



Australian Ethical Investment Ltd 2019 Annual General Meeting

Steve Gibbs | Acting CEO

24 October 2019

FY19 highlights

PEOPLE, PLANET & PERFORMANCE: STRONG RETURNS & POSITIVE IMPACT



Growth

Continue to be the **fastest growing** super fund over 5 years^{1,2}. Top 10 funds by growth in FUM and member numbers over both 1 and 5 year period². Over 43,000 super members.

Funded super members up	↑ 11%
Net inflows ³ \$322.1m	↓ 14%
Funds under management \$3.4bn	↑ 21%
NPAT attributable to shareholders ⁴ \$6.5m	↑ 29%
Revenue of \$41m	↑ 14%
Operating Expenses \$32m	↑ 11%
Dividend 5c	↑ 25%
Share price at 30 June \$1.77	↑ 31%

Joined All Ordinaries Index in March 2019



Client engagement

- **Industry leading** NPS for both super & managed funds, with NPS improving again in FY19⁵
- Industry leading **client retention** rates²
- Further **fee reductions** delivered to our clients
- **Winner of two MAX awards:** Social Media Campaign of the year & Social Initiative of the year



Our people

- Top quartile **employee engagement** of 71%
- Exceeded **gender diversity targets:** 50% female board representation & 44% female senior management team



Investment performance

- **Multiple industry awards**, including **three Gold ratings** from SuperRatings
- **Strong year for performance: all funds** (with exception of Fixed Interest), **met or exceeded benchmark over 1 year**
- **Emerging Companies Fund** significantly outperformed benchmark, generating a **performance fee**
- **Australian Shares** option achieved **top quartile performance** over 5, 7, 10, 15, 20 years⁶

Impressive **rankings in June 2019 SuperRatings Fund Crediting Rate Survey:**

- **Best performing growth option** over 1 year⁷
- **Best performing Australian Shares** option over 5 & 7 years⁸
- **MySuper** option ranked **number 2** over 1 year⁹

FY19 investment awards

MULTI AWARD-WINNING INVESTMENT PORTFOLIO



Winner – Financial Standard Investment Leadership Award – ESG
for the Australian Shares Fund

Money Magazine ‘Best Green Super Fund’
in ‘Best of the Best’ December 2018 issue



**Money Management’s Fund Manager of the Year –
Responsible Investments** for the Australian Shares Fund
(Wholesale).



Winner – SuperRatings Infinity Award 2019

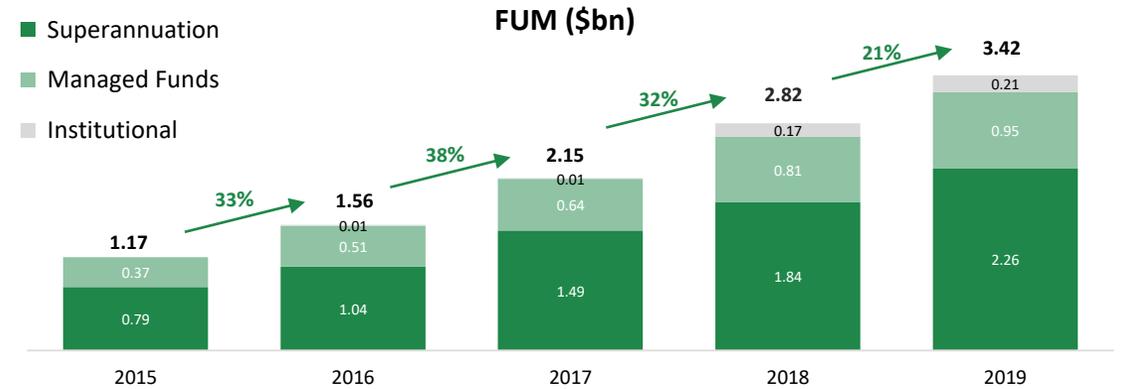
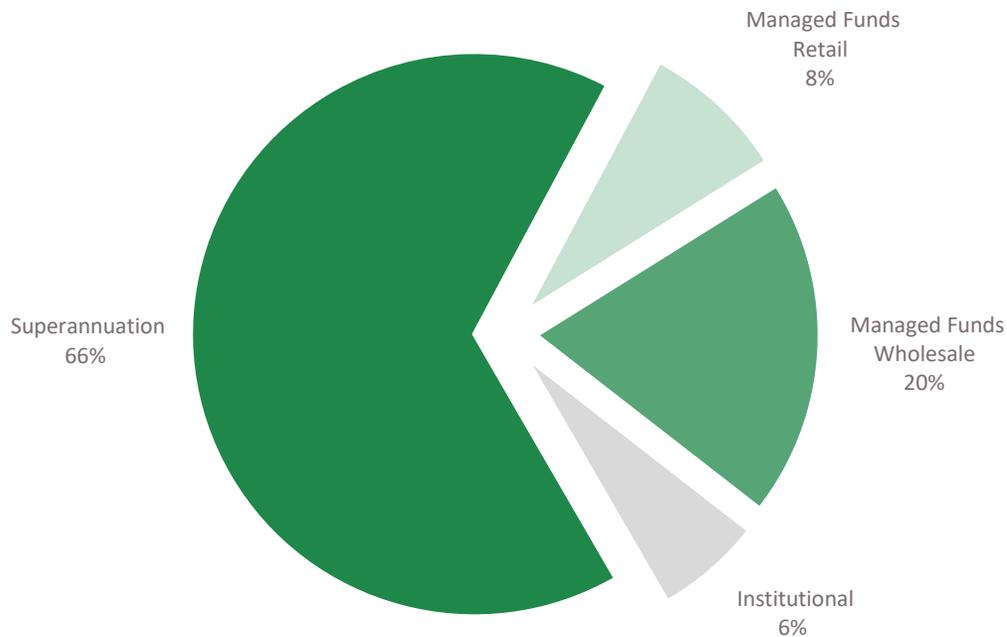


Three Gold ratings from **SuperRatings** (MySuper, MyChoice, Account Based Pension)

Continued strong growth in FUM

FUM BY PRODUCT

\$3.42bn as at 30 June 2019



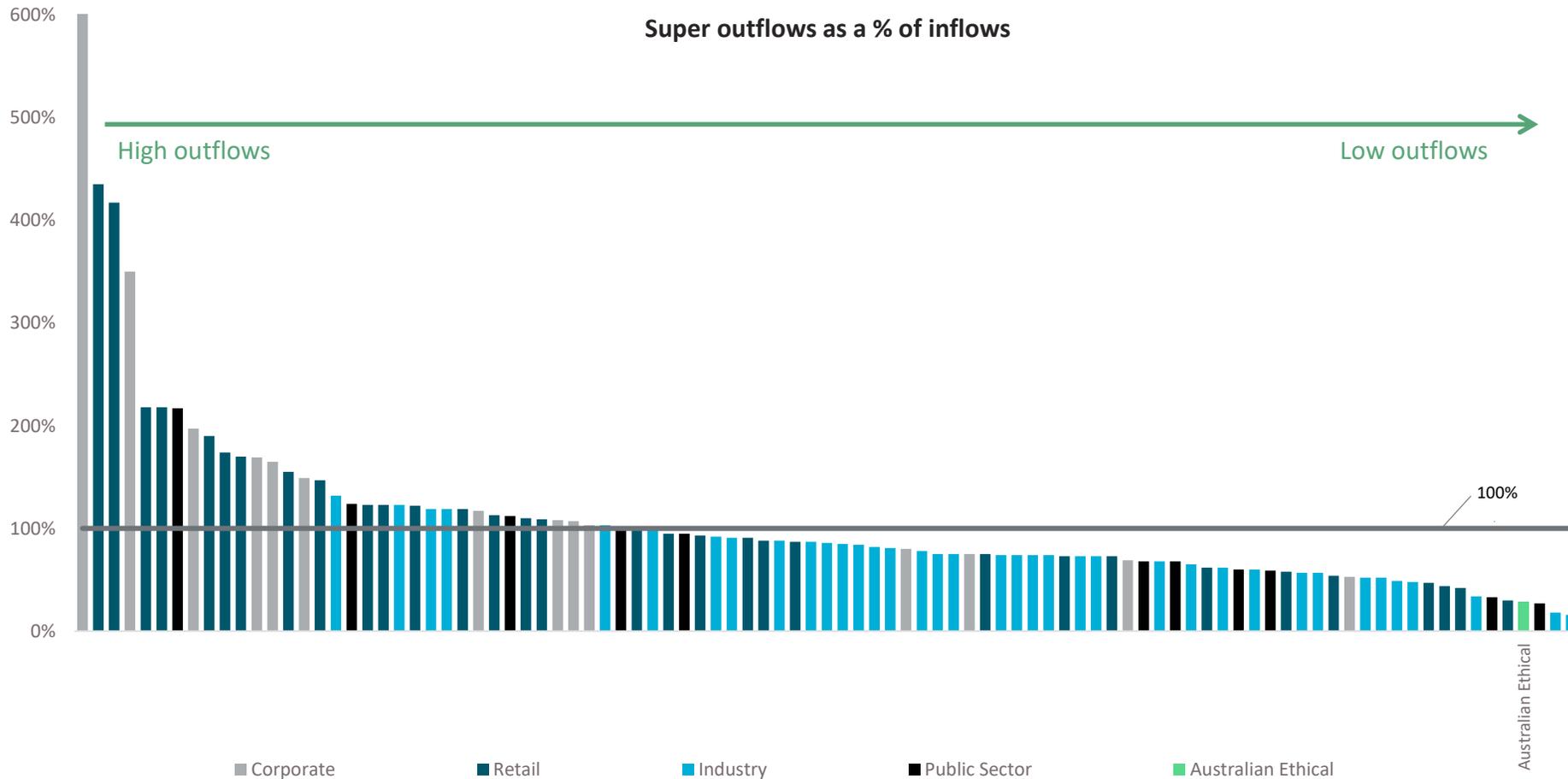
Funds under management (\$bn)

	30 June 2018	30 June 2019
Opening FUM	2.15	2.82
Super flows (net)	0.26	0.25
Managed Funds flow (net)	0.12	0.07
Institutional flow (net)	0.15	0.01
Net flows	0.52	0.33
Market movement and other^	0.15	0.26
Closing FUM	2.82	3.42

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

Client focus

INDUSTRY LEADING SUPER CLIENT RETENTION RATES



Key themes

- One of the best performing funds in terms of outflows - super outflow ratio continues to be the **lowest** across all retail funds in the industry
- AE retention has consistently been in the top 5 funds over a 5 year period
- Industry average outflow ratio is >100%, with 34 funds having an outflow ratio exceeding 100%; AE ratio is 29%
- Outflows as a % of FUM are 6.1%

Sustainable business

INVESTING IN OUR PEOPLE

64 staff



Top quartile **employee engagement** of 71%

2 paid volunteering days per year



Wellbeing program including annual health checks, meditation programs, corporate massages, company sponsored charity sports events



Generous paid **parental leave** and **paid superannuation** contributions during parental leave periods

Annual employee trip – each year one employee gets to work with a community grant recipient to experience first hand the work they're doing. 2019 will see a visit to Central Arnhem land in NT to work with Karrkad Kanjdji Trust on their indigenous ranger program

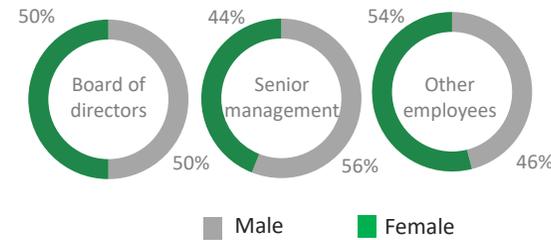


Employee supplies sourced through **social impact organisations** and **B Corps**: bread from Bread and Butter Project, a social enterprise who employs refugees; coffee from Sprout, a B Corp certified, sustainable coffee provider

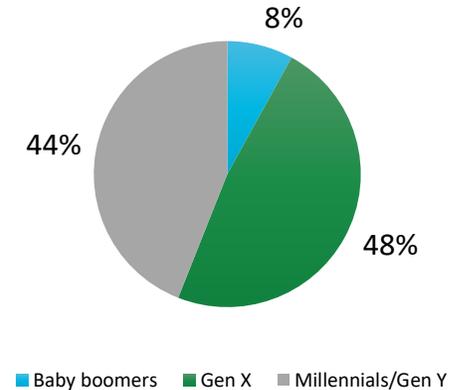
Diversity & inclusion

Diversity across many dimensions including gender, age and ethnicity

Equality in leadership - FY19



Generational split of AE employees



Gender Diversity – Female representation



51% employees born outside Australia



57% of employees speak another language

Ethical leadership: Investment Portfolio impact highlights



Investment portfolio

Share investments produced **70% less CO2** than benchmark¹



Nil investment in fossil fuels²



Nil investment in nuclear



Nil investment in tobacco

Engaged with **over 250 companies** for people, animals & the environment. 44 companies committed to positive change



Best for the World status by B Corps³

3.1 times more impact to achieve the Sustainable Development Goals than market^{1,6}



6 times more investment in renewable power generation than the global share market⁴



Advocated for a **ban on live animal export** and supported critical social justice campaigns like **'Kids off Nauru'**.

Ethical leadership – Foundation highlights

Key Strategic Grants through multi-year partnership arrangements focused on 3 areas:



People

Educating & empowering women with **Human Rights Watch & One Girl**



Planet

Protecting Australia's forests under threat with **The Wilderness Society**



Animals

Supporting **Food Frontier** in their development of plant-based & cell-based meat alternatives

FY19 Grant Recipients

- Abundant Water
- Free To Shine
- Hobart Women's Shelter
- Love Mercy Foundation
- Refugees Welcome Australia Inc.
- The Community Grocer
- The Life You Can Save
- YGAP

- Environs Kimberley
- Food Ladder
- Green Heroes
- Karrkad Kanjdji Trust
- Pocket City Farms
- Pollinate
- Positive Change for Marine Life
- Renewable Energy Development
- Seabin Foundation Limited

- ACT Wildlife Incorporated
- Action for Dolphins
- F.A.W.N.A. NSW
- Friends of the Koala Inc
- Greyhound Rescue Incorporated
- Little Oak Sanctuary
- The MAWA Trust
- The Orangutan Project
- Wildlife Asia Inc

Examples of Investments

FUTURE-FOCUSED INVESTMENTS



First Solar has developed, financed, engineered, constructed and currently operates many of the world's largest grid-connected photovoltaic power plants. Using experience across the solar value chain, it aims to reduce risk while delivering more reliable, dependable and cost-effective solutions for customers. As at June 2019, First Solar have 17 Gigawatts of solar globally



Meridian Energy is a New Zealand electricity generator and retailer that only generates electricity from renewable sources. The company operates seven hydroelectric power stations and one wind farm in the South Island of New Zealand, four wind farms in the North Island, and two wind farms in South Australia and Victoria



Applied Materials Applied Materials engineer highly sophisticated manufacturing and process technologies used to build the world's most complex chips and displays. This enables its customers to build a wide range of advanced products, including larger capacity and faster memory chips, more efficient, faster, and highly integrated processors, super high-resolution displays and flexible electronics



Rhipe is an Australian software services company that helps its partners and their end-customers navigate 'the cloud' by providing licensing, business development and knowledge services.



Bigtincan provides cloud-based sales enablement software to large enterprises with global and mobile sales forces. Sales enablement provides organisations with content, tools and information that helps provide them with relevant content and training materials to streamline the buying process

Outlook

STRONG START TO THE YEAR UNDERPINNING CONTINUED INVESTMENT IN GROWTH

- Ideally placed to **capture opportunities for growth** as more people realise that our approach is achieving **strong returns** and **delivering social good**
 - Ongoing **growth in FUM** and **strong inflows** expected to drive **continued profit growth**
 - **Strong start to FY20** with FUM up 6.6% from 30 June to **\$3.64bn**
 - Positive first quarter **netflows of \$0.11bn**
 - Strong first quarter **investment performance of \$0.12bn**
 - **Record new member acquisition** in September of 1,273 super members – mostly attributable to the highly successful **Amazon campaign**
- **Targeted investment in key initiatives in FY20** to **drive sustainable growth** & **deliver better outcomes** for clients
 - Investment in **brand awareness** as business continues to grow
 - Continue to enhance our **client experience** through investment in **digital platform** & other **touch points**
 - Continued **product innovation** to meet **client needs**
 - Further investment to support our **intermediated channels**, ensuring we are **accessible** through clients' channel of choice
 - Implementation of **regulatory change pipeline**
- Continued business growth will drive growth in **community impact investment**, via The Foundation

Outlook

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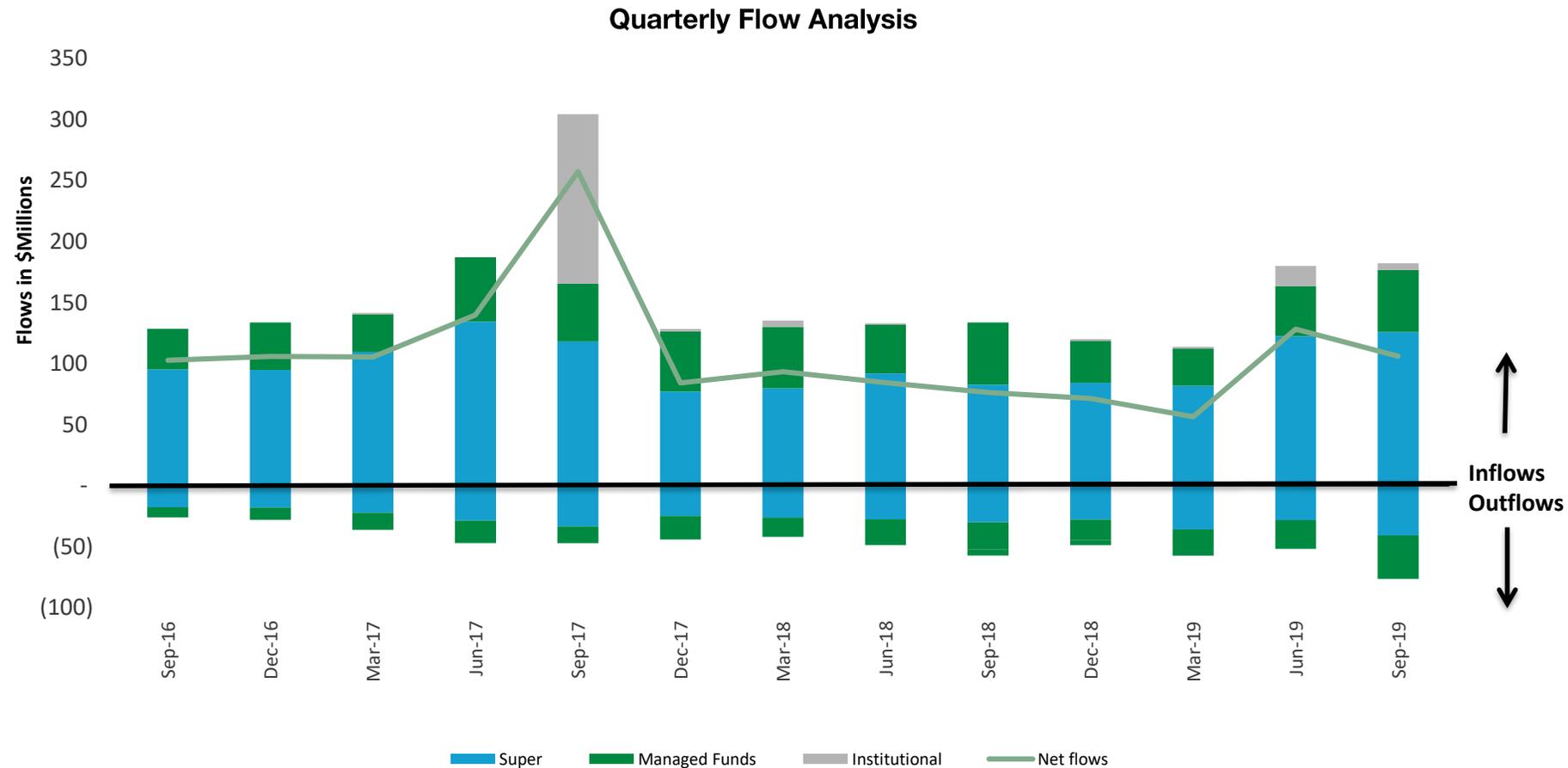
- 2019 **watershed year** in calls for action on **climate change**
- AEI **perfectly positioned** to capitalise on this as people look more and more to invest their money and / or super in vehicles which **do not exacerbate the problem but are clearly part of the solution**
- AEI has a **long track record** of investing **for good**, of using **advocacy** and investments to bring about change whilst at the same time **delivering competitive returns**

September quarter FUM reaches \$3.64bn



Key insights

- Strong September quarter netflows of \$0.11bn
- FUM reached \$3.64bn at 30 September 2019, up 6.6% from 30 June 2019



Footnotes

FY19 Highlights – slide 2

1. Represents membership growth
2. KPMG 2019 Super Insights Report – published April 2019
3. Excluding institutional
4. This excludes the results for the Australian Ethical Foundation Limited ('The Foundation')
5. Pollinate research
6. Morningstar Australian Shares Funds (All Caps) universe
7. The Australian Ethical Growth option was ranked 1st in the SuperRatings Fund Crediting Rate Survey - SR50 Growth (77-90) Index over 12 months as at 30 June 2019 delivering a return of 11.17%
8. The Australian Ethical Australian Shares option (super) ranks no.1 over 5 years and 7 years according to the SuperRatings SR50 Australian Shares Index delivering returns of 12.13% and 14.02% respectively
9. Australian Ethical MySuper option was ranked no.2 in the SuperRatings Fund Crediting Rate Survey - SR50 MySuper Index over 12 months as at 30 June 2019 delivering a 10.2% return (5 yr return is 7.9% p.a)

Ethical Leadership – Investment Portfolio Impact Highlights – slide 7

1. Emissions intensity of Australia Ethical share investments compared to benchmark of S&P ASX 200 Index (for Australian shareholdings) and MSCI World ex Australia Index (for international shareholdings). Calculated as at 31 December 2018
2. Since 1 July 2016 we have been free from all companies whose main business is fossil fuels, as well as diversified companies that earn some fossil fuel revenue and aren't creating positive impact with their other activities. We may invest in a diversified company which is having a positive impact in other ways such as producing renewable energy, provided its fossil fuel revenue is sufficiently low (a maximum of 5% to 33% depending on the fuel).
3. Recognised by B Lab as Best for the World (top 10%) of companies in the category of Governance (2019) .
4. Proportion of our share investments in renewable power generation compared to the global share market
5. Before deducting bonus and grant expense.
6. Based on value of selected 'sustainable impact' products and services sold annually by companies we hold shares in

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