

ASX Code: AEF

10 December 2014

Australian Ethical Investment Limited

Funds under Management reaches \$1 billion

Australian Ethical Investment Limited advises that for the first time the Company's funds under management has exceeded \$1 billion.

This is based on unaudited management accounts. Further information will be provided in the next end of quarter FUM announcement currently scheduled for late January 2015.

More detail can be found in the attached Media Release.

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Australian Ethical Investment Limited Funds under Management reaches \$1 billion

Australian Ethical has today announced that funds under management (FUM) as of 26 November 2014 has reached one billion dollars.

The announcement is a significant milestone in the ethical superannuation and investment fund manager's 26-year history. It follows strong growth over the past year that defies industry averages.

"We're extremely proud of Australian Ethical's performance in reaching this milestone," said Phil Vernon, Managing Director of Australian Ethical of the announcement.

"It marks a coming of age and maturing of the company to be a stable and substantial player in the financial services landscape."

Pioneers in a Growing Industry

Vernon says the company's growth also reflects the transformation of the investment and consumer landscape in recent years. "People from all walks of life really do care about the future of the planet and social values and want those values reflected in the products they consume and the investments they make."

"They don't expect to compromise on price, performance or quality of service in order to achieve it and we wholeheartedly agree."

"It is an absolute myth that returns need to be compromised to invest in an ethical manner and our strong track record is living proof of that. Investing ethically is not just the right thing to do, but the smart thing to do."

Strong contribution across business

Vernon attributes the company's strong growth to a team effort across every area of the business. "It reflects our consistently strong investment performance, the effectiveness of our sales and marketing strategies, improvement in the competitiveness of our products and client service improvements."

Strong Investment Performance

Performance across all AEI funds has been excellent with consistent above median performance over recent periods.

AEI's flagship Australian equities fund, the Smaller Companies Trust, recently celebrated its 20th anniversary having delivered consistent upper quartile performance over the whole period. Its exceptional track record ranks it first over seven years and second over 10 years in a survey of managed funds published by consulting firm Mercer. The fund has returned 10% per annum over its 20 year history, far exceeding its benchmark index.

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Similarly AEI's diversified equities fund, the Larger Companies Trust, ranks first over the 1, 2 and 3 year periods, and third over the 7 years.

The superior performance of AEI's International Equities Trust has also been recognised. In September, it received the award for best international fund at the prestigious Australian Fund Manager Award. This was the first time an ethical or SRI fund has ever been awarded any of their prizes.

New business growth exceeds industry

Net inflows and client growth numbers are way above industry average with client growth at 20% pa. compared to flat industry growth rates and social media followers has also just reached a significant milestone of 40,000 Facebook fans.

"Social media has been an incredibly effective and low cost means of increasing our reach, and to also engage with our members, something the industry has generally struggled to achieve," said Vernon.

Sharing in the Success

Australian Ethical has also been on a path of regularly reducing fees as it grows, giving the benefit of increasing scale back to clients. Efficiencies achieved over the past few years have allowed the company to keep costs relatively flat as funds under management have increased.

Alignment of Purpose key to Success

More and more studies have proven that employee morale is higher within businesses with purpose and Australian Ethical's performance in a recent Aon Hewitt staff engagement survey supports this, "We're proud of our strong ethical culture and commitment to our values."

"As a result we have very strong staff engagement with our latest engagement scores being in the top quartile at 79, very close to the 'best employer' score of 82."

Summary of Key Achievements in 2014

- Investments
 - Smaller Companies passed 20 year anniversary. Performance 10% pa since inception
 - International Trust awarded International Equities Fund of the year
 - Launch of first ethical Fixed Interest product in Australia
- Strong new business growth for 13-14 financial year
 - Super member growth of 20%, compared to industry growth of -0.1%
 - Net inflows \$92m compared to just \$2m the previous year
- Social media presence
 - Followers increased from 5,500 to 40,000 in 12 months to November 2014
 - Awarded "Best use of Social Media" at Association of Superannuation Funds of Australia awards
- Improving competitiveness
 - Fees on superannuation Balanced option (MySuper) reduced by 27% from 2.53% to 1.84% (for a member with a \$50,000 balance)
- Corporate performance for 13-14 financial year
 - Net profit growth of 139% over previous financial year
 - Share price increase of 82% over 12 months to June 2014

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About Australian Ethical Investment:

Established in 1986, Australian Ethical is a pioneer within Australia's responsible investment community. The company believes that incorporating ethics into the investment process does not detract from long term performance and in fact assists in identifying investment risks and opportunities earlier than most other investors because of the unique analysis required to determine if an investment meets the ethical criteria.