

FY2015

Results and company update

31 August 2015



Australian Ethical is Australia's leading ethical investment and superannuation company.

We invest and manage our business according to a social and environmental charter. We do not compromise on ethics or performance. We achieve both.

We are the model for business of the future.
Operating today.



Leader in ethical investing and wealth management

Achieving strong financial and shareholder returns while maintaining clear ethical focus

- ✓ Almost **30 years of investing with a difference**; an unwavering commitment to ethical investing
- ✓ Unrivalled and trusted brand
- ✓ **Thought leader** in ethical investment
- ✓ Only **integrated wealth manager** in Australia to have a corporate philosophy that is **synonymous with ethical investing**
- ✓ Excellent **brand recognition**, including on **social media** where Australian Ethical has the **12th largest fan base** in Australia out of all international banks and financial institutions and the **2nd highest growth in fans** over the last quarter¹
- ✓ Highly **skilled** and **engaged** people. Engagement scores in Best Employer range.

Ethical credentials

Member of RIAA, ASrIA and IGCC, signatory to UN-PRI, certified B Corp

Ethical charter

Positive and negative screening, corporate engagement

Industry leader

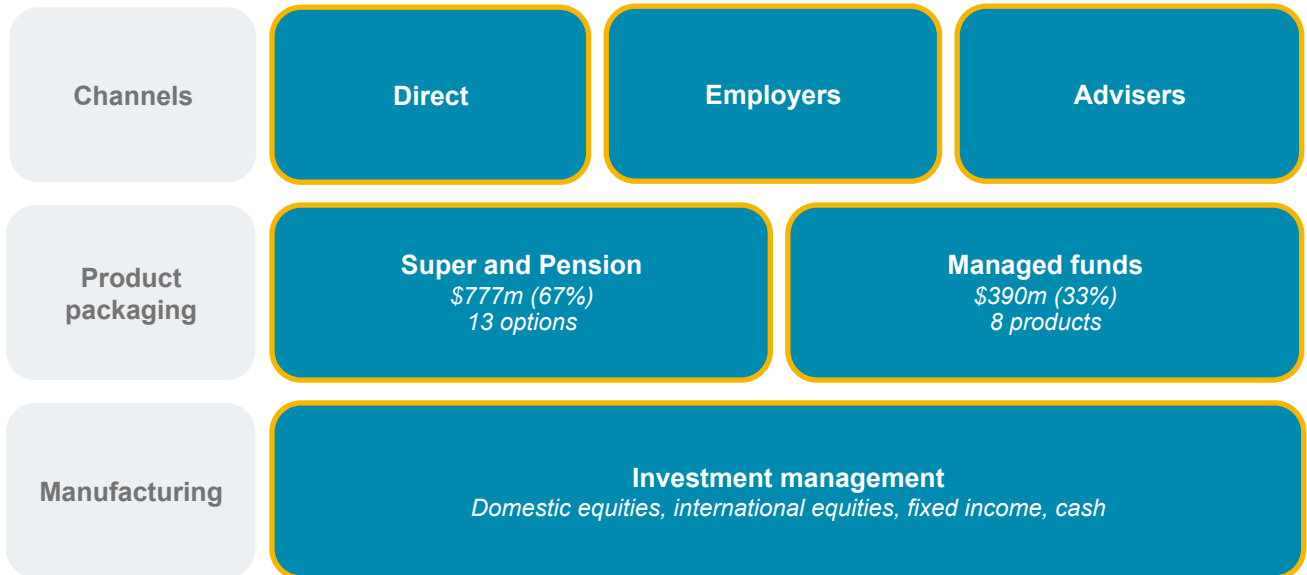
Unrivalled brand recognition, thought leader for ethical investing

Notes:

1. Online Circle Digital as at 30 June 2015

Business model

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



Our approach: Examples of areas where we invest

We make **good** investments in areas such as:



Clean Energy



Sustainable Products



Medical Solutions



Innovative Technology



Responsible Banking



Healthcare



Recycling



Energy Efficiency



Education



Aged Care

We **avoid** companies involved in:



Coal



Coal Seam Gas



Oil



Weapons



Tobacco



Logging



Exploitation



Gambling



Human Rights Abuses



Harmful Products

Examples of companies we invest in

Our investment portfolios are well-balanced with larger well-known companies, as well as small and emerging companies.

Example investments below. You can view all of the companies we invest in on our website.

Financial services



Health & wellbeing



Education



Property



Media



IT, software and professional services



Sustainable products



Telecommunications



Transport



Energy generation and distribution



Recycling and waste management



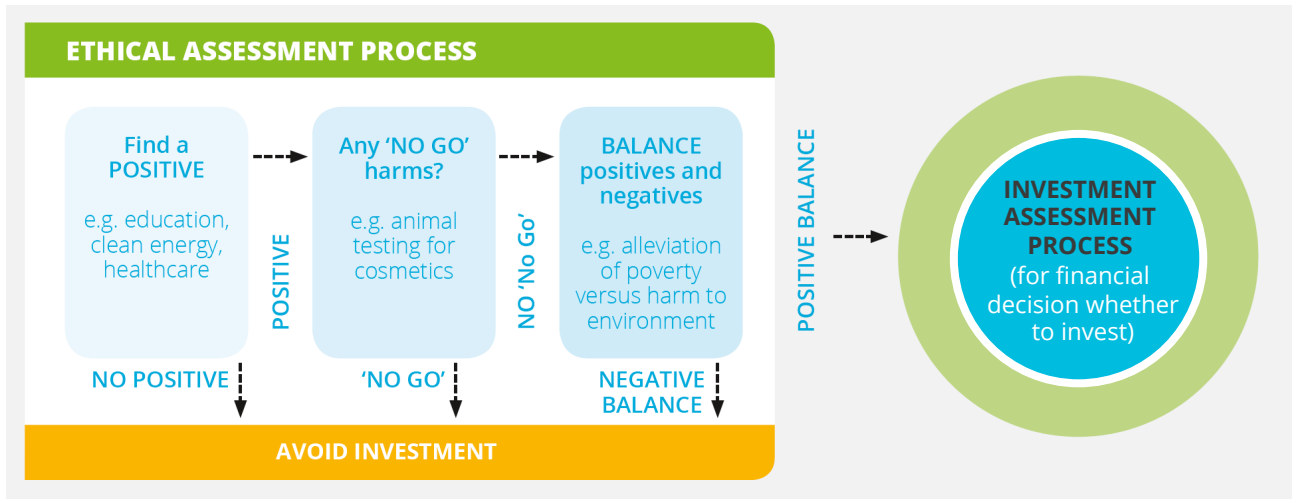
Energy production (renewables)



Our Ethical Process

We've had the same clear starting point for our investment decisions since the company began in 1986 – our Australian Ethical Charter.

The Charter (see our website) lists 12 things we will support and 11 harms we will avoid when investing.



Australian Ethical Foundation and Community Grants

Australian Ethical has donated over \$2m to charitable, benevolent and conservation purposes including \$373k set aside this financial year

- Every year Australian Ethical Investment donates 10% of its pre-tax profits to organisations making a positive difference in the world. Our 2015 Community Grants winners will be announced in October 2015.
- We are establishing the Australian Ethical Foundation as a vehicle to distribute the grants provide more flexibility in the way we provide support and to magnify the impact.

A SELECTION OF 2014 COMMUNITY GRANTS RECIPIENTS

Tennant Creek Transport



Kids Under Cover (Vic)



Port Phillip Housing Assoc.



The Orangutan Project



The Kokoda Track Foundation



Mungalla Aboriginal Corporation for Business



The Deli Women & Children's Centre



Delivery Cycles (Vic)



Credentialed Board of Directors



STEVE GIBBS
Non-Executive Chair

- 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

- 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

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



PHILLIP VERNON
Managing Director

- 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

- 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

Proven management team with a record of success



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



DAVID BARTON
Chief Financial Officer

- 20+ years of financial services experience
- Previously a consultant at Morse Consulting
- Previous roles at Perpetual, Schrodgers and Skandia



DR STUART PALMER
Head of Ethics

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



DAVID MACRI
Chief Investment Officer

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



FIONA HORAN
Head of People and Culture

- 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

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



TOM MAY
General Counsel and Company Secretary

- 20+ years in federal government legal roles and private law firms
- Previous financial services roles with AMP, MLC and ING

FY 2015 Results

Highlights

Strong Growth

Net inflows almost double previous year. Superannuation client growth 20% above previous year.

Improved competitiveness

Superannuation fees on key MySuper product reduced by 0.67%. Strategy to be at 75th percentile of peer group by 2020.

Strong investment performance

Regular top quartile performance for a number of funds. Industry awards.

Flourishing digital community and capability

Social media community increased 240% to over 50,000 fans with high engagement. Continued optimisation of online experience.

Improved incentives

New incentive structure provides greater motivation, alignment and retention. Transitional impacts on profit.

Steady dividend

Dividend maintained through period of transition.

Financial results

Solid profit result in year of transition

Key Financials (A\$000s)	FY2014	FY2015	Change (yoy)
Revenue	19,889	21,171	6%
Operating expenses	(14,476)	(16,478)	(14%)
Non-operating expenses	(2,871)	(2,723)	6%
NPAT	2,542	1,970	(23%)
UPAT¹	3,111	2,454	(21%)
Operating cashflow	5,363	6,453	+20%
Net cash	7,944	12,227	+54%
Dividend	200cps	200cps	No change
EPS ²	241	181	(25%)
Funds under management (\$m)	887	1,167	32%

Note:

1. Underlying Profit After Tax: excludes items such as restructuring and impairment charges. Full reconciliation can be found in the shareholder newsletter

2. Diluted EPS

Key drivers

Key metric

Drivers

FUM

- ↑ Net inflows of \$179m (96% increase)
- ↑ Asset management performance \$100m

Revenue

- ↑ Increased FUM (32%)
- ↓ Reduction in superannuation fees of 0.67% to shore up long term sustainability

Operating expenses

- ↑ Staff costs up 1.9m (27%) due to a combination of:
 - Increased bonuses due to strong performance
 - “Cross-over” impact of old and new remuneration model
 - Significant increase in share price impacted provision of performance rights

Non-operating expenses

- ↑ Impairment to property of \$484k

Funds under management and net inflows

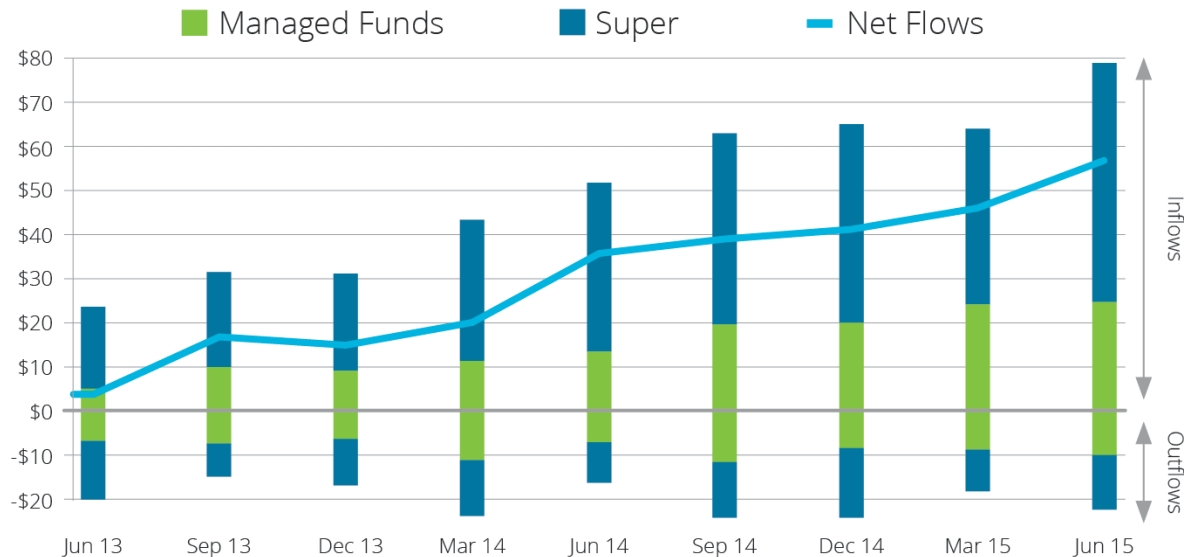
Strong growth in net flows in both superannuation and managed funds

(\$000s)	FY2014	FY2015	Change (yoy)
Opening	708	887	25%
Super flows	78	132	70%
Managed funds	14	47	240%
Net flows	92	179	96%
Market movement	87	101	14%
Closing	887	1,167	32%

Strong net inflows

- Net inflows have increased dramatically over recent years
- Growth driven by increased demand for ethical investing, consistent asset management performance, more competitive products, our large digital community and investment in online optimisation
- Growth across both superannuation and managed funds
- Driven by new inflows. Outflows remain steady despite increasing funds under management

Quarterly Flows



Top quartile asset management performance

Proven track record of asset management outperformance

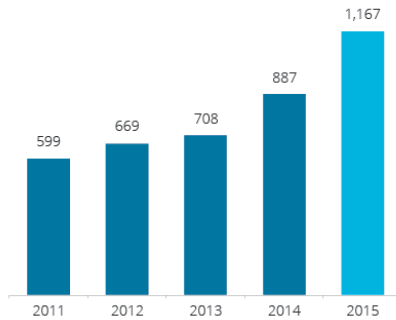
- Regular top quartile performance by numerous products
- Flagship Australian Shares fund celebrated 20th anniversary having delivered top quartile performance over the period returning 10% p.a. over its 20 year history
- Awarded “Ethical fund of the Year” by Money Management Magazine
- Awarded ‘International Fund of the Year’ by Australian Funds Management Association

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

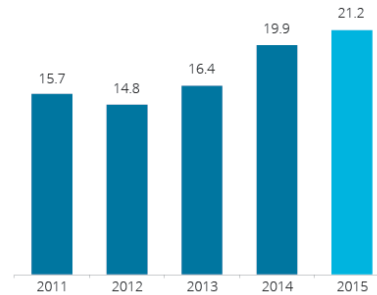
FY2015 relative to previous years

Strong growth in operational and financial performance

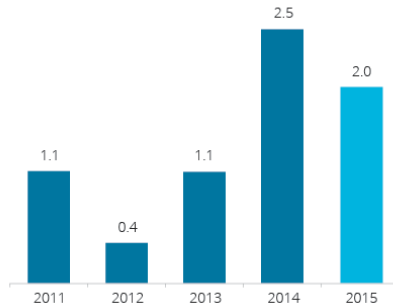
Funds Under Management (\$m)



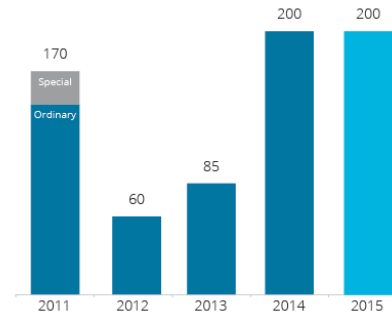
Revenue (\$m)



Profit After Tax (\$m)



Dividends (cps)



Strong operating performance

Operating performance has translated into attractive shareholder returns

- Australian Ethical has a proven track record of converting its competitive advantages into positive financial outcomes for shareholders
- Strong management and operating performance has converted FUM growth into strong long-term EPS growth.

Key metric	Outcome
FUM	14% average increase p.a for the last 10 years
Revenue	11% average increase p.a for the last 10 years
EPS	8% average increase p.a for the last 10 years
Dividends	Currently yielding 3.4% p.a., fully franked ¹
Total returns	Total returns of c. 16% p.a. on average since listing (compared to 7% for ASX Small Ordinaries)

TOTAL SHAREHOLDER RETURNS AS AT 28 AUGUST 2015¹

Time period	Australian Ethical ²		Small Ordinaries ³	
	Total return ²	Annualised return	Total return	Annualised return
Since listing	549%	16%	145%	7%
Last 10 years	372%	17%	30%	3%
Last 5 years	298%	32%	8%	1%
Last 2 years	165%	63%	7%	3%
Last 12 months	29%	29%	(2%)	(2%)

Source: IRESS, Bloomberg

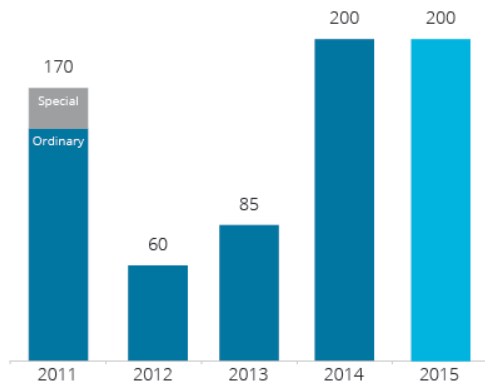
Notes:

1. Includes capital and dividend returns, assumed that dividend proceeds are reinvested on the ex date, no franking benefit assumed (despite 100% franking available for all Australian Ethical's dividends historically)

2. Based on share prices as at 28 August 2015

3. Taken from Bloomberg

DIVIDEND PER SHARE (A\$cps)



Our opportunity

Rising social consciousness is driving growing demand for ethical investment and better ways of doing business.

Our leadership position, high ethical conviction, professional investment approach and strong digital capability make us well placed for considerable growth.



Positioned for growth



- ✓ In Australia, funds in core responsible investment strategies has **doubled over the past two years to be now 2.5% of the total market**[^]
- ✓ Increasing public awareness about **environmental issues, corporate governance and business sustainability**
- ✓ Our research shows **6 million working Australians** are highly ethically active making environmental and social choices at the supermarket and donating to charity
- ✓ Our research shows that **over 70% of people believe ethical investments will provide better returns**

- ✓ Compulsory, tax advantaged superannuation system
- ✓ Underfunded ageing population
- ✓ Increasing financial sophistication creating demand for specialist managed funds
- ✓ Post GFC demand for more ethical approach to financial advice and managing money

[^] Source: RIAA 2015 Benchmark Report

“Breaking down the barriers” to ethical investing



Returns

70% of Australians believe ethical funds will perform the same or better than mainstream funds. Our track record supports this.



Fees

Ethical investors require competitive fees. Strategy is to be at 75th percentile of peer group by 2020. Reductions to date have contributed to strong growth.



Access

Accessibility is key to converting ethical consumers to ethical investors. Initiatives include optimisation of online access, listing of funds on ASX mfunds platform and being accessible through multiple channels.



Education

6 million working Australians are already ethical consumers. We support numerous initiatives aimed at educating the conscious consumer how to make ethical investment choices.

Avenues for growth



Direct

Our strong, highly engaged digital community, targeted digital advertising, optimisation of the online experience and support of many aligned organisations continues to give us strong growth from the direct channel.



Employers

We aim to be the default superannuation fund of choice for ethical employers. We continue to make our fund more appealing and competitive for employers and support them through employee education seminars.



Advisers

Advisers see increasing demand from their clients for ethical advice and require education and support to understand how to advise their clients to make the best ethical choices.

Company overview

CORPORATE OVERVIEW

- Australian Ethical is Australia's largest dedicated **ethical investment and superannuation manager** listed on the ASX
- Investments are guided by the **Australian Ethical Charter** which guides both the **positive side (investments we seek)** and the **negative side (investments we avoid)** of our ethical approach
- More than **A\$1.1 billion in FUM** as at 30 June 2015
- Numerous industry awards including '**Responsible Investment Fund of the Year**' – Money Management, and '**International Fund of the Year**' – AFMF¹

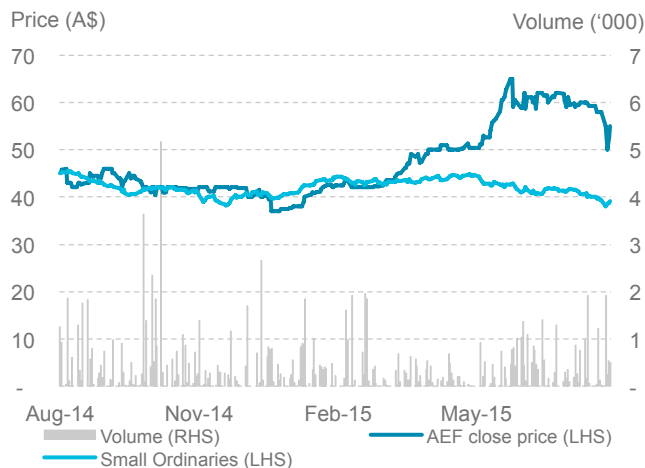
FINANCIAL INFORMATION

Share price (28-Aug-15)	A\$55.50
Number of shares	1.1m
Market capitalisation	A\$58.5m
Cash (30 June 2015)	A\$12.2m
Debt (30 June 2015)	Nil
Enterprise value	A\$46.3m

Note:

1. Australian Fund Managers Foundation awards

12 MONTH SHARE PRICE PERFORMANCE



TOP SHAREHOLDERS

Select Managed Funds	18.6%
▪ Subsidiary of IOOF	
Financial and Investment Management	5.9%
▪ US-based wealth manager	

Disclaimer

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