

## Australian Ethical Investment Limited

### *Fee reduction and revenue margins*

As previously reported Australian Ethical (ASX:AEF) is implementing a fee reduction strategy in respect of our superannuation fund. In accordance with that strategy we announce a further reduction in the superannuation administration fee which will reduce the average FUM based revenue<sup>1</sup> margin for our superannuation product, effective from 30 June 2016, by 0.15%<sup>2</sup>.

In addition, new flows into our managed fund products have increasingly been into lower margin wholesale products rather than higher margin retail funds.

The following table illustrates the impact of these dynamics on FUM based revenue<sup>1</sup> margins (annualised FUM based revenue divided by funds under management).

	FUM Based Revenue Margins		
	FY15	FY16 <sup>3</sup>	Adjusted margin <sup>4</sup>
Superannuation	1.74%	1.39%	1.24%
Managed funds	2.09%	1.70%	
<b>Overall</b>	<b>1.86%</b>	<b>1.49%</b>	

#### Notes

- 1 FUM (funds under management) based revenue is one component of total revenue. Other revenue includes member and withdrawal fees, interest and rent. Details can be found in Note 6 of the Financial Statements on page 59 of the 2015 Annual Report.
- 2 Fees charged to members will reduce by 0.22%. Of that amount, 0.07% is a reduction of the Operational Risk Financial Requirement levy.
- 3 Based on forecast funds under management as at 30 June 2016 and current fee levels.
- 4 Margin taking into account the superannuation fee reduction announced today assuming that the funds under management mix between products remains as per our 30 June 2016 forecast.

#### About Australian Ethical

Australian Ethical is Australia's leading ethical wealth manager. Since 1986, Australian Ethical has provided investors with wealth management products that align with their values and deliver strong returns. Investments are guided by the Australian Ethical Charter which both shapes the Company's ethical approach and underpins its culture and vision.

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