

# Full Year Results

30 June 2016

Phil Vernon | Managing Director

31 August 2016

# Results

# Highlights

## Strong Growth

- Strong growth in Superannuation clients (24%)
- Net flows (78%)
- Funds under Management (33%)

## Strong investment performance

- Regular top quartile performance for a number of funds over many time periods
- Australian Shares Fund ranked 1<sup>st</sup> in Mercer survey over 10 years

## Improved fee competitiveness

- Strong growth offsets continued fee reductions
- Strategy to be at 75<sup>th</sup> percentile of MySuper peer group by 2020

## Strong digital community, highly engaged clients

- Nearly 100,000 social media followers
- Leading industry net promoter scores

## Provision for remediation

- Provision of \$900k created for remediation flowing from unit pricing administration error

## Increased dividend

- Dividend growth of 50% for full year

# Financial results

Key Financials (A\$000s)	FY2016	FY2015	Change (YoY)
Revenue	23,039	21,171	8.8%
Expenses	(20,029)	(19,201)	(4.3%)
<b>Net Profit After Tax</b>	<b>3,010</b>	<b>1,970</b>	<b>53%</b>
Property impairment	181	484	63%
Provision for remediation	900	0	n/a
Tax adjustment	(270)	0	n/a
<b>Underlying Profit After Tax</b>	<b>3,821</b>	<b>2,454</b>	<b>67%</b>
Earnings per share <sup>1</sup>	282c	190c	48%
Dividend	300c	200c	50%
Share price	\$81.11	\$58.80	38%
<i>Total shareholder return (%)</i>	<i>43%</i>	<i>72%</i>	-
<i>Return on equity (3 year average) (%)</i>	<i>27%</i>	<i>23%</i>	-
<i>Earnings per share growth (3 yr average) (%)</i>	<i>36%</i>	<i>89%</i>	-

<sup>1</sup> Diluted EPS

# Balance sheet and capital

Balance sheet highlights (A\$000s)	FY2016	FY2015	Change (YoY)
Cash and liquid investments	14,072	12,227	15%
Property	1,460	1,725	(15%)
Other assets	2,140	3,275	(35%)
<b>Total assets</b>	<b>17,672</b>	<b>17,227</b>	<b>3%</b>
Financial debt	nil	nil	no change
<b>Total liabilities</b>	<b>4,856</b>	<b>6,075</b>	<b>(20%)</b>
<b>Net assets</b>	<b>12,816</b>	<b>11,152</b>	<b>15%</b>
Regulatory capital (A\$000s)	FY2016	FY2015	Change (YoY)
Net tangible assets	11,690	10,080	16%
Regulatory requirement	5,100	5,100	no change
<b>Buffer</b>	<b>6,590</b>	<b>4,980</b>	<b>32%</b>

# FUM and net inflows

(A\$m)	FY2016	FY2015	Change (YoY)
Opening FUM	1,167	887	32%
Super flows	237	132	80%
Managed funds	82	47	73%
<b>Net flows</b>	<b>319</b>	<b>179</b>	<b>78%</b>
<b>Market movement</b>	<b>71</b>	<b>101</b>	<b>(29%)</b>
<b>Closing FUM</b>	<b>1,557</b>	<b>1,167</b>	<b>33%</b>

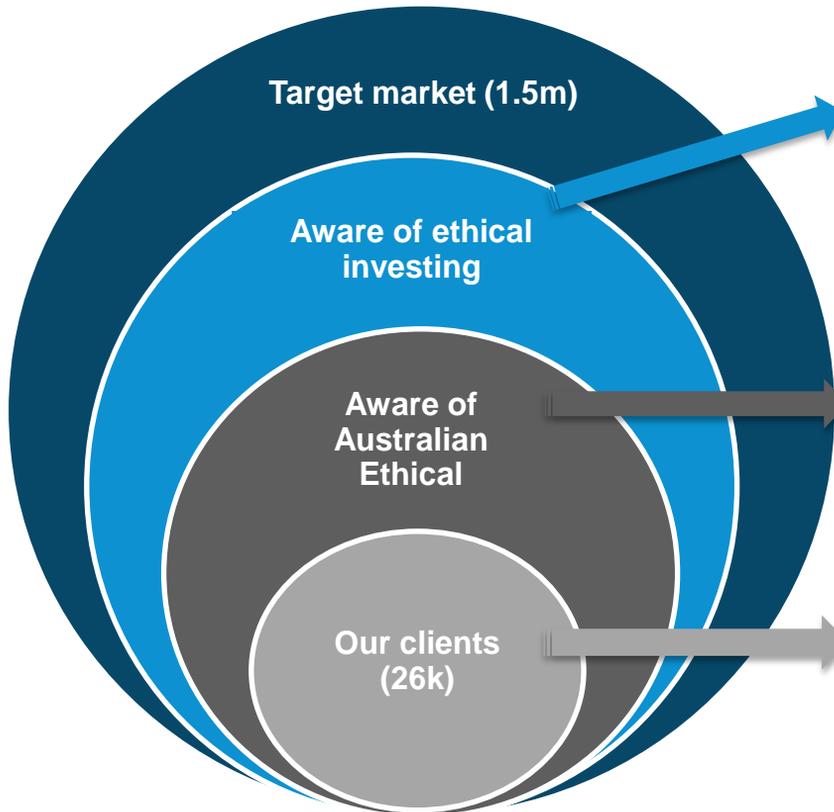
# Our strategy

# Our opportunity

Ethically conscious consumers = 10% = 1.5m investors



# Seizing our opportunity



## Grow the ethical investing market

We aim to grow the awareness and trust in ethical investing both directly and through our industry associations and intermediaries by:

- **Educating the ethical consumer** of the availability of ethical products; and
- **Busting the investment myth** by demonstrating that ethical investing can outperform

## Grow awareness of Australian Ethical

We aim to build awareness of Australian Ethical primarily through:

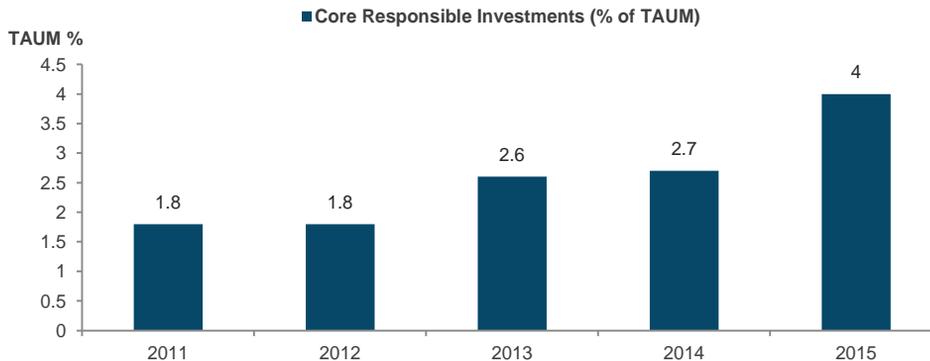
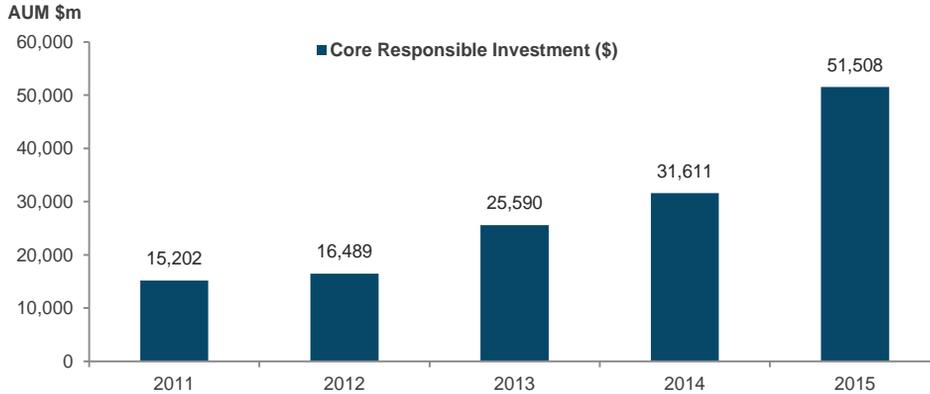
- Building a strong digital community
- Targeted sponsorships
- Marketing to ethically aligned employers

## Build trust and convert

We aim to be the provider of choice to the ethically conscious consumer through offering:

- high conviction ethics
- professional investment management
- fully featured and competitive products
- excellence in client service

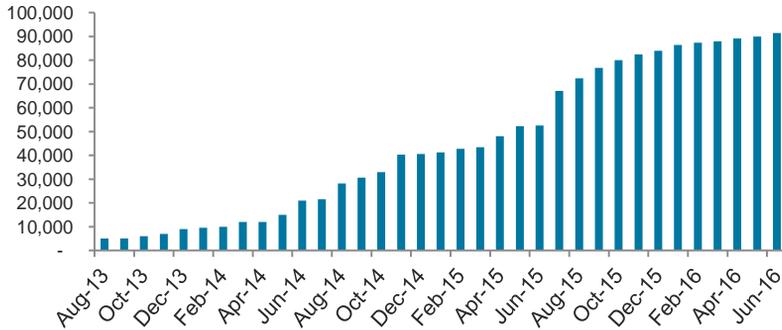
# Growing the ethical investment market



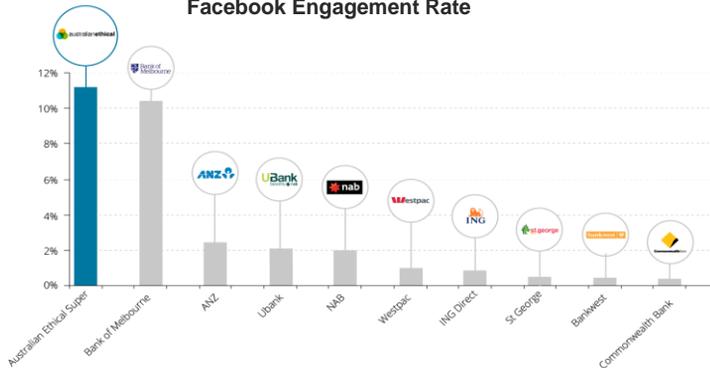
Source: Responsible Investment Benchmark Report

# Building our digital community

## Australian Ethical Facebook Followers



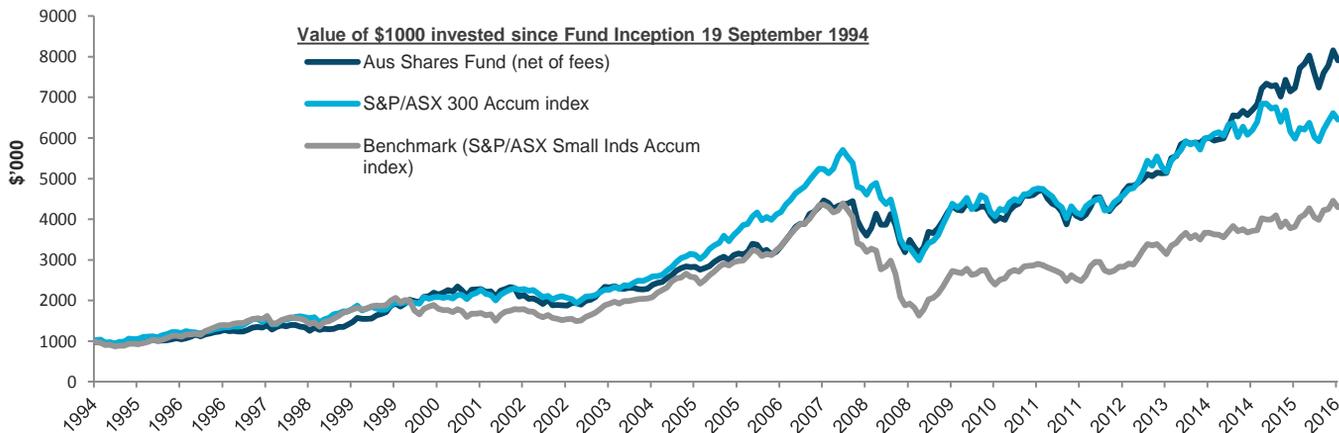
## Facebook Engagement Rate



# Delivering consistent investment performance

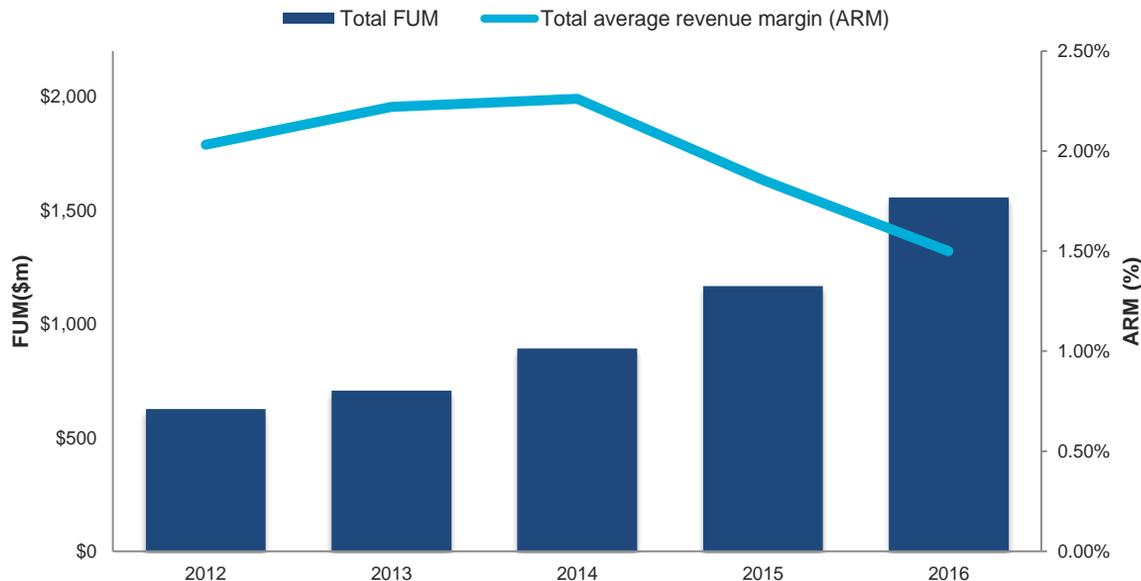
MANAGED FUNDS	1 year	3 years	5 years	7 years	10 years
	Quartile	Quartile	Quartile	Quartile	Quartile
Balanced	1st	1st	1st	4th	2nd
Australian Shares (retail)	1st	1st	1st	1st	1st
Diversified Shares (retail)	1st	1st	1st	3rd	2nd
Advocacy (retail)	1st	1st	1st	-	-
International Shares	1st	2nd	4th	4th	-
Cash	4th	2nd	2nd	1st	2nd
Fixed Interest	3rd	-	-	-	-

Source: Mercer Peer Comparison as at 30 June 2016



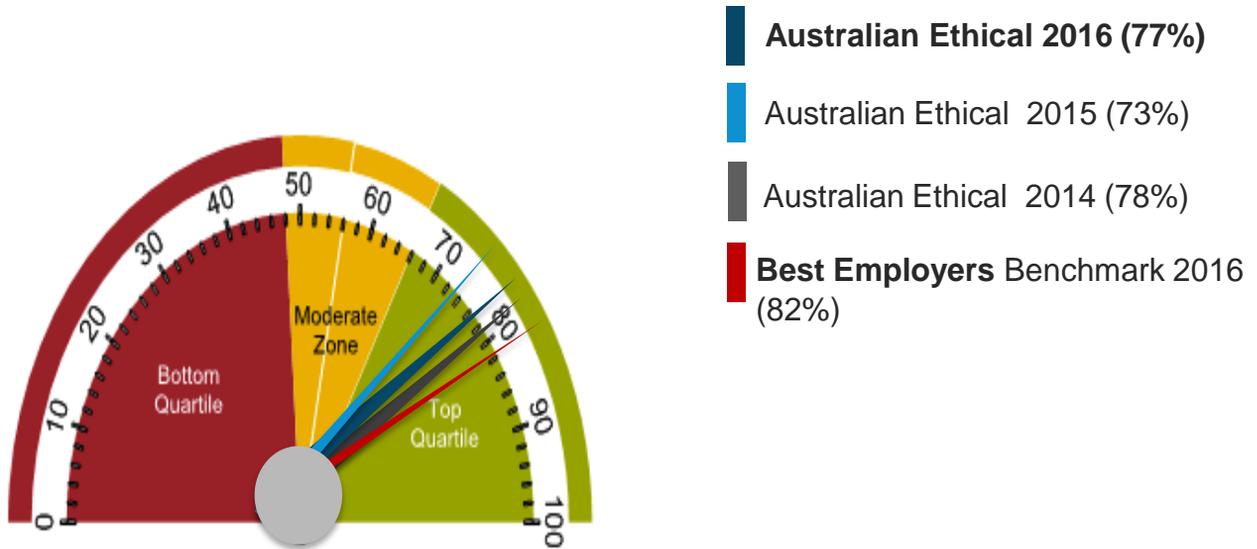
Period ending 30 June 2016. Performance shown net of fees.

# Ensuring our products are competitive



Average revenue margin is FUM-based revenue as a proportion of average FUM over the year. FUM-based revenue is one component of total revenue. Other revenue includes member and withdrawal fees, interest and rent. Details can be found in Note 2 of the 2016 Financial Statements.

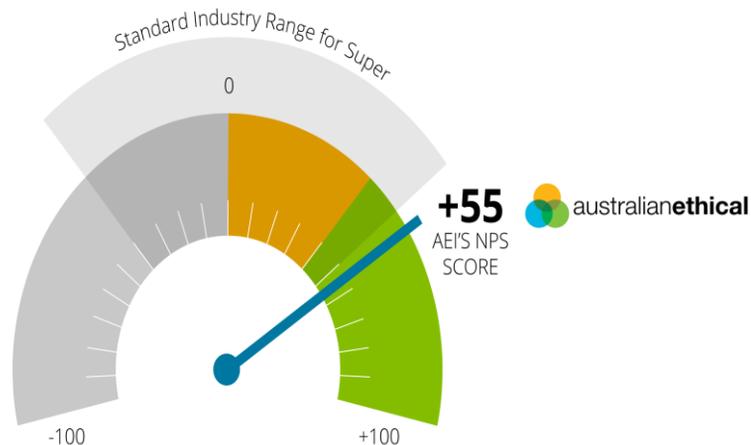
# High employee engagement



Source: Annual engagement survey conducted by AON Hewitt. Best Employer comparison is for Australia and New Zealand

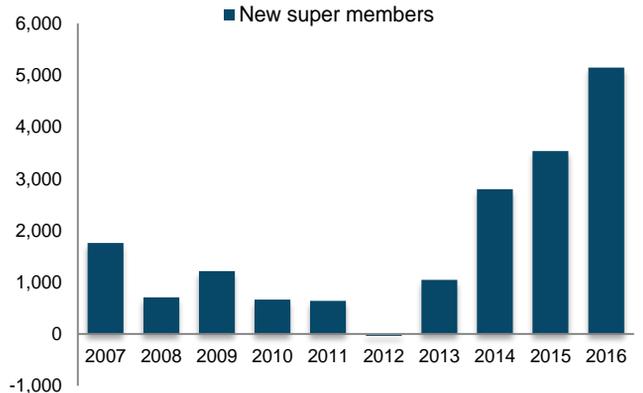
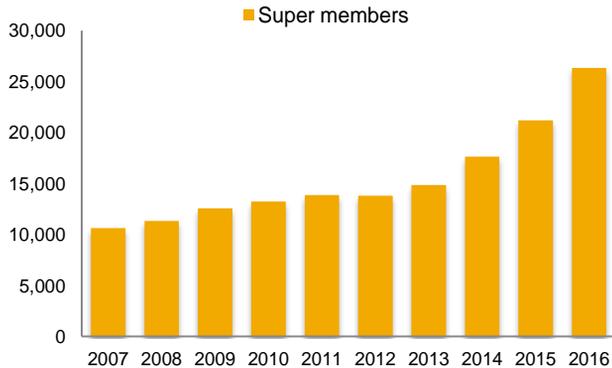
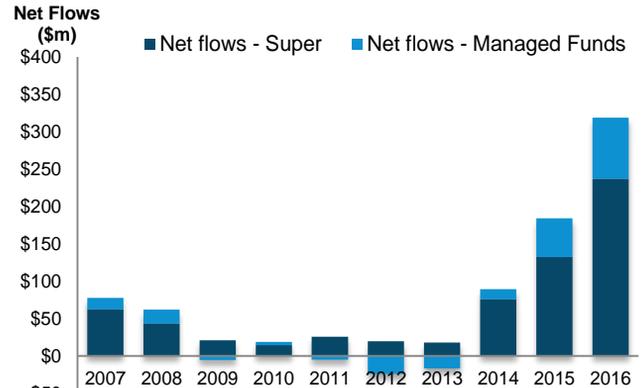
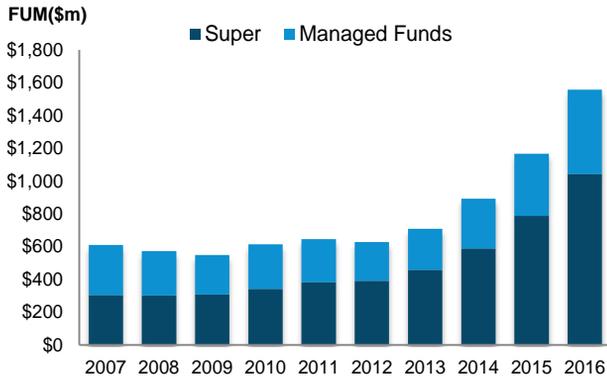
# Has lead to strong client satisfaction

Our NPS is one of the highest in the industry



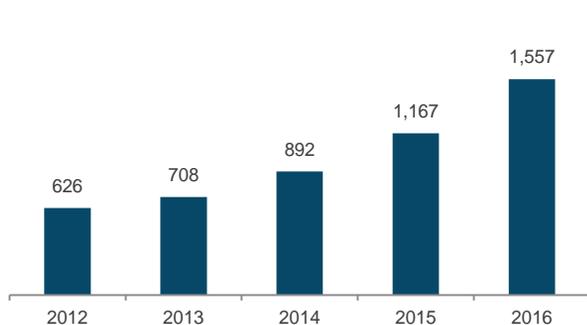
(Net promoter score = promoters LESS detractors)

# And driven our growth

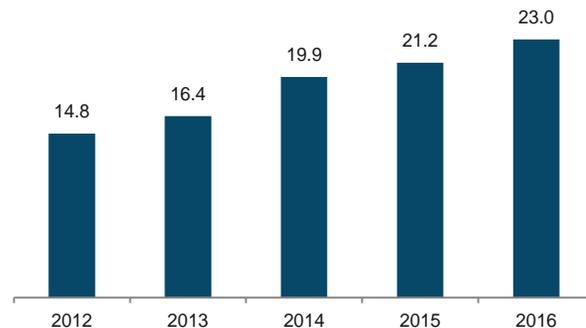


# Which has delivered exceptional shareholder returns

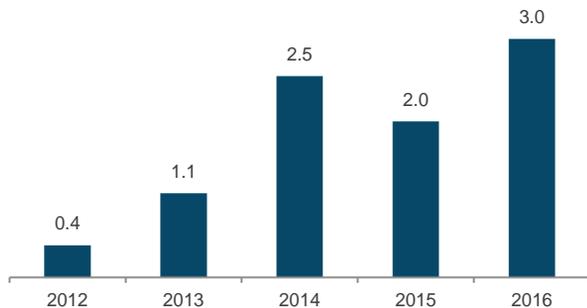
Funds Under Management (\$m)



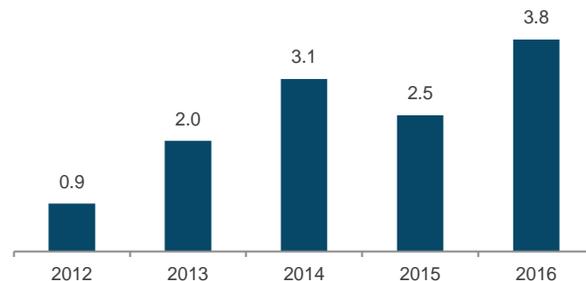
Revenue (\$m)



Profit After Tax (\$m)

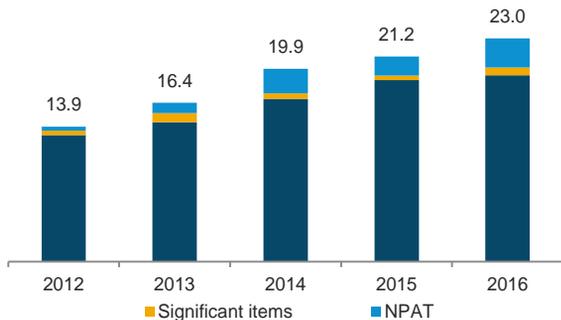


Underlying Profit After Tax (\$m)

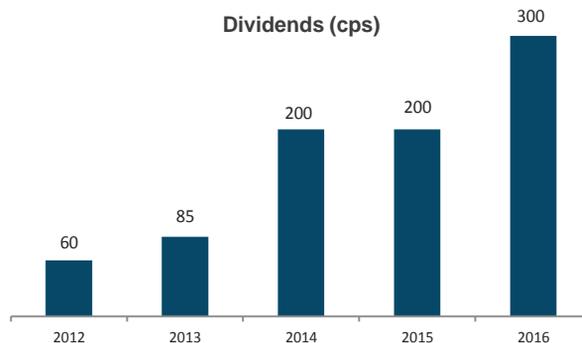


# Exceptional shareholder returns

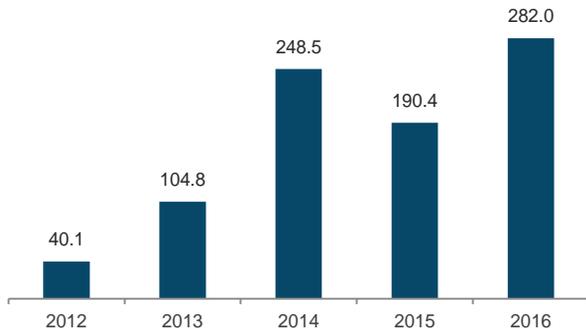
Revenue breakdown (\$m)



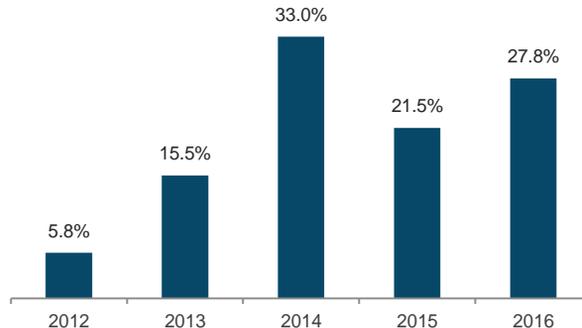
Dividends (cps)



Basic earnings per share (cps)



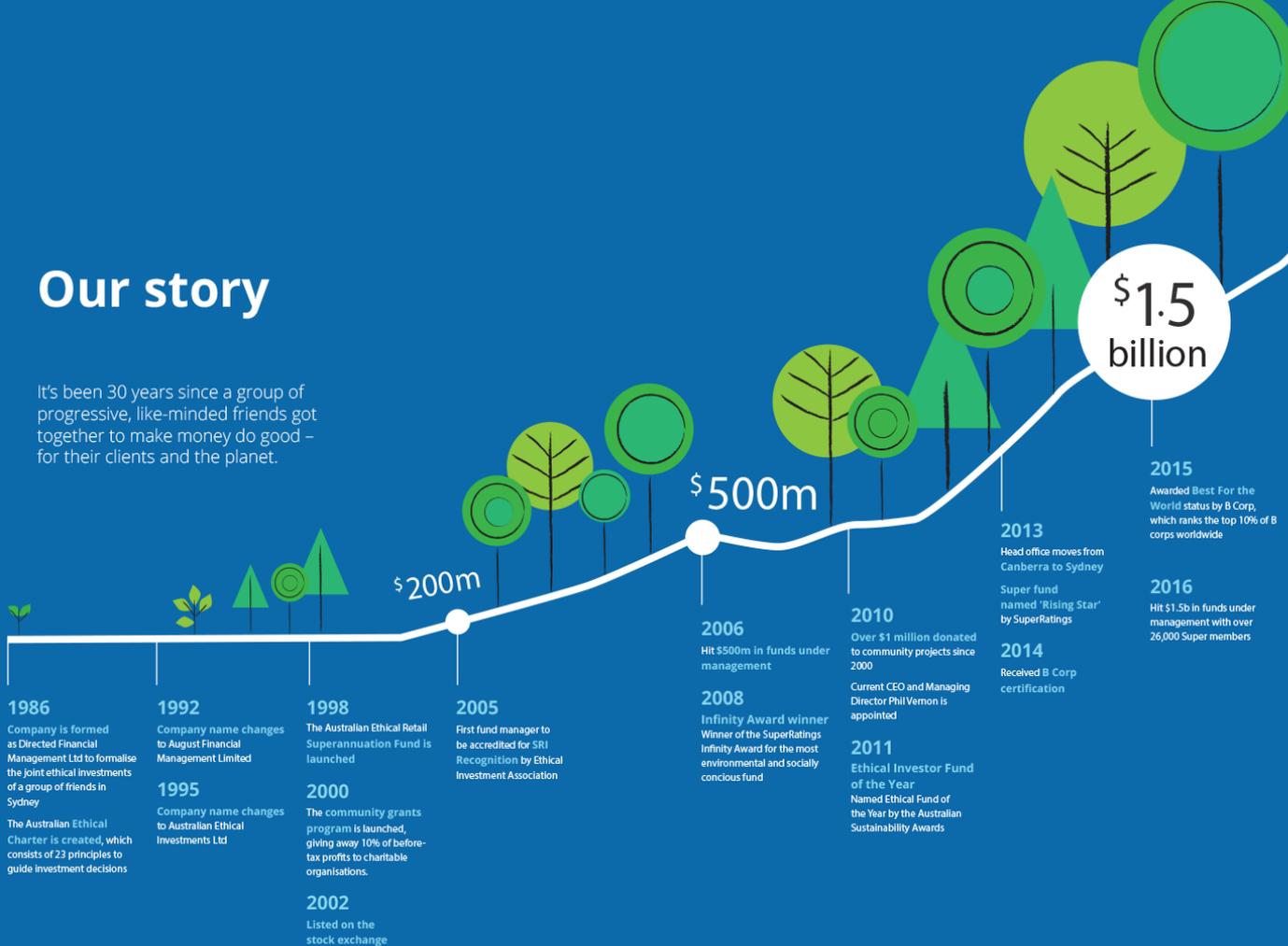
ROE (%)



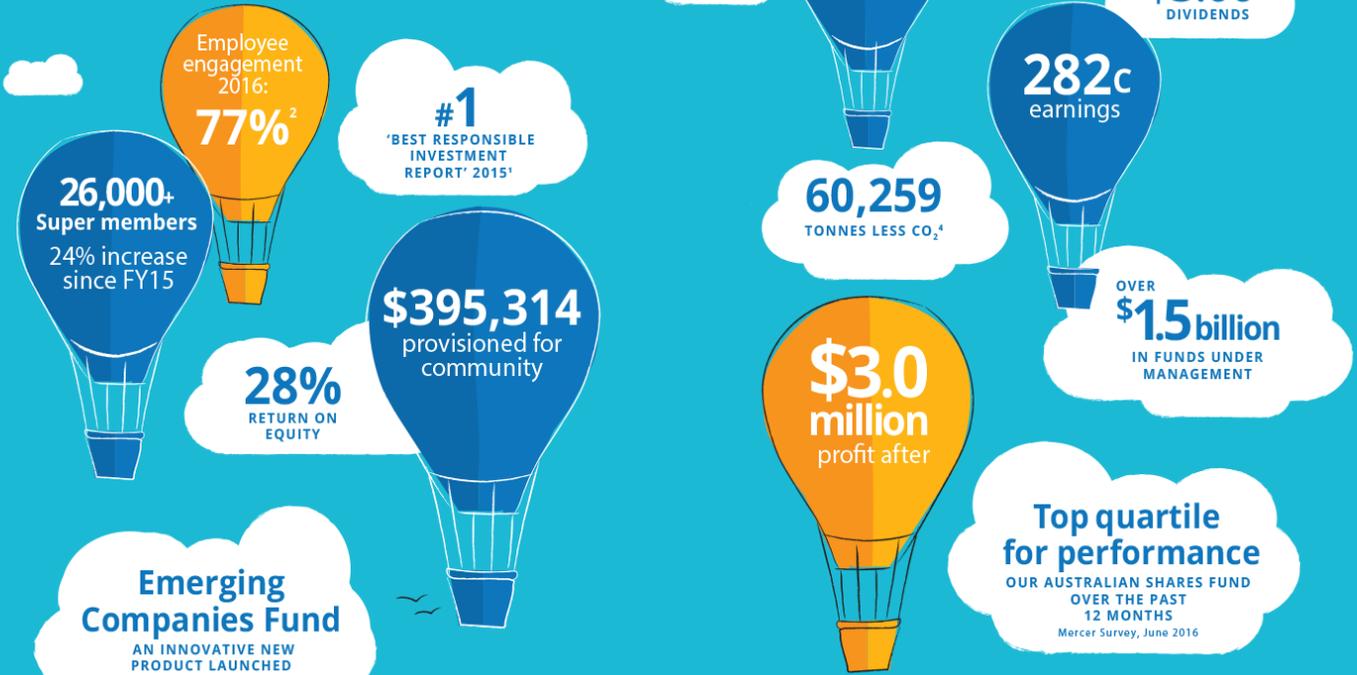
**About us**

# Our story

It's been 30 years since a group of progressive, like-minded friends got together to make money do good – for their clients and the planet.



# Our year in numbers

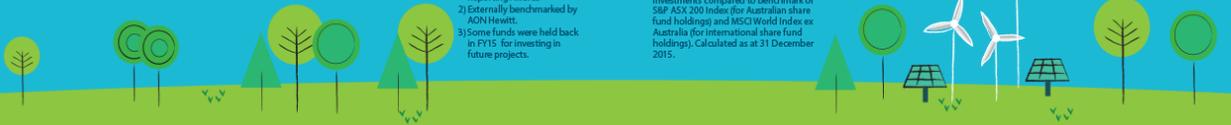


1) Responsible Investor Reporting Awards

2) Externally benchmarked by AON Hewitt.

3) Some funds were held back in FY15 for investing in future projects.

4) Emissions of Australian Ethical share investments compared to benchmark of S&P ASX 200 Index (for Australian share fund holdings) and MSCI World Index ex Australia (for international share fund holdings). Calculated as at 31 December 2015.



# Where we invest

We **invest** in areas such as:



We **avoid** companies involved in:



# Our commitment to the community

While ethical investing is our bread and butter, we know there are a lot of projects and organisations doing good that aren't traded on investment exchanges. These projects have a vital role to play in achieving a happy, healthy world, so each year we donate 10% of our pre-tax profits to organisations making a positive difference.

Since our community grants program began in 2000, we have donated over \$2 million to charitable organisations. In FY16, we received a total of 739 grant applications. These applications were reviewed internally for their ability to deliver

tangible outcomes that benefit the planet, people or animals. All our major stakeholder groups have a say in who receives a grant, employees and shareholders voting on the winner from a shortlist. This was the first year where even our clients had an opportunity to participate. In FY16, we distributed \$230,000 of community grants to 18 organisations through the Australian Ethical Foundation. The Foundation was granted charity registration with the Australian Charities and Not-for-profits Commission on 12 August 2015.

## FY15 community grant recipients

# \$20,000

grant recipients



### Environmental Defenders Office Inc (NT)

Improving access to environmental justice in the Northern Territory  
[edont.org.au](http://edont.org.au)



### Angel Place

Supporting homeless families through crisis accommodation in hotels  
[Angelplaceproject.com](http://Angelplaceproject.com)



### Animalia Wildlife Shelter

Helping sick, injured and orphaned wildlife in Victoria  
[Animaliawildlife.org.au](http://Animaliawildlife.org.au)



### Animal Aid Abroad

Improving the welfare of working donkeys in Afghanistan  
[animalaidabroad.org](http://animalaidabroad.org)



### Green Connect

Providing jobs for young people and refugees and improving sustainability in the Illawarra, NSW  
[green-connect.com.au](http://green-connect.com.au)

# \$15,000

grant recipients



### East Gippsland Rainforest Conservation Management Network

Protecting rainforests and providing Indigenous employment opportunities in Victoria  
[egrainforest.org.au](http://egrainforest.org.au)



### Abundant Water

Providing clean water filters and education programs to improve the lives of women in Laos  
[abundantwater.org](http://abundantwater.org)

# \$5,000

grant recipients

### The Incredible Tip Shop

Providing jobs for disadvantaged job seekers in Mackay, Queensland  
[facebook.com/TheIncredibleTipShopMackay](https://facebook.com/TheIncredibleTipShopMackay)

### A Girl & Her World

Supporting girls to stay in school and mothers to achieve financial independence in Fiji  
[agirlanherworld.org](http://agirlanherworld.org)

# \$10,000

grant recipients

### Australian Red Cross with the Royal Flying Doctor Service

Providing healthy living programs for remote Aboriginal communities  
[redcross.org.au](http://redcross.org.au)

### Alternative Technology Association

Providing repairs for solar-power systems in villages in East Timor  
[ata.org.au/what-we-do/tpg](http://ata.org.au/what-we-do/tpg)

### Assisi Aid Projects

Providing programs to help widowed women in rural India achieve financial independence  
[assisi.org.au](http://assisi.org.au)

### Indigo Foundation

Providing job opportunities and food for women in Indonesia through community gardens  
[indigofoundation.org](http://indigofoundation.org)

### Wildlife Asia

Protecting the critically endangered Sumatran rhino  
[wildlifesia.org.au/help-us/operation-Aceh](http://wildlifesia.org.au/help-us/operation-Aceh)

### With Compassion & Soul

Caring for at-risk wildlife, including sun bears and orangutans, in Borneo  
[withcompassion.com.au](http://withcompassion.com.au)

### The Orangutan Project

Protecting orangutans against poachers and environmental threats  
[orangutan.org.au](http://orangutan.org.au)

### Free to Shine

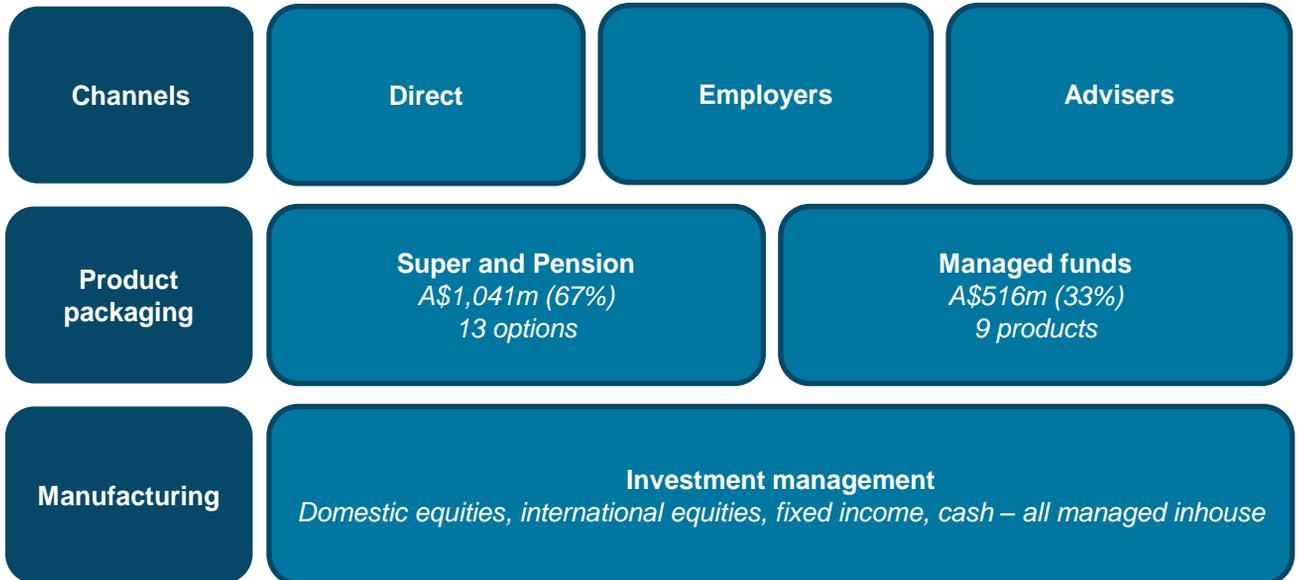
Providing school scholarships for girls at risk of sex-trafficking in Cambodia  
[freetoshine.org](http://freetoshine.org)

### Sleepy Burrows

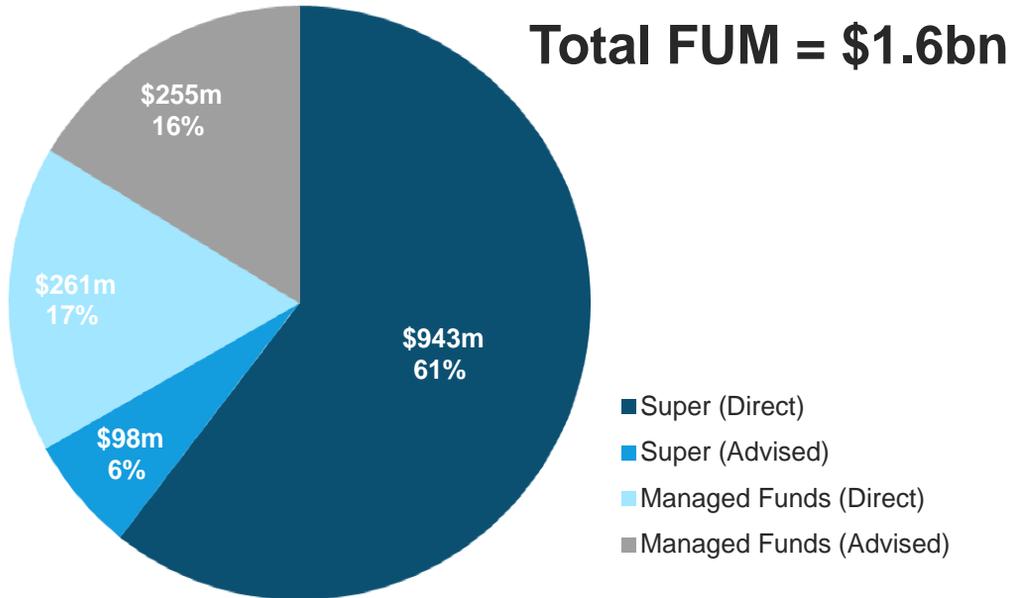
Helping sick, injured and orphaned wombats in NSW  
[sleepyburrows.com.au](http://sleepyburrows.com.au)

# Our business model

Vertically-integrated business, offering a broad range of products, across most asset classes accessed through multiple channels



# Product and channel breakdown



# Board of Directors



**STEVE GIBBS**  
Non-Executive Chair

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- Former CEO of ARIA, superfund for federal govt. employees
- Former Executive Officer of Australian Institute of Super Trustees
- Served as Chair of Responsible Investment Academy Advisory Council and member of ASX Corporate Governance Council



**TONY COLE**  
Non-Executive Director

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- 17+ years as a Senior Partner in Mercer's Investment Consulting business
- AO in 1995 for services to government and industry
- Treasurer Paul Keating's principal economic adviser, and government Head of Office
- Former Secretary to the Treasury, Secretary of the Department of Health and Social Security, Deputy Secretary to the Department of the Prime Minister and Cabinet, and Chairman of the Industry Commission (now the Productivity Commission)



**KATE GREENHILL**  
Non-Executive Director

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- 18+ years financial assurance and advice services
- Former Partner PricewaterhouseCoopers
- Board director and finance committee chair for an NFP



**PHILLIP VERNON**  
Managing Director

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- 30+ years of financial services experience
- Previously member of the Executive Committee of Perpetual heading up its Corporate Trust division
- Board member of Responsible Investment Association, Investor Group for Climate Change and Planet Ark



**MARA BUN**  
Non-Executive Director

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- 20+ years experience in business and community in Australia and overseas including Morgan Stanley, Macquarie, CSIRO, Greenpeace and Choice
- Founding CEO of Green Cross Australia and current director of Enova Community Energy

# Management team



**PHILLIP VERNON**  
Managing Director

---

- 30+ years of financial services experience
- Previous member of Executive Committee of Perpetual
- Board member of Responsible Investment Association, Investor Group for Climate Change and Planet Ark



**PETER LOOSMORE**  
Chief Financial Officer (acting)

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- 20+ years of financial services experience
- Previous roles with Tyndall, Asgard & Rothschild
- Consulted with AMP and ANZ



**DR STUART PALMER**  
Head of Ethics

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- 20+ years experience in the financial, investment and legal sectors
- Previously St James Ethics Centre, Middletons Moore & Bevens and ABN AMRO Bank Australia



**DAVID MACRI**  
Chief Investment Officer

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- 17+ years of financial services experience
- Previously worked at Macquarie Securities, Credit Suisse, Mellon and Mercer



**FIONA HORAN**  
Head of People and Culture

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- 20+ years in organisational development roles in financial services in Australia and Europe
- Previously with State Street Australia, Commonwealth Bank, Pioneer Investments



**ADAM KIRK**  
Head of Business Development & Client Relations

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- Previous Head of Business Development at Australian Catholic Super
- Former roles at Colonial First State and Skandia



**TOM MAY**  
General Counsel and Company Secretary

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- 20+ years in legal roles in Australia, Europe and Asia
- Previous financial services roles with ASIC, AMP, MLC and ING

# Q&A



australian**ethical**

# Disclaimer

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