

Results & company update

Six months to 31 December 2016

Phil Vernon | Managing Director

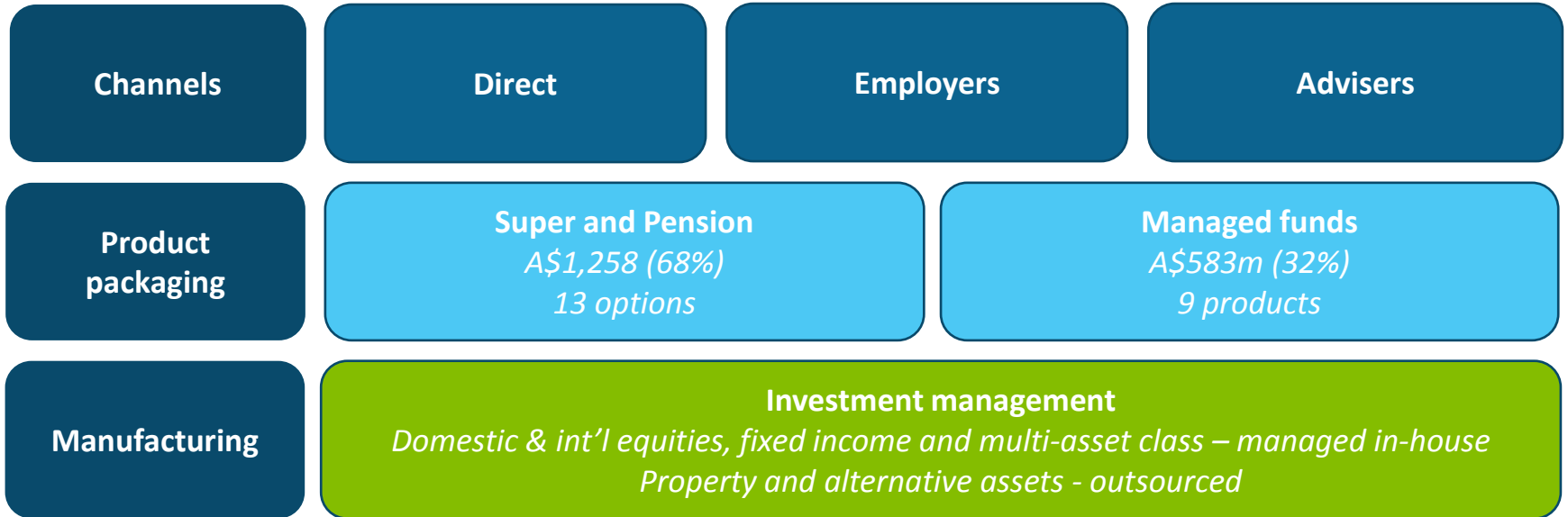


australian**ethical**

“30 years of ethical investment
leadership”

Our business model

Broad range of products, across most asset classes accessed through multiple channels



As at 31 December 2016

Our ethical charter - since 1986

We seek out positive investments that support:



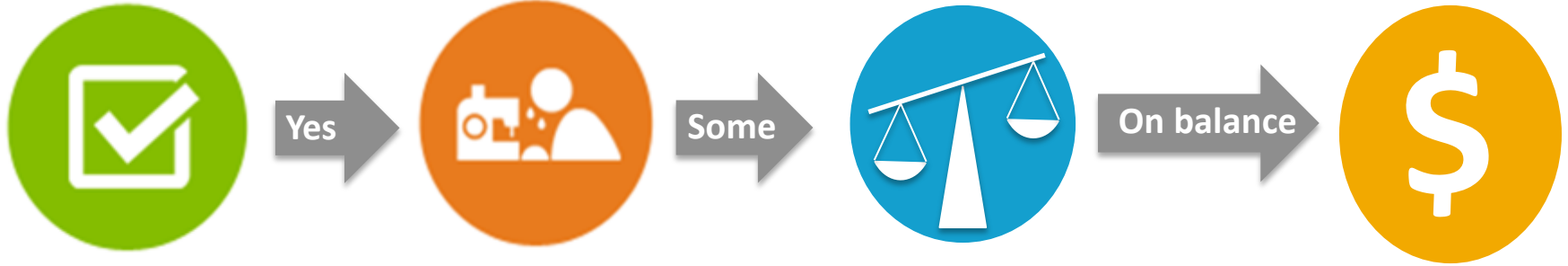
People, quality and sustainability

We avoid investments that harm:



People, animals, society and the environment

Investments must first pass our ethical screen



Does it create positive impact?
e.g. education, clean energy, healthcare?



Does it do any harm?
e.g. environmental, worker exploitation



Balance positives and negatives
e.g. alleviate poverty but harms environment



Investment assessment
only commences after ethical screen complete

AVOID INVESTMENT

1HY2017 results

Highlights of 1HY2017

- Record member growth (**up 30%**)
- Record net inflows (**up 35%**)
- Record UPAT (**up 52%**)
- Record funds under management (**up 31%**)
- Revenues increase (**up 22%**)
- NPAT* decreased by **62%** due to remediation and employment restructure costs
- Strong investment performance continues

*Attributable to shareholders

Financial results

Key financials	Half year to 31 Dec 2015 (\$,000)	Half year to 31 Dec 2016 (\$,000)	Change (%)
Revenue	10,941	13,328	22%
Operating expenses	(8,475)	(10,114)	(19%)
Non-operating expenses	-	(2,410)	
Income tax expense	(765)	(235)	
Net profit after tax – statutory	1,701	569	
Less Foundation results*	200	5	
Net profit after tax – attributable to shareholders	1,501	564	(62%)
Basic earnings per share – attributable to shareholders	141 cents	52 cents	(63%)
Dividend per share	120 cents	50 cents	(58%)

* For this half year, Australian Ethical Investments (ASX: AEF) provides consolidated reporting that includes the results for the Australian Ethical Foundation Limited ('The Foundation').

Financial results cont'd

Key financials	Half year to 31 Dec 2015 (\$,000)	Half year to 31 Dec 2016 (\$,000)	Change (%)
Net profit after tax – attributable to shareholders	1,501	564	(62%)
Adjustments (gross)			
Add back employment restructure	-	250	
Add back unit price remediation expense	-	1,045	
Add back unit price remediation project costs	-	1,160	
Tax on adjustments	-	(737)	
Underlying profit after tax (UPAT)^	1,501	2,282	52%

^This table has been prepared in accordance with the Australian Institute of Company Directors (AICD)/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 Disclosing non-IFRS financial information. Underlying profit after tax has not been reviewed or audited by our external auditors, however the adjustments to net profit have been extracted from the books and records that have been audited.

Funds under management and net inflows

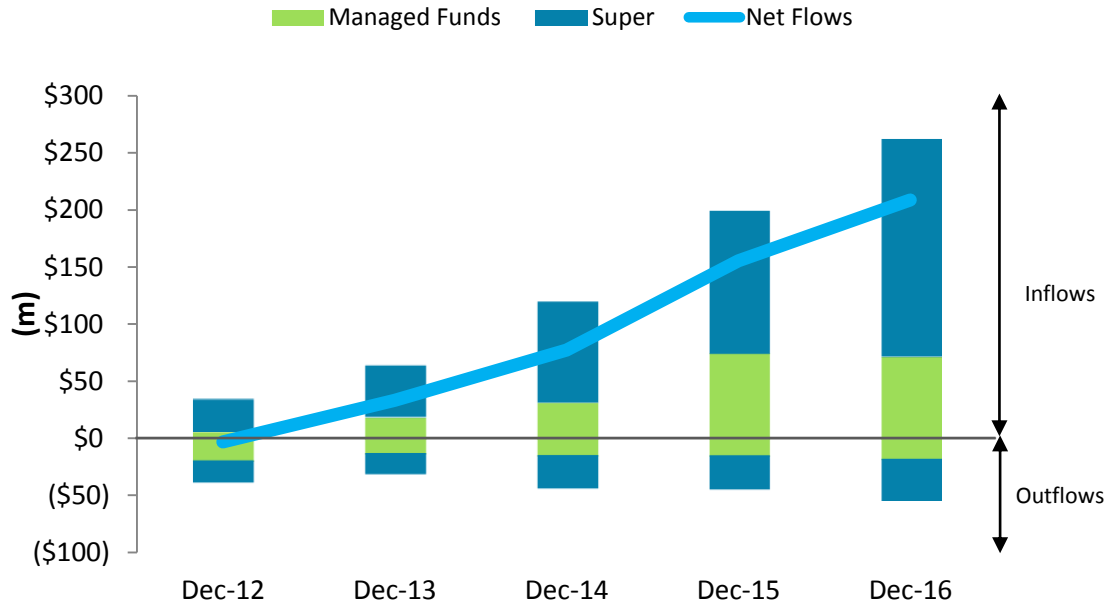
- A **31%** increase in total FUM
- A **61%** increase in net super FUM

Funds under management	Half year to 31 Dec 2015 (\$,000)	Half year to 31 Dec 2016 (\$,000)	Change (%)
Opening FUM	1,167	1,557	33%
Super flows (net)	96	155	61%
Managed Funds flows (net)	59	54	(9%)
Net flows	155	209	35%
Market movement and other^	79	76	(4%)
Closing FUM	1,401	1,841	31%

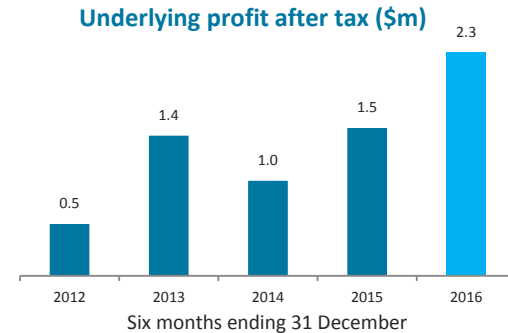
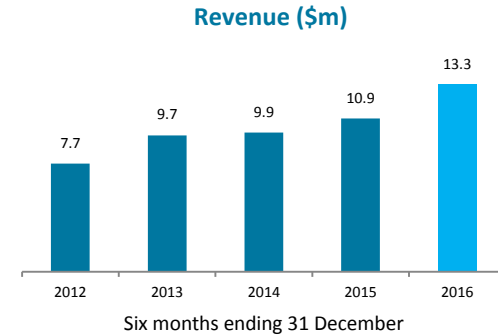
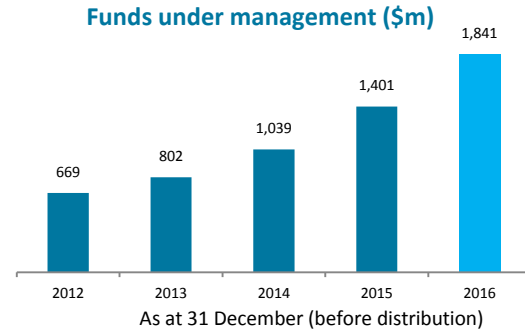
^ Includes changes in asset value due to market movements and net income.

Record net inflows

- Record net inflows of **\$209m up 35%**



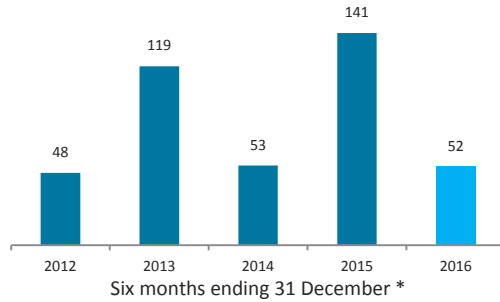
Financial results (cont'd)



*Profit after tax and basic earnings per share attributable to shareholders, i.e. the Foundation result is excluded.

Financial results (cont'd)

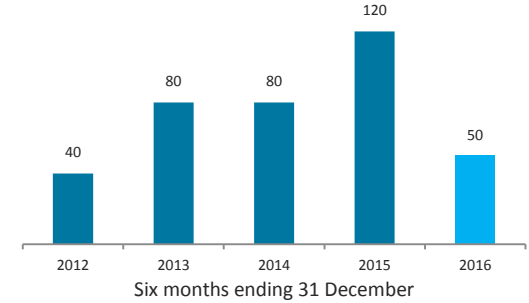
Basic earnings per share (cps)



Underlying earnings per share (cps)



Interim dividend (cps)



*Profit after tax and basic earnings per share attributable to shareholders, i.e. the Foundation result is excluded.

Strong super member growth over half year

- Record member growth **up 30%**
- Almost **double** the rate of new monthly membership on 2015
- **993 new members** in November – new monthly record
- Achieved **30,000** member milestone

Investment performance

- **Australian Shares Fund** continues to outperform benchmark over short, medium and long term

	3M (%)	6M (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	7Y (%)	10Y (%)	Since Incept'n (%)
Retail Trust*	1.2	9.2	7.5	13.6	13.6	16.5	10.1	8.5	10.2
S&P ASX Small Industrials	-2.6	5.7	6.2	10.5	7.9	12.8	7.2	1.9	7.0
<i>Relative Performance</i>	+3.8	+3.5	+1.3	+3.1	+5.7	+3.7	+2.9	+6.6	+3.2
Wholesale Trust^	1.6	10.0	9.2	15.4	15.4	n/a	n/a	n/a	17.9
S&P ASX Small Industrials	-2.6	5.7	6.2	10.5	7.9	n/a	n/a	n/a	11.9
<i>Relative Performance</i>	+4.2	+4.3	+3.0	+4.9	+7.5	n/a	n/a	n/a	+6.0
Alternative Benchmarks									
AESCT Melded Benchmark#	0.4	6.9	6.8	9.4	8.4	14.1	8.7	3.8	
<i>Relative Performance</i>	+0.8	+2.3	+0.7	+4.2	+5.2	+2.4	+1.4	+4.7	
S&P ASX 200	5.2	10.6	11.8	7.1	6.6	11.8	6.9	4.5	
<i>Relative Performance</i>	-4.0	-1.4	-4.3	+6.5	+7.0	+4.7	+3.2	+4.0	

* Inception Date (Retail): 19/09/1994

^ Inception Date (Wholesale): 23/01/2012

Melded benchmark is constructed based on the current implied strategic asset allocation. Current composition is 60% S&P/ASX Small Industrial and 40% ASX 100 Industrial.

Investment performance

- Relative performance against peers impacted by non-exposure to resources, underweight financials
- Australian Shares Fund continues to be in the **top quartile** over the medium-to-longer term

Managed Funds	1 year	3 years	5 years	7 years	10 years
	Quartile	Quartile	Quartile	Quartile	Quartile
Australian shares	3 rd	1 st	1 st	1 st	1 st
Emerging Companies	3 rd	-	-	-	-
Diversified shares	4 th	1 st	1 st	3 rd	2 nd
Advocacy	4 th	1 st	1 st	-	-
International shares	4 th	4 th	3 rd	3 rd	-
Balanced	4 th	1 st	3 rd	3 rd	2 nd
Cash	4 th	4 th	3 rd	3 rd	3 rd
Fixed Interest	4 th	3 rd	-	-	-

Based on Morningstar's relevant peer group category as at 31 December 2016.

Source: FactSet, Morningstar, Australian Ethical Investment

Investment performance

- Relative performance against peers impacted by non-exposure to resources, financials

Superannuation Accumulation Options	1 year	3 years	5 years	7 years	10 years
	Quartile	Quartile	Quartile	Quartile	Quartile
Defensive	2 nd	1 st	2 nd	1 st	1 st
Conservative	3 rd	3 rd	4 th	-	-
Balanced	3 rd	1 st	3 rd	3 rd	3 rd
Growth	3 rd	1 st	3 rd	4 th	4 th
Smaller companies	2 nd	1 st	1 st	1 st	1 st
International	3 rd	3 rd	3 rd	4 th	-
Advocacy	2 nd	1 st	1 st	-	-

Based on Morningstar's relevant peer group category as at 31 December 2016.

Source: FactSet, Morningstar, Australian Ethical Investment

Disclaimer

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Thank you

