

FUTURE SUPER

Future Super 2020 Investor Update

Dear investors,

With the turn of the new year, I wanted to take the chance to look back and update you on what was a fantastic year for Future Super, as well as a tipping point for momentum in the climate movement more broadly.

This update covers:

1. Update on growth & investment performance
2. Update on financial performance and
3. Update on fee reductions

Some highlights include:

- Growing the funds on which we earn revenue on by 96% during the calendar year
- Reaching a *member* Net Promoter Score (NPS) of 80 (a record high for the superannuation sector where the median is negative). This score is a measure of the likelihood of members to refer people they know to Future Super.
- Reaching a new record for *employee* satisfaction (employee NPS of 80 vs financial services median of -30)
- Providing our members with strong investment performance despite Australia experiencing its first recession in 29 years (our Balanced Index product returned +7.49% during calendar year 2020)
- Providing our members with a significant fee reduction that brings our basic Balanced Index product down to 0.87% + \$1.80/week. This translates to \$530 for a member with a balance of \$50,000. This is substantially lower than the median fee in the Australian superannuation sector.

Another change we made towards the end of last year was bringing Peter Gold onto the board as our new Chair. As you may recall, since we started Future Super I had been acting as both CEO and Chair. However, the business has now reached the size where we felt it was time to bring on a non-executive Chair. Peter was our lead Series B investor and brings both a commitment to climate action and incredible business experience and acumen. I'm personally committed to staying in the role of CEO for the long term and am excited to work with you and our incredible team as we seek to rapidly scale our impact in the coming years. I'm so grateful to Peter for his willingness to undertake this role.

I'll be in touch again in a few weeks to organise an Extraordinary General Meeting. We have some administrative changes to our constitution and shareholders agreement to put to shareholders and I expect to be in a position to hold this meeting toward the end of February.

As always, please don't hesitate to get in touch with any questions.

Regards,

Simon Sheikh, CEO Future Super Group

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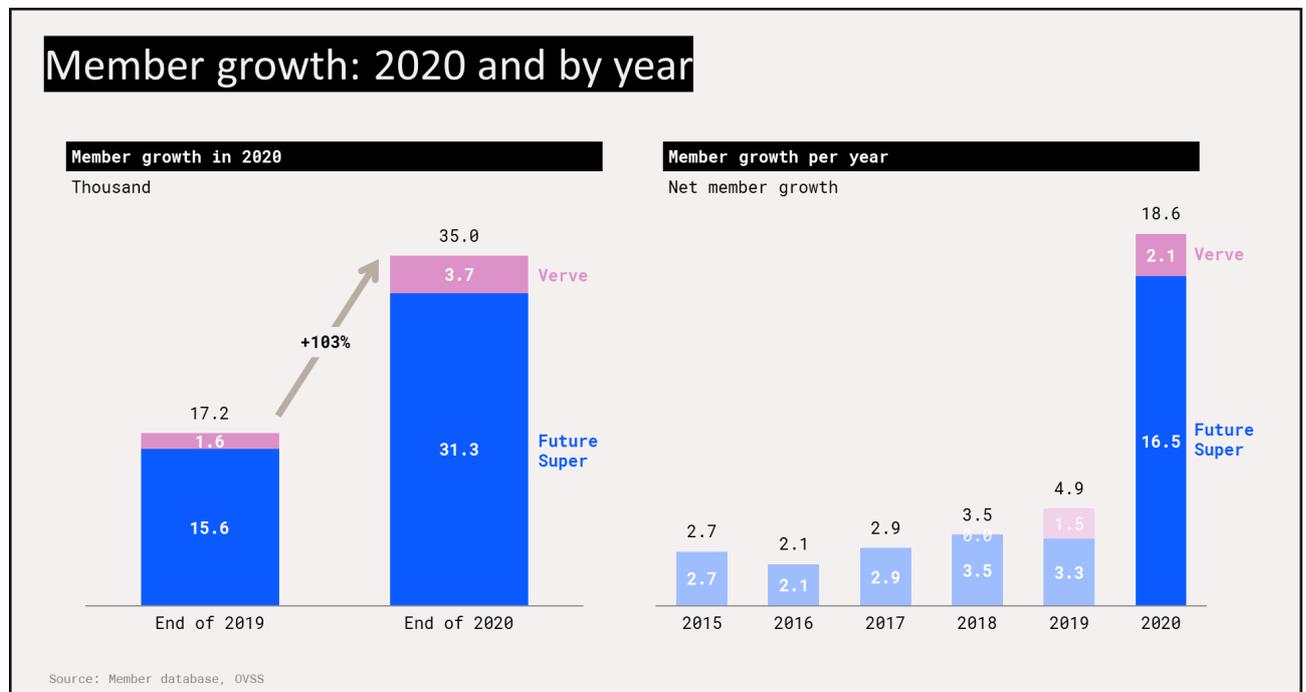
1) Growth and performance update

Future Super experienced a step-change in our growth rate in 2020.

Member growth

We more than doubled the number of members in the fund during 2020.

As shown on the below chart, member numbers grew by 103% to ~35,000 between the end of 2019 and the end of 2020. The >18,000 members added in 2020 is more than 3.5x greater than member growth in any other year.



Funds under management growth

We also experienced very strong funds under management growth during 2020. As a reminder we earn revenue from three sources:

- Promotion and Investment Management of the Future Super Fund (including the Verve Super division of the fund)
- Investment management services provided to other super funds (e.g. Cruelty Free Super) and

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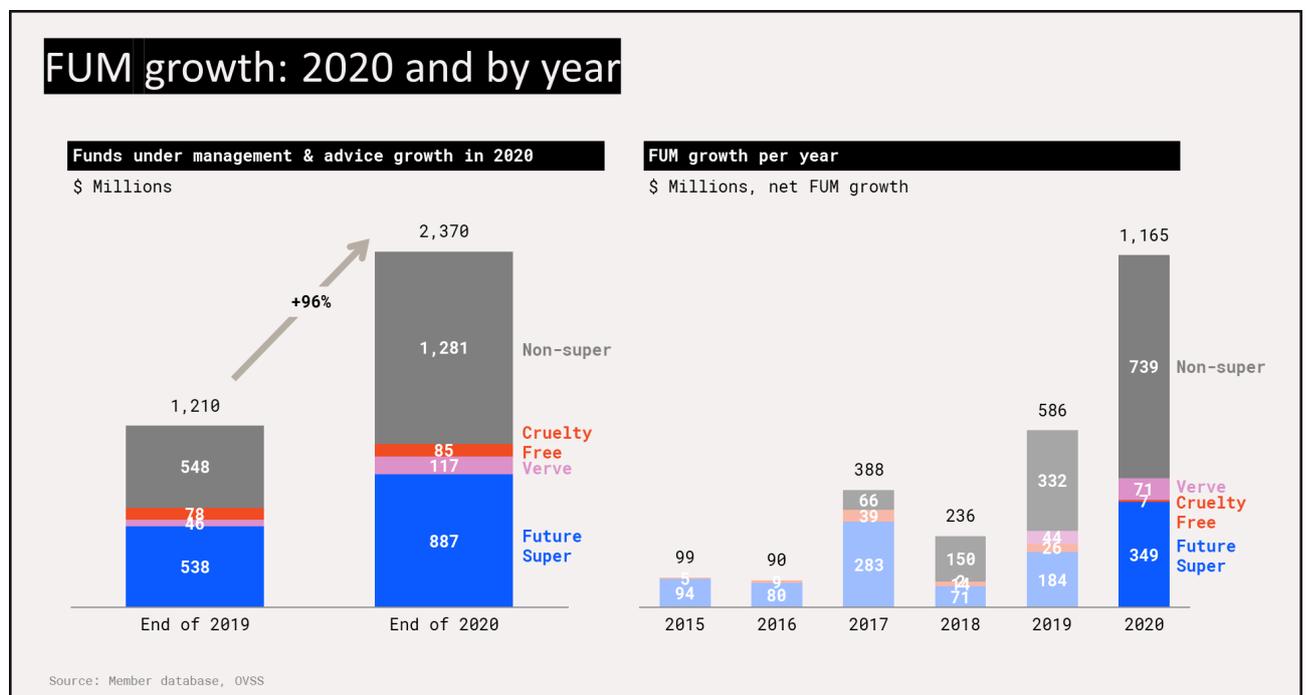
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- Investment management and ethical advisory services (e.g. services provided to BetaShares)

The total funds covered by these three areas of our business amount to \$2.37b as at the end of 2020. This represents 96% year on year growth – a rate of growth that is more than double what we’ve been able to achieve in any previous year.

Future Super Group now manages over \$1bn in superannuation FUM (in fact, in mid-December we reached the milestone of having \$1bn in FUM on the Future Super Fund alone), and an additional \$1.2bn in the ethical ETFs run by BetaShares.

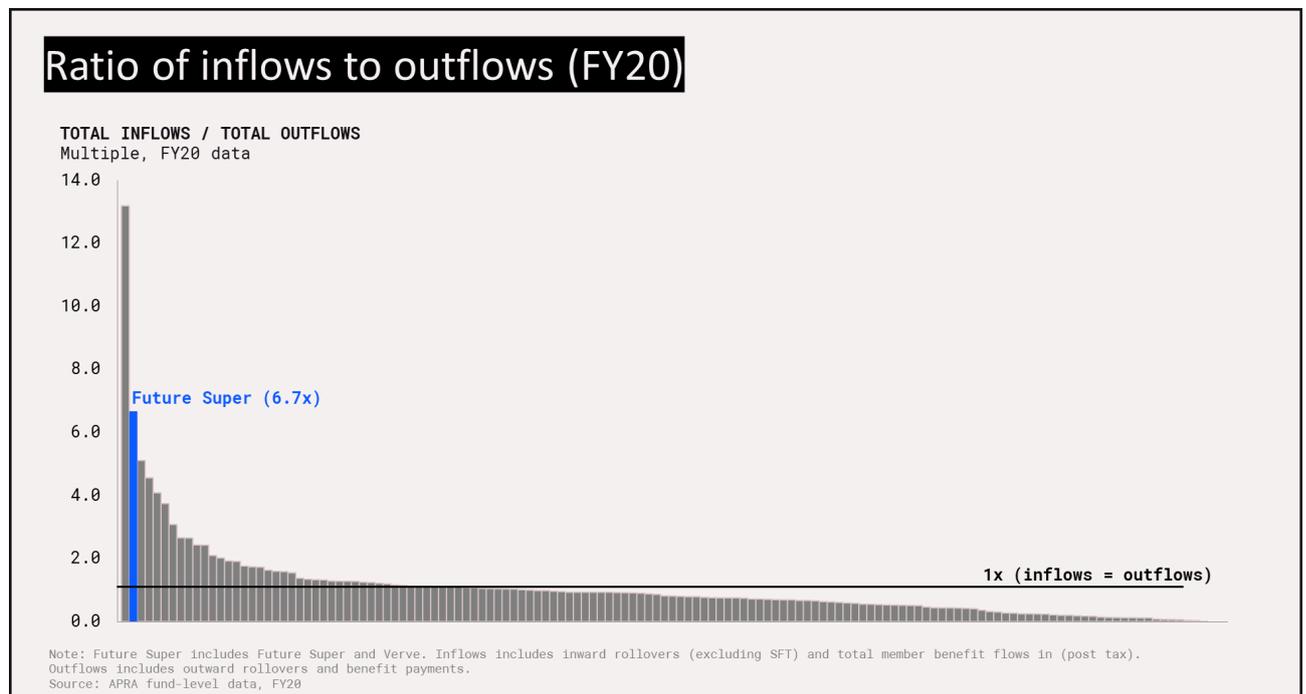


Our FUM growth is strong when compared to the broader industry. The below chart uses APRA data to benchmark the ratio of total inflows to total outflows super funds achieved in FY20. Future Super achieved the second highest ratio (behind Australian Defence Force super), with our net inflows (including inward rollovers and member contributions) representing 6.7x as much FUM as our outflows (including outward rollovers and benefit payments). With 62% of the 137 funds included in the dataset experiencing more outflows than inflows, our growth is >8x the median fund.

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Performance

Our investment options and the products we manage or advise on all performed strongly during 2020.

As highlighted in previous investor updates, the three Future Super accumulation products took out the top 3 spots for FY20 investment performance (out of the more than 200 balanced products covered in SuperRating's monthly survey), each outperforming the median balanced fund by more than 5.5%. Late in the year we were advised by Rainmaker that their risk adjusted survey also showed us taking the number 1 spot. This is particularly important as it shows the fundamentally conservative nature of our investment philosophy.

Our investment options have continued to perform strongly into FY21. As shown on the below chart, our options have placed 3rd, 8th and 9th in the 1 year to November 2020 (the latest comparative data available).

Our products have also outperformed over a longer timeframe, with Balanced Impact placing within the top 10% of products over 3 years, and above median over 5 years.

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Investment performance (after fees)

	Product	1 year to Nov 20*	3 years to Nov 20*	5 years to Nov 20*
Benchmark	SuperRatings SR50 Balanced Index	2.20%	5.98%	6.90%
Future Super Group products	Balanced Impact	5.51% (9)	7.49% (16)	7.08% (80)
	Renewables Plus	5.95% (8)	n/a	n/a
	Balanced Index	6.79% (3)	n/a	n/a
FSG outperformance	Across all products	3.31-4.59%	1.51%	0.18%

* Rank out of >200 balanced products in parentheses
Source: SuperRatings – November 2020 survey

2) Financial performance update

We continue to experience strong growth in Annualised Recurring Revenue (ARR), which has grown from approximately \$6m as at January 2019 to \$9m at the start of 2020 and almost \$15m today. The below figures are for the calendar years and highlight total operating income of \$11.87m during the calendar year. Funds management businesses like us are typically valued on a multiple of ARR, hence our focus on tracking this metric (a better metric for fast growing businesses).

	2019	2020	Growth
Future Super Product Revenue	\$ 5,699,536	\$ 8,834,710	55%
Verve Super Revenue	\$ 180,466	\$ 742,100	311%
Cruelty Free Super Revenue	\$ 1,011,513	\$ 1,100,563	9%
ETF Revenue	\$ 636,136	\$ 1,196,328	88%
Total operating income	\$ 7,527,651	\$ 11,873,701	58%
ARR at the end of year (Dec 19 & 20)	\$ 9,193,743	\$ 14,867,027	62%

We continue to grow our investment in marketing and growth initiatives whilst seeking to stabilise our fixed costs. Expenses ran to \$14.4m in calendar year 2020 for an operating loss of \$2.5m. We spent almost \$3.5m last calendar year on marketing initiatives (excluding the cost of marketing staff and related IT). The business remains in a strong financial position with approximately \$13m cash at bank.

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3) Update on fee reductions

With our fund scaling rapidly, we are in a position to pass on the benefits of scale to members. We believe this is a prudent approach to retaining members and increasing growth.

From the 1st of January 2021, our fees have reduced across our investment options as follows:

- Balanced Index: Reduction of 9.6bps for a total percentage fee of 0.87%
- Balanced Impact: Reduction of 26bps for a total percentage fee of 1.48%
- Renewables Plus Growth: Reduction of 26bps for a total percentage fee of 1.49%
- Pension: Reduction of 9.6bps for a total percentage fee of 0.87%

With 90% of our members invested in the options receiving the largest decreases, the weighted average fee decrease across Future Super is ~24bps. This represents the largest fee reduction we have ever been able to provide to members.

As always if you have any questions please don't hesitate to get in touch. Thank you again for your support.