INVESTSMART GROUP LTD.

16 October 2019

Attention: Company Announcements
ASX Limited

InvestSMART Business Update – Quarter Ending 30 September 2019

We present below our unaudited financial results on a consolidated basis to assist in understanding our underlying performance:

	FY20 Q1	**FY19 Q1**
	(Qtr end Sep 2019)	(Qtr end Sep 2018)
Commissions income - Fund Managers^	1,066,546	1,292,702
Commissions income - Insurance	400,125	461,579
Funds management fees	230,296	192,101
Subscription income	1,098,176	1,121,310
Other Income ʘ	13,869	21,789
Total Income	**2,809,012**	**3,089,480**
Rebates paid	435,309	491,276
Employee costs	1,329,937	1,464,324
Marketing costs	82,264	690,117
Other expenses	759,581	641,440
Total Operating Expenses	**2,607,092**	**3,287,157**
Operating Profit Before Tax, Amortisation and EBE	**201,920**	**(197,677)**
Cash at Bank (end of period)	**4,997,672**	**4,769,028**

^Includes commissions from Home Loans and General Insurance

ʘ Other Income includes interest earned on cash-at-bank and gains on investments (excluding unrealised gains on ventures investments)

Commentary on financial performance for Q1 FY2020

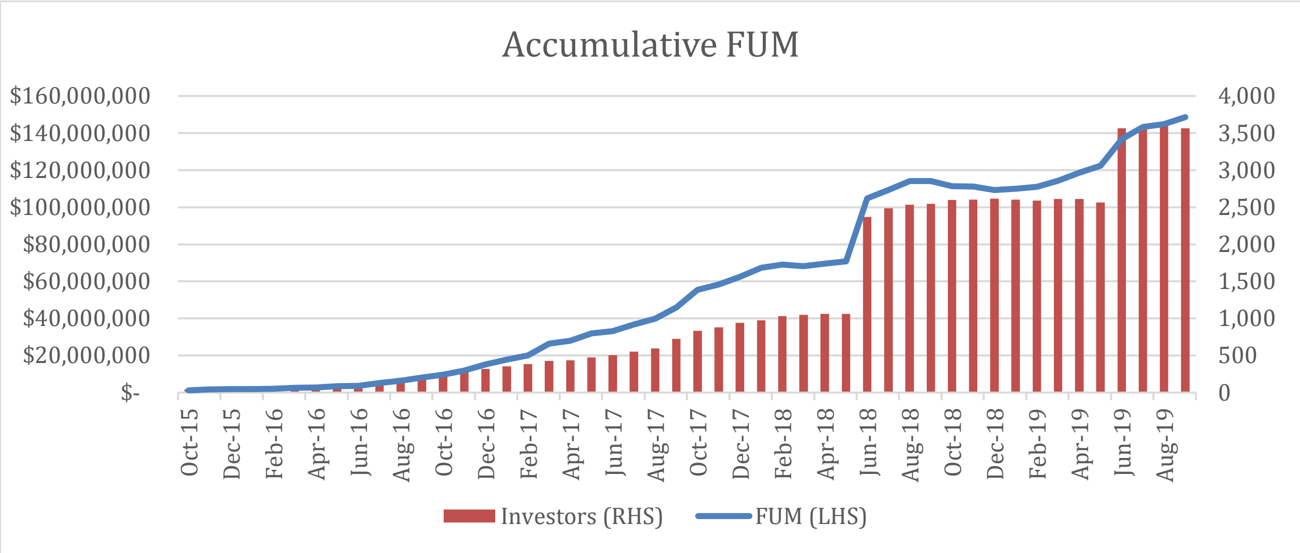
Commissions Income - Fund Managers & Insurance

Income, Gross Written Premium and client retention rates were within management's expectations for the quarter. As the government has passed legislation to terminate trail commissions on managed funds by 1 January 2021, we have seen an increased number of fund managers terminating trail fees in this quarter. We expect this trend will accelerate in the period to 1 January 2021. Insurance commissions have declined as a result of the Hayne Royal Commission in line with management expectations.

Funds Management Fees

Total funds under management (FUM) have grown from $114m at 30 September 2018 to $149m at 30 September 2019, resulting in a 20% increase in fees over the prior corresponding period. The introduction of Australia's first capped fee products in November 2018, has increased FUM inflow.

The chart below shows growth in FUM and funds management clients since October 2015:

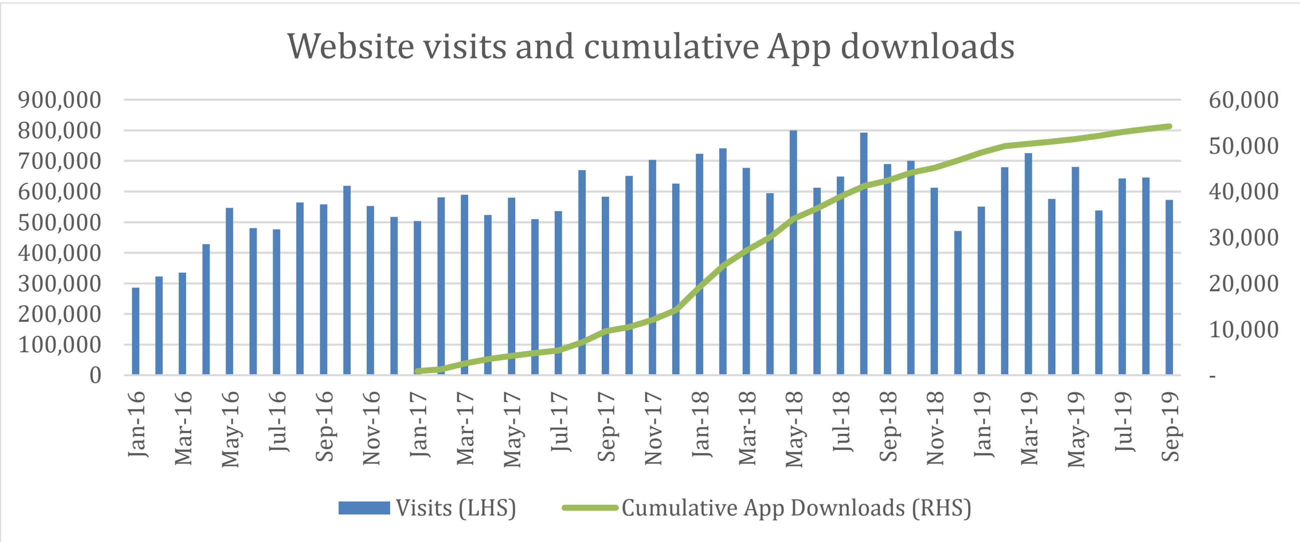


Subscriptions

Eureka report retention rates have stabilised and are beginning to grow modestly with the return of Alan Kohler as Editor-in-Chief and were within management's expectations for the quarter. Intelligent Investor retention rates remained consistently high for the quarter.

Operating expenses

As noted in the June 2019 year end commentary, we have substantially reduced marketing expenditure since December 2018. The Group is focused on converting our existing large database of potential clients and articulating the benefits of our digital wealth advice platform and low-cost online investment services to existing and new members.



Website refresh

The Group has recently overhauled the Intelligent Investor, Eureka Report and InvestSMART websites adding new features, calculators and tools and ensured that all website services are on a common technology platform which will make future development and maintenance more efficient and cost-effective. The feedback from members and customers has been overwhelmingly positive, and management believe the changes will lead to higher conversion rates of non-paying members into paying customers.

Growth Opportunities

As previously announced, InvestSMART is in the process of transitioning away from grandfathered commission revenue toward funds management fee income from in-house products and services. To implement this strategy, InvestSMART has a suite of passive and active portfolios to cater to a wide variety of investors and investment profiles. Most recently, the Company has successfully launched the ASX-listed InvestSMART Ethical Share Fund (ASX Code: INES) in June 2019.

Given the current Australian economy, recent Banking Royal Commissions and scalability of funds management as a business, the Board believes it is the right time to assess all available growth options to capitalise on the Group's strong distribution capabilities and brand equity in its stable of services including InvestSMART, Intelligent Investor and Eureka Report and its unique position as Australia's largest direct to market online digital wealth platform. The review will consider all options including but not limited to commercial partnerships, joint venture or merger of the Group with other organisations. InvestSMART will continue to update shareholders in relation to the progress of this review in accordance with its continuous disclosure obligations.

The Board has appointed Berkshire Global Advisors Pty Ltd to advise the Company in relation to this review.

For further information or comment, please contact Paul Clitheroe, Chairman, or Ron Hodge, Managing Director and CEO, at InvestSMART Group on 02 8305 6000.