

Australian Ethical Investment Ltd

Annual General Meeting 2017

ASX ANNOUNCEMENT

Chairman's address

I would like to acknowledge the traditional owners of the land on which we meet – the Gadigal people of the Eora Nation. I pay my respects to their Elders past and present.

At AEI we have a clear vision: to be the financial services company of choice for ethically conscious consumers. Our goal is to reach \$5 billion in funds under management by 2020, and while we know this is ambitious, we are certainly making good progress. By the end of FY17, we grew funds under management to more than \$2.1 billion. In November 2014, we celebrated reaching the \$1 billion milestone – something that took us the best part of three decades to reach. In just the last three years, we have more than doubled funds under management and our Managing Director has some exciting news about further growth in FUM in the first quarter of this financial year.

We believe this sustained growth is attributed to our leadership in this rapidly growing segment of the market. Our long-term investment track record, high ethical conviction and fully-featured products covering all asset classes offer a unique combination in the market. Our ongoing strategy to progressively reduce our fees and share our growth with our clients has also contributed to our success.

As shareholders you continue to enjoy sustained performance with our share price increasing from \$81.11 at the end of FY16 to \$94.60 on 30 June 2017. This has increased further since the end of the financial year to around \$129. In FY17 our total return to shareholders was 19%. This was achieved despite the significant one-off costs of the unit pricing error.

We have had some changes at Board level, and I'd like now to acknowledge the contribution of Tony Cole, who retired from the Board effective 30 June 2017 due to health and family reasons. The Board expresses its gratitude to Tony for the significant contribution he has made to the growth of the business during his time as a director and we wish him well for the future. I would also like to welcome our new non-executive director, Michael Monaghan to his first AEI AGM. Michael has more than 30 years' experience in investment, consulting and leadership of financial services organisations both in Australia and internationally.

Before handing over to Phil, I would like to briefly address Resolutions 4 and 6. As you will see from the handout that summarises the proxy votes lodged a significant number of votes have been cast against these two resolutions. While we find this perplexing, we will re-engage with shareholders to better understand the reasons why some have voted against these Resolutions.

Our remuneration structure has been in place since 2014 following a detailed review and external benchmarking. One issue that has been raised is the policy of issuing shares to staff rather than buying these shares on market. This is not a simple matter. We have taken the view that because AEI is a very illiquid stock it is better to issue shares than to buy shares on market. Buying shares may also have potential implications for the dividend that we are able to declare. Nevertheless, we understand shareholders concerns regarding the dilutive effect of issuing shares. As just mentioned, we will engage over the next few months with shareholders about our remuneration arrangements.

Growth and performance doesn't happen by accident. I'd like to acknowledge the commitment and outstanding contribution of our Managing Director, Phil Vernon, and all the Australian Ethical team in what has been both a demanding and fruitful year.

Now I'd like to handover to Phil ...