

**ASX Release Date: 17 April 2020**

## INVESTOR UPDATE COVID-19

Xplore Wealth Limited (ASX: XPL) ("**Xplore Wealth**") would like to take this opportunity to update the market on Xplore Wealth's response to the COVID-19 pandemic and its impact on the business.

Xplore Wealth is one of Australia's longest serving non-bank owned Specialist Platform Providers (SPP) and investment administrators, with extensive expertise in managed accounts.

Xplore Wealth fully owns an Australian Prudential Regulatory Authority (APRA) regulated Registrable Superannuation Entity (RSE) licence, Aracon Superannuation Pty Ltd (ABN 13 133 547 396, AFSL 507184, RSEL L0003384) ("**Aracon**"), the trustee of Aracon Superannuation Fund (ABN 40 586 548 205).

Xplore Wealth also fully owns Investment Administration Services Pty Limited (ABN 86 109 199 108, AFSL 284316) ("**IAS**"), a Managed Discretionary Account (MDA) Operator providing investment administration and platform services to Retail Clients who have appointed their own third-party External MDA Adviser.

Xplore Wealth's Investment Platform, broad Managed Account offer and Superannuation services provide an array of wealth management options for Australia's financial advisory firms, full-service stockbrokers and wealth managers.

## COVID-19 Response and Impact

### Highlights

- **Xplore Wealth continues to serve clients seamlessly through volatile markets**
- **Managed Discretionary Account structure advantages come to the fore in these times**
- **Elevated trading (and cash) levels as advisers rebalance their clients' portfolios - net neutral revenue impact overall for the March quarter**

As an immediate response to COVID-19 Xplore Wealth set itself two interdependent objectives - ensure the health and safety of our people and their families whilst at the same time continuing full business operations. Staying "safely" open for business has been critical to enable our clients to confidently support and reassure their clients during these uncertain times.

### **Business Continuity Plan ensures efficient, secure remote working and seamless customer service levels**

Responding to COVID-19, we put into place Xplore Wealth's Business Continuity Plan (BCP) across our three offices in Sydney, Melbourne and the Gold Coast.

- Pleasingly Xplore Wealth was able to, and continues to, have all our teams across Australia working remotely. Upgrades to our technology infrastructure, cyber security software and workflow management processes undertaken prior to COVID-19 has meant our people and clients have remained connected. This has made it possible to effectively deliver promised services to our clients, with no apparent negative impact on productivity or service standards. To support our clients during this period of extreme volatility our people have risen to the challenge, going the extra mile to deal with increased enquiries, transaction volumes and increasing our trading hours for clients who trade International assets.
- Xplore Wealth has enhanced our email security by upgrading our Anti-phishing Policy and introducing End User Quarantine for Office 365 as per Microsoft's recommendations. The Anti-phishing checks have been configured to scan all incoming messages for indicators that the message may be phishing and quarantine all emails which are deemed to be malicious.

- In relation to trading we have seen a marked increase in average monthly volumes, with March trading volumes approximately two to three times normal levels. The increased volume of trading (and associated administration) has been processed as usual, ensuring our clients can quickly rebalance their clients' portfolios, switch investments and redeem funds without any interruption.
- The Senior Leadership team meet virtually daily to monitor key developments and refine our BCP plans where needed. Also, a virtual weekly meeting with all leaders at Xplore Wealth takes place to gather further insights, manage any issues and gauge the effectiveness of BCP actions put in place. With stage one (Working Remotely) of our BCP fully operational, tested and effective we have now moved into stage two, which evolves around our peoples' mental and physical wellbeing. This stage will involve tools, tips and technology to further adapt and arm our people to tackle the challenges and setbacks whilst in isolation.
- In terms of our suppliers Xplore Wealth is in constant contact with our key suppliers such as ANZ, Securities Software & Consulting (SS&C), JP Morgan (JPM), HSBC, Secure Agility and our Responsible Entities (RE) Perpetual & REPL to understand their COVID-19 response and possible impacts to Xplore Wealth. Encouragingly no issues of substance have emerged to date.

### **Xplore Wealth's business model validated**

There are a couple of key market insights and observations gathered so far during this pandemic from our clients and validated by our data.

- Firstly, Managed Discretionary Accounts (MDA) (as well as Separately Managed Accounts (SMA)) have reaffirmed their status as a very efficient structure to confidently support Advisers and Investment Managers manage their clients' wealth. The ability to transact quickly and efficiently during volatile market conditions is critical. Not having the time-consuming need of contacting all clients ahead of executing on trades has allowed portfolios (where appropriate) to rapidly adjust to market conditions. As already mentioned, we have seen over the last four weeks trading levels double to triple on normal levels as Investment Managers reweight portfolios more defensively. Also, cash held has increased over the period, and is ready to re-enter the market when volatility normalises. This benefit will potentially be further highlighted where corporates are required to recapitalise in the current environment via capital raisings.
- Secondly, portfolio positioning naturally varies, dependent on the Investment Manager and their investment mandate. In addition to many Investment Managers reweighting portfolios more defensively to cash, there is also evidence of some Investment Managers selectively increasing equity exposure in some portfolios after being underweight for a considerable period, whilst waiting for more attractive valuations. Also, we have some Investment Managers benefitting from stop losses within their portfolios so that exposure to growth assets was reduced early in the market downturn in favour of cash.

We have observed a decline in funds under administration (FUA) as a result of the recent market volatility. The ASX All Ordinaries was down 22% from 31 December 2019 to the end of March 2020. Xplore Wealth's FUA for the same period was down 8.7%, attributed to negative market movements. This has resulted in a decline in FUA based administration fees for the quarter. However, this decline has been largely offset by higher transaction-based fees associated with the uplift in trading activity and higher cash margin from elevated cash levels, as mentioned above. As at 31 March 2020 FUA was \$14.51 Billion which is 9.1% higher than the prior comparable period (pcp).

Over the last six months Xplore Wealth has taken steps to ensure that its clients receive at minimum, RBA Official Cash rate on their cash holdings. With the recent reduction in the RBA Official Cash Rate, Xplore Wealth has ensured that none of its clients under the legacy pricing schedule, are being charged negative interest. The drop in our cash margin due to our overall strategic pricing review has been largely offset by clients holding a greater percentage of their portfolio in cash during this period and repricing other fees.

As previously reported, Xplore Wealth has commenced a significant program of work (“One Platform Program”) focused on creating operational efficiencies and reducing its cost base. Additional steps have been taken in March to accelerate the components of the One Platform Program that will provide the greatest financial benefit to the Xplore Wealth Group in the short term. In addition to the One Platform Program, the leadership team has commenced extra initiatives with the purpose of reducing operational costs of the business to protect the financial position of the business during this period of ongoing market volatility.

Mike Wright, CEO highlighted, *“I am pleased with the way our high-quality team at Xplore Wealth is continuing to serve clients’ needs in these challenging and volatile times. We are working well remotely and remain focused on executing our strategic priorities to deliver improved profitability. These times highlight the value of our Managed Discretionary Account service. It is proving highly efficient and helpful for advisers as they rebalance clients’ asset allocations and manage elevated trading levels. Overall, our revenues are consistent with internal expectations with FUA levels relatively outperforming recent market movements.”*

Further information will be provided in the Quarterly Activity Report in the coming week.

#### Contact

Mike Wright  
Chief Executive Officer  
0407 641 996  
[mike.wright@xplorewealth.com.au](mailto:mike.wright@xplorewealth.com.au)

Bruce Hawkins  
Chief Financial Officer  
0400 351 272  
[bruce.hawkins@xplorewealth.com.au](mailto:bruce.hawkins@xplorewealth.com.au)

---

#### Authorised by

Mike Wright  
Chief Executive Officer

This release contains forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of Xplore Wealth Limited (Company) to be materially different from those expressed or implied in this release including, amongst others, changes in general economic and business conditions, regulatory environment, results of advertising and sales activities, competition, and the availability of resources. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release. Except as required by law, the Company assumes no obligation to update or correct the information in this release. To the maximum extent permitted by law, the Company and its subsidiaries and officers do not make any representation or warranty as to the likelihood of fulfilment of any forward-looking statements and disclaim responsibility and liability for any forward-looking statements or other information in this release. This release should be read in conjunction with the Company’s other ASX announcements and releases.