

**australianethical**<sup>®</sup>  
investment + superannuation

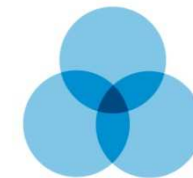
# Shareholder Update

Half Yearly Results and  
Business Review

April 2012



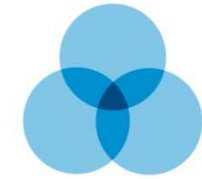
# Important Notice



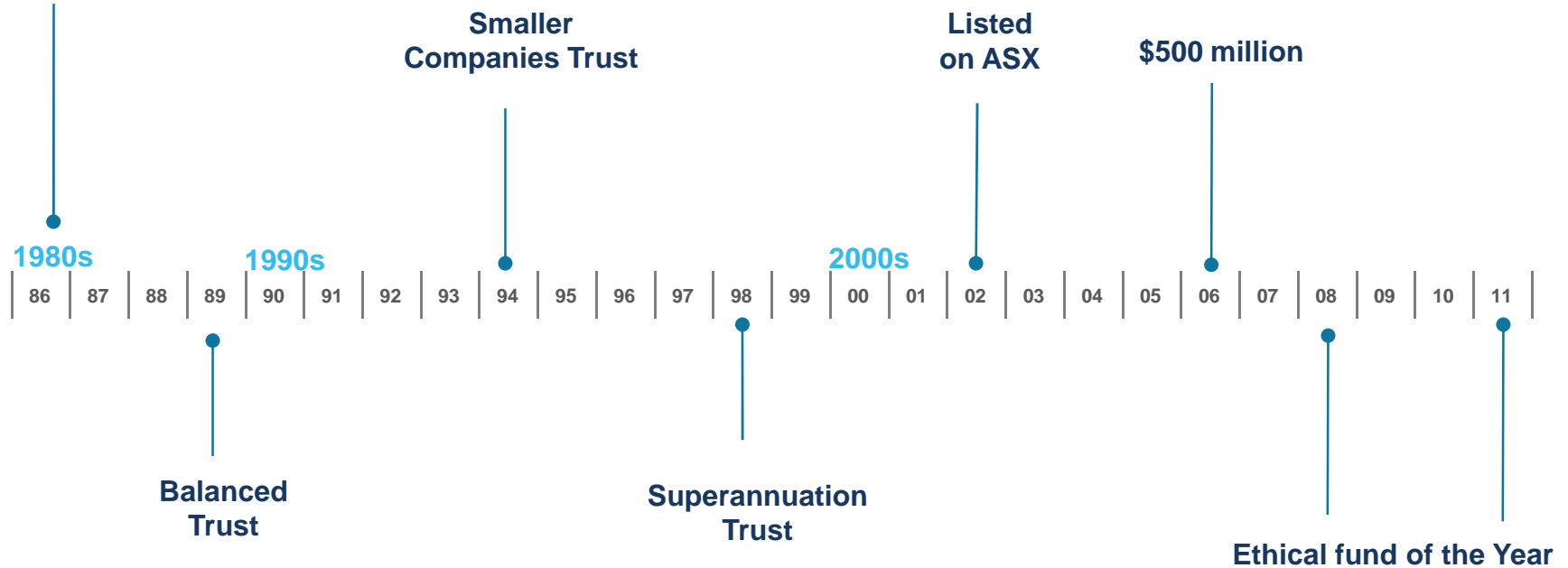
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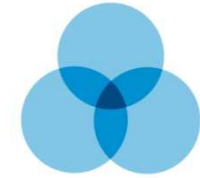
# 25 years of ethical investing



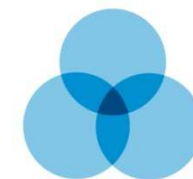
Company formed



# Agenda

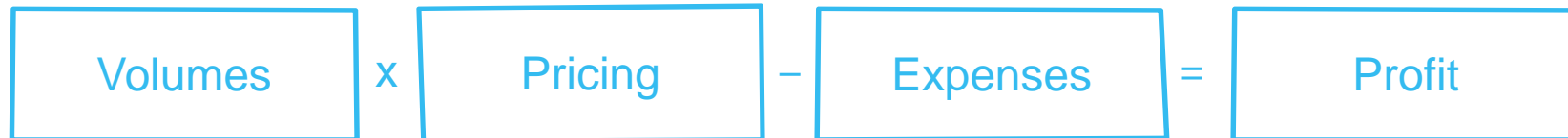
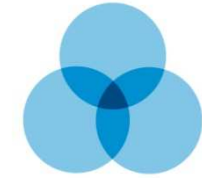


# Financial results



	FY07	FY08	FY09	FY10	FY11	1H11	1H12	% Change
FUM Average \$M	523.0	600.0	539.6	608.4	641.6	654.0	599.0	(8%)
Total Revenue	12.1	14.1	13.1	14.1	15.1	7.1	6.8	(4%)
Total Expenses	(8.9)	(11.0)	(10.6)	(11.7)	(12.3)	(6.0)	(5.9)	1%
<b>Operating Profit</b>	3.2	3.1	2.5	2.4	2.8	1.1	0.9	(21%)
Community Grants	(0.2)	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)	(0.0)	33%
<b>EBITDA</b>	3.0	2.9	2.4	2.3	2.6	1.0	0.9	(20%)
Depreciation/ amortisation	(0.4)	(0.4)	(0.6)	(0.7)	(0.8)	(0.3)	(0.4)	11%
Tax	(0.8)	(0.8)	(0.6)	(0.6)	(0.7)	(0.3)	(0.2)	15%
<b>NPAT</b>	1.8	1.7	1.2	1.0	1.1	0.4	0.3	(31%)

# What drives our profits?



- FUM affected by market performance
- Flows affected by investor sentiment
- Increase in FUM driven by superannuation growth

- Regulatory reform and market increasing fee pressure
- Contribution fees banned
- Wholesale offer squeezing reducing overall revenue margins

- Business complexity drives costs. Needs simplification.
- Outsourcing non-strategic functions at best value
- Increase in performance based, equity remuneration

- Investing in key strategic assets for long-term sustainable growth
- Marginal costs low.
- Profit growth will depend on effective balance between fees, volumes and efficiency

## Scorecard

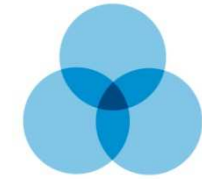
- Challenging external market
- Solid performance relative to peers

- Need to adjust fees to improve competitiveness for some products
- Maintain premium pricing

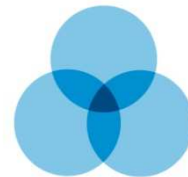
- Steadily reducing costs over time
- Improved efficiency measured by \$FUM per FTE

- Competitive Total Shareholder Return

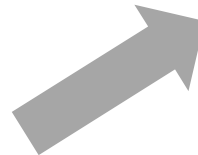
# What's going on in the world?



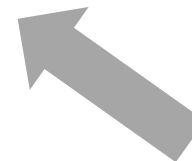
Markets remain subdued  
(impacts on FUM)



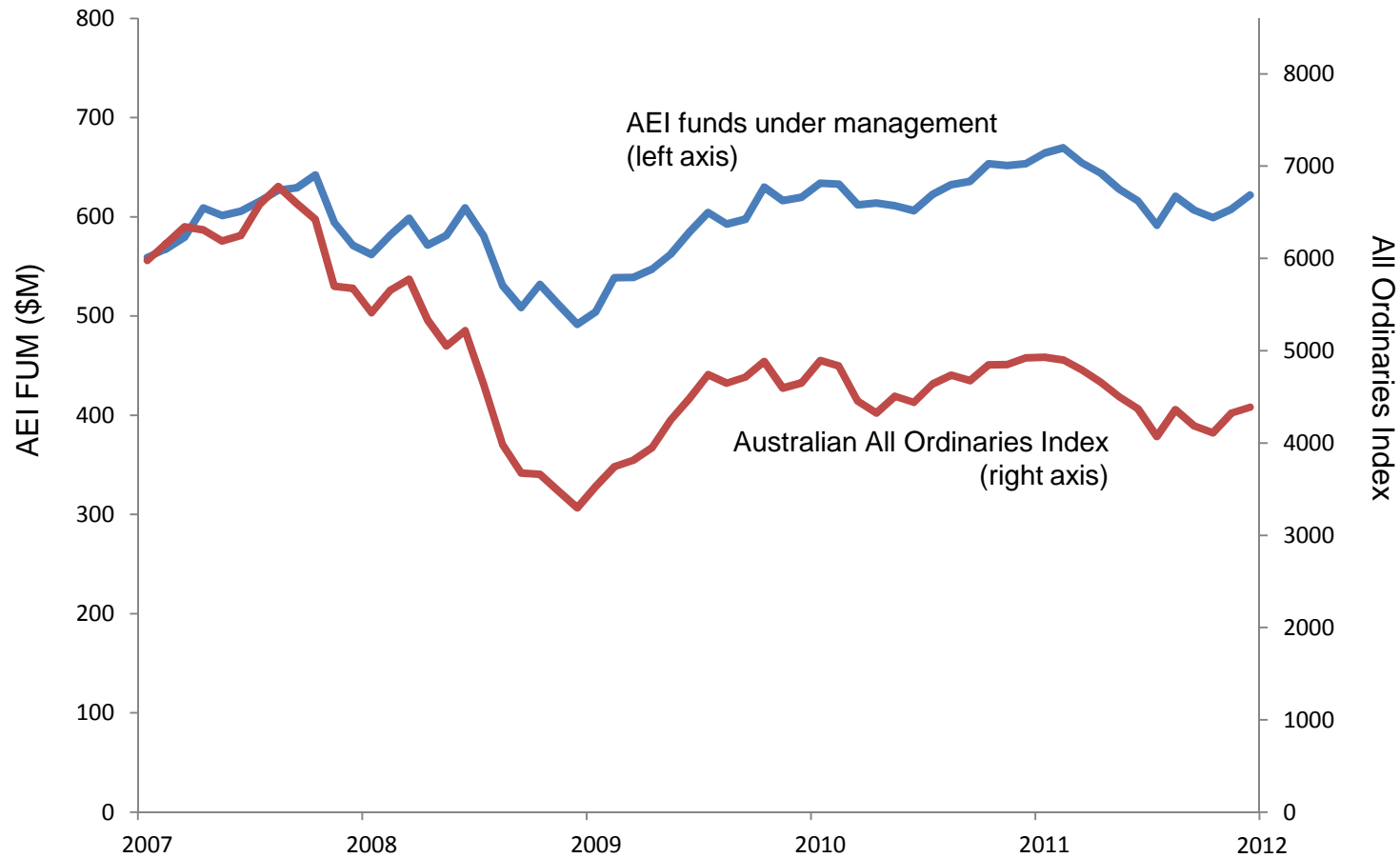
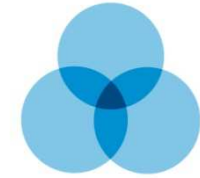
Regulatory change  
(fee compression)



Investor nervousness  
(affects flows)

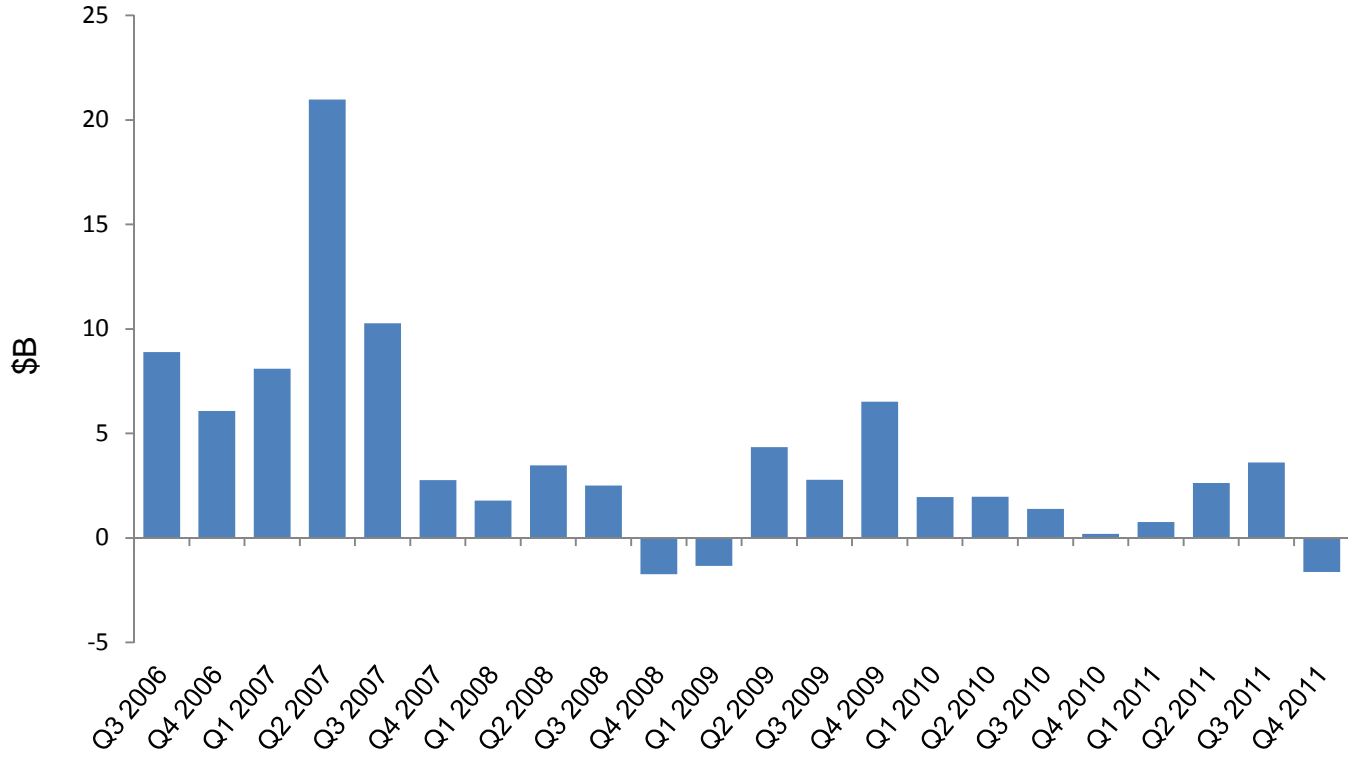


# AEI FUM v market impact (to 29 February 2012)



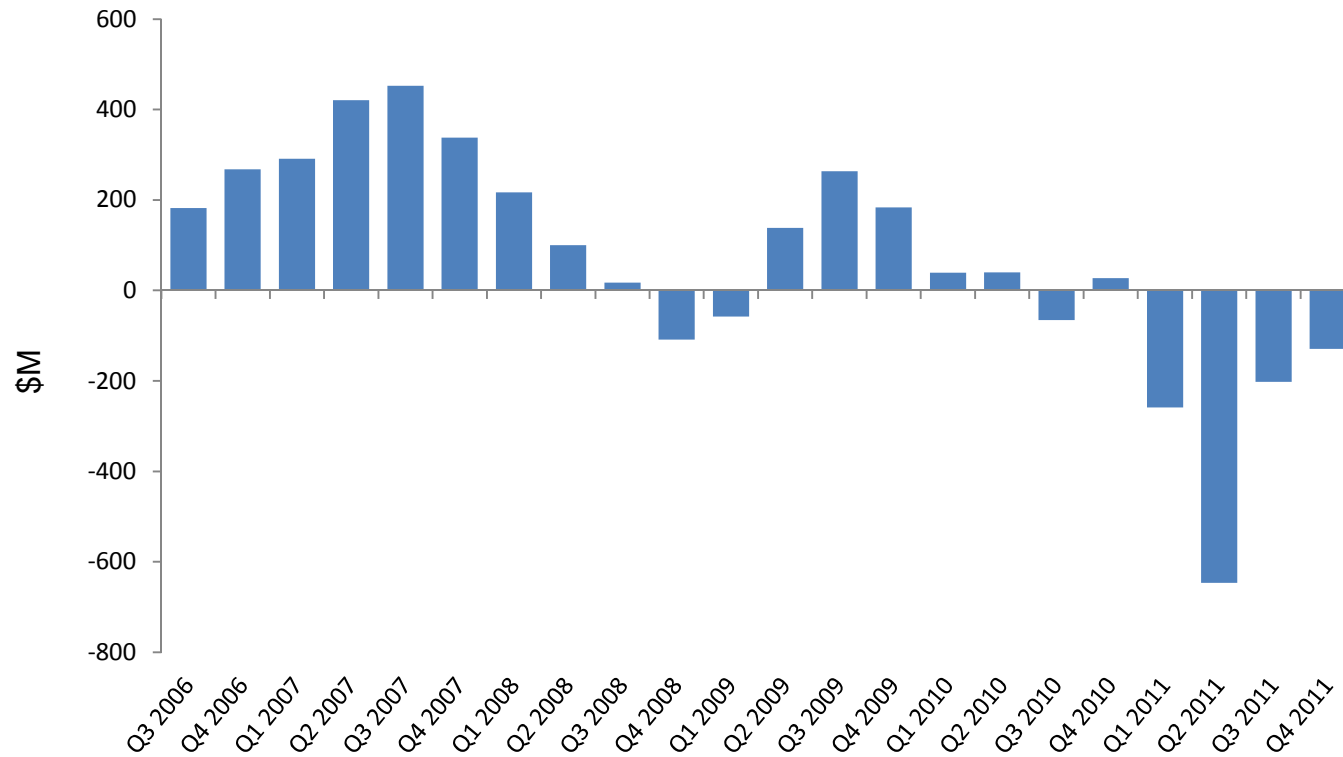
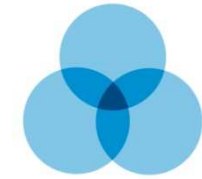


# Net industry flows (financial services)



Source: Plan for life

# Net industry flows (SRI sector\*)

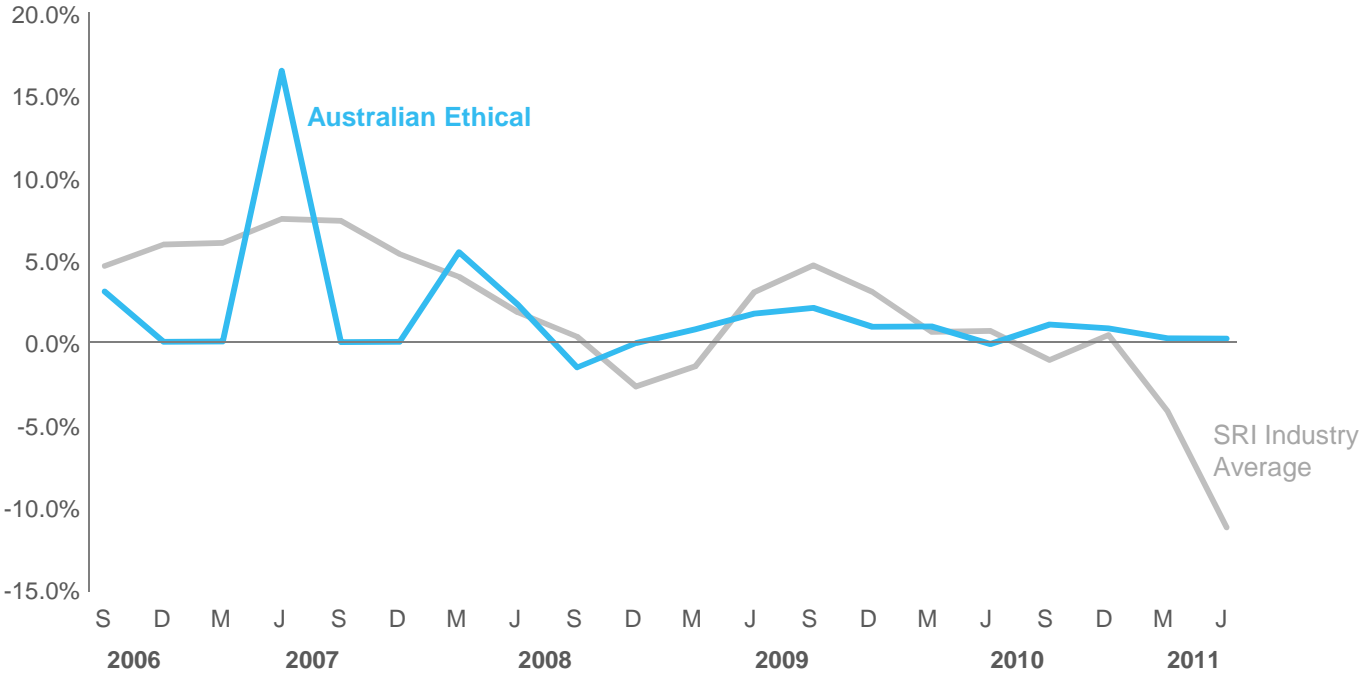
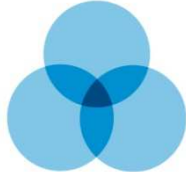


Source: Plan for life

\* SRI = socially responsible investment

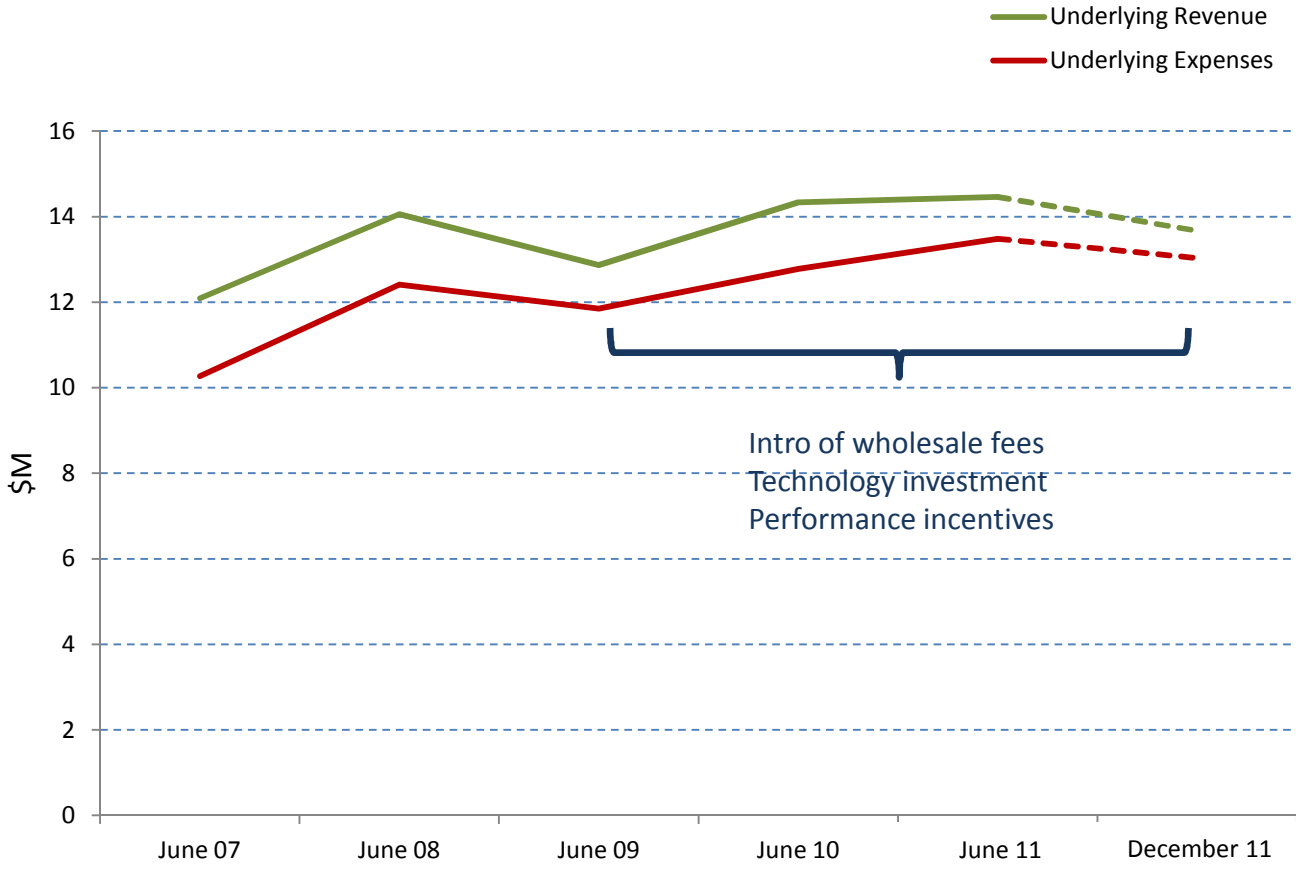
# Net flows

## AEI vs. SRI sector (as % of FUM)



Source: Plan for life

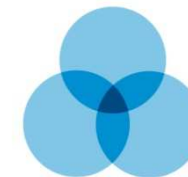
# Underlying performance



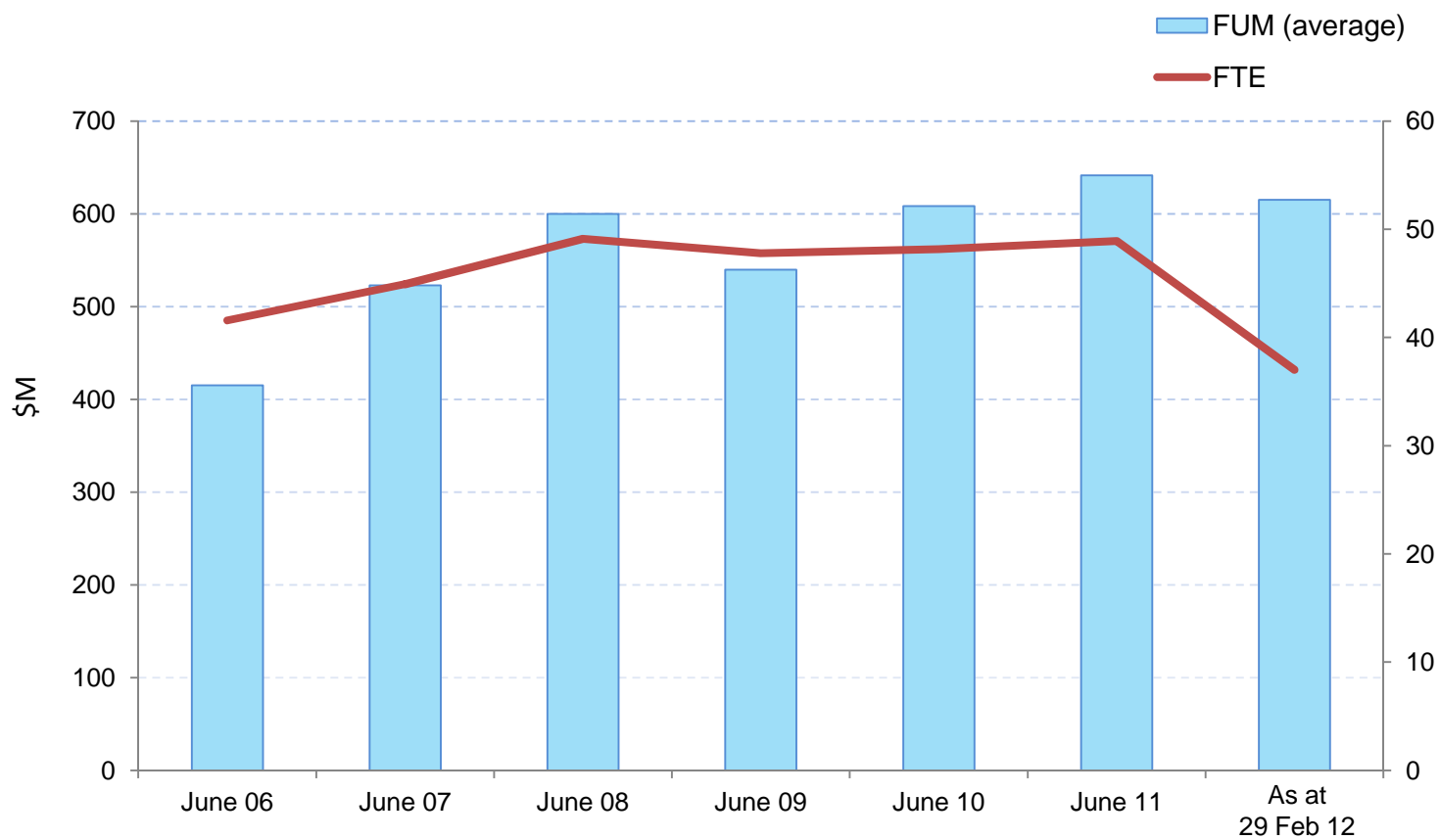
Intro of wholesale fees  
Technology investment  
Performance incentives

(half year doubled to illustrate trend.  
This is not a forecast for full year to 30 June 2012)

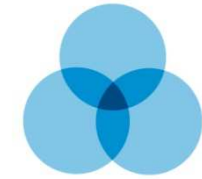
# Efficiency



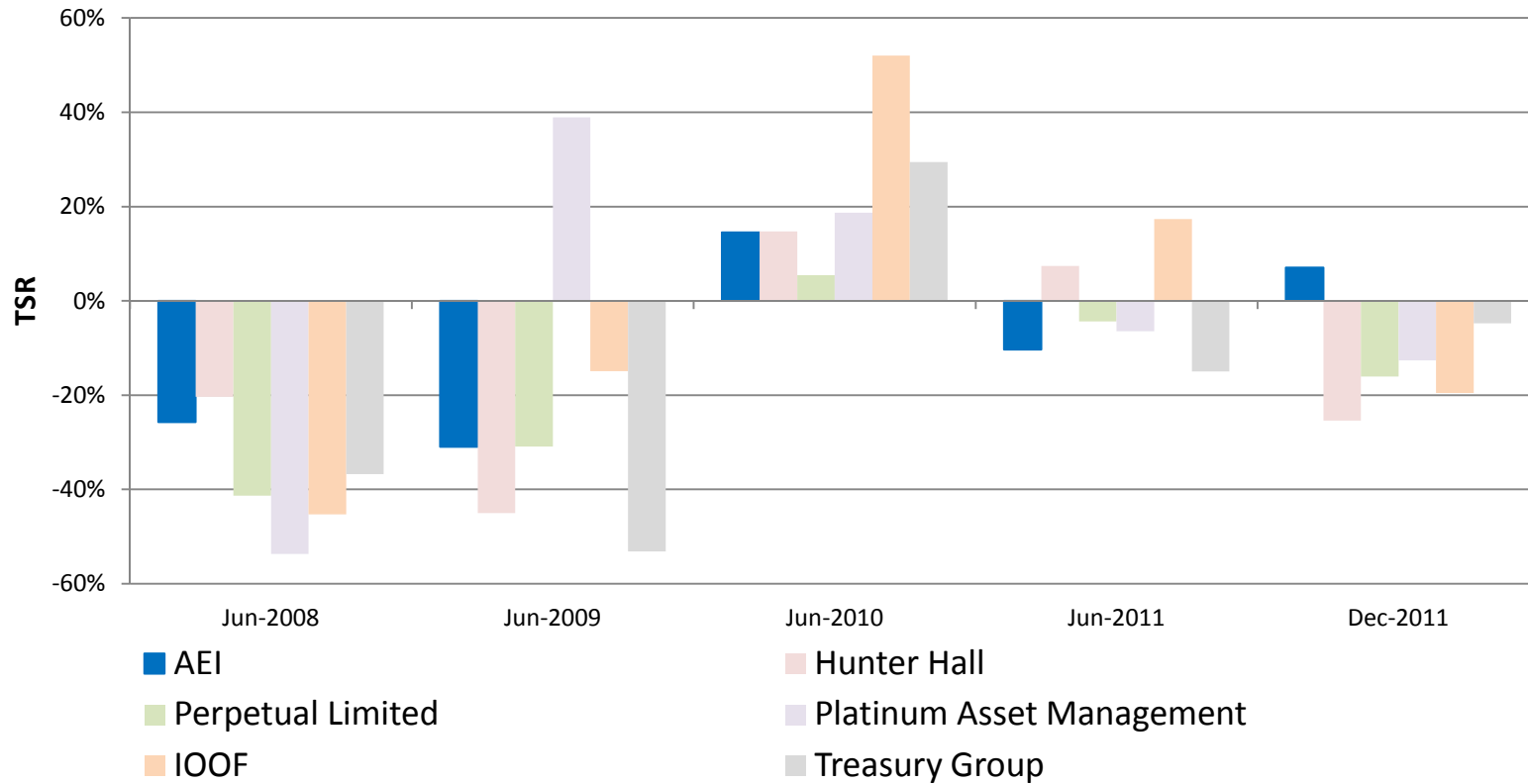
## Funds under management vs. FTE



# Peer comparisons

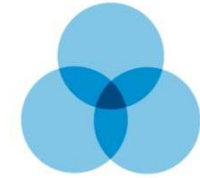


## Total Shareholder Return (TSR)



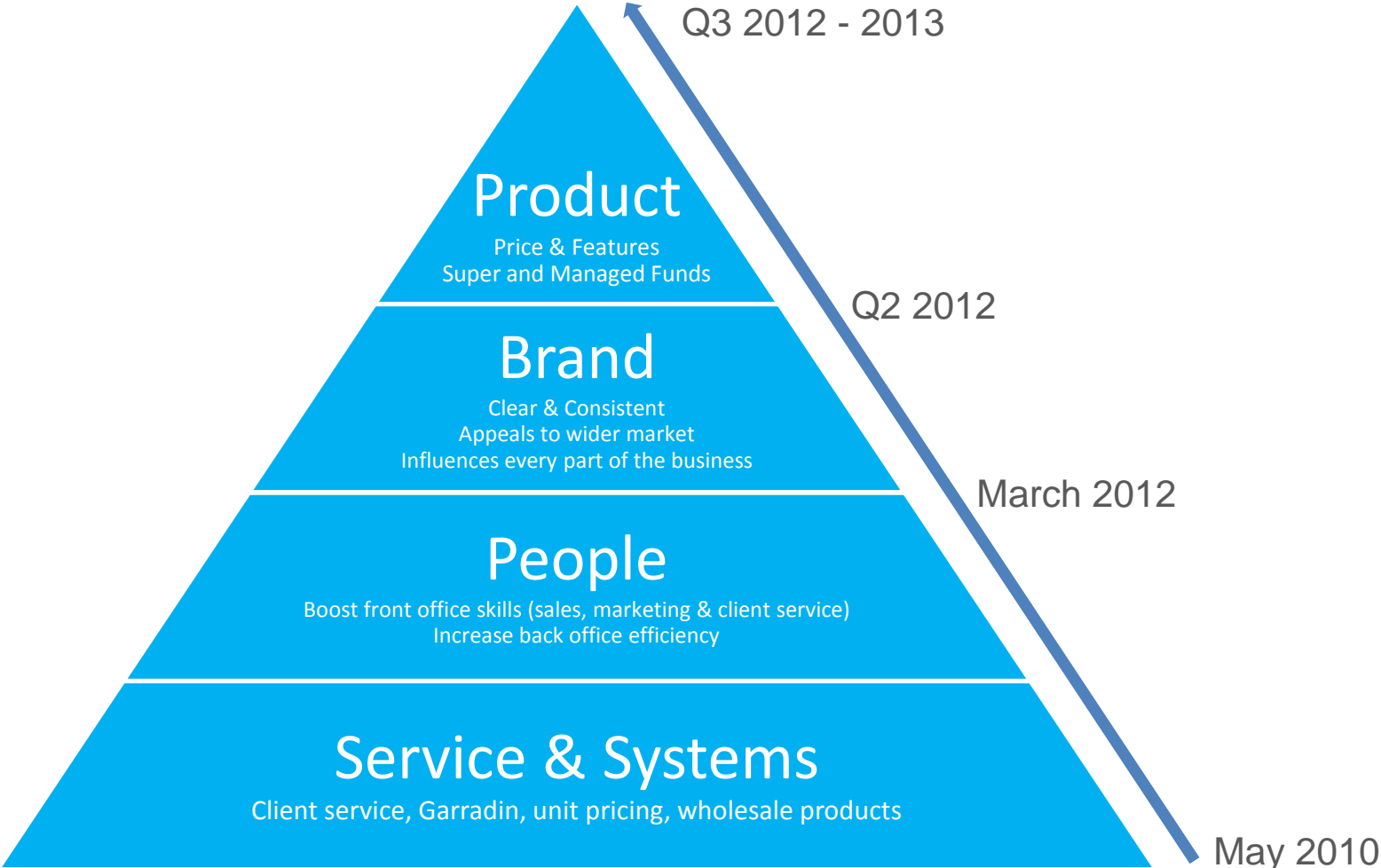
TSR based on change in share price and dividends paid.

# Agenda



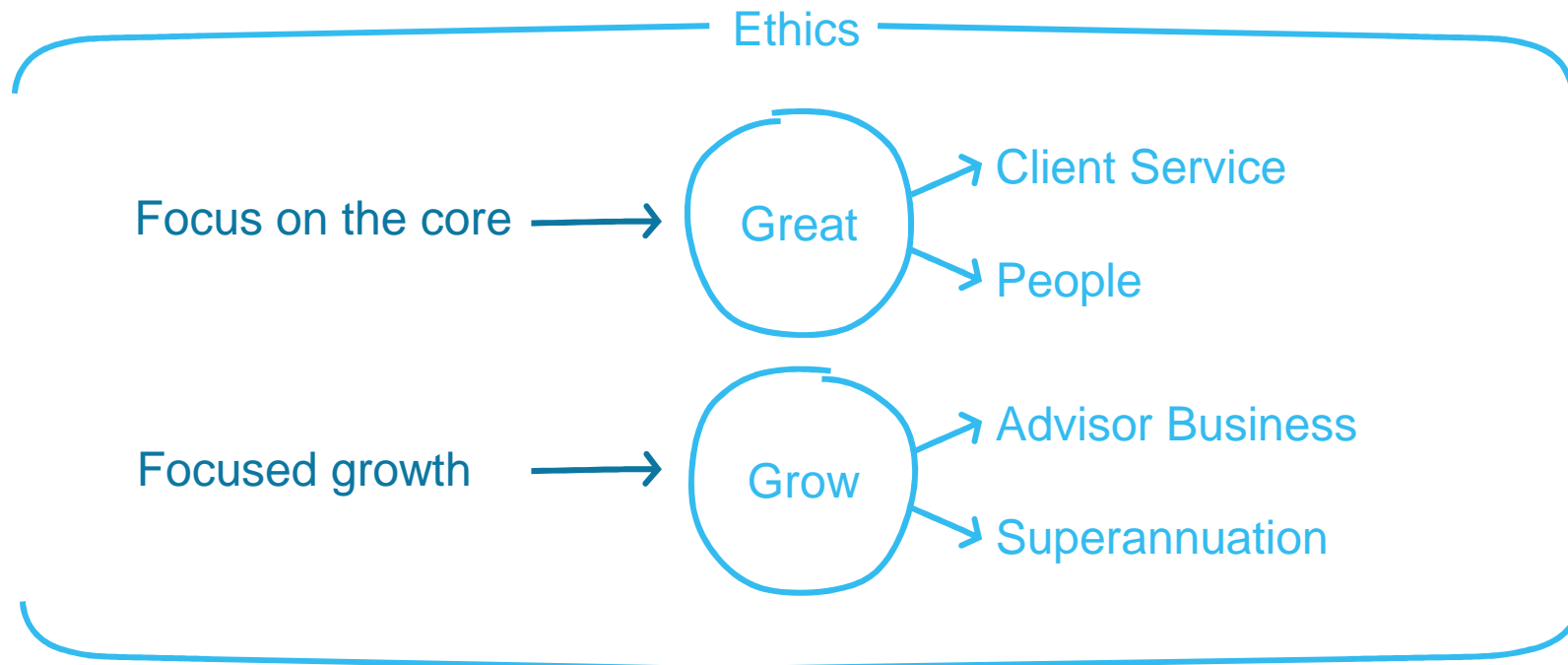
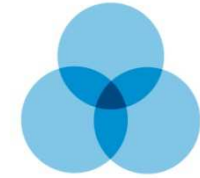
# Strategic Roadmap 2010-13

#1 brand for Ethical Investment

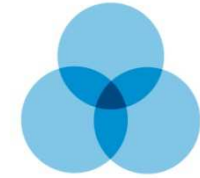




# Priorities



# Client service



## What We've Achieved

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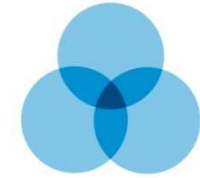
- Increased resourcing
- Aligned service with sales
- Invested in improved telephone system
- Internalised first call management
- Distribution and unit pricing timing vastly improved

## Future Focus

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- Review of external providers
- Management of investors by AEI key to outsourcing requirements

# Advisors



## What We've Achieved

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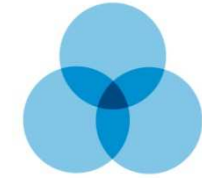
- Vastly improved service standards around distribution and unit pricing
- Introduction of a wholesale unit class for certain products
- Sales team strengthened around Adviser sector
- Continued strong investment ratings
- Skills strengthened around rating agency support

## Future Focus

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- Improve external service provider support
- Better sales/service alignment and resourcing will lead to better feedback to management

# Superannuation



## What We've Achieved

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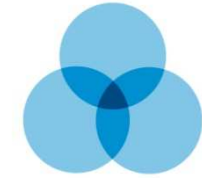
- Strengthened sales resources around superannuation
- Providing employers with better support for their employees
- Selected an improved insurance offering

## Future Focus

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- Review external service providers
- Review pricing to ensure competitive in more competitive environment
- Review SMSF offerings
- Rolling out an improved insurance offering

# New Senior Hires



David Macri

## Chief Investment Officer

- 15 years experience
- Portfolio manager and investment analyst with Macquarie Securities, Credit Suisse, Mellon (previously NSP Buck) and Mercer.



Steve Newnham

## Executive Director

- Over 20 years experience in marketing and distribution
- Experience covers Lonsec, Zurich and BT
- Strong track-record on community and social justice issues



Adam Kirk

## GM Business Development

- 15 years experience in superannuation and investments business development
- Colonial First State, Skandia and Catholic Super



Paul Smith

## GM Strategy & Communications

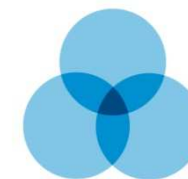
- Strong background in asset consulting, investment analysis and marketing with companies including Schroders and Invesco/ Perpetual (UK)
- Ethical marketing experience with environmental consultancies and charities

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**Quality additions to management team recruited  
to lead the business through change**

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# Staff survey results

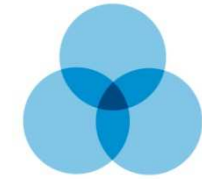


	2008	2009	2011
Satisfaction with current role	77%	79%	97%
I have confidence in my manager/ supervisor to lead their team	69%	70%	77%
Satisfaction with communication	74%	54%	77%
Satisfaction with remuneration	63%	63%	46%
I feel personally valued at work	-	-	79%*
The Managing Director has clear vision for the Company	-	-	77%*
I have confidence in the Board to govern the Company	-	37%	59%
Voluntary turnover	14%	19%	12%

Staff survey conducted September 2011

\* New question for 2011

# Our Board



Andre Morony

- 40 years in the finance sector
- Experience includes Commonwealth Treasury, chief economist and chief investment officer at BT Australia and various prominent fund investment committees



Phillip Vernon

- 25 years experience in financial services covering funds management, superannuation and capital markets
- Extensive experience in corporate governance and industry regulation
- Director of Planet Ark and RIAA (Responsible Investment Association Australasia)



Justine Hickey

- 20 years experience as a senior executive and director in the investment and funds management industry with Suncorp IM, Flemings IM (now JP Morgan) and various prominent fund investment committees
- Chairing of Evolve Foundation and director of RSPCA QLD.



Steve Newnham

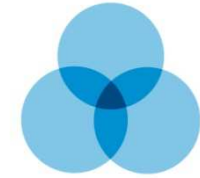
- 20 years experience in marketing and distribution
- Experience includes Lonsec, Zurich and BT
- Strong track-record on community and social justice issues



Louise Herron

- Envious track record in both business and social enterprise
- Currently Executive Director of Ironbark Corporate Advisory, previously a partner at law firm Minter Ellison
- Champion of the arts and co-founder of a web-forum encouraging students to discuss social/political issues

# Challenges and priorities



## Key challenges

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- Market likely to remain volatile and subdued for some time
- Investor nervousness likely to remain
- Fee pressure to remain
- Growth of direct investment

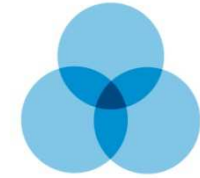
## Key priorities

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- Less products, more focus
- Efficiency critical
- External service provision
- Direct investment/SMSF solution



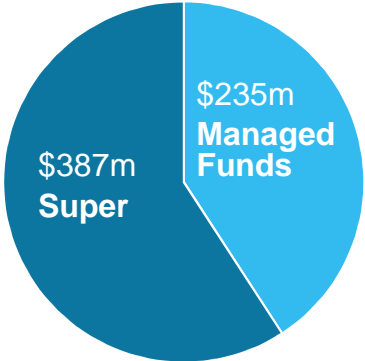
# Agenda



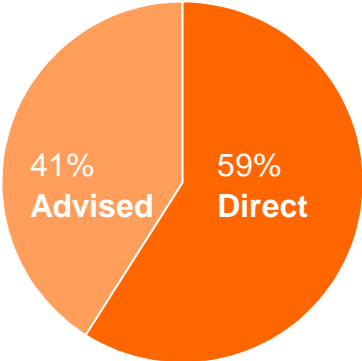
# Business Snapshot (as at 29 February 2012)



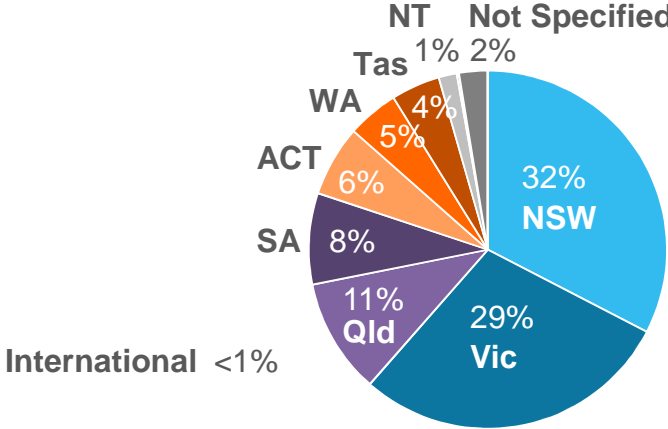
Products



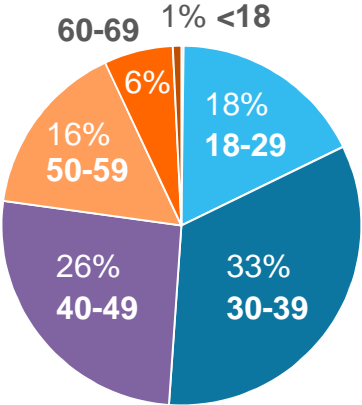
Channels



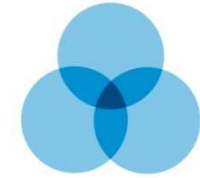
Geography



Age



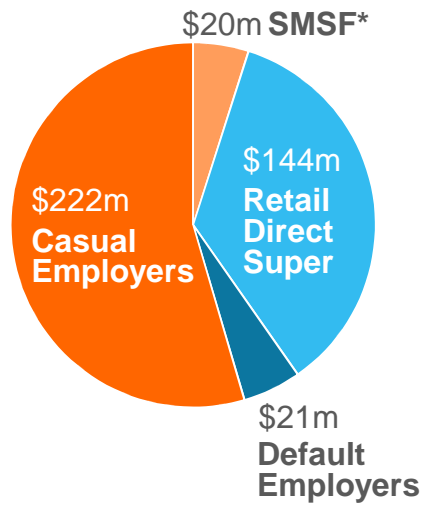
# Superannuation



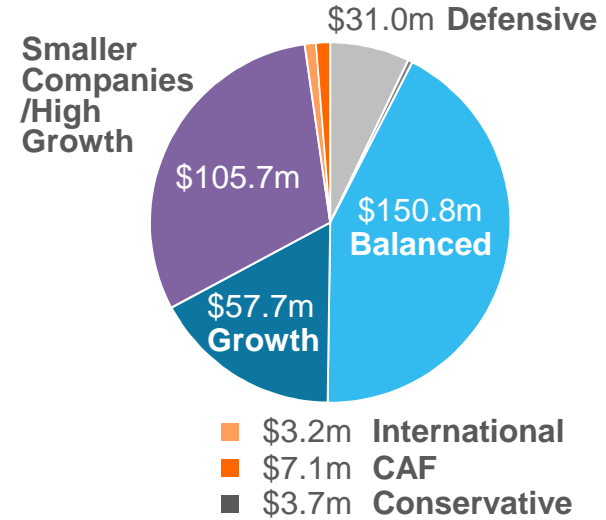
**c. 14,000**  
members

**\$387m**  
FUM at  
Feb 2012

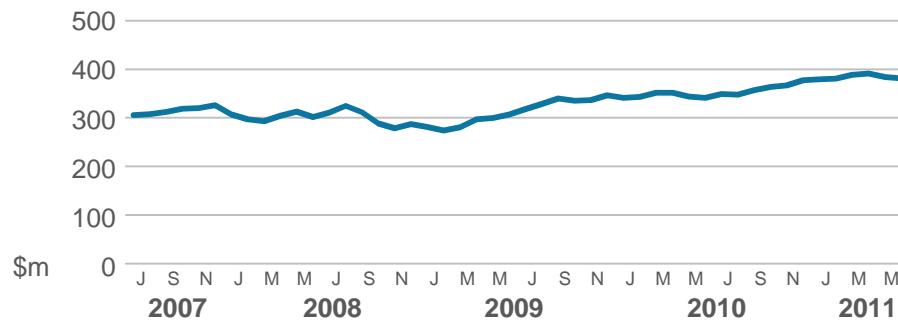
## Employers vs. Retail



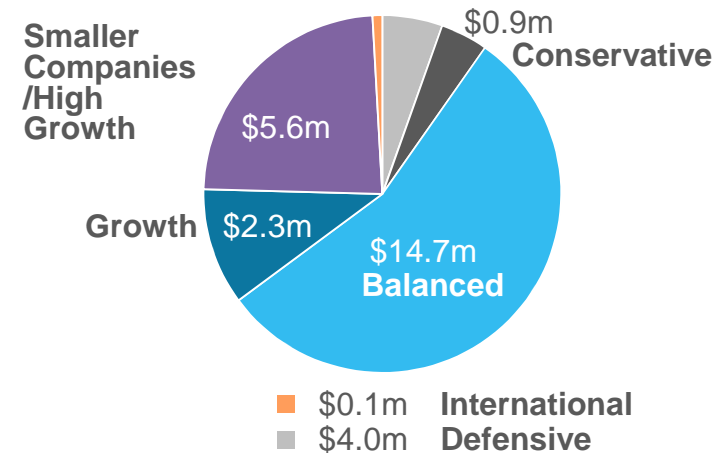
## Accumulation



## Superannuation FUM

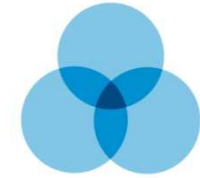


## Pension



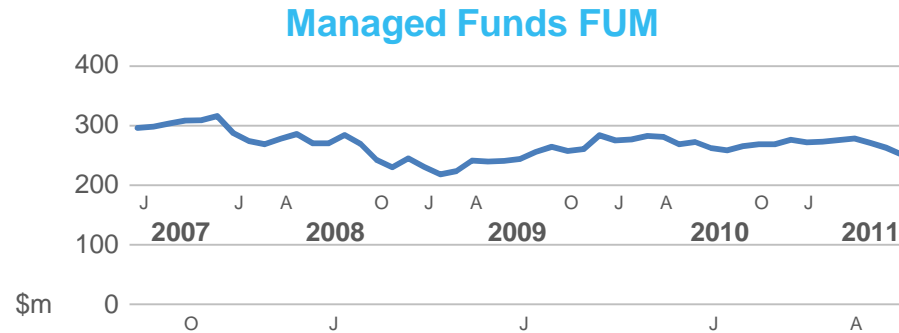
\* Invested in AEI Managed Funds

# Managed Funds

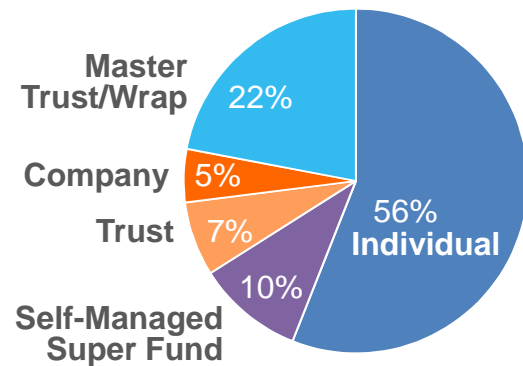


**c. 9,000**  
investors

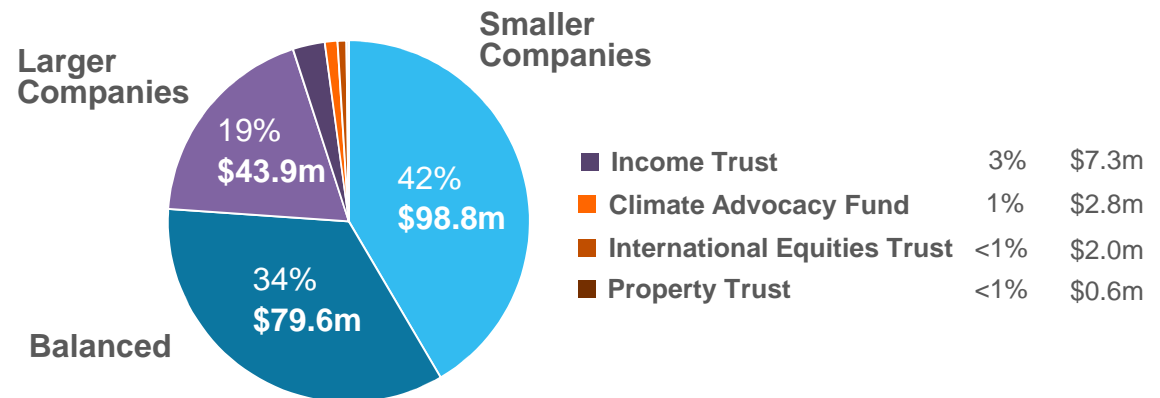
**\$235m**  
FUM at  
Feb 2012



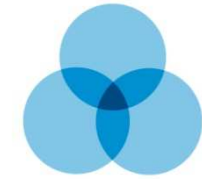
**By investor type**



**Funds Under Management**



# Values and Ethics at the heart of everything we do



Ethics,  
Governance  
and  
Sustainability

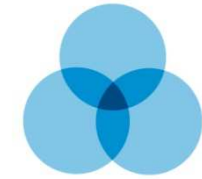
## Ethical Charter

- The most rigorous and robustly applied charter of ethics in Australian funds management and superannuation
- Recent investment decisions to divest Origin Energy and Hong Kong and China Gas are a clear demonstration of our commitment
- Award winning ethical fund manager based on ethical decision making
- Work closely with CAER – our ethical research partners
- High-level code of conduct for all AEI people



**cær**  
Corporate Analysis. Enhanced Responsibility.

# Example ethical investments



## Cochlear

- Supplies approximately 70% of the world market in cochlear implants for profoundly hearing-impaired people.



## Herman Miller

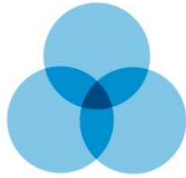
- High quality furniture and office products using predominantly recycled materials
- High commitment to waste and chemical reduction



## Carnegie Wave

- First commercial-scale wave power farm in the Southern Hemisphere, located near Fremantle
- Potential energy from waves estimated at 2 Terawatts globally
- Equivalent to current installed capacity for electricity generation

# Giving back



## Community Grants History

