

# Australian Ethical Investment 2017 Full Year Results

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31 August 2017





# 2017 Highlights

## Growth

- **Fastest growing** superannuation fund in 2016
- Superannuation clients **up 34%**
- Net flows **up 42%**
- Funds under management **up 38%**

## Client Engagement

- More than **110,000** social media followers
- **Leading industry net promoter scores**

*\* Excluding Foundation*

## Investment Performance

- Australian Shares fund consistently **outperforming benchmark over 20+ years**
- MySuper option consistently meeting objectives and **beating benchmark**

## Profit

- NPAT attributable to shareholders\* **down 3%**
- Underlying profit **up 11%**

## Revenue

- Strong growth offsets continued **fee reductions**
- Revenues **up 23%** to \$28.3 million

## Costs

- One off impact of **\$2.0 million** due to unit pricing remediation
- Step-change **strengthening of resources** in finance, operations and sales and marketing

# Key financials

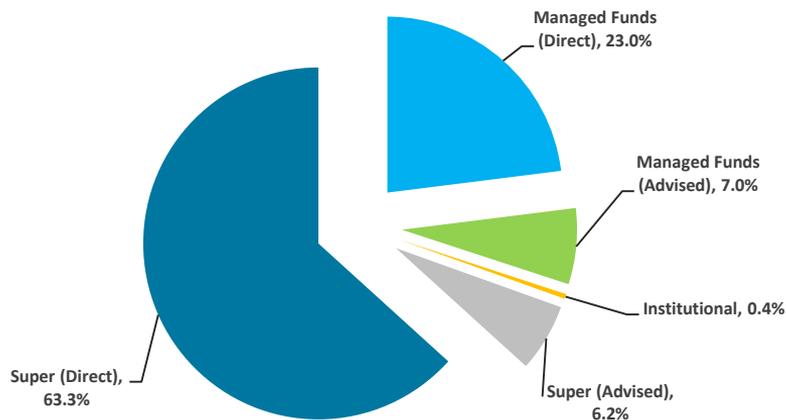
Key financials^ (\$'000)	FY2016	FY2017	Change (YoY)
Revenue	23,040	28,305	23%
Operating expenses	(17,054)	(22,310)	31%
Non operating expenses	(1,074)	(1,937)	80%
Income tax expense	(1,726)	(1,134)	(34%)
<b>Total expenses</b>	<b>(19,854)</b>	<b>(25,381)</b>	<b>28%</b>
<b>Net profit after tax-statutory</b>	<b>3,186</b>	<b>2,924</b>	<b>(8%)</b>
Less Foundation results*	(176)	(4)	-
<b>Net profit after tax attributable to shareholders</b>	<b>3,010</b>	<b>2,920</b>	<b>(3%)</b>
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Re-valuation/impairment of PPE	181	(228)	-
Employment restructure	-	250	-
Unit price remediation expense	900	795	-
Unit price remediation project costs	-	1,160	-
Tax on adjustments	(270)	(662)	-
<b>Underlying profit after tax (UPAT) attributable to shareholders</b>	<b>3,821</b>	<b>4,235</b>	<b>11%</b>
Basic earnings per share – attributable to shareholders	282 cents	270 cents	(4%)
<b>Dividend per share</b>	<b>300 cents</b>	<b>260 cents</b>	<b>(13%)</b>

^This table has been prepared in accordance with the Australian Institute of Company Directors (AICD)/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 Disclosing non-IFRS financial information. Underlying profit after tax has not been reviewed or audited by our external auditors, however the adjustments to net profit have been extracted from the books and records that have been audited.

\* For this full year, Australian Ethical Investments (ASX:AEF) provides consolidated reporting that includes the results for the Australian Ethical Foundation Limited ('The Foundation')

# Growth

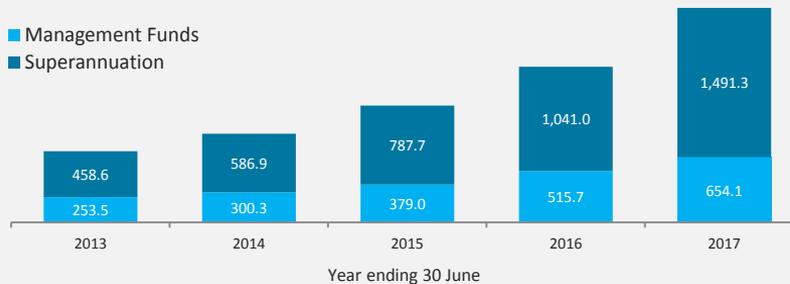
## FUM by channel and product



**\$2.15bn as at 30 June 2017**

## FUM (\$m)

■ Management Funds  
■ Superannuation



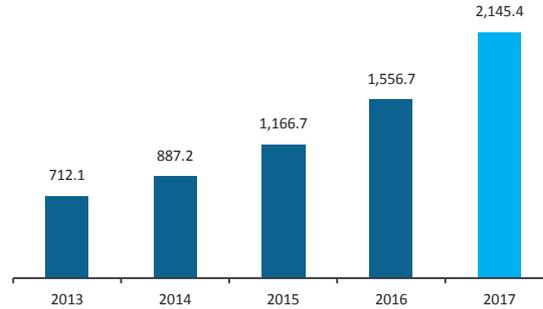
Funds under management (\$m)	30 June 2016	30 June 2017	Change (YoY)
Opening FUM	1,167	1,557	33%
Super flows (net)	237	348	47%
Managed Funds flow (net)	82	106	29%
<b>Net flows</b>	<b>319</b>	<b>454</b>	<b>42%</b>
Market movement and other <sup>^</sup>	71	135	90%
<b>Closing FUM</b>	<b>1,557</b>	<b>2,145</b>	<b>38%</b>

<sup>^</sup> Includes changes in asset value due to market movements, income, reinvestments and distributions.



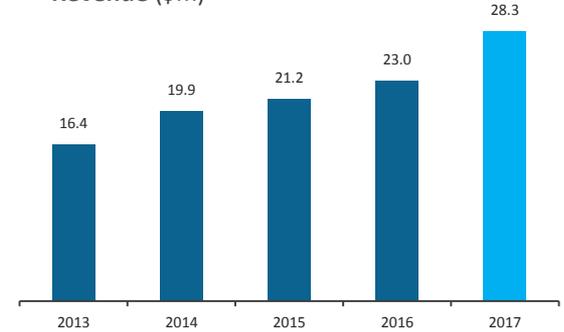
# Strong underlying profit and revenue

### Funds under management (\$m)

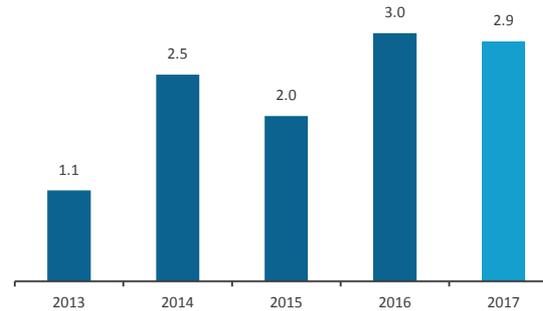


\* Before Distributions

### Revenue (\$m)

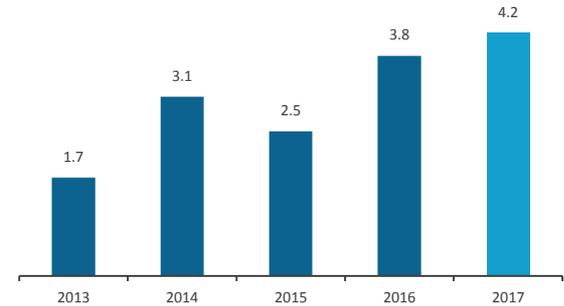


### Profit after tax\* (\$m)



\* attributable to shareholders

### Underlying profit after tax\* (\$m)



\* attributable to shareholders

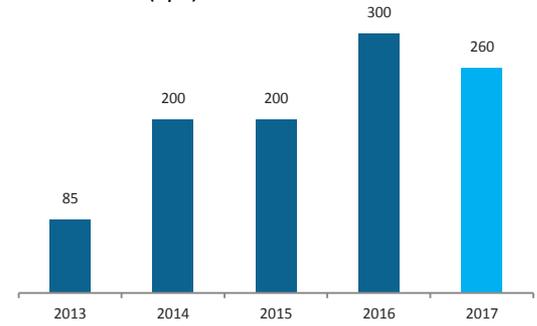


Strong share price growth, returns down due to unit pricing remediation & resourcing uplift

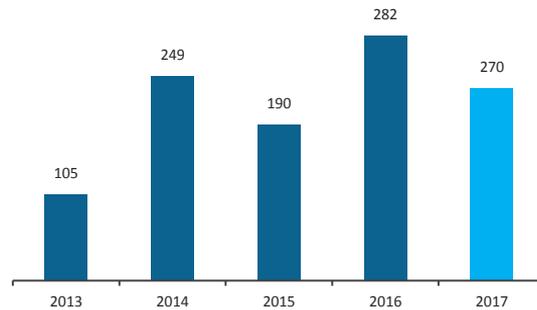
Share price (\$)



Dividends (cps)



Basic Earnings Per Share (cps)



Return on equity (%)

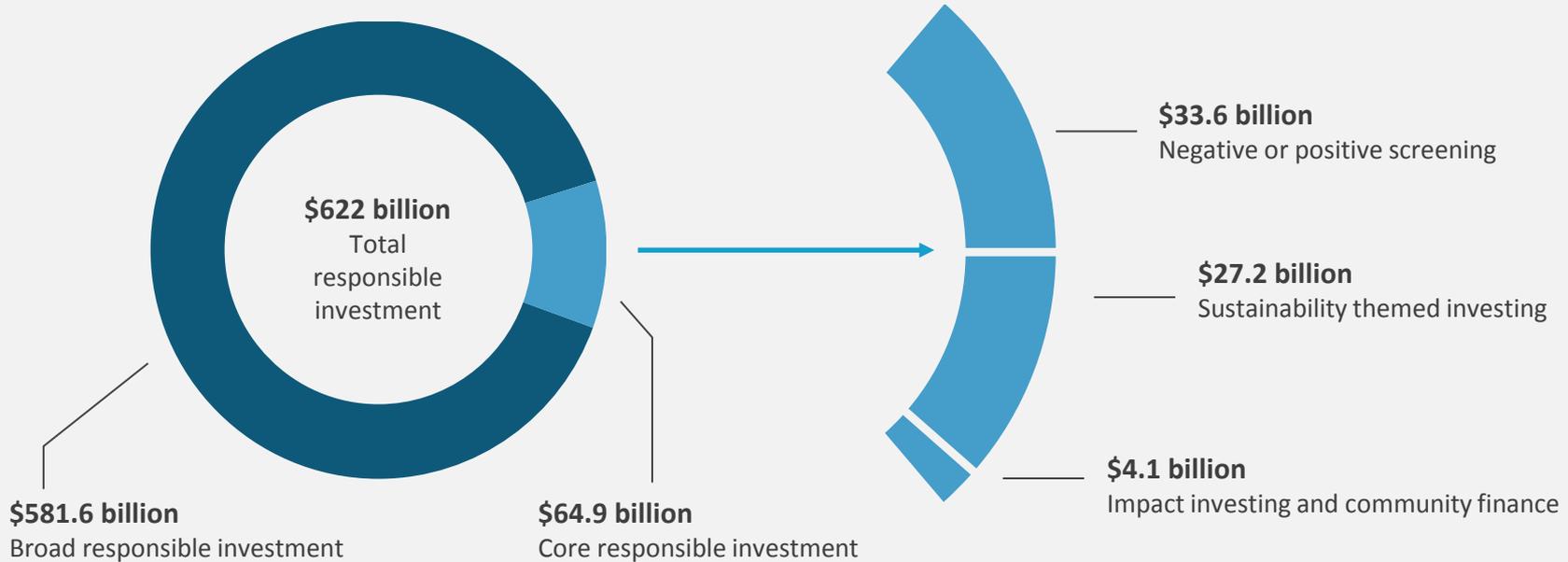


\* attributable to shareholders

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# Responsible investing in Australia continues to grow

Total responsible investment \$622 billion

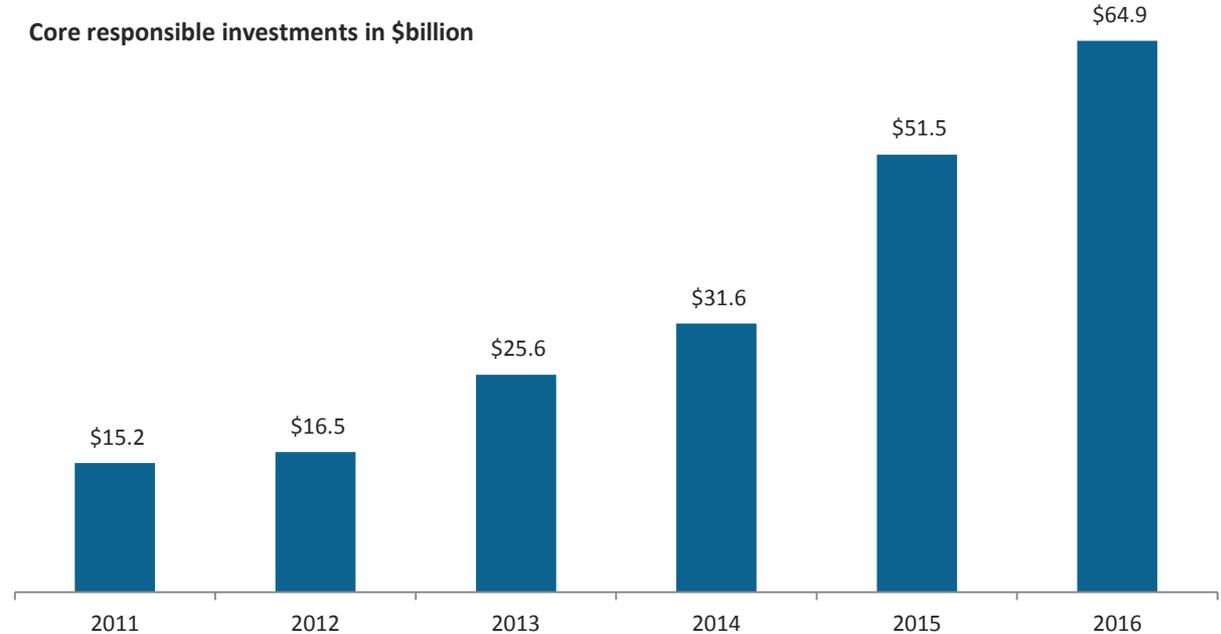


Source: Responsible Investment Association Australasia 2017 Benchmark report



## Core RI as proportion of total assets

Core responsible investments in \$billion



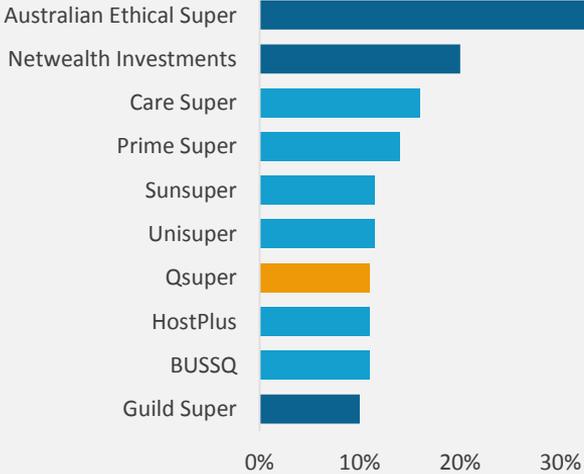
Source: Responsible Investment Association Australasia 2017 Benchmark report

# Australian Ethical the fastest growing super fund

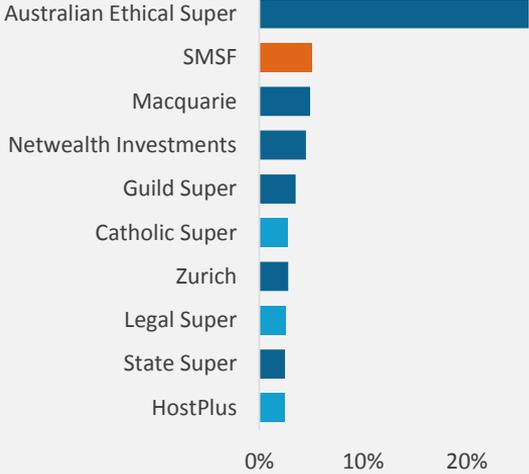
by AUM growth and member growth (funds >\$1bn AUM)

## 2016 Growth

### By AUM



### By members



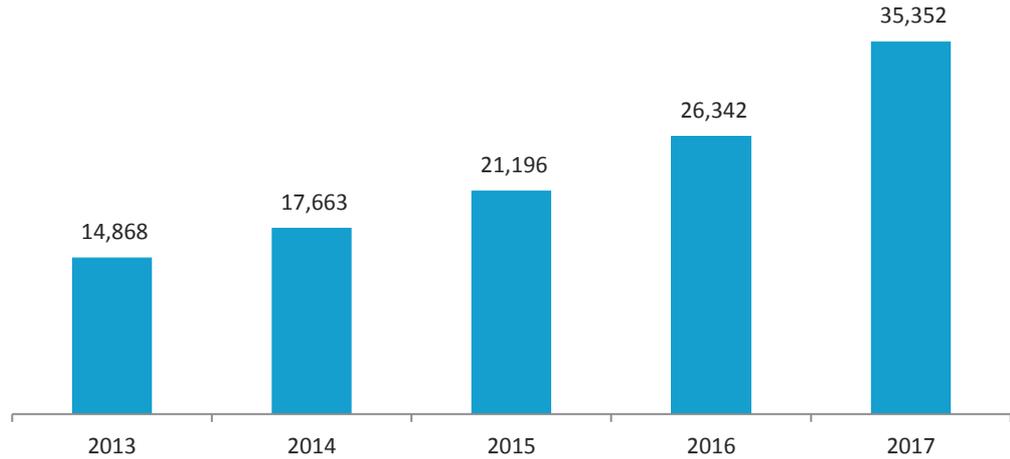
■ Retail ■ Industry ■ Public Sector ■ SMSF

Source: KPMG Super Insights Report 2017



Super  
members  
+34%

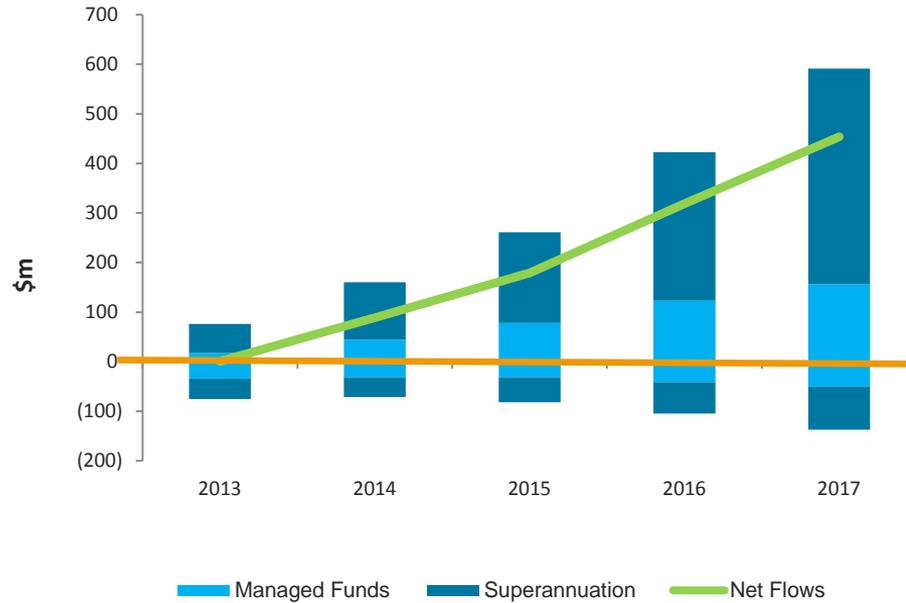
Number of super members





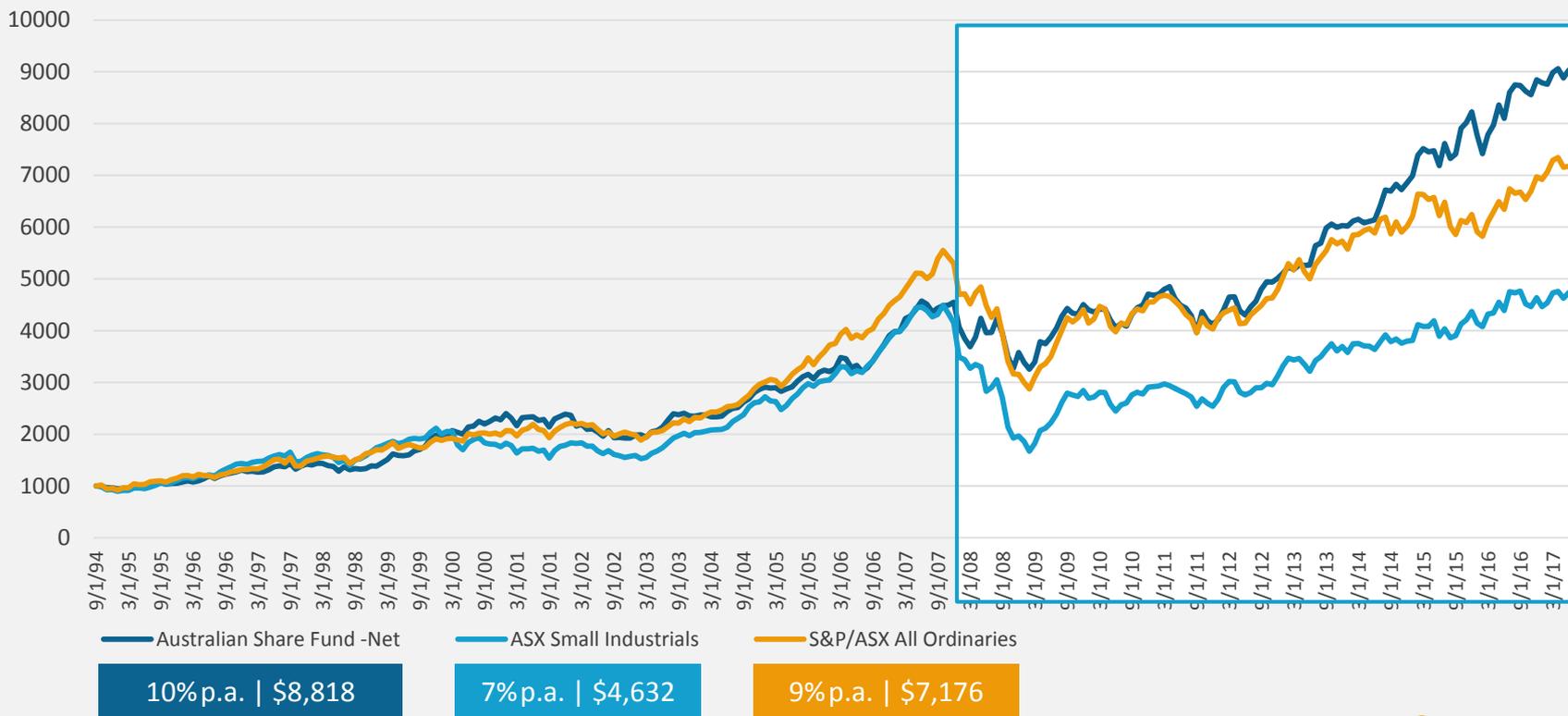
Net flows  
up 42%

Annual Flows



# Flagship Australian Shares Fund outperforming

Value of \$1,000 invested since inception



# Above benchmark investment performance

**Australian Shares Fund** continues to outperform benchmark over short, medium, long and *very* long term

	1Y (%)	2Y (%p.a.)	3Y (%p.a.)	5Y (%p.a.)	7Y (%p.a.)	10Y (%p.a.)	15Y (%p.a.)	20Y (%p.a.)	Since Incept'n (%p.a.)
<b>Retail*</b>	11.5	12.1	13.7	16.0	12.1	7.0	10.4	9.9	10.0
S&P/ASX Small Industrials	7.9	10.3	9.2	11.4	9.9	0.6	7.2	5.6	7.0
<i>Relative Performance</i>	+3.6	+1.8	+4.5	+4.6	+2.2	+6.4	+3.2	+4.3	+3.0
<b>Wholesale^</b>	13.2	13.9	15.6	17.7	n/a	n/a	n/a	n/a	16.7
S&P/ASX Small Industrials	7.9	10.3	9.2	11.4	n/a	n/a	n/a	n/a	11.2
<i>Relative Performance</i>	+5.3	+3.6	+6.4	+6.3	n/a	n/a	n/a	n/a	+5.5
<b>Alternative Benchmarks</b>									
AESCT Merged Benchmark#	10.0	9.2	9.1	13.0	10.8	3.2	6.9	6.5	7.8
<i>Relative Performance</i>	+1.5	+2.9	+4.6	+3.0	+1.3	+3.8	+3.5	+3.4	+2.2
S&P/ASX 200	14.1	7.1	6.6	11.8	8.9	3.6	8.6	8.2	8.9
<i>Relative Performance</i>	-2.6	+5.0	+7.1	+4.2	+3.2	+3.4	+1.8	+1.7	+1.1

\* Inception Date (Retail): 19/09/1994. ^ Inception Date (Wholesale): 23/01/2012

# Merged benchmark is constructed based on the approximate composition of large cap / small cap weightings: 60% S&P/ASX Small Industrial and 40% ASX 100 Industrial.

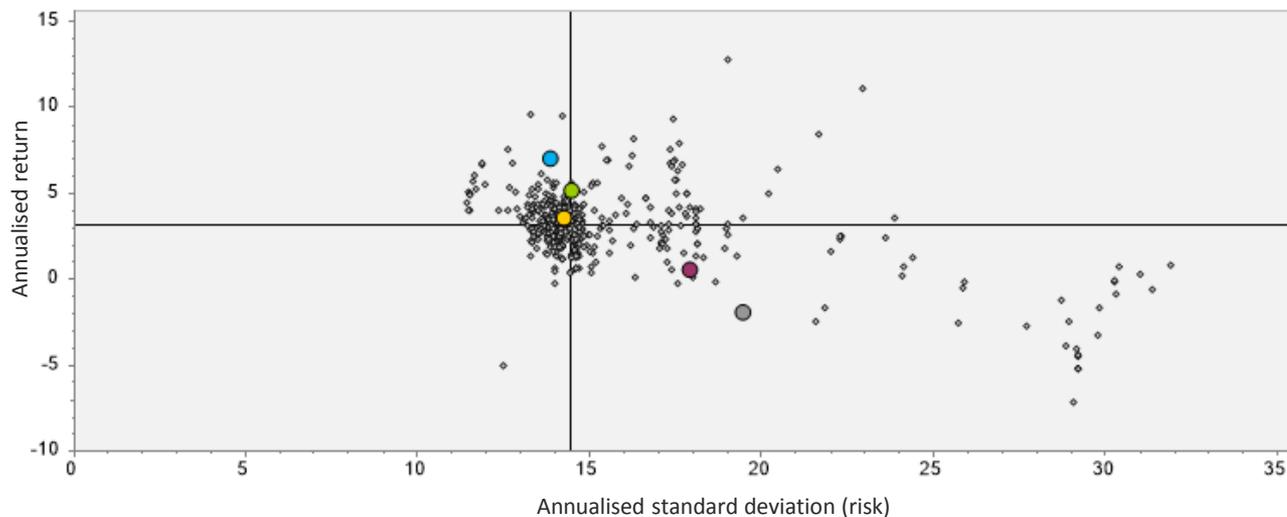
Source: Morningstar



Ethical investing doesn't mean more risk

Source: Morningstar

## Return/risk over ten years to 2017



- Australian Ethical Australian Shares Fund
- S&P/ASX 200 INDUSTRIAL – Total Return
- S&P/ASX SMALL INDUSTRIALS – Total Return
- S&P/ ASX 200 – Total Return
- S&P/ASX SMALL ORDINARIES – Total Return

# Above benchmark investment performance

Our default MySuper Option, the **Balanced Accumulation Option**, has outperformed its benchmark over all time periods shown below.

	1Y (%)	2Y (%p.a.)	3Y (%p.a.)	5Y (%p.a.)	7Y (%p.a.)	10Y (%p.a.)	15Y (%p.a.)	Since Incept'n* (%p.a.)
<b>Balanced Accumulation Option</b>	9.6	6.2	7.5	9.0	6.8	3.6	5.7	6.1
Benchmark#	8.6	4.7	5.3	7.4	6.3	3.6	5.1	4.8
<i>Relative Performance</i>	+1.0	+1.5	+2.2	+1.6	+0.5	+0.0	+0.6	+1.3
Investment Return Objective^	5.4	5.0	5.0	5.5	5.6	5.9	6.0	6.2
<i>Relative Performance</i>	+4.2	+1.2	+2.5	+3.5	+1.2	-2.3	-0.3	-0.1
<b>Alternative Benchmarks</b>								
SAA weighted (NET of fees)~	8.3	5.5	6.2	9.2	7.9	4.5	5.4	4.9
<i>Relative Performance</i>	+1.3	+0.7	+1.3	-0.2	-1.1	-0.9	+0.3	+1.2

\* Inception Date: 31/12/1998

# Benchmark changed from Morningstar Multi-sector Balanced – Superannuation Fund peer group index to Morningstar Multi-sector Growth, effective 1 March 2015. The historical returns are calculated by combining the two indices.

^ CPI + 3.5%p.a. over 5 years

~After fees returns calculated assuming ICR 1.13%

Source: Morningstar

Thank you

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