31 August 2016

Australian Ethical reports strong full year results
Net profit up 53%

Financial highlights (all comparisons to year ended 30 June 2015):

- Net profit after tax (NPAT) of $3.0 million (up 53%)
- Underlying profit after tax[1] (UPAT) of $3.8 million (up 56%)
- Revenues of $23.0 million (up 8.8%)
- Expenses of $20.0 million (up 4.3%)
- Final dividend of $1.80 per share, fully franked (full year dividend up 50% on previous year)

Operating highlights:

- Group funds under management of $1.56 billion (up 33%)
- Net inflows of $319 million (up 78%)
- Superannuation membership at 26,342 members (up 24%)
- Top quartile investment performance for key funds

Australian Ethical Investments (ASX: AEF) today announced its financial results for the year ended 30 June 2016, reporting net profit after tax (NPAT) of $3.0 million, an increase of 53% on the previous corresponding period.

The significant profit increase is attributable to strong growth in net inflows as investors continue to embrace ethical investing.

Revenue increased 8.8% to $23.0 million, up from $21.2 million recorded for the previous corresponding period.

Net inflows were $319 million for the year, up 78% on last year's net inflows of $179 million.

Funds under management (FUM) for the full year increased 33.4% to $1.56 billion, up from $1.17 billion in the previous corresponding period. FUM growth has been driven by a combination of new inflows and asset management performance.

Commenting on the results, Australian Ethical Managing Director Phil Vernon said: "This has been a year of unprecedented growth for Australian Ethical, signalling a coming of age for ethical investing.

"We can see firsthand that increased shareholder and investor demand for responsible investment is shifting capital out of the old fossil-fuel based economy in to a new economy based around renewable energy, improved energy efficiency and sustainable products.

"People are seeing that they can look after the planet through their investment in professionally managed, fully featured superannuation and investment products, and do not have to sacrifice returns to do so. This growing realisation is reflected in our continued strong growth in new clients and inflows."

The company retains a strong balance sheet with cash reserves of $14.1 million and no debt.

[1] Refer reconciling table in the Shareholder Newsletter

Final dividend:

Directors have declared a fully franked final dividend of $1.80 per share for the full year ended 30 June 2016, bringing the total dividend for the year to $3.00 per share, an increase of 50% on the previous year.

The record date for the dividend will be 9 September 2016 with payment due on 23 September 2016.

Significant items impacting the result included:

- *Strong growth in net inflows:* growth in net inflows continues due to increased interest in ethical investing, consistently strong investment returns, success in our direct digital marketing and increasing interest from advisers.

- *Reducing average revenue margin:* as previously announced, we have been undertaking a fee reduction strategy for our superannuation fund aimed at improving its competitiveness to position it for long term growth. As part of this strategy, a reduction of 0.30% was made on 31 July 2015 and a further reduction of 0.22% was made on 30 June 2016. Increased net inflows were sufficient to offset the impact of these reductions. This and other factors such as increased flows into the wholesale funds continue to reduce our overall average revenue margin.

- *Provision for unit pricing errors:* a provision of $0.9 million has been made in relation to the expected remediation of the impact on superannuation members for unit pricing errors. An investigation is underway and further information will be provided to the market in the first half of FY2017.The company is committed to ensuring that members are not materially disadvantaged as a result of these errors.

- *Impairment of building held in Canberra:* a contract of sale has issued for the building held at Bruce in Canberra and a further impairment of $0.18m has been incurred. Directors obtained two independent valuations which confirmed that the sale price is a fair price. Directors believe the sale is in the best interests of the company.

Outlook:

"Ethical investing is at a tipping point. As investors become increasingly concerned about the effects of climate change, they become more frustrated with the lack of political action and look for opportunities to use the power of their investments to drive positive change.

"We believe the growth trajectory of ethical investment is set to continue," Mr Vernon said.

About Australian Ethical
Australian Ethical is Australia's leading ethical wealth manager. Since 1986, Australian Ethical has provided investors with wealth management products that align with their values and deliver strong returns. Investments are guided by the Australian Ethical Charter which both shapes its ethical approach, and underpins the Company's culture and vision.

Australian Ethical has approximately $1.6 billion in funds under management, across superannuation and managed funds.

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