

ASX Code: AEF

6 May 2014

Australian Ethical Investment Limited

Earnings Guidance

Australian Ethical Investment Limited advises that Net Profit after Tax (NPAT) for the 12 months ended 30 June 2014 is expected to be between \$2.3 million and \$2.8 million. NPAT for the year ended 30 June 2013 was \$1.063 million.

Underlying Profit after Tax (UPAT) for the 12 months ended 30 June 2014 is expected to be between \$2.5 million and \$3.0 million. UPAT for the year ended 30 June 2013 was \$1.675 million.

Contributors to the forecast result include increased market values and stronger flows into Australian Ethical products which has resulted in increased fee revenue. Costs are forecast to be 6% higher than the prior corresponding period due to restructuring and increased provisions for community grants and tax.

This profit expectation is based on unaudited management accounts to the end of March 2014 and assumes that market and business conditions remain broadly in line with current conditions. More information will be provided in the announcement of the annual results in late August 2014.

NPAT and UPAT are reconciled as follows:

	FY13 (\$'000)	This guidance (FY14) (\$'000)	% Increase
Net profit after tax	1,063	2,531	138%
Adjustments (gross)			
– Add back employment restructure expenses	-	266	
– Add back legal costs for shareholder actions	85	-	
– Add back property revaluation	436		
– Add back Available for Sale assets revaluation	117		
Tax on adjustments	(26)	(80)	
Underlying profit after tax	1,675	2,717	62%

Explanation of items removed from UPAT

In calculating UPAT we reverse the impact on profit of certain items to provide a better understanding of operational results. Items adjusted include:

- *Employment restructure expenses: Restructuring for long term gains;*
- *Legal costs for shareholder actions: Incurred by the Company in dealing with shareholder actions;*
- *Property revaluation: Devaluation of the Company's property in Canberra;*
- *Available for sale assets revaluation: Impairment of the Company's holding of direct shares to support advocacy activities;*
- *Tax on adjustments: Income tax applicable to some of the adjustment items.*

Phil Vernon, Managing Director of Australian Ethical said “We have had another successful quarter with continued strong investment performance and strong net flows into our superannuation fund. Our funds under management, new clients and net flows are all at record levels.”

“Interest in genuine ethical investing continues to increase. People are caring about the planet they inhabit and they see their investments and superannuation as being one of the most significant ways that they can have a positive impact.”

Fee Changes from 30 June 2014

In previous communications we have discussed the increasingly competitive financial services environment and the need to review and adjust our fees accordingly. Following a detailed review we will be reducing the fees on some of our products from 30 June 2014 whilst increasing fees on others. The most significant change will be a reduction of the administration fee charged in our superannuation product from 1.43% to 0.83%.

The potential impact of the change is demonstrated in the table below showing revenue margins (annualised revenue divided by funds under management) based on our actual funds under management at 31 March 2014.

	Revenue margin based on current fees	Revenue margin based on proposed fees
Managed funds	1.88%	1.99%
Superannuation	2.27%	1.79%
Overall	2.14%	1.86%

Phil Vernon, Managing Director of Australian Ethical said “It is core to our ethos to care about all of our stakeholders (people, planet, shareholders and clients) and that it is the key to a successful business. We have been on a journey over the past few years of steadily improving the competitiveness and commerciality of our business and products. Our significant growth over the past year has allowed us to take another step toward passing some of those improvements onto our clients.”

Full details of the fee changes will be communicated to clients and intermediaries at the end of May 2014.

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