

Australian Ethical Annual General Meeting 2017

25 October 2017



Welcome

Steve Gibbs, Chairman

Strategy update

Phil Vernon, Managing Director and CEO

Our purpose and beliefs

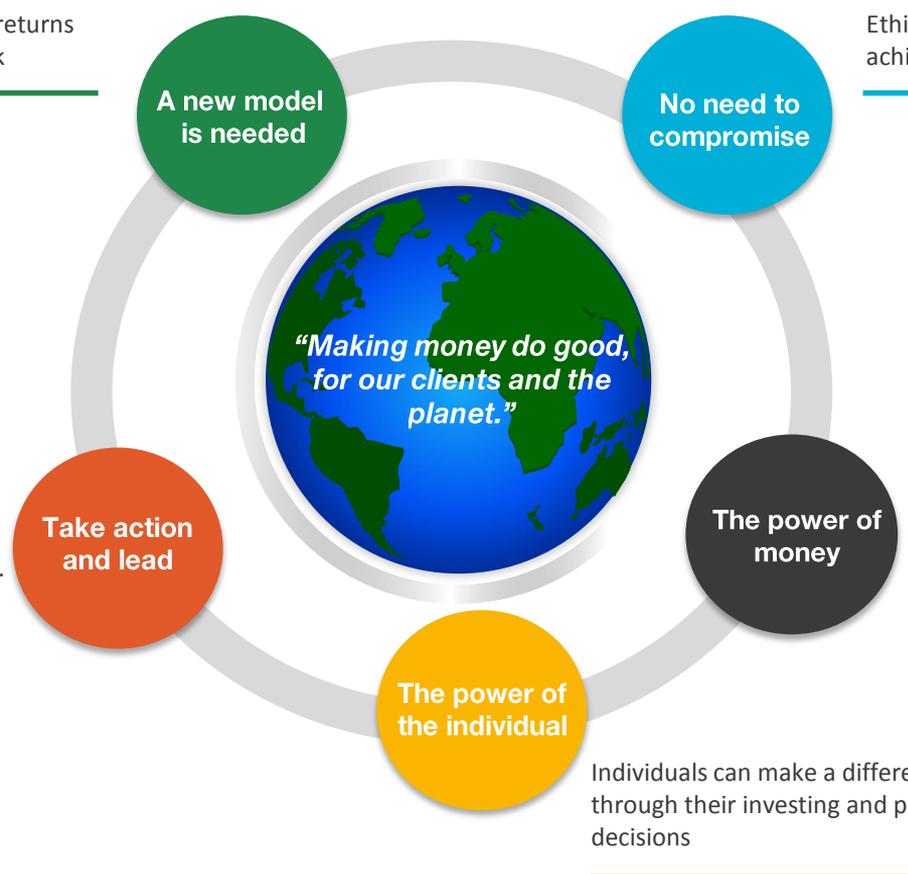


A focus solely on profits and returns places our planet at great risk

A new model is needed

Ethical and financial outcomes can be achieved together

No need to compromise



*"Making money do good,
for our clients and the
planet."*

Take action to make a difference.
We lead by example and inspire others.

Take action and lead

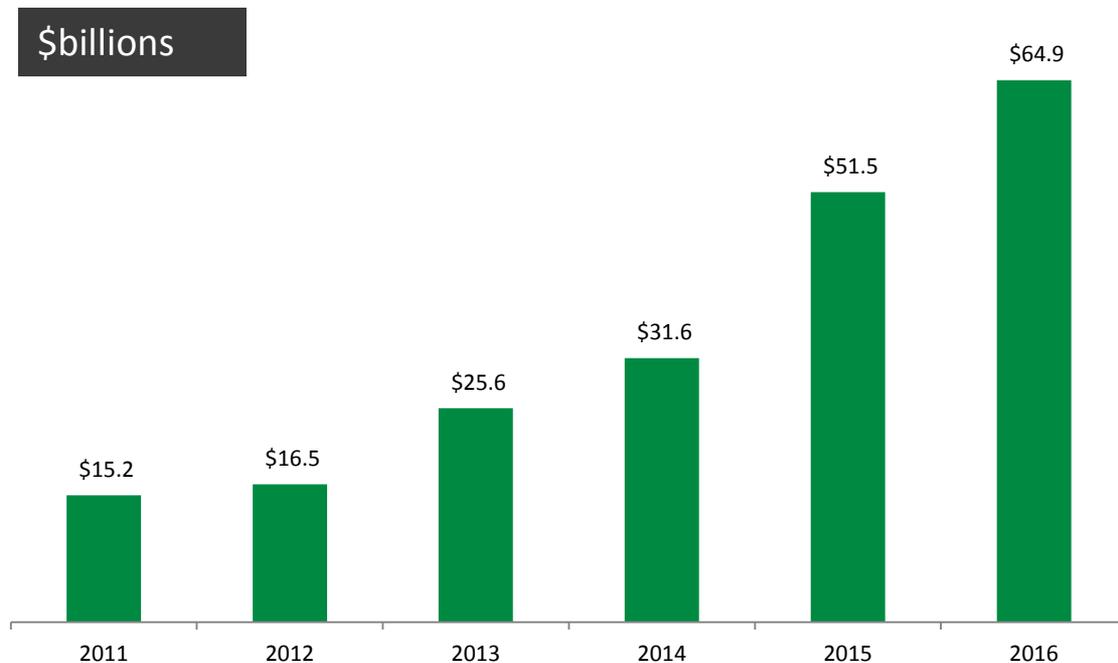
The power of money

Capital has enormous power to do good

The power of the individual

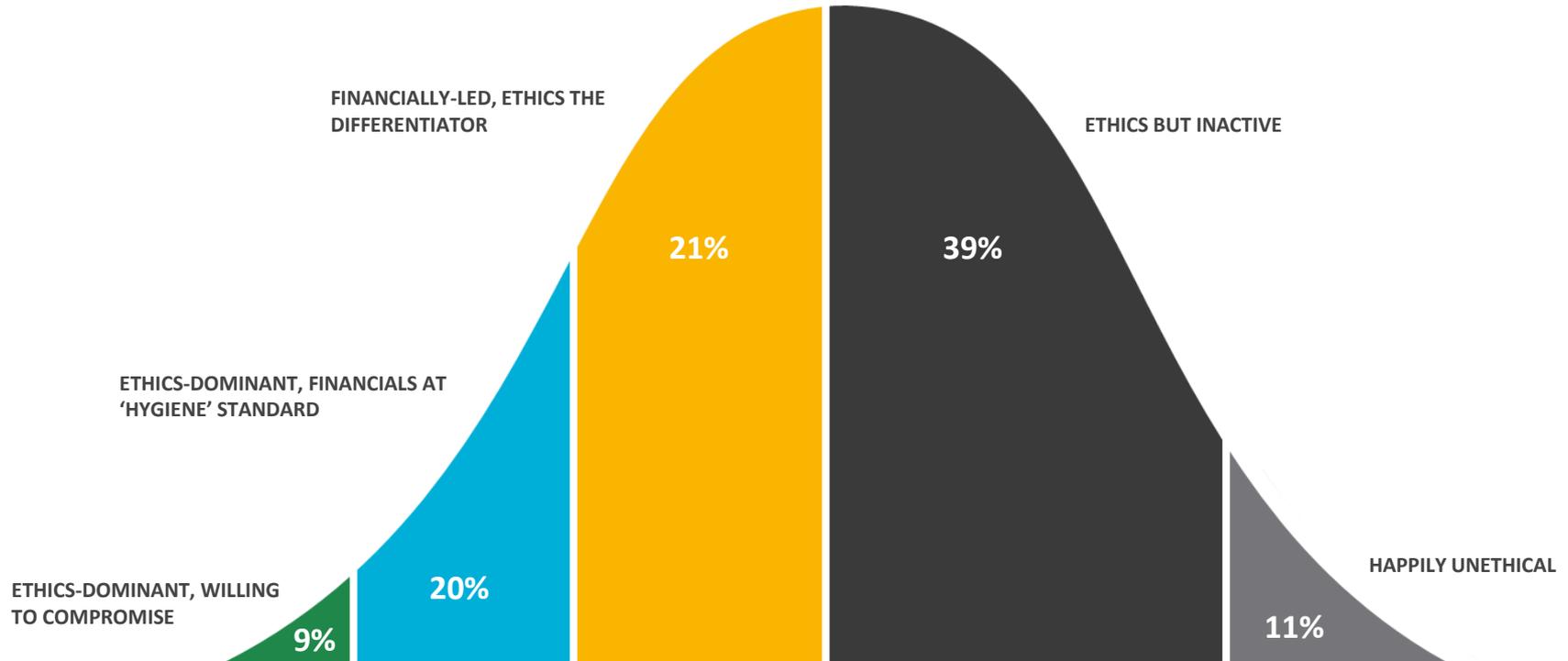
Individuals can make a difference through their investing and purchasing decisions

Growth of ethical investing



Source: Responsible Investment Association Australasia 2017 Benchmark report

Our opportunity

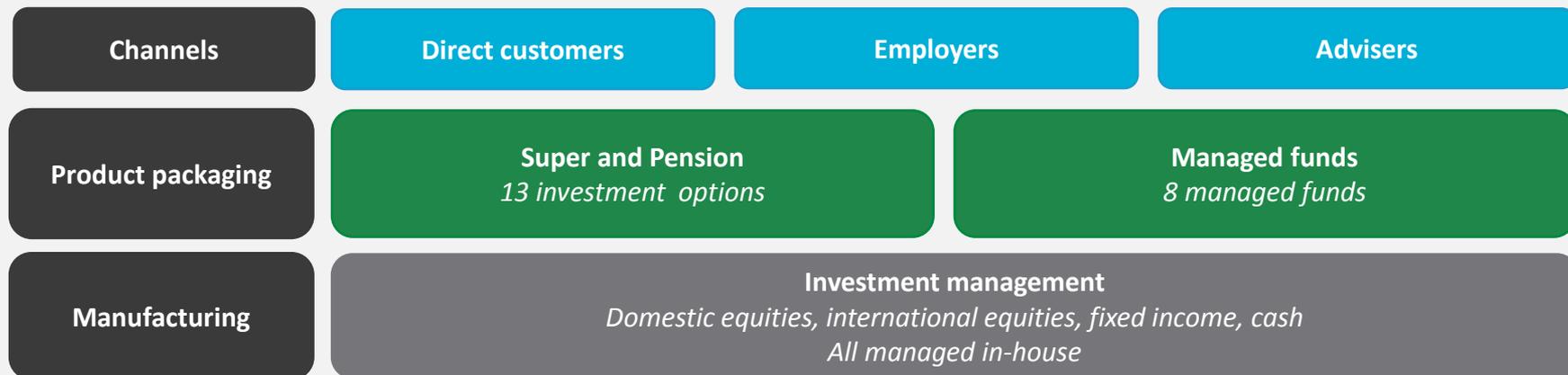


Investment performance



Our business model

We offer a broad range of products, across most investment asset classes, for three different audience segments

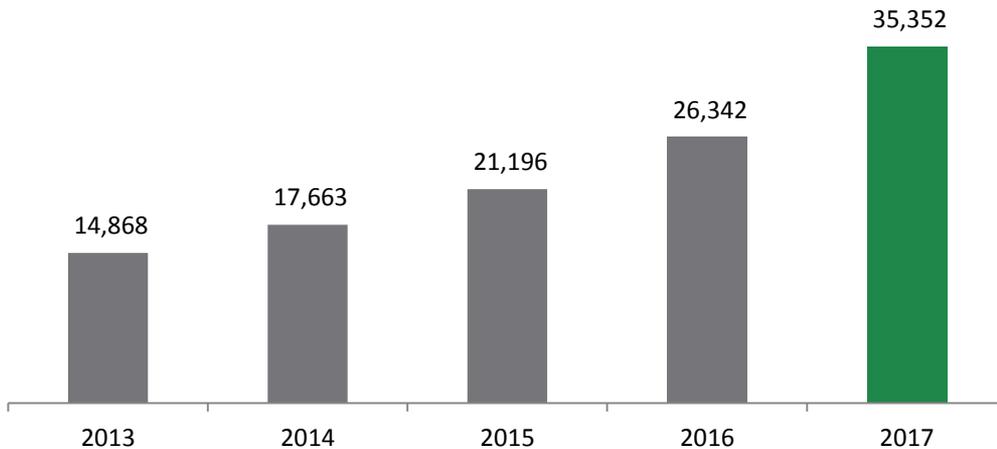


Year in review

Phil Vernon, Managing Director and CEO

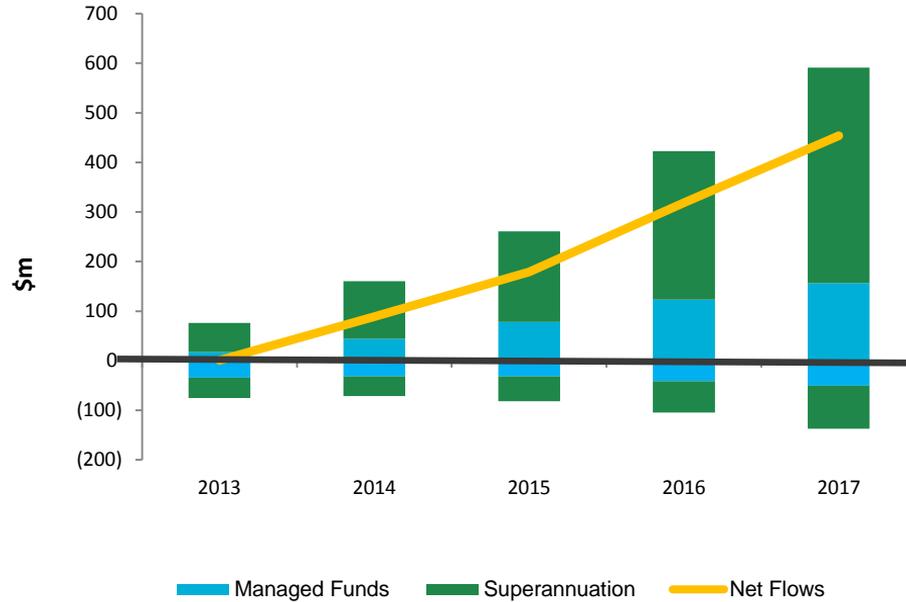
**Super
members
+34%**

Number of super members



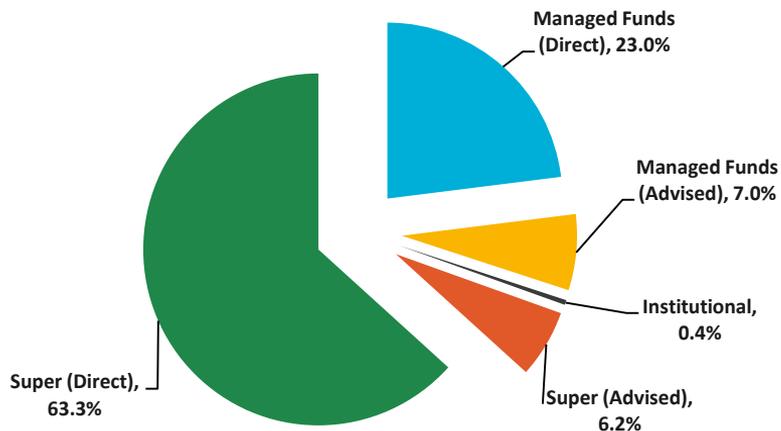
Net flows up
42%

Annual flows



Growth

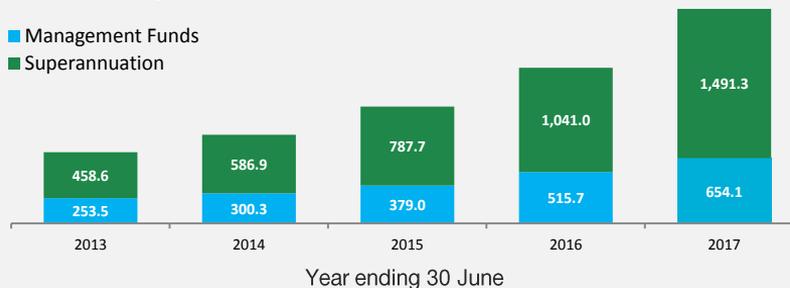
FUM by channel and product



\$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%
Net flows	319	454	42%
Market movement and other [^]	71	135	90%
Closing FUM	1,557	2,145	38%

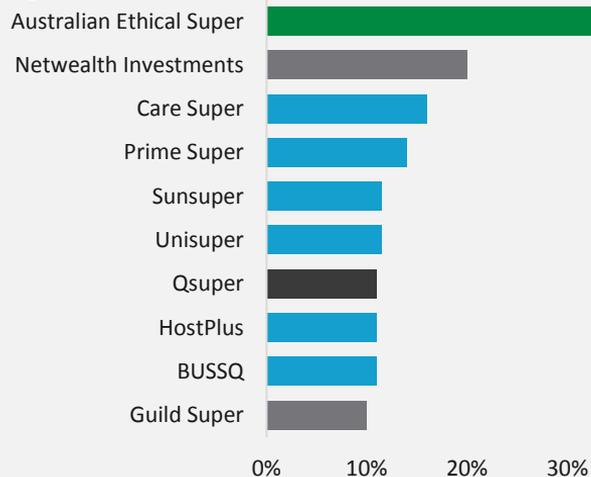
[^] Includes changes in asset value due to market movements, income, reinvestments and distributions.

Fastest growing super fund

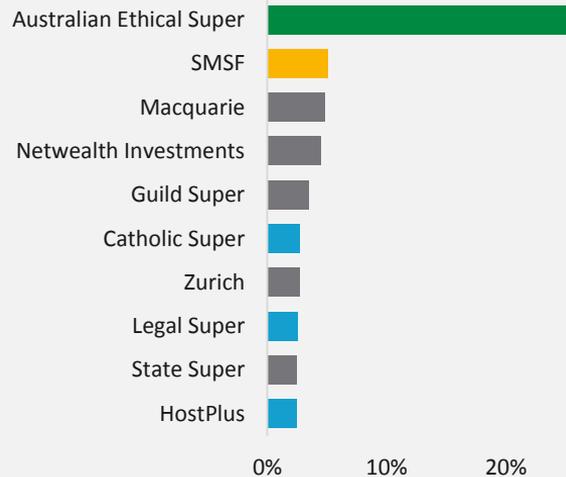
by AUM growth and member growth (*funds >\$1bn AUM*)

2016 Growth

By AUM



By members



■ Retail
 ■ Industry
 ■ Public Sector
 ■ SMSF
 ■ Australian Ethical Super

Key financials

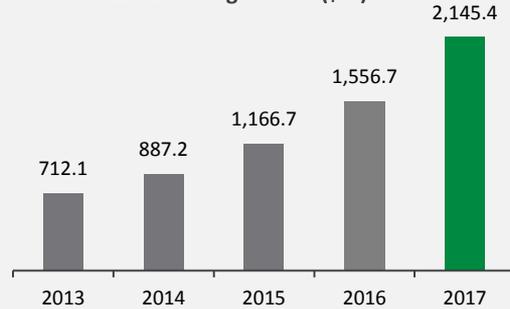
Key financials^ (\$'000)	FY2016	FY2017	Change (YoY)
Revenue	23,040	28,305	23%
Operating expenses	(17,054)	(22,310)	31%
Non operating expenses	(1,074)	(1,937)	80%
Income tax expense	(1,726)	(1,134)	(34%)
Total expenses	(19,854)	(25,381)	28%
Net profit after tax-statutory	3,186	2,924	(8%)
Less Foundation results*	(176)	(4)	-
Net profit after tax attributable to shareholders	3,010	2,920	(3%)
Net profit after tax attributable to shareholders	3,010	2,920	(3%)
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)	-
Underlying profit after tax (UPAT) attributable to shareholders	3,821	4,235	11%
Basic earnings per share – attributable to shareholders	282 cents	270 cents	(4%)
Dividend per share	300 cents	260 cents	(13%)

^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')

Key financials

Funds under management* (\$m)



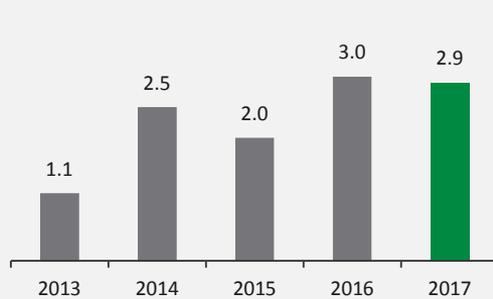
* before distributions

Revenue (\$m)



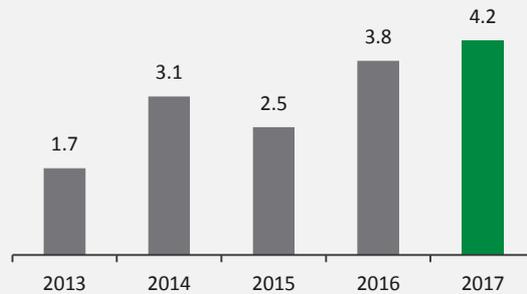
**Strong
underlying profit
and revenue**

Profit after tax* (\$m)



* attributable to shareholders

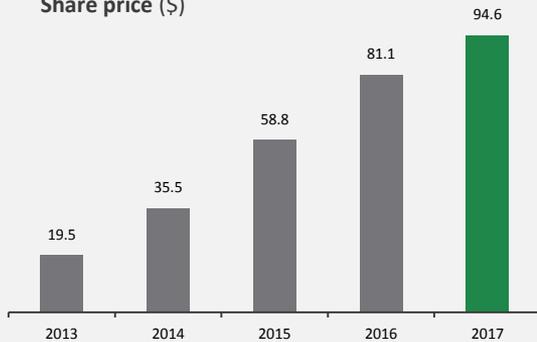
Underlying profit after tax* (\$m)



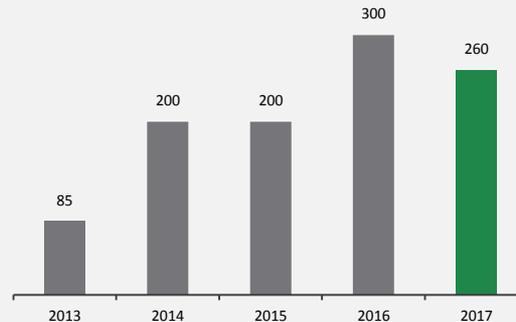
* attributable to shareholders

Key financials

Share price (\$)

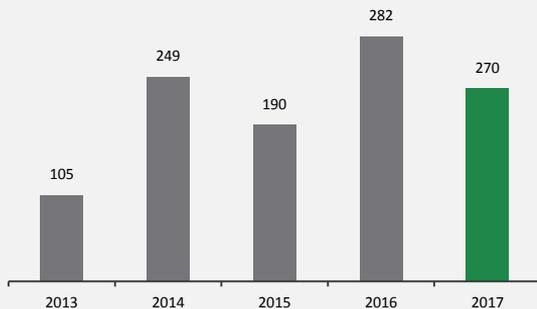


Dividends (cps)

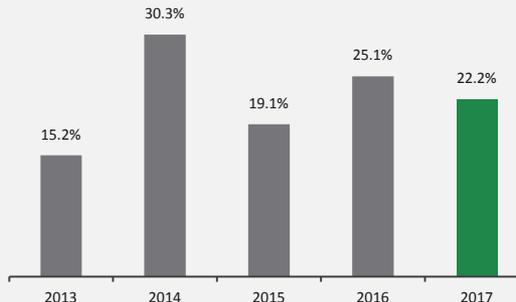


Strong
share price
growth

Basic Earnings Per Share (cps)

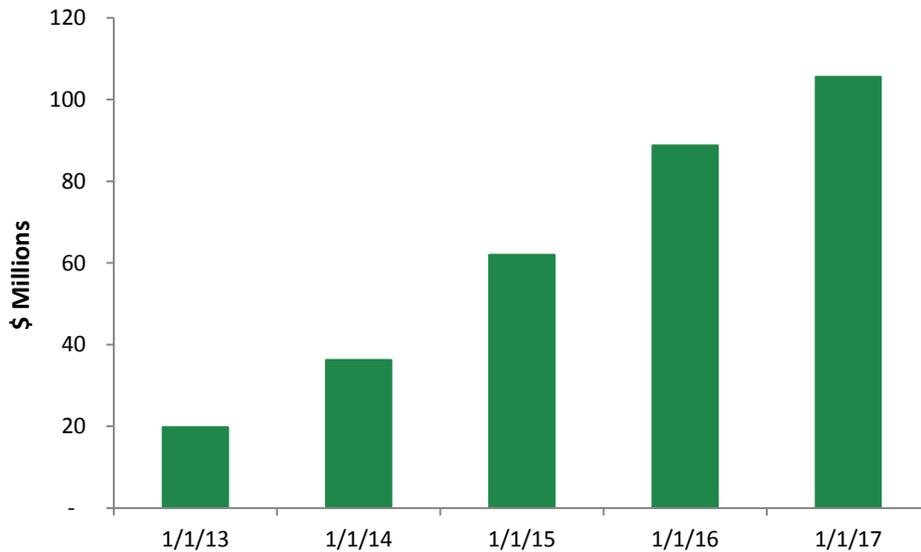


Return on equity (%)

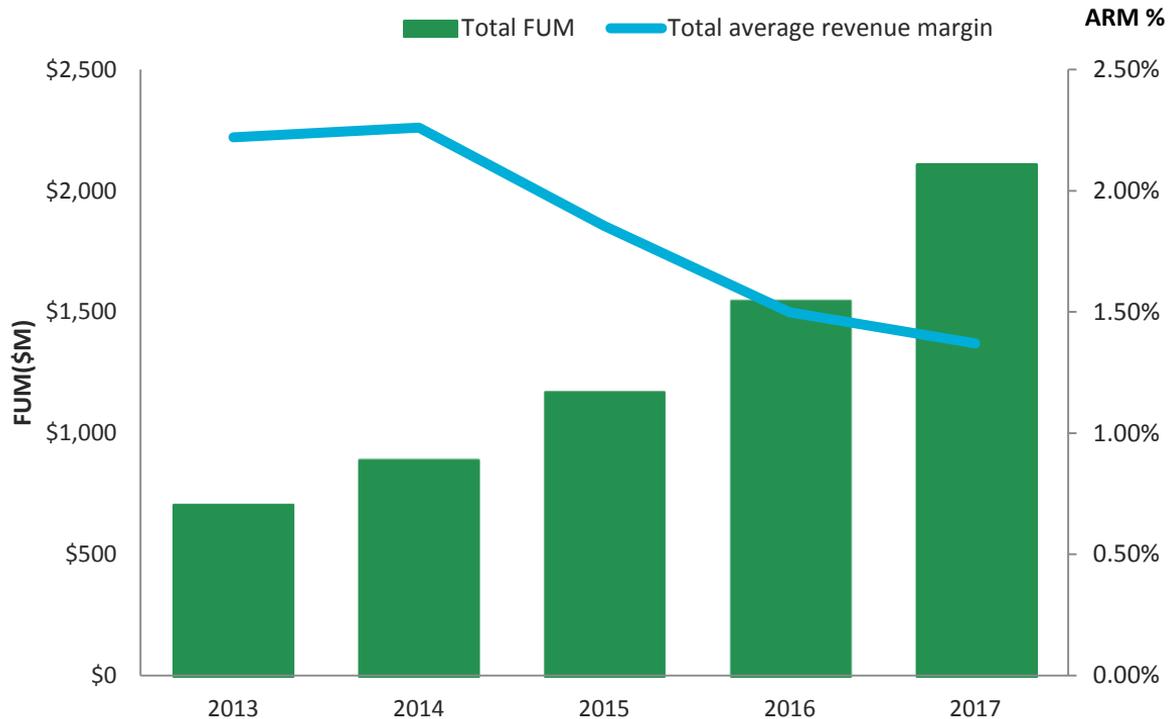


Returns
down -
unit pricing
remediation &
resourcing uplift

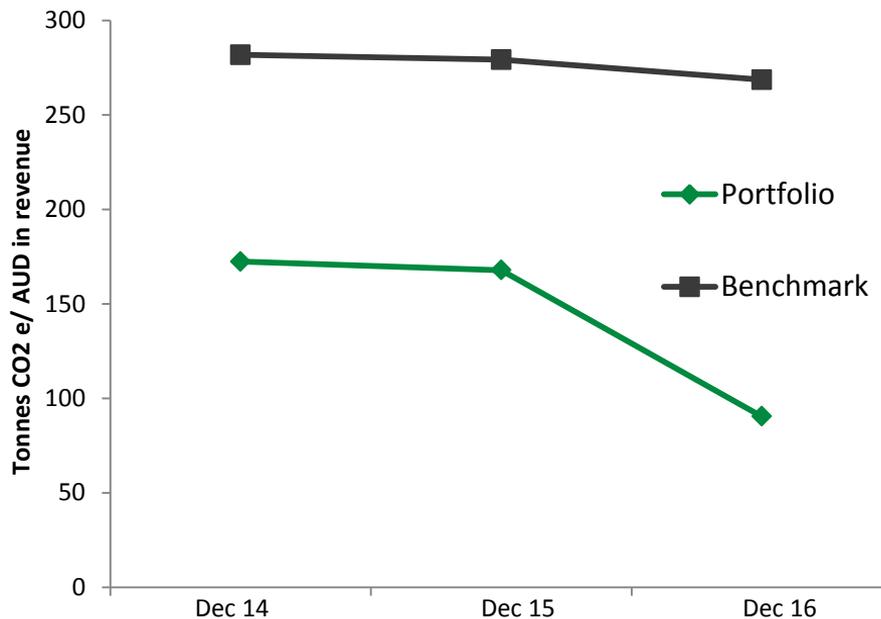
Market cap over five years



Fee reduction strategy



**66% less CO²
than
benchmark
emissions
intensity**





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.)
Retail*	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
Wholesale^	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
Alternative Benchmarks									
AESCT Melded 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

Melded 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



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.)
Balanced Accumulation Option	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
Alternative Benchmarks								
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.

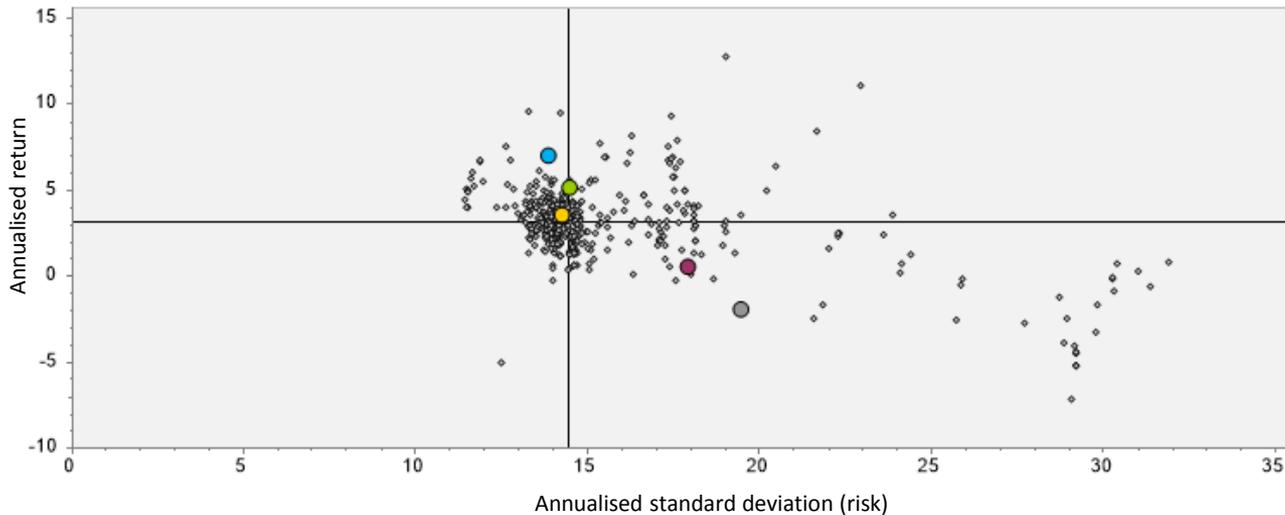
^ CPI + 3.5%p.a. over 5 years

~After fees returns calculated assuming ICR 1.13%

Source: Morningstar

Ethical investing doesn't mean more risk

Return/risk over ten years to 2017



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

The Foundation

- Over \$2.2 million since 2000
- \$28K distributed to 18 not for profit organisations in 2017
- \$320K provisioned for community impact in 2018
- 450 applicants
- 16,000 people voted

**10% of AEI profits
donated to not-for-profit
organisations**



Wildlife Asia



Highlights of 2017

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**

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

* Excluding Foundation



Disclaimer

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Resolutions

A landscape of wind turbines on a hillside at sunrise or sunset, with a sea of clouds below. The sky is a mix of orange, yellow, and blue, and the clouds are illuminated from below, creating a dramatic effect. The wind turbines are silhouetted against the bright sky.

Meeting close

Australian Ethical Rebrand

Allyson Lowbridge, Chief Customer Officer



A landscape photograph showing four wind turbines of varying heights silhouetted against a sunset sky. The foreground is a field of green and yellow flowers. The sun is a bright orange circle on the horizon to the right.

Thank you