

# Results and company update

## Half year ended 31 Dec 2015

25 February 2016



## Our Purpose

*Investing for a Better World*

Australian Ethical is a financial services company with a difference.

We invest for our clients and manage our business, conscious of the impact that our actions have on the world around us.

We do not compromise on ethics or performance. We achieve both.

We are the model for business of the future – doing it today.



# Leader in ethical investing

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## Investment performance + ethical conviction

- ✓ **30 years** unwavering commitment to ethical investing
- ✓ **Industry thought leader** in ethical investment
- ✓ Top quartile **investment performance**
- ✓ **Competitive products** with multiple investment options meeting most client asset allocation needs
- ✓ **Integrated business model** with ethical research and investment management skills in-house
- ✓ Excellent **brand recognition**, including on **social media** where Australian Ethical has the **6<sup>th</sup> largest fan base** in Australia out of all banks and financial institutions and the **2<sup>nd</sup> highest engagement rate** over the last year<sup>1</sup>
- ✓ Highly **skilled** and **engaged** people. Engagement scores in Best Employer range.

### Ethical credentials

Member of RIAA, and IGCC, signatory to UN-PRI, certified B Corp

### Ethical charter

Positive and negative screening, corporate engagement

### Industry leader

Unrivalled brand recognition, thought leader for ethical investing

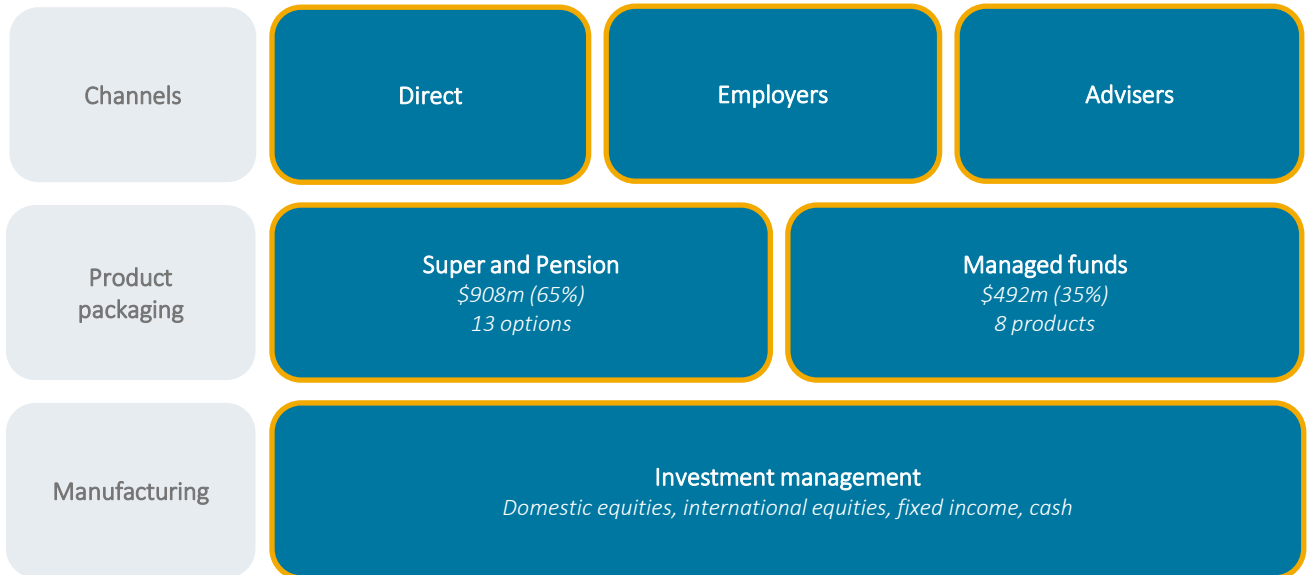
Notes:

1. Online Circle Digital as at 31 December 2015

# Business model

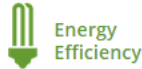
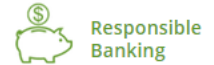
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Integrated business, offering a broad range of products, across most asset classes accessed through multiple channels

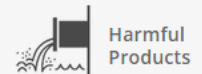
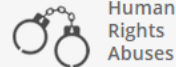
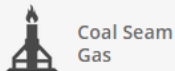


# Our approach: Examples of areas where we invest

We make **good** investments in areas such as:



We **avoid** companies involved in:



# Examples of companies we invest in

Our investment portfolios are well-balanced with larger well-known companies, as well as small and emerging companies.

Example investments below. You can view all of the companies we invest in on our website.

## Financial services



## Health & wellbeing



## Education



## Property



## Media



## IT, software and professional services



## Sustainable products



## Telecommunications



## Transport



## Energy generation and distribution



## Recycling and waste management



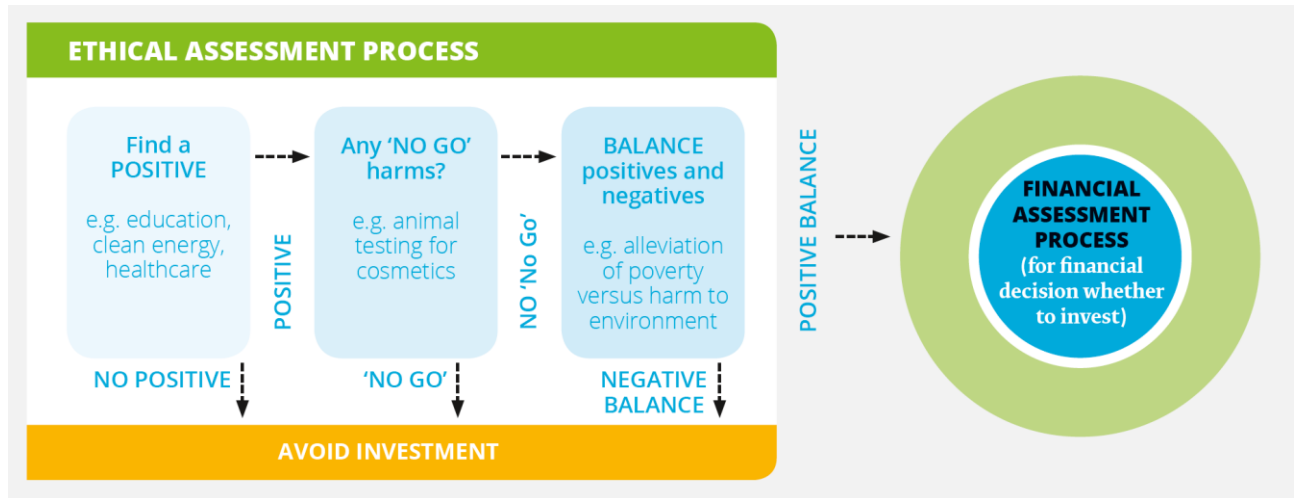
## Energy production (renewables)



# Our Ethical Process

We've had the same clear starting point for our investment decisions since the company began in 1986 – our Australian Ethical Charter.

The Charter (see our website) lists 12 things we will support and 11 harms we will avoid when investing.



# Half Year Results

to 31 Dec 2015



# Highlights

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## Strong growth

Significant increase in net inflows and FUM for the half year. Net inflows double previous corresponding half year

## Solid investment performance

Regular top quartile performance for a number of funds. Industry awards.

## Improved competitiveness

Superannuation fees on key My Super product reduced by further 0.30%. Strategy to be at 75<sup>th</sup> percentile of peer group by 2020.

## Increased dividend

Dividend declared of \$1.20 per share for the half year (up from \$0.80)

# Financial results

Strong profit growth, strong new business

Key Financials (A\$000s)	HY 14/15	HY 15/16	Change
Revenue	9,859	10,940	11%
Operating expenses	(8,139)	(8,358)	(3%)
Non-operating expenses	(1,167)	(1,081)	7%
<b>NPAT</b>	<b>553</b>	<b>1,501</b>	<b>172%</b>
<b>UPAT <sup>1</sup></b>	<b>965</b>	<b>1,501</b>	<b>55%</b>
Operating cashflow <sup>2</sup>	1,318	(859)	N/A
Net cash	7,998	10,044	26%
Interim dividend	80cps	120cps	50%
Diluted EPS	51	136	165%
Funds under management (\$m)	1,038	1,401	35%

Note:

1. Underlying Profit After Tax: prior year includes impairment on real estate

2. Operating cashflow has decreased due to a reduction in payables

# Key drivers

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Key metric	Drivers
FUM	<ul style="list-style-type: none"><li>↑ 35% increase made up of:<ul style="list-style-type: none"><li>↑ 25% from strong net inflows (double pcp) from growing demand for ethical investing, investment in digital marketing and consistently strong investment performance</li><li>↑ 10% asset management performance</li></ul></li></ul>
Revenue	<ul style="list-style-type: none"><li>↑ 11% increase</li><li>↓ Revenue growth is lower than FUM growth due to superannuation fee reduction aimed at shoring up long term sustainability</li></ul>
Operating expenses	<ul style="list-style-type: none"><li>↑ Operating expenses grew by 3%<ul style="list-style-type: none"><li>↑ Staff costs fell by 2% but impacted by transition to new remuneration arrangements (see Remuneration Report in full year Annual Report).</li><li>↑ External administration expenses grew by 7% due to growth in clients.</li></ul></li></ul>
Underlying profit	<ul style="list-style-type: none"><li>↑ 55% increase</li><li>↑ Solid revenue growth with disciplined cost management leads to strong profit growth</li></ul>

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Note: All comparisons to 31 December 2014

# Funds under management and net inflows

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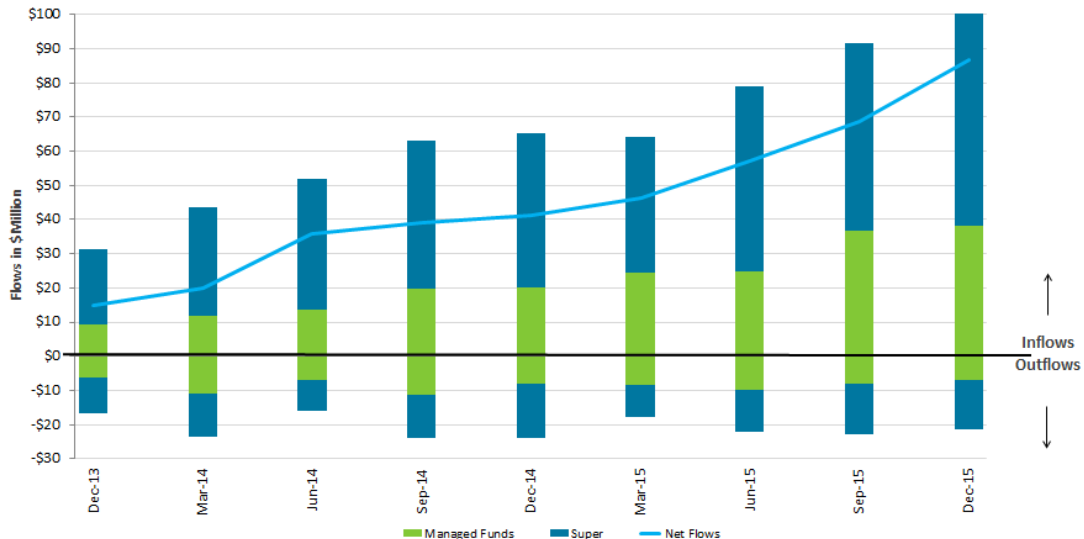
Strong growth in both superannuation and managed funds

	<b>HY 14/15 (\$m)</b>	<b>HY 15/16 (\$m)</b>	<b>Change</b>
Opening	887	1,167	<b>32%</b>
Super flows	60	96	<b>59%</b>
Managed funds flows	17	59	<b>251%</b>
Net flows	77	155	<b>102%</b>
<b>Market movement</b>	<b>74</b>	<b>79</b>	<b>7%</b>
<b>Closing*</b>	<b>1,038</b>	<b>1,401</b>	<b>35%</b>

\* As at 22 February 2016 FUM was \$1,348 million due to market volatility since balance date. See Shareholder Newsletter for more detail.

# Strong net inflows

- Net inflows have increased dramatically over recent years
- Growth driven by increased demand for ethical investing, consistent asset management performance, more competitive products, our large digital community and investment in online optimisation
- Growth across both superannuation and managed funds
- Driven by new inflows. Outflows remain steady despite increasing funds under management



# Top quartile asset management performance

## Proven track record of asset management outperformance

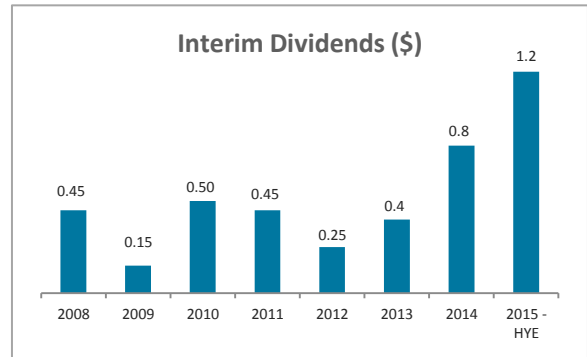
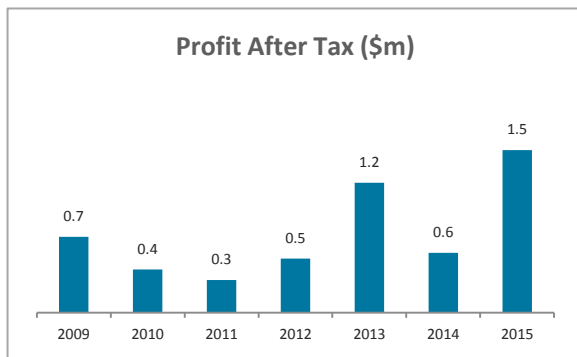
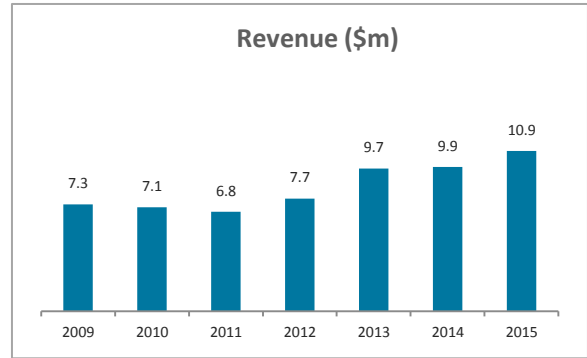
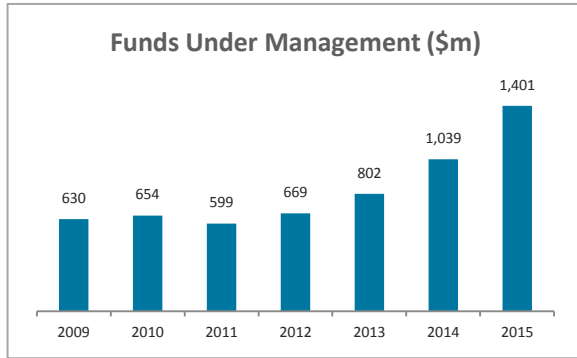
- Regular top quartile performance by numerous products
- Australian shares fund ranked 1<sup>st</sup> out of 51 over 10 years

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

Source: Mercer Peer Comparison as at 31 December 2015

# HY2016 results compared to previous HY results

## Strong growth in operational and financial performance



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