

Australian Ethical Investment Limited  
**ASX Announcement**

***Australian Ethical reports strong growth for half year***

**Financial and operating highlights (all comparisons to half year ended 31 December 2016)**

- Net profit after tax attributable to shareholders \$2.157m<sup>1</sup> (2016: \$0.564m up 282%)
- Consolidated statutory net profit after tax of \$2.318m (up 307%)
- Underlying profit after tax (UPAT) of \$2.157m (down 5%)
- Revenues of \$17.4 m (up 31%)
- Operating expenses of \$14.2m (up 40%)
- Interim ordinary dividend of 165 cents per share, fully franked
- Group funds under management of \$2.6bn (up 41%)
- Net inflows of \$341m (up 63%, includes institutional flows of \$139.6m)
- Superannuation membership at 37,699 members (up 23%)
- Continued above benchmark performance for our flagship *Australian Shares* fund over the medium and long term

Australian Ethical Investment Limited (ASX: AEF) today announced its financial results for the half year ending 31 December 2017, reporting an increase in net profit after tax attributable to shareholders of \$2.157m<sup>1</sup> (up 282% when compared with the prior corresponding period). The consolidated statutory net profit after tax, which also includes the results of Australian Ethical Foundation Limited, was \$2.318m (compared to \$0.569m in the prior corresponding period).

The large increase in the net profit after tax attributable to shareholders is due to significant expenses in the prior corresponding period associated with the unit pricing remediation in the superannuation fund.

In the half year to December 2017, operating expenses increased due to additional fixed headcount in the finance, operations, risk & compliance and customer support areas. Underlying profit after tax was \$2.157m, down 5% compared with the prior corresponding period, reflecting these increases.

Managing director Mr Phil Vernon said, “As already flagged to the market, we have embarked on a step-change strengthening of our support infrastructure to ensure we remain resourced to effectively manage our vigorous growth”.

Half-year revenue increased 31% to \$17.4m, up from the \$13.3m recorded for 31 December 2016. Average revenue margin is gradually reducing over time as higher margin retail products become a smaller proportion

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<sup>1</sup> Net profit after tax attributable to shareholders excludes the net profit after tax of the Australian Ethical Foundation. All income and net assets of the Foundation are restricted to Foundation activities and are not available for distribution to Australian Ethical Investment Limited’s shareholders.

of funds under management. Consequently, the growth rate of revenue tends to be lower than the growth rate of funds under management.

## Growth

Funds under management (FUM) grew to \$2.6 billion, up 41% from \$1.8 billion reported at 31 December 2016, while net inflows of \$341m were up 63% on the prior corresponding period. The growth in FUM was driven by continued strong superannuation member growth, increasing net inflows into our managed funds including a significant institutional client and positive investment performance.

Membership of Australian Ethical Super grew 23% to 37,699 from 31 December 2016. “The growth of ethical investing continues,” said Mr Vernon. “People are demanding transparency and accountability in all aspects of their life, including their investments. They want to know their money is working hard to build a better world that they can enjoy in their own retirement, for their children and for generations to come,” he said.

“Individuals proactively seek out Australian Ethical as having the highest ethical conviction of any responsible fund. For 30 years we have been guided by the 23 principals of our Ethical Charter in everything we do, our investment philosophy and every aspect of our day-to-day business practices. Now more than ever, people want to align their investments with their personal values,” said Mr Vernon.

## Australian Ethical Foundation Limited (“Foundation”)

The Foundation was established in July 2015 as a vehicle to manage the portion of profits to be distributed to charitable, benevolent and conservation causes under Australian Ethical’s Constitution. Utilising a vehicle such as the Foundation provides more flexibility. Net profits within the Foundation are not available to shareholders.

A summary of the profits of the group are:

	2017 (\$m)	2016 (\$m)
Consolidated statutory profit	2.318	0.569
Profit attributable to The Foundation	0.161	0.005
<b>Net profit after tax attributable to shareholders</b>	<b>2.157</b>	<b>0.564</b>

## Interim dividend

The Board declared an interim fully franked dividend of 165 cents per share for the 6 months ended 31 December 2017. The record date for the dividend is 2 March 2018; paid on 16 March 2018.

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## 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 its ethical approach, and underpins the Company’s culture and vision.

Australian Ethical has \$2.6 billion in funds under management across superannuation and managed funds.

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