

Australian Ethical Investment

Phil Vernon, Managing Director



Who We Are

Overview

HIGHLIGHTS

- **Leading ethical** investment and superannuation manager
- **30 year** history
- **Top quartile** investment performance
- **A\$1.5 billion** in FUM
- Numerous industry **awards**

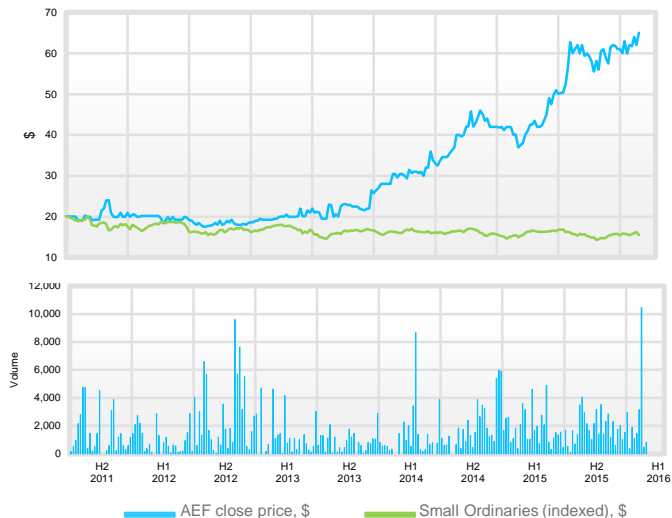
FINANCIAL INFORMATION

Share price (10-May-16)	A\$64.99
Number of shares	1.1m
Market capitalisation	A\$71.1m
Cash (31 Dec 2015)	A\$10.0m
Debt (31 Dec 2015)	Nil
Enterprise value	A\$61.1m

Note:

1. Australian Fund Managers Foundation awards

SHARE PRICE PERFORMANCE, VOLUME

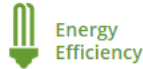


TOP SHAREHOLDERS

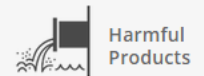
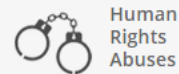
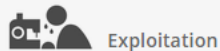
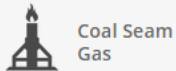
Select Managed Funds	18.0%
• Subsidiary of IOOF	
Staff Share Scheme	2.4%

Where we invest

We **invest** in areas such as:

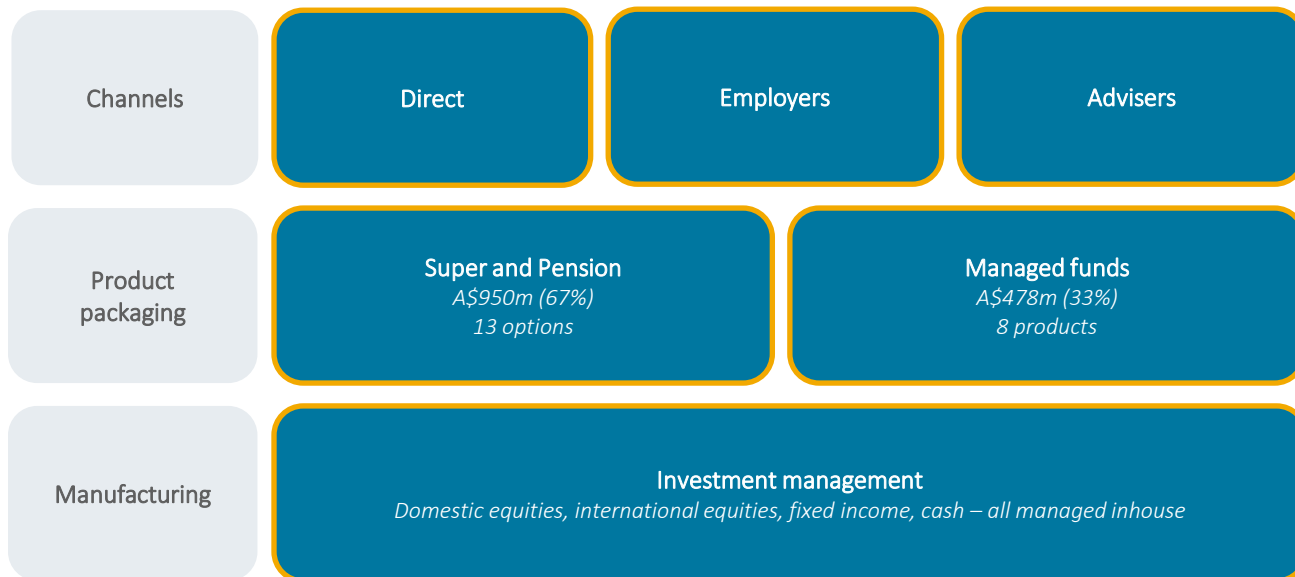


We **avoid** companies involved in:

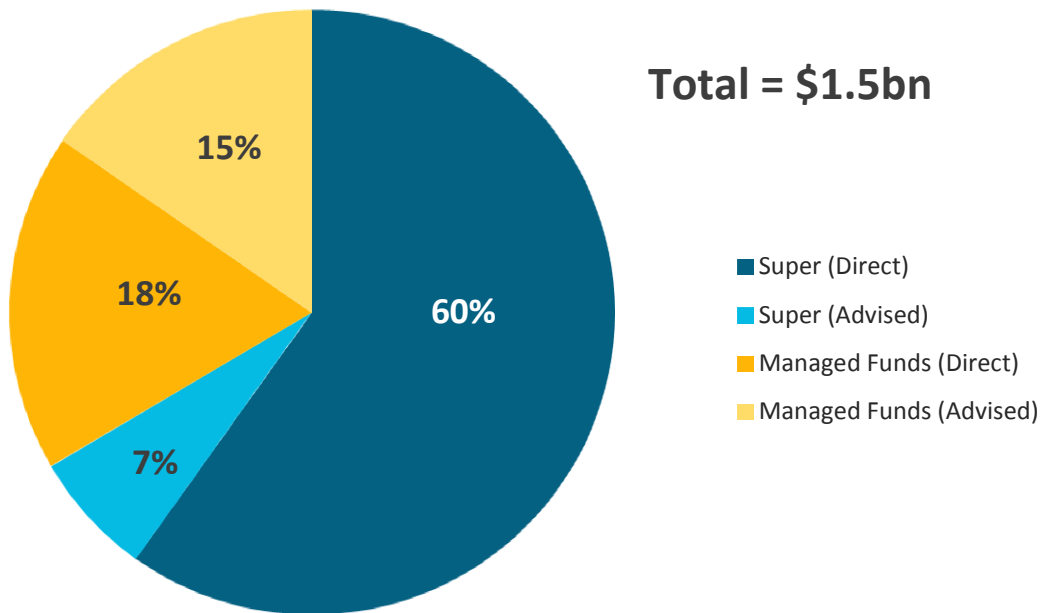


Business model

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



Product and channel breakdown



The opportunity

Our target market

- Target: 1.5m highly ethical consumers or 10% of the investing public
- Penetration: 25,000 or 2% of target market



Our strategy

Trends to 2020



Rising social consciousness

Increasing social consciousness is having a profound impact on ethical consumerism and investment. In the past 2 years, money flowing into ethical funds has doubled and currently 40% of consumers consider themselves to be ethical. This trend is only expected to increase in the future.



Growing savings pool

While aspects of superannuation will change, there is bipartisan support for increasing the level of saving over time, leading to an increased pool of superannuation and savings over time.



Digital disruption

Digital technology is impacting on every industry, and none more so than financial services. It will impact the way in which products are marketed and delivered, as well as impacting efficiency and productivity.

Trends to 2020



Customer expectations

Customers will increasingly demand better service as the “instant gratification” culture continues to perpetuate. The success of businesses and products will be driven by features, service, and how easy they are to deal with.



Fee pressure

As the superannuation pool continues to grow, there's growing concern about efficiency and fees charged by participants with these being a focus of policy reviews and regulation. There is a general consensus that overall superannuation fees should normalize over time to c. 1% of FUM.



Volatile markets

Global markets are likely to remain volatile until a sustained recovery is more evident. In the near term, prospects of recovery are being held back by sluggishness in Europe and the slowdown in growth in emerging economies, particularly China.

Our pathway to 2020



Educate the ethical consumer

We aim to educate the ethically-conscious, but inactive investor, on how to align their investment practices with their values.



Bust the investment myth

We aim to bust the myth that ethical investments underperform by providing the proof and getting the message out.



Wow the client

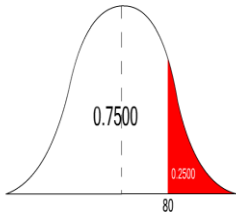
We aim to provide an exceptional client experience with minimal barriers to transacting and high engagement.

Our pathway to 2020



Digital mastery

We will invest in our digital skills and capability to ensure that we are at the cutting edge of developments in digital and online marketing techniques, transaction optimisation and delivery of advice and content.



Competitive fees

We aim to be at the 75th percentile of our MySuper peer group by 2020. We will achieve this through a measured reduction strategy over the next 5 years, taking into account shareholder return targets for Earnings per Share (EPS) in excess of 10% per annum on a rolling 3 year basis and Return on Equity (ROE) in excess of 20%.

Channel strategy



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.



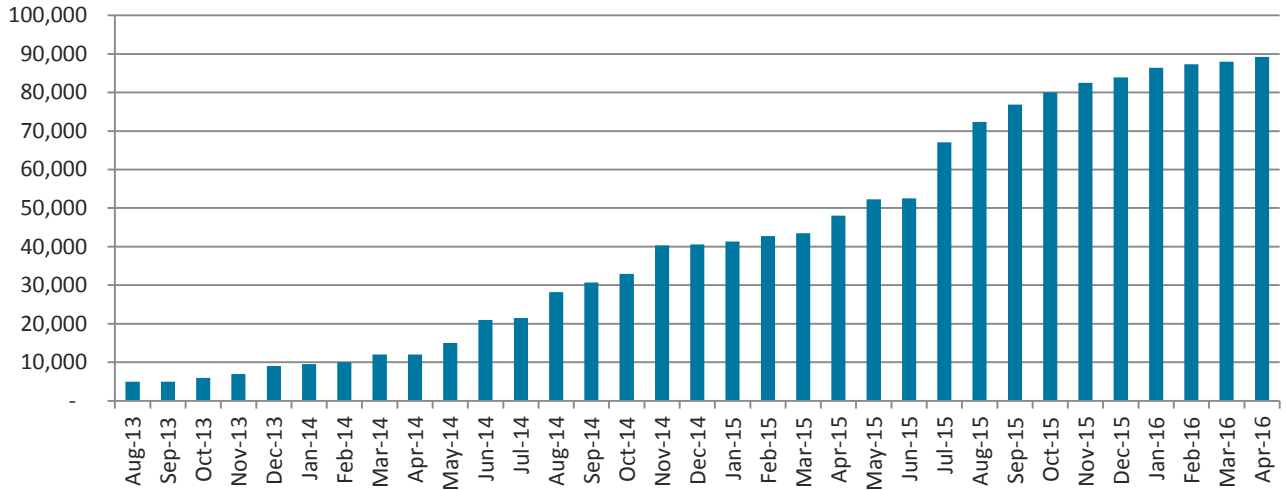
Advisers

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.

Our Performance

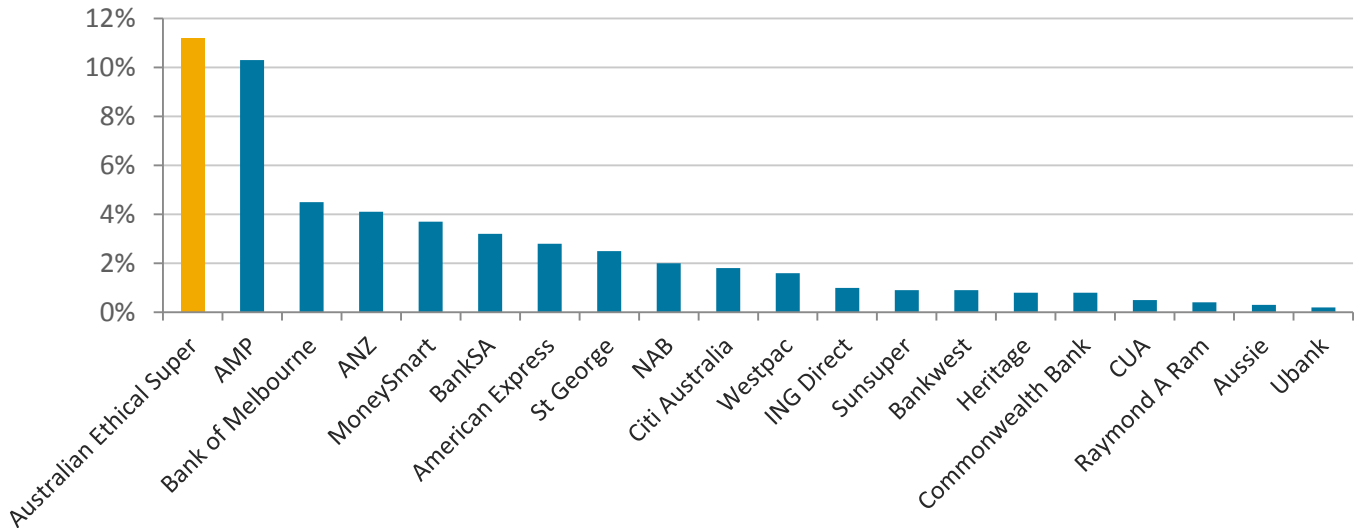
Digital community

Facebook Followers



Highly engaged audience

Facebook engagement rate

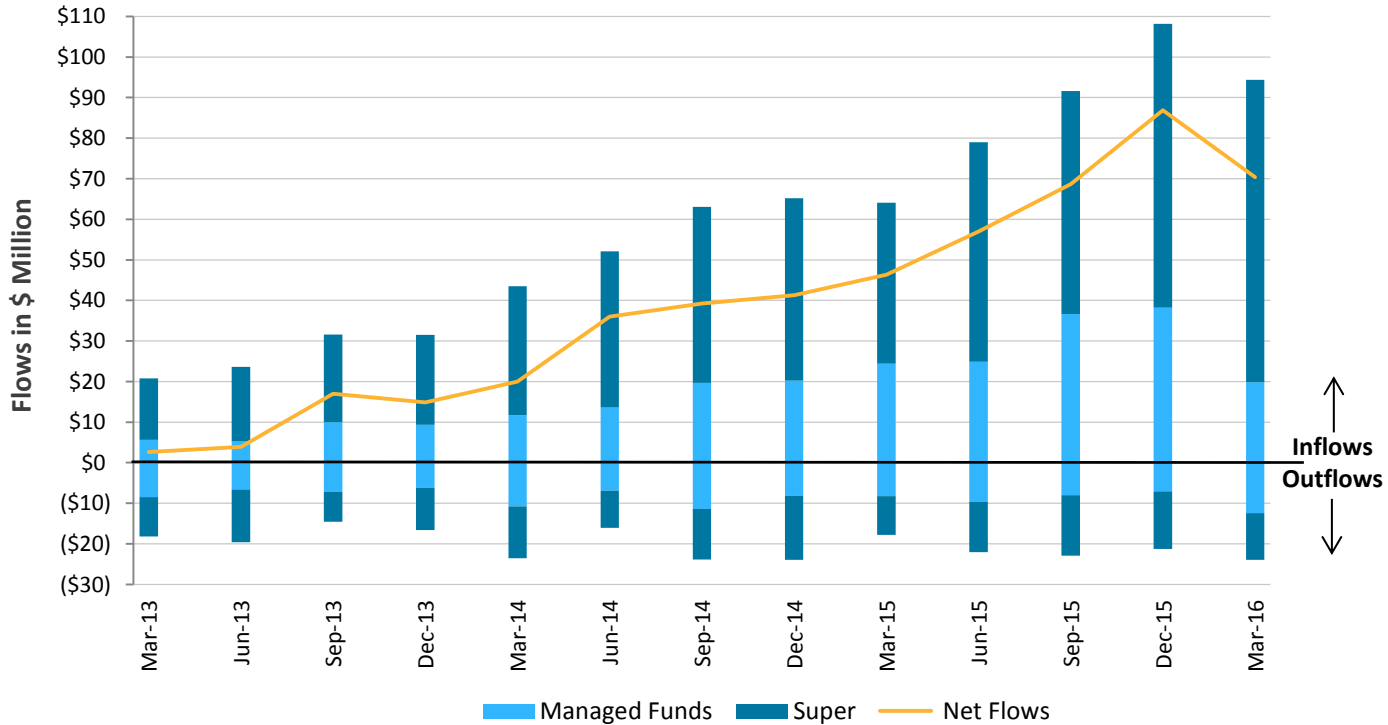


Top quartile asset management performance

- Regular top quartile performance by numerous products
- Australian Shares fund - 20th anniversary @ 10% pa.
- “Ethical fund of the Year” - Money Management Magazine
- “International Fund of the Year” - Australian Funds Management Association

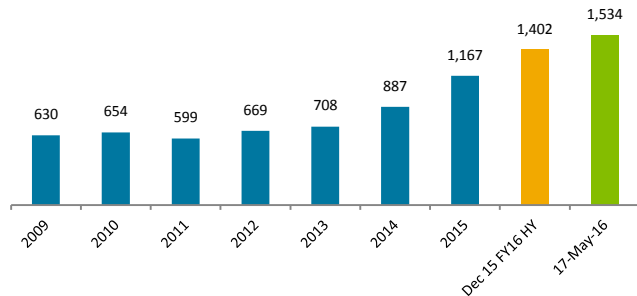
	1 year	3 years	5 years	7 years	10 years
MANAGED FUNDS	Quartile	Quartile	Quartile	Quartile	Quartile
Balanced	1st	1st	2nd	4th	2nd
Australian Shares (retail)	1st	1st	1st	1st	1st
Diversified Shares (retail)	1st	1st	1st	3rd	1st
Advocacy (retail)	1st	1st	1st	-	-
International Shares	1st	1st	4th	4th	-
Cash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

Strong new business growth

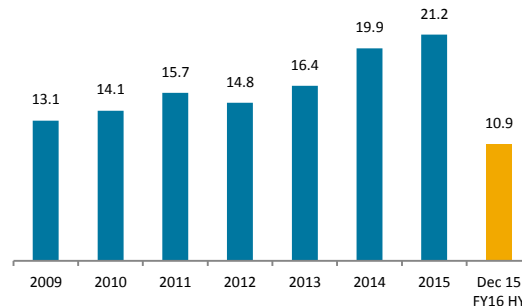


Strong financial performance

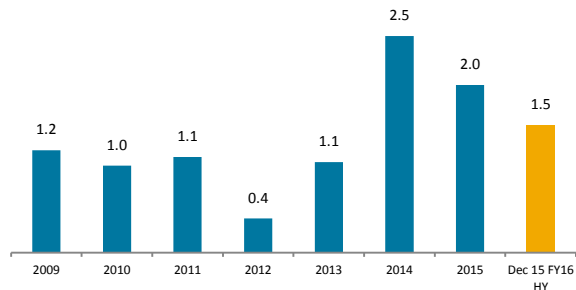
Funds Under Management (\$m)



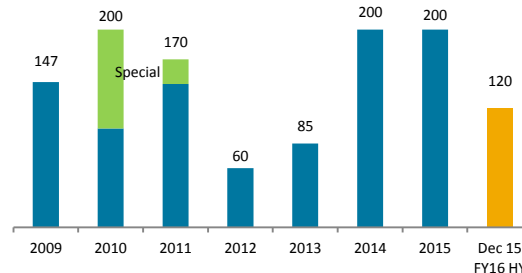
Revenue (\$m)



Profit After Tax (\$m)



Dividends (cps)



Half year results

<i>(A\$000s unless specified Otherwise)</i>	1H15	1H16	Change
Revenue	9,859	10,940	+11%
Operating expenses	(8,139)	(8,358)	+3%
Non-operating expenses	(1,167)	(1,081)	+7%
NPAT	533	1,501	+172%
UPAT ¹	1,423	1,501	+55%
Operating cash flow	1,318	(859)	n/a
Net cash	7,998	10,044	+26%
Dividend	80cps	120cps	+50%
EPS ²	51	136	+167%
Funds under management (A\$m)	1,038	1,401	+35%

Note:

1. Underlying Profit After Tax: excludes items such as restructuring and impairment charges. Full reconciliation can be found in the shareholder newsletter of 25 February 2016.
2. Diluted EPS

Full year earnings guidance

NPAT expected between \$3.4m and \$3.8m

<i>(A\$000s unless specified otherwise)</i>	FY15	FY16	Change
NPAT	1,970	3,657	+86%
Add back property revaluation	484		
UPAT ¹	2,454	3,657	+49%

Note:

1. Underlying Profit After Tax: excludes items such as restructuring and impairment charges.

Outstanding shareholder returns

Key metric	Outcome
FUM	<ul style="list-style-type: none">• 15% average increase p.a for the last 10 years
Revenue	<ul style="list-style-type: none">• 12% average increase p.a for the last 10 years
EPS	<ul style="list-style-type: none">• 28% average increase p.a for the last 10 years
Dividends	<ul style="list-style-type: none">• Currently yielding 3.1% p.a., fully franked• Paid 200 cents per share in 2014 and 2015
Total returns since listing	<ul style="list-style-type: none">• Total returns of c. 15% p.a. on average since listing (compared to 7% for ASX Small Ordinaries)
Total returns over 12 months	<ul style="list-style-type: none">• Total returns of 33% in last 12 months vs small ordinaries average of 7%

Source: Bloomberg

- Based on share price as at 10 May 2016
- Includes capital and dividend returns
- Total shareholder returns as at 10 May 2016

Summary

Macro trends

- Strong growth in ethical investing
- Long term growth in superannuation

Products

- Unique combination of ethics and performance
- Competitive on fees

Sales & marketing

- Strong in digital direct
- Products available through multiple channels
- More stable FUM due to direct sourcing and super

Business model

- Vertically integrated
- Control over investment decisions
- Evolving to more rounded service offering

Execution

- Strong management team
- Strong operating performance

Ethics

- Unmatched commitment to ethical principles
- Unrivalled corporate strategy, name and brand

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