time and on budget. In addition, efficiencies identified are better than expected and we aim to continue that trend as integration continues. Management are pleased with performance over the quarter and look forward to improving and progressing on a number of fronts including the integration.”*

### MGP and Linear Merger

As previously disclosed to the market on 16 November 2017, MGP successfully completed the merger with Linear Financial Holdings Pty Ltd (Linear) following an oversubscribed capital raising to part fund the transaction.

A merger update was released to the market on 14 December 2017 to provide the market with the status following the first 30 days of the merger.

The merger integration process continues to be on track with further detail on the status of the integration process outlined throughout this update.

## Record Quarterly Net Inflows into Pre-Merger Managed Accounts Business

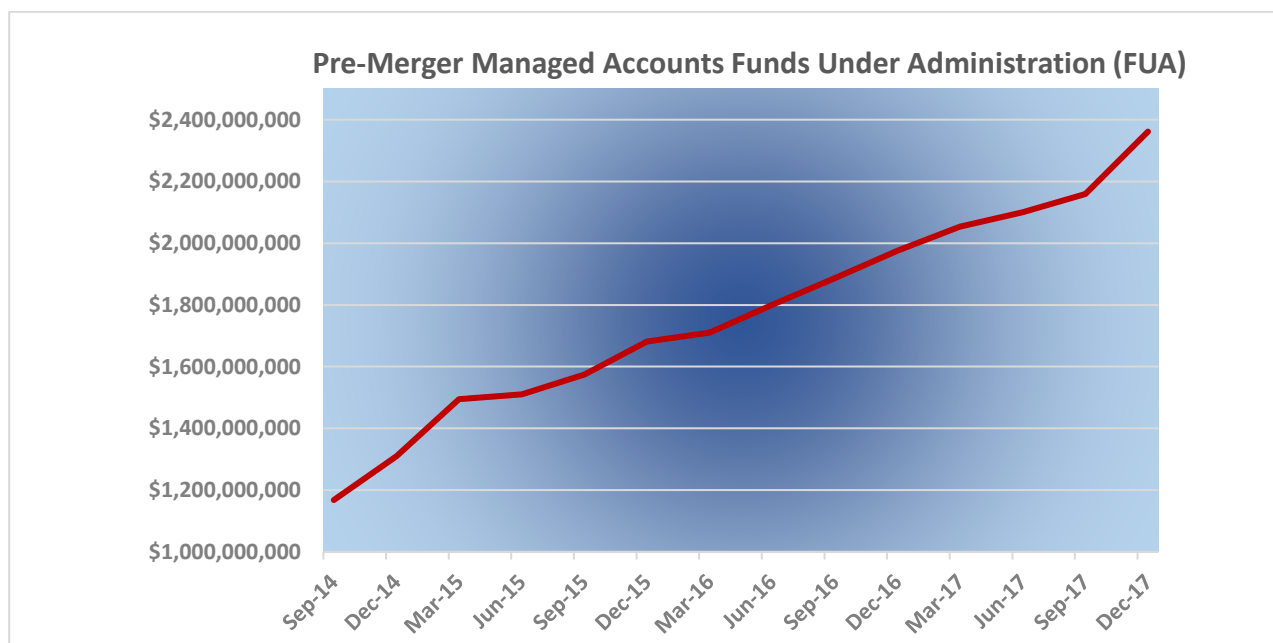
Net inflows for the pre-merger Managed Accounts business for the December 2017 quarter were a record \$113.6m. On a like for like basis, this represents a 285% increase in net inflows when compared to the September 2017 quarter. This increase in net inflows was due to a combination of organic net inflows from existing advisory firm clients and the transition of new clients from other platforms following an acquisition by an advisory firm.

There remains significant FUA suitable for transition to MGP services from existing clients. As well as being able to be invested into services such as the MDA Service, the Superannuation Service and in administration services which can use the ASX Sponsorship and Settlement capability, there are also discussions underway with some existing Licensees to migrate to the Linear solution where this is a better fit for the Licensee and their clients. This better fit will result in stronger potential for higher inflows from the Licensee.

The Training and Relationship Managers (TRMs) will continue to have a focus on delivering increased FUA flow from existing users as well as promoting MGP's wider suite of services (including the Linear capability) to MGP's existing pre-merger client base.

## Pre-Merger Managed Accounts Funds under Administration (FUA)

FUA grew during the December quarter, rising to \$2.36bn as at 31 December 2017. The chart below highlights FUA growth and the continued upward trajectory for the pre-merger Managed Accounts business.



### First Reported Flow and Funds Under Administration (FUA) for Linear

MGP is pleased to provide an update on the status of inflows and FUA for the standalone Linear business. Given that Linear has FUA based revenue streams and flat dollar revenue streams based on numbers of accounts, a combination of inflows, FUA and numbers of net new accounts have been provided in the table below. Inflows and numbers of net new accounts are for the period 16 November 2017 to 31 December 2017, whilst FUA is as at 31 December 2017.

Capability	Revenue Stream	Inflows	Net New Accounts	FUA
All Services excluding Portfolio Administration Service (PAS)	Fees as percentage of FUA	\$74.8m	N/A	\$4.54bn
Portfolio Administration Service (PAS)	Fees per Account	N/A	10	\$5.46bn
<b>Total</b>		<b>\$74.8m</b>	<b>10</b>	<b>\$10.0bn</b>

Full quarter data will be provided in the next quarter's update.

### Combined Group Funds Under Administration (FUA)

MGP is pleased to report Combined Group FUA as at 31 December 2017 of \$12.36bn as outlined in the table below.

Capability	Revenue Stream	FUA
All Services excluding Portfolio Administration Service (PAS)	Fees as percentage of FUA	\$6.90bn
Portfolio Administration Service (PAS)	Fees per Account	\$5.46bn
<b>Total</b>		<b>\$12.36bn</b>

### Pre-Merger Managed Accounts Memorandum of Understanding (MoU)

On 26 September 2017, MGP released an announcement to the market to explain the MDA and Superannuation Service Implementation Process. This update should be read in conjunction with this announcement.

During the December quarter, there were four new Memorandum of Understanding (MoUs) executed. The build for one of these MoUs is on track for rollout to new clients in February 2018.

MGP has previously flagged to the market in the March 2017 quarterly update that it had executed a Memoranda of Understanding (MoU) with a significant independent Private Wealth Manager. It also previously flagged to the market in the June 2017 quarter that the MDA Service being implemented had some unique requirements which have taken some additional time to implement, that implementation of capability to meet these additional requirements will enable MGP to meet a functionality gap in the broader market and that it was expected that the MDA Service would go live early in the fourth calendar quarter of 2017.

Following the completion of the merger with Linear, MGP management determined that the Linear capability was a better solution for the Private Wealth Manager, and this has been agreed by the Private Wealth Manager in January 2018. Using the Linear solution will enable the Private Wealth Manager to access market leading international and other capability that is superior to what MGP could offer in the pre-merger Managed Accounts business. The project to implement a solution for the Private Wealth Manager within the Linear capability is currently being scoped with the expectation to roll the solution out in second calendar quarter 2018.

MGP also flagged to the market in September 2017 that a MoU had been signed with Shaw and Partners. Discussions are continuing with Shaw and Partners to understand requirements and match up MGP's broader capability with these requirements. Additional announcements will be released to the market once these discussions are finalised.

### Live MDA Services

On execution of a Memorandum of Understanding with a Licensee, an implementation process is completed in conjunction with the Licensee to build the MDA Service. As at the end of December 2017, there were 38 live MDA Services with 2 MDA implementations in progress.

During the December 2017 quarter, one Licensee gave notice that they would be migrating clients to another provider. As at the end of December, six clients had been migrated with migrations now ceased as feedback received indicates that the Licensee's experience with the new provider has not met expectations.

Outlined below is a summary of the MDA Services currently in place.

Phase	Description	Number of Services
<b>Mature</b>	MDA Service in place and majority of Licensee clients transitioned	22
<b>In Transition</b>	MDA Service in place and transition of Licensee clients actively in progress	15
<b>Recent Live*</b>	MDA Service in place and recently live with transition of Licensee clients recently commenced	1
<b>Build</b>	MDA Service Implementation in progress	2

\*Recent Live are Services that have gone live in the past three calendar quarters

### Rollout of Superannuation Services

MGP continues to work diligently with the Trustee to roll out Superannuation Services with 14 Licensees live at the end of December 2017. MGP expects to continue to roll out further Superannuation Services in the first half of the 2018 financial year.

### Stockbroking Market Strategy

Following the recent finalisation of MGP's ASX Participation capability, MGP now has an expanded capability to efficiently deliver a Portfolio Administration Service (PAS) to ASX Participants and non-ASX Participants. The offer for non-ASX Participants will allow clients to be sponsored by MGP and trade through their broker of choice. This will be complemented by a Portfolio Administration Service (PAS), which will enable access to the MGP Cash solution which offers an attractive interest rate and portfolio and tax

reporting to the adviser and client; or a Managed Discretionary Account (MDA) Service, which offers the PAS capability plus the ability for the adviser to manage the client's portfolio with discretion.

To underpin growth in the stockbroking channel, Richard Carr commenced his role as Business Development Manager to focus on sales to both ASX participants and shadow brokers on 15 January 2018. It is expected that Richard will be able to match a wide range of MGP services and capability to further increase the recurring income streams of advisers.

Richard has joined MGP from Powerwrap, where he was most recently Head of Sales across Separately Managed Accounts, Wrap and Execution Services and led the sales activity and in turn growing FUA to more than \$7 billion on the Powerwrap platform.

Prior to Powerwrap, Richard has spent ten years managing teams in leading businesses across stockbroking, private client wealth management and funds management.

To support the delivery of this strategy, a review of operational requirements has identified that an additional senior resource is required to drive the delivery of the processes and technology requirements to underpin expected growth through this channel. There is no other resource considered necessary to support the delivery of this strategy, with all other functions shared across existing resources.

## **International Functionality**

Linear was one of the first platform providers in Australia to implement a true multi-currency international asset capability and now has a six year track record in the delivery of this capability to the market.

As at 25 January 2018, Linear administered over 1,000 international equity, managed fund and bond positions across 18 currencies, with FUA exceeding \$3.3 billion. This exceeds the total value of international FUA administered by every other mainstream platform in Australia.

MGP is well advanced in the analysis phase to incorporate this international capability into the Managed Discretionary Account (MDA) functionality.

## **Executive Team Structure**

Following on from the merger, the CEO, David Heather continues to finalise the Executive Team. This includes the filling of budgeted positions in the pre-merger MGP business which were not filled when it was apparent that the merger transaction would complete.

Tony Nejasmic, Head of Distribution and Marketing, has been in his role since late May 2017.

Craig Giffin, who has been on a contract basis with MGP since February 2017, moved into a permanent role as MGP's Head of Risk, Compliance and Legal in November 2017. Craig has over 30 years' experience in risk management and compliance having previously held global and Australian/ Pacific leadership and director roles in firms specialising in asset management, wealth management and integrated financial services businesses.

The Chief Operating Officer, a budgeted but vacant position at MGP pre-merger, will be based in Melbourne and be responsible for all operational, technology and projects across the Group. Given the growing international securities exposure of the Group, a global search process is well advanced.

The appointment of the Head of Product, an existing budgeted position, is expected to be finalised in February.

The existing Finance Teams of both organisations are fulfilling a Finance role currently. The requirement for a Chief Financial Officer will be assessed in future months.

## Synergy Update

The Company has previously flagged to the market that the merger process is expected to result in the delivery of \$3.5m in synergies through the merger integration process. These synergies cut across occupancy costs, service provider costs, executive team salaries and other savings. Continued progress has been made across several streams:

- **Occupancy Costs**

New accommodation has been reviewed for the existing Melbourne Office and a Heads of Agreement was executed on 22 December 2017. The review of formal lease documentation is well advanced and expected to be executed in early February 2018.

- **Executive Salaries**

The previous update flagged the migration of previous Linear Executive staff to a consulting firm and the contracting back of their services to MGP for a minimum period of twelve months. In addition to the Executives outlined in the progress update provided to ASX on 14 December 2017, two additional members of the previous Linear management team are expected to migrate to this consulting firm at the end of February 2018.

This is expected to increase the annualised total saving in salaries achieved to \$1,120,000, which is offset by fixed consulting fees of \$804,000 over the next twelve months.

### Service Providers

A review of service providers across technology and operational delivery is in progress to identify savings across the Group, particularly where common service provider or common services are used.

This review and an action plan is expected to be completed by 31 March 2018.

### Valuation of Linear Assets

The acquisition accounting for the Linear transaction is being finalised for inclusion in the half year financial statements for December 2017. A valuation of Linear assets including Linear software is near complete as part of this process.

### Tax Losses

A review of tax losses for the Linear business has been underway since November 2017 and is near completion. It is expected that this will be updated to the market over the next two weeks.

Contact

David Heather  
Chief Executive Officer  
(02) 8006 5900  
[david.heather@managedaccounts.com.au](mailto:david.heather@managedaccounts.com.au)

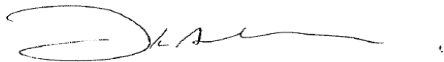
Peter Taylor  
Investor Relations  
0412 036 231  
[peter@nwrcommunications.com.au](mailto:peter@nwrcommunications.com.au)

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**About Managed Accounts Holdings Limited**

Managed Accounts Holdings Limited is a specialist provider of investment administration services with a specialisation in managed accounts. Established in 2004, it provides superior administration and technology solutions to some of Australia's leading stockbrokers, wealth managers, and financial advisory firms. Following the merger with Linear Financial, Managed Accounts is responsible for funds under administration of \$12.36 billion.

**Authorised by:**



**Don Sharp**  
Chairman  
Managed Accounts Holdings Limited