



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: iFAST Corporation Ltd.

Stock code: AIY

Meeting details:

Date: 25 April 2022

Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As disclosed in the chairman's statement, the group experienced another year of robust growth, with assets under administration ("AUA") reaching a new record of \$19.0 billion. The 31.5% year-on-year growth was propelled by net inflows of client assets of \$3.75 billion, which is also a new record.

Chart 1: Group AUA

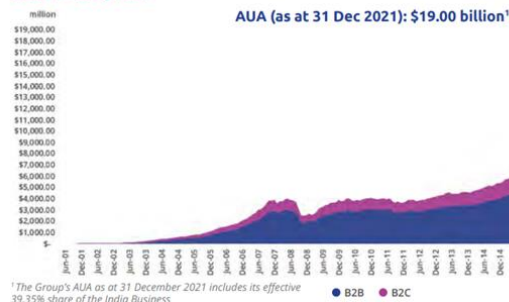
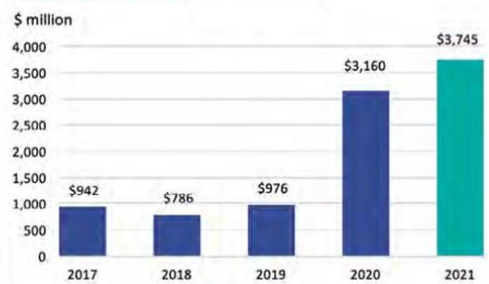


Chart 2: Net Inflows



(Adapted from company annual report)

The AUA of unit trusts, the group's key investment asset class, grew to a record \$13.89 billion as at 31 December 2021. It appears that the group remains on track to achieve a AUA target of \$100 billion by 2028.

- (i) **Given that net inflows amounted to \$3.745 billion, does it mean that the AUA gained approximately \$805 million due to a more buoyant market?**
- (ii) **Would management agree that net inflows will be the main driver of the AUA growth?**
- (iii) **In the event of a severe market downturn, how sensitive will the inflows/outflows of client assets?**
- (iv) **Did the pandemic alter the way people save and invest? If so, how did the group benefit in the past two years?**

The group has built up an impressive portfolio of investment products (over 14,000), provides access to 5 stock markets and has distribution agreements with over 280+ fund house partners.

- (v) **Are there plans to further increase its stock market access?**
- (vi) **From the "iFAST in Numbers" summary (page 3 of the annual report), the number of fund house partners has increased gradually from 260+ in FY2019 to 270+ in FY2020 and to 280+ in FY2021. Does the group already have most of the reputable fund houses signed up as partners? If not, how will the group be acquiring more fund houses as partners?**



- (vii) **China:** After an impressive 210.6% revenue growth in China in FY2020, the growth rate moderated to 37.3%. Despite the volatility in the China market, the AUA of the China operation increased 75% to over RMB2.33 billion (equivalent to \$496 million) as at 31 December 2021. **What is the management's risk assessment of policy reforms and initiatives in the Chinese market?**
- (viii) **Bonds market place:** The group is applying for a 'Recognised Market Operator' licence with the intention to operate a 'bonds market place'. This has been identified as a gap that is adjacent to the group's wealth management business. **Has management analysed why "bond exchanges" do not exist given all the innovation that has happened in the capital markets? How does management ensure that a "bond exchange" would have the necessary liquidity/volume and be profitable for the group? How much would the group be investing to start a "bond exchange"?**
- (ix) **Is the group intending to custodise additional bonds for more clients? What is the value proposition or benefit for clients?**

Q2. On 7 January 2022, the group announced the proposed acquisition of UK-based BFC Bank Limited from BFC Group Holdings. Following the completion of the acquisition, the bank has been renamed iFAST Global Bank Limited ("iFAST Global Bank"). Management targets to achieve profitability for the iFAST Global Bank starting 2024.

The group estimated initial start-up losses of approximately \$4.0 million in FY2022.

- (i) **How different is the UK in terms of banking regulations? How familiar is management with that?**

- (ii) **Will there be sufficient bandwidth in the senior management team to run the existing businesses and iFAST Global Bank?**
- (iii) **Does the group have senior and experienced bankers on the ground to manage iFAST Global Bank?**

One of the reasons given by the company to support the purchase of the bank is that the biggest distributors of wealth management products in the world are banks. However, it could be due to the fact that traditional banks have a large customer base to begin with.

- (iv) **What is the size and profile of BFC's customer base?**
- (v) **With the payment infrastructure of BFC/iFAST Global Bank, what are the services and products that the group can start to offer?**
- (vi) **Has the nominating committee evaluated if the board has the necessary experience and expertise to provide oversight of the group, after the inclusion of the UK bank?**
- (vii) **How well equipped is management/board to deal with digital banking, cybersecurity, anti-money laundering (AML) and combating the financing of terrorism (CFT) etc?**
- (viii) **What is the projected P&L for the newly acquired bank for FY2023?**

Q3. Another major development for the group is the new ePension operations in Hong Kong. The group's ePension division will involve providing operation and administration services for both the Mandatory Provident Fund (MPF) schemes and Occupation Retirement Scheme Ordinance (ORSO) schemes in Hong Kong, with the MPF schemes being the main contributor.

The ePension division will not add to the group's AUA numbers but will add a strong stream of recurring service fees to the group. On paper, it seems that PCCW Solutions won the tender to develop a centralised digital platform and the group is a subcontractor for the project.

- (i) **Can management clarify the role of PCCW Solutions in the implementation and operation of the digital platform for MPF? What are the performance obligations for the group?**
- (ii) **What are the key value drivers for this new ePension business?**
- (iii) **What is the capex required to support the new business?**

(iv) What are the key risk factors identified in the ePension business? How is management addressing these risks?

Management has provided guidance for the HK business for 2024 and 2025 on page 9 of the annual report. The guidance conservatively provides for a six-month delay in the rollout of the ePension project even though the delay may not likely occur.

(v) What are the reasons that management has provided a 6-month delay? Is it due to MPF-related factors or the COVID-19 situation in Hong Kong?

Capital expenditure for FY2021 increased to \$21.62 million, from \$12.63 million in FY2020 (page 20 – Financial highlights & review). Capital expenditure in FY2017 was just \$7.5 million.

Capital expenditure in Hong Kong amounted to just \$1.49 million in FY2021.

(vi) Does management expect its capital expenditure to increase and remain elevated due to the deployment of the ePension system and the integration and set up of infrastructure for iFAST Global Bank?

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)



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