

# Australian Ethical Half Year Results

31 December 2017

# Highlights

## Half Year to 31 Dec 2017

### FUM ↑

- Group funds under management of \$2.6 billion **up 41%**
- Net inflows of \$341 million **up 63%**

### Super member growth ↑

- Super members increased to 37,699 **up 23%**

### Managed funds flows ↑

- Net managed funds flows **up 19%<sup>^</sup>**
- Significant institutional flows of \$139.6 million

### Revenue ↑

- Revenue **up 31%** to \$17.4 million

### Profit ↑

- NPAT attributable to shareholders\* **up 282%**
- Consolidated NPAT of **\$2.32 million**
- UPAT of \$2.16 million\* **down 5%** due to **step-change** in resourcing to support continued growth

### Shareholder returns ↑

- Interim ordinary dividend of **165 cents** per share
- EPS 3-year CAGR of **31.4%**
- Share price increase of **62%** (YoY)

# Key financials



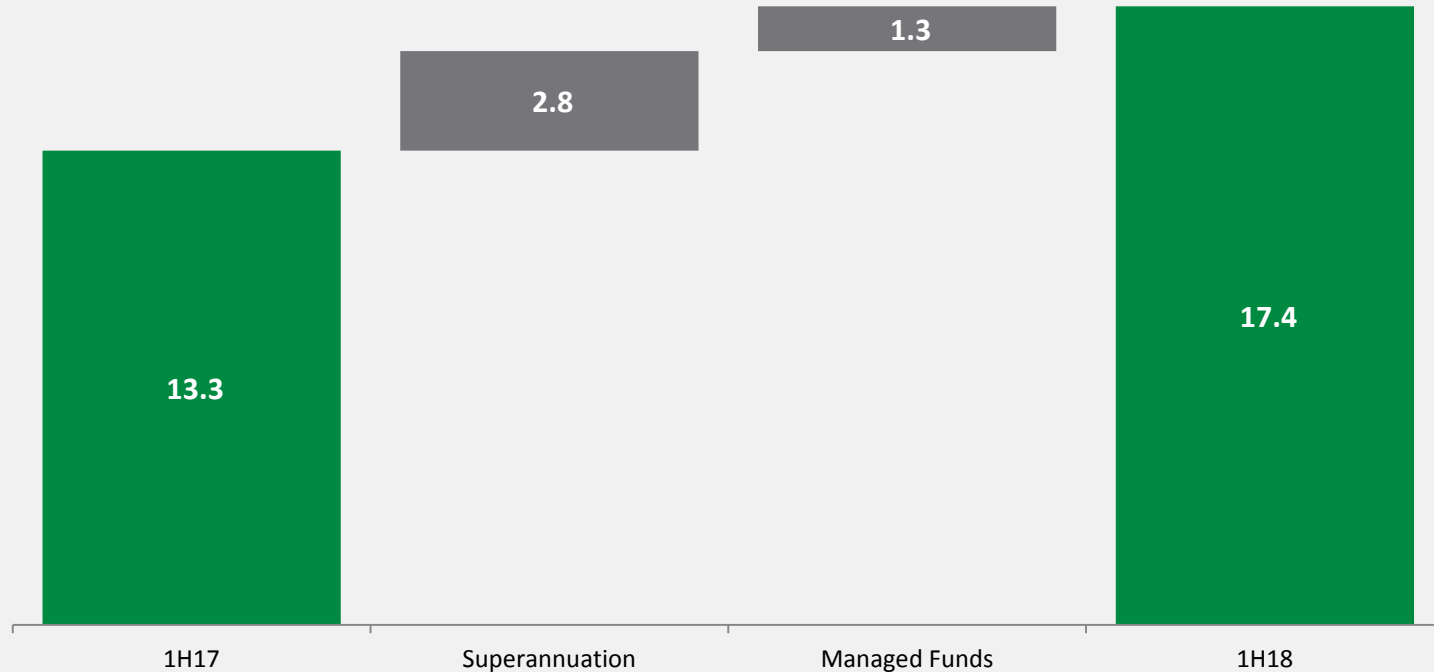
Key financials^ (\$'000)	1H2017	1H2018	Change
<b>Revenue</b>	<b>13,328</b>	<b>17,400</b>	<b>31%</b>
Operating expenses	(10,114)	(14,173)	40%
Non operating expenses	(2,410)	-	-
Income tax expense	(235)	(909)	287%
<b>Total expenses</b>	<b>(12,759)</b>	<b>(15,082)</b>	<b>18%</b>
<b>Net profit after tax-statutory</b>	<b>569</b>	<b>2,318</b>	<b>307%</b>
Less Foundation results*	(5)	(161)	
<b>Net profit after tax attributable to shareholders</b>	<b>564</b>	<b>2,157</b>	<b>282%</b>
Employment restructure	250	-	-
Unit price remediation expense	1,045	-	-
Unit price remediation project costs	1,160	-	-
Tax on adjustments	(737)	-	-
<b>Underlying profit after tax (UPAT) attributable to shareholders</b>	<b>2,282</b>	<b>2,157</b>	<b>(5)%</b>
Basic earnings per share – attributable to shareholders	52 cents	198 cents	281%
Earnings per share growth (3 year CAGR)#	3.3%	31.4%	
<b>Interim dividend per share (fully franked)</b>	<b>50 cents</b>	<b>165 cents</b>	<b>230%</b>

^ 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. UPAT has not been reviewed or audited by our external auditors; the adjustments to net profit have been extracted from the books and records that have been audited.

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

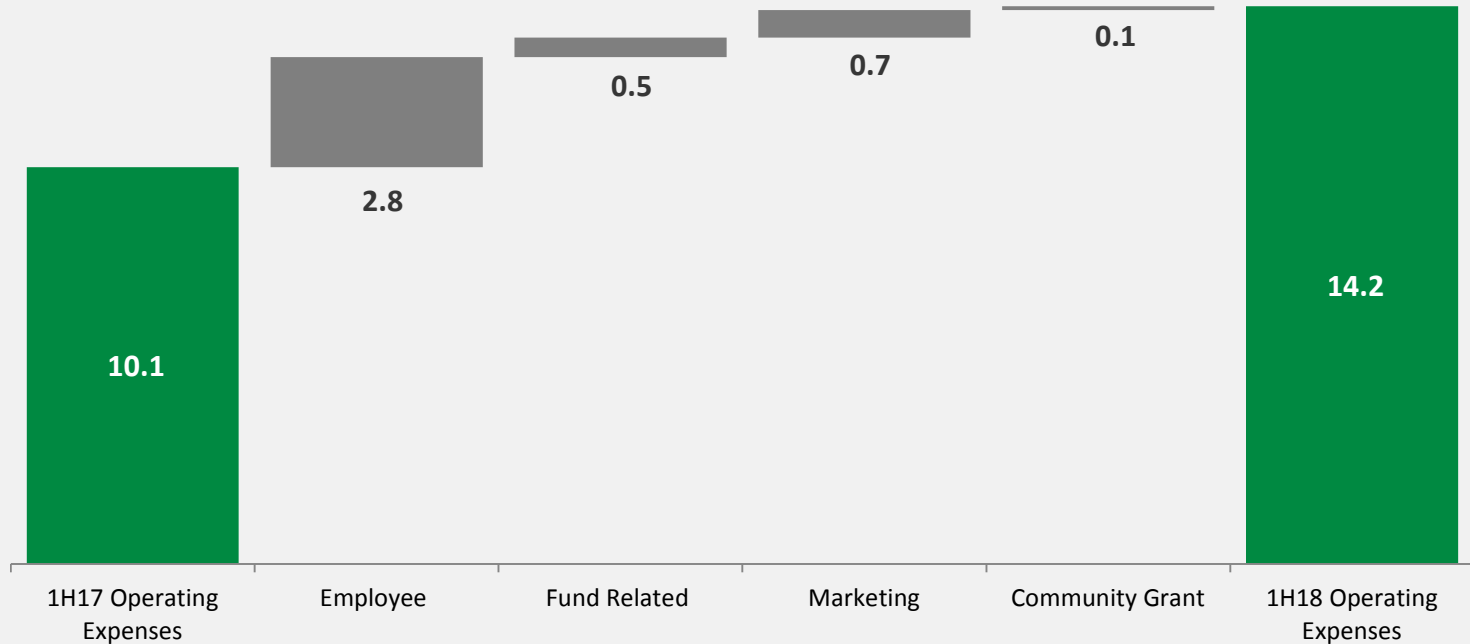
# Compound annual growth rate (CAGR) is calculated for 12 months ending 31 December over 3 years

# Revenue (\$'m) v HY17



Source:

# Operating Expenses (\$m) v HY17



# Key financials

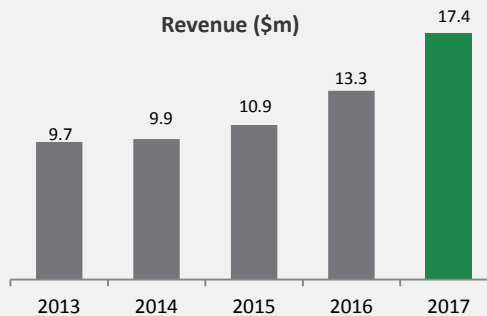


### Funds under management (\$m)



As at 31 December (before distributions)

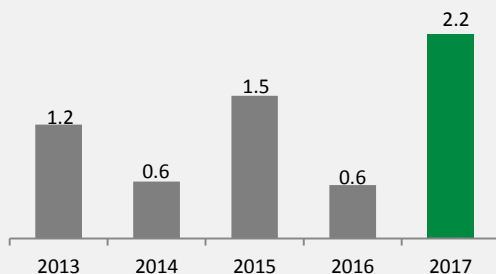
### Revenue (\$m)



Six months ending 31 December

**Strong FUM & revenue growth continues**

### Profit after tax (\$m)



Six months ending 31 December (attributable to shareholders)

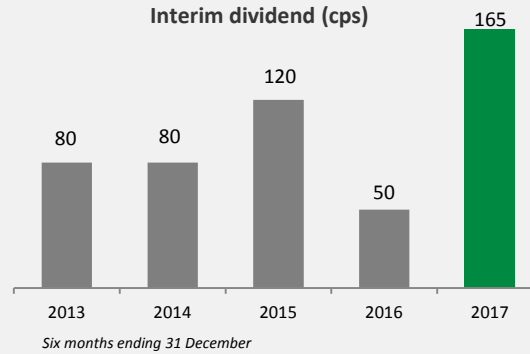
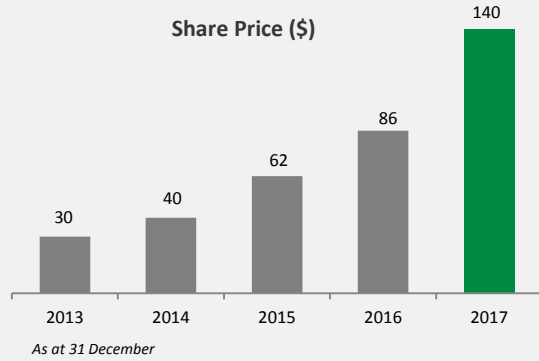
### Underlying profit after tax (\$m)



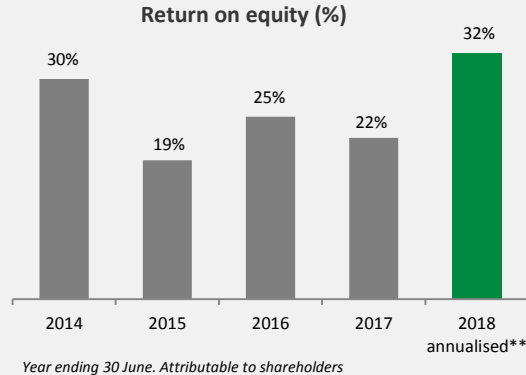
Six months ending 31 December (attributable to shareholders)

**UPAT impacted by step-change in resourcing to support growth**

# Key financials

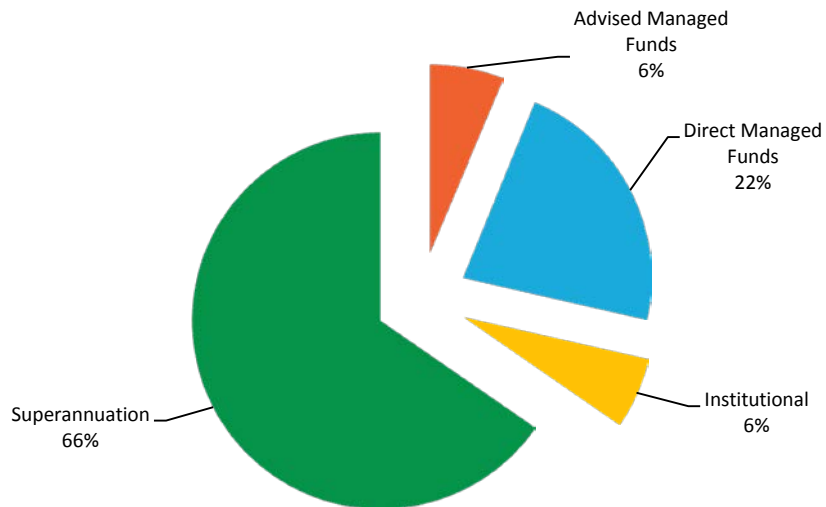


Positive results for shareholders



# Growth

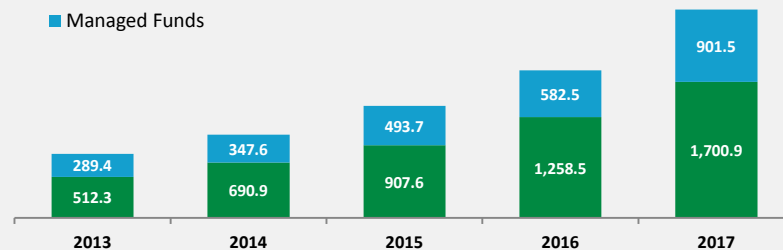
## FUM by channel and product



\$2.6 bn as at 31 December 2017

### FUM (\$m)

■ Superannuation  
■ Managed Funds



As at 31 December (before distributions)

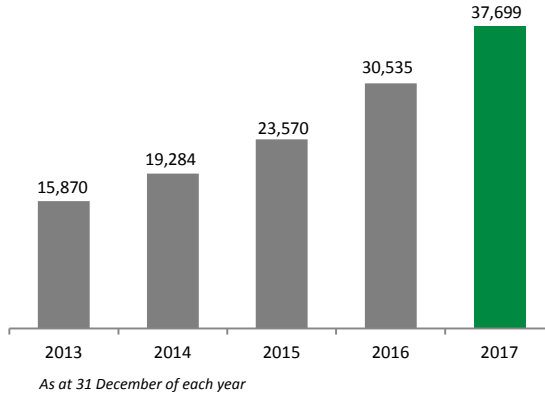
Funds under management (\$m)	1H2017	1H2018	Change
Opening FUM	1,557	2,145	38%
Super flows (net)	155	137	(12%)
Managed Funds flow (net)	54	204	278%
<b>Net flows</b>	<b>209</b>	<b>341</b>	<b>63%</b>
Market movement and other <sup>^</sup>	75	116	55%
<b>Closing FUM</b>	<b>1,841</b>	<b>2,602</b>	<b>41%</b>

<sup>^</sup> Includes changes in asset value due to market movements, income, reinvestments and distributions.

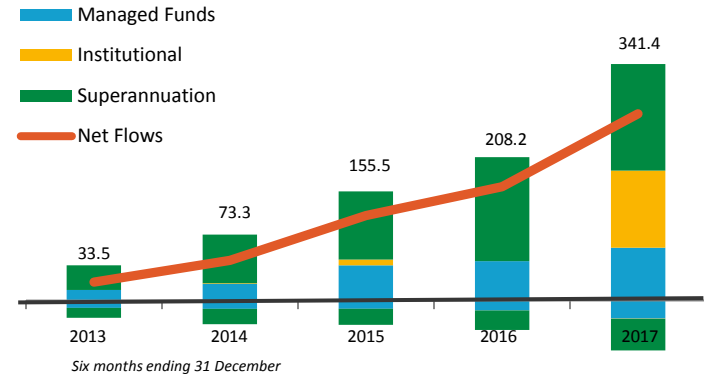


# Growth on 1H17

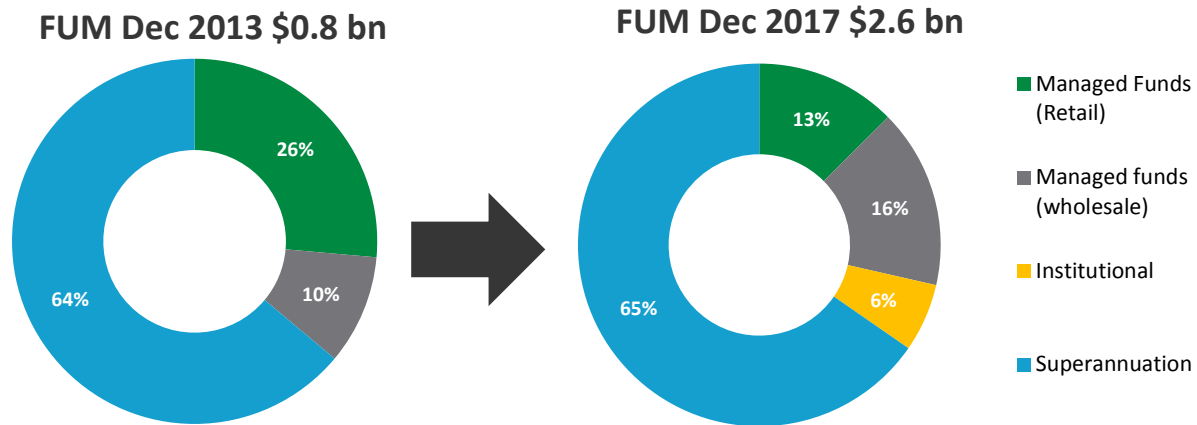
Super members up 23%



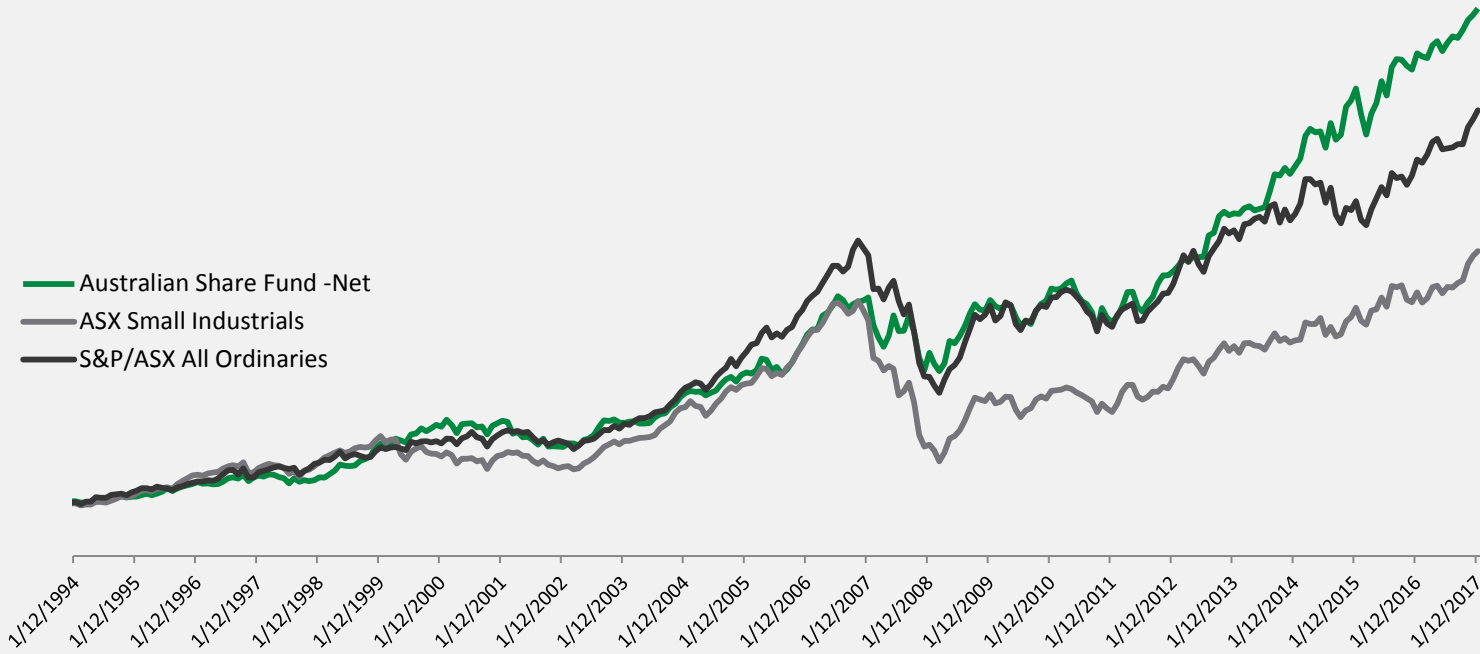
Net flows up 63%



# FUM trends



# Investment performance



# Flagship product outperforms benchmark



Our **Australian Shares Fund** continues to outperform benchmark for the medium, long and very long term. Recommended minimum investment timeframe is 7 years.

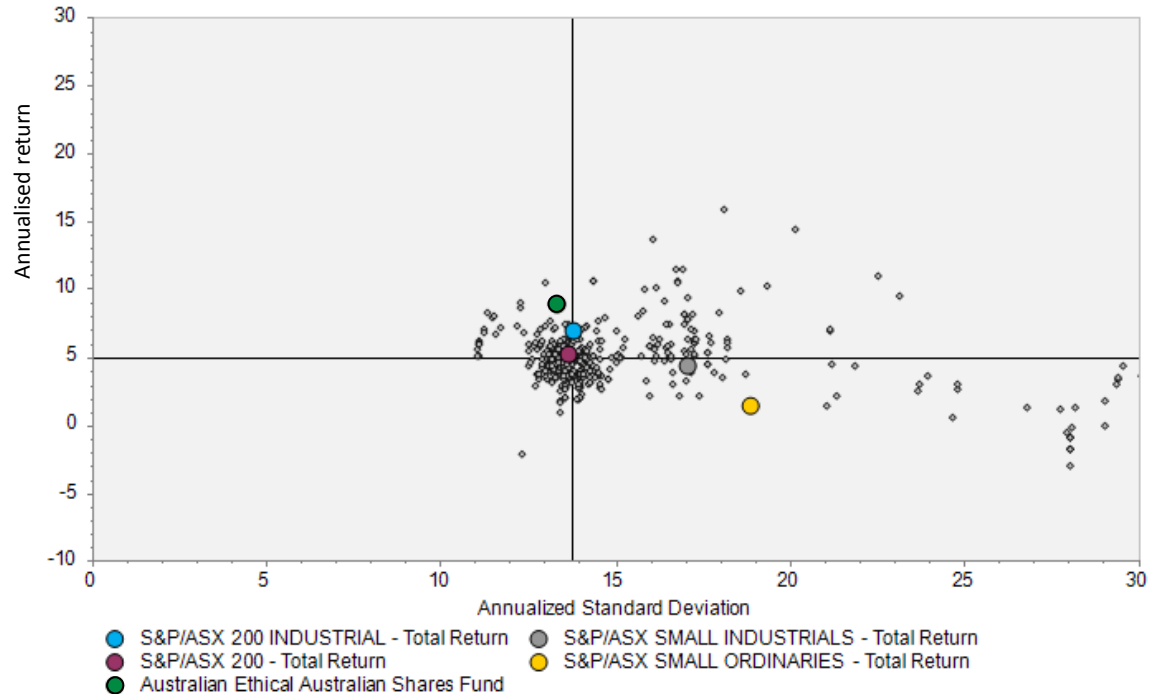
	1Y (%)	2Y (%p.a.)	3Y (%p.a.)	5Y (%p.a.)	7Y (%p.a.)	10Y (%p.a.)	15Y (%p.a.)	20Y (%p.a.)	Since Incept'n (%p.a.)
<b>Retail*</b>	8.9	8.2	12.0	14.0	10.8	7.8	11.3	10.0	10.1
S&P/ASX Small Industrials	15.7	10.8	12.2	11.5	9.2	2.6	8.5	6.4	7.4
<i>Relative Performance</i>	-6.8	-2.6	-0.2	+2.5	+1.6	+5.2	+2.8	+3.6	+2.7
<b>Wholesale^</b>	10.5	9.9	13.8	15.7	n/a	n/a	n/a	n/a	16.6
S&P/ASX Small Industrials	15.7	10.8	12.2	11.5	n/a	n/a	n/a	n/a	12.5
<i>Relative Performance</i>	-5.1	-1.0	+1.5	+4.2	n/a	n/a	n/a	n/a	+4.1
<b>Alternative Benchmarks</b>									
AESCT Melded Benchmark#	12.8	9.7	10.5	11.9	10.6	4.6	8.1	6.7	8.0
<i>Relative Performance</i>	-3.8	-1.5	+1.5	+2.1	+0.2	+3.2	+3.3	+3.4	+2.1
S&P/ASX 200	9.0	8.2	8.2	12.3	12.0	5.7	9.7	8.8	9.2
<i>Relative Performance</i>	-0.1	-0.0	+3.8	+1.6	-1.2	+2.1	+1.7	+1.2	+0.9

\* Inception Date (Retail): 19 September 1994. ^ Inception Date (Wholesale): 23 January 2012

# Melded benchmark is constructed based on the approximate composition of large cap / small cap weightings: 60% S&P/ASX Small Industrial and 40% ASX 100 Industrial.

**Top quartile performance with below market risk**

**Return/risk over 10 years to December 2017 – Australian Shares Fund**



# MySuper option outperforms benchmark



Our default MySuper Option, the **Balanced Accumulation Option**, has exceeded its 5-year return objective and met or outperformed its benchmark over the time periods highlighted below.

	1Y (%)	2Y (%p.a.)	3Y (%p.a.)	5Y (%p.a.)	7Y (%p.a.)	10Y (%p.a.)	15Y (%p.a.)	Since Incept'n* (%p.a.)
<b>Balanced Accumulation Option</b>	9.0	7.2	7.0	8.8	6.9	4.0	6.0	6.2
Benchmark#	8.8	7.2	5.7	7.2	6.3	4.1	5.6	4.9
<i>Relative Performance</i>	+0.3	0.0	+1.4	+1.7	+0.5	-0.1	0.4	+1.3
Investment Return Objective^	n/a	n/a	n/a	5.4	n/a	n/a	n/a	n/a
<i>Relative Performance</i>	n/a	n/a	n/a	+3.4	n/a	n/a	n/a	n/a

\* Inception Date: 31/12/1998

# Benchmark is Morningstar Multi-sector Growth. Prior to 1 March 2015 the Morningstar Multi-sector Balanced – Superannuation index was used. The historical returns are calculated by combining the two indices.

^ CPI + 3.5%p.a. over 5 years

As at 31 December 2017 Source: Morningstar

A landscape photograph showing four wind turbines of varying heights silhouetted against a sunset sky. The foreground is a field of yellow flowers. The sun is a bright orange circle on the horizon to the right.

**Thank you**



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