



# Australian Ethical Investment Ltd FY 2019 full year results

Phil Vernon | Managing Director and CEO  
Mark Simons | CFO

August 2019



# Agenda

**01** HIGHLIGHTS

**02** FINANCIALS

**03** BUSINESS UPDATE

# Highlights



# FY19 highlights

## PEOPLE, PLANET & PERFORMANCE: STRONG RETURNS & POSITIVE IMPACT



### Growth

Continue to be the **fastest growing** super fund over 5 years<sup>1,2</sup>. Top 10 funds by growth in FUM and member numbers over both 1 and 5 year period<sup>2</sup>. Over 43,000 super members.

Funded super members up **↑ 11%**

Net inflows<sup>3</sup> **\$322.1m ↓ 14%**

Funds under management **\$3.4bn ↑ 21%**

NPAT attributable to shareholders<sup>4</sup> **\$6.5m ↑ 29%**

Revenue of **\$41m ↑ 14%**

Operating Expenses **\$32m ↑ 11%**

Dividend **5c ↑ 25%**

Share price at 30 June **\$1.77 ↑ 31%**

**Joined All Ordinaries Index** in March 2019



### Client engagement

- **Industry leading** NPS for both super & managed funds, with NPS improving again in FY19<sup>5</sup>
- Industry leading **client retention** rates<sup>1</sup>
- Further **fee reductions** delivered to our clients
- **Winner of two MAX awards:** Social Media Campaign of the year & Social Initiative of the year



### Our people

- Top quartile **employee engagement** of **71%**
- Exceeded **gender diversity targets:** 50% female board representation & 44% female senior management team



### Investment performance

- **Multiple industry awards**, including **three Gold ratings** from SuperRatings
- **Strong year for performance: all funds** (with exception of Fixed Interest), **met or exceeded benchmark over 1 year**
- **Emerging Companies Fund** significantly outperformed benchmark, generating a **performance fee**
- **Australian Shares** option achieved **top quartile performance** over 5, 7, 10, 15, 20 years<sup>6</sup>

Impressive **rankings in June 2019 SuperRatings Fund Crediting Rate Survey:**

- **Best performing growth option** over 1 year<sup>7</sup>
- **Best performing Australian Shares** option over 5 & 7 years<sup>8</sup>
- **MySuper** option ranked **number 2** over 1 year<sup>9</sup>

# FY19 investment awards

## MULTI AWARD-WINNING INVESTMENT PORTFOLIO



**Winner – Financial Standard** Investment Leadership Award – ESG  
for the Australian Shares Fund

**Money Magazine ‘Best Green Super Fund’**  
in ‘Best of the Best’ December 2018 issue



**Money Management’s Fund Manager of the Year –  
Responsible Investments** for the Australian Shares Fund  
(Wholesale).



**Winner – SuperRatings Infinity Award 2019**



**Three Gold ratings** from **SuperRatings** (MySuper, MyChoice, Account Based Pension)

# Financials

# Financial highlights

## Continued revenue and profit growth



### Record profit

NPAT attributable to  
shareholders\*  
\$6.5m, up

**29%**

Average revenue  
margin~

**1.19%**

Diluted EPS^  
3 year CAGR

**29%**

Total  
shareholder  
return

**34%**

Dividends  
5c, up

**25%**

Final  
dividend 3c  
payable

**18  
September**



### Strong FUM & revenue growth

- FUM **up 21%**
- Revenue **up 14%** to \$41m (12% excl performance fee)
- **Fee reductions** resulting in lower margin in FY19
- Emerging Companies **performance fee** of \$0.8m



### Investing in growth

- Operating expenses up **11%**
- Strong investment in **brand awareness, client experience & our people**
- Development of **new digital platform** underway

\* This excludes the results for the Australian Ethical Foundation Limited ('The Foundation')

^ Based on NPAT attributable to shareholders

~ Calculated on FUM based revenue (excluding member based fees)

# Key financials

Key financials^ (\$'000)	FY2018	FY2019	Change (YoY)
Revenue	35,992	40,977	14%
Operating expenses	(28,594)	(31,820)	11%
Non operating expenses	-	(75)	-
<b>Total expenses</b>	<b>(28,594)</b>	<b>(31,895)</b>	<b>12%</b>
Income tax expense	(2,317)	(2,468)	7%
<b>Net profit after tax - statutory</b>	<b>5,081</b>	<b>6,614</b>	<b>30%</b>
Less Foundation results	(83)	(149)	78%
<b>Net profit after tax attributable to shareholders</b>	<b>4,998</b>	<b>6,465</b>	<b>29%</b>
Impairment of investment property held for sale	-	75	-
<b>Underlying profit after tax (UPAT) attributable to shareholders</b>	<b>4,998</b>	<b>6,540</b>	<b>31%</b>
<b>UPAT attributable to shareholders excl performance fee</b>	<b>4,998</b>	<b>6,093</b>	<b>22%</b>
Diluted earnings per share* – attributable to shareholders	4.46 cents	5.77 cents	29%
Diluted earnings per share 3-year CAGR	35.2%	28.5%	
<b>Dividend per share</b>	<b>4.0 cents</b>	<b>5.0 cents</b>	<b>25%</b>
<b>Net profit margin</b>	<b>14%</b>	<b>16%</b>	<b>14%</b>

## Key themes

- Continued FUM & member growth driving higher revenues
- Solid revenue growth and lower expense growth driving strong NPAT growth of 29%
- Fee reductions and tilt toward wholesale managed funds driving lower average fee margins
- Contained growth in operating costs as some scale benefits are achieved
- Focused investment in digital platform, brand and client acquisition
- Strong shareholder returns with full year dividends up 25%

^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.

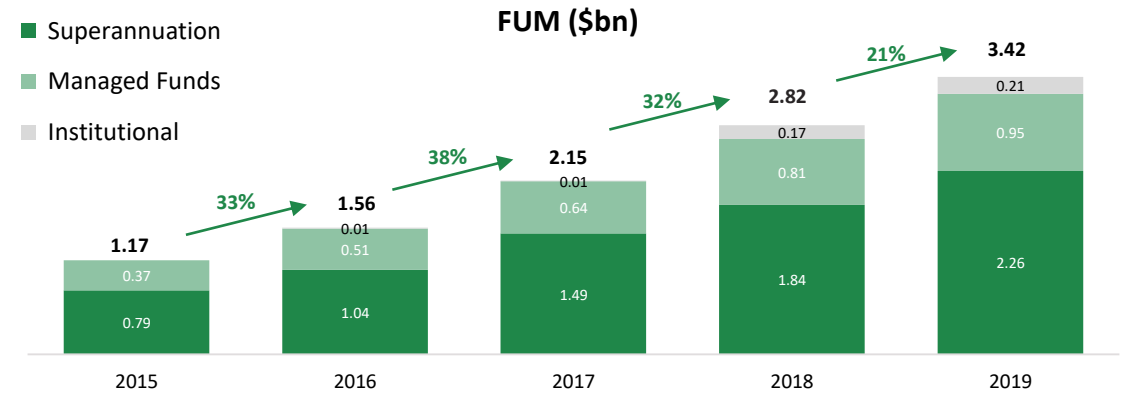
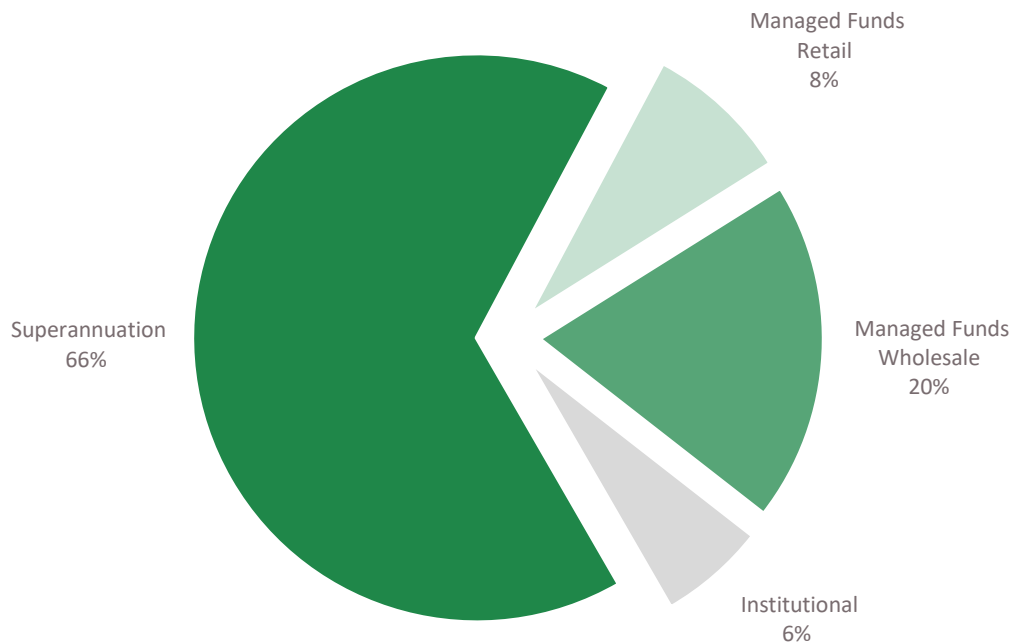
\* Diluted earnings per share based on NPAT



# Continued strong growth in FUM

## FUM BY PRODUCT

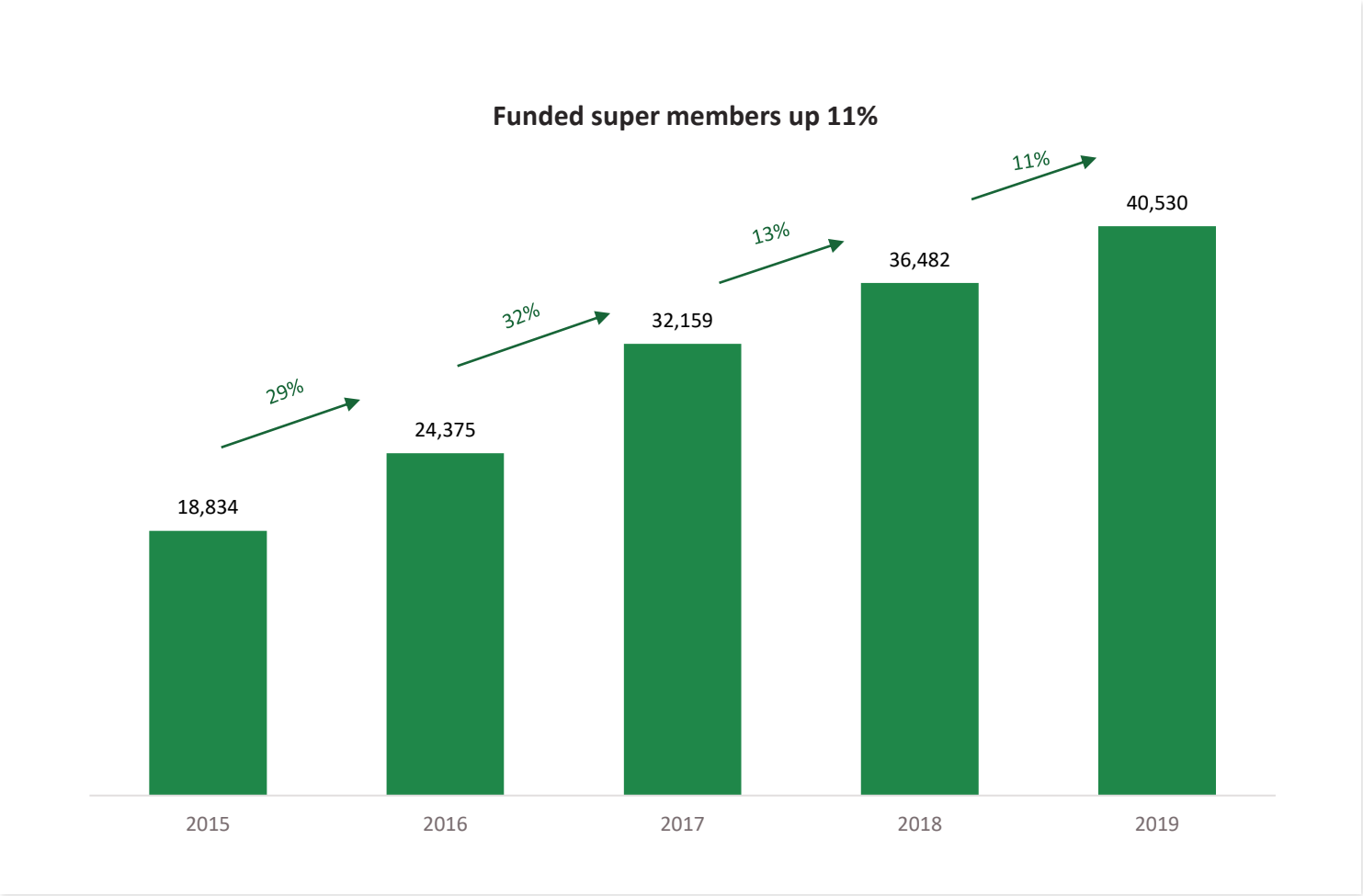
\$3.42bn as at 30 June 2019



Funds under management (\$bn)	30 June 2018	30 June 2019
Opening FUM	2.15	2.82
Super flows (net)	0.26	0.25
Managed Funds flow (net)	0.12	0.07
Institutional flow (net)	0.15	0.01
<b>Net flows</b>	<b>0.52</b>	<b>0.33</b>
Market movement and other^	0.15	0.26
<b>Closing FUM</b>	<b>2.82</b>	<b>3.42</b>

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

# Super membership continues to grow

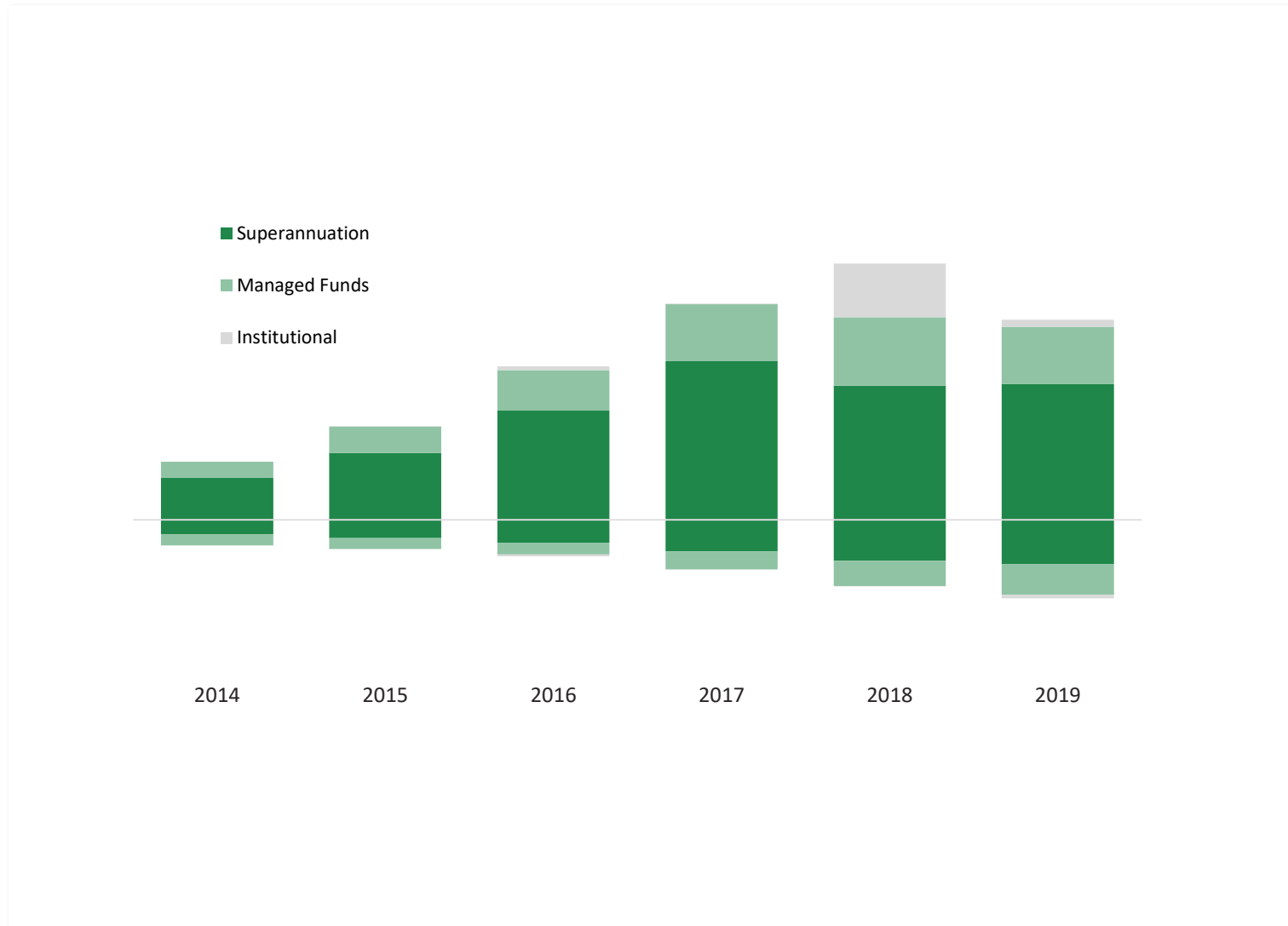


## Key themes

- Super membership continues to grow, primarily from direct channel
- 43,079 super members at 30 June 2019 – comprising 40,530 funded members with ~2,500 yet to be funded
- Funded super members (excluding zero balance members) grew 11% in FY19
- In preparation for Protecting Your Super legislation, 3,768 zero balance accounts were closed during FY19, impacting the closing member balance.

Note: in previous years we have reported total membership, however funded members are more representative of revenue drivers. We have thus changed reporting methodology. Prior years have been restated to reflect funded members.

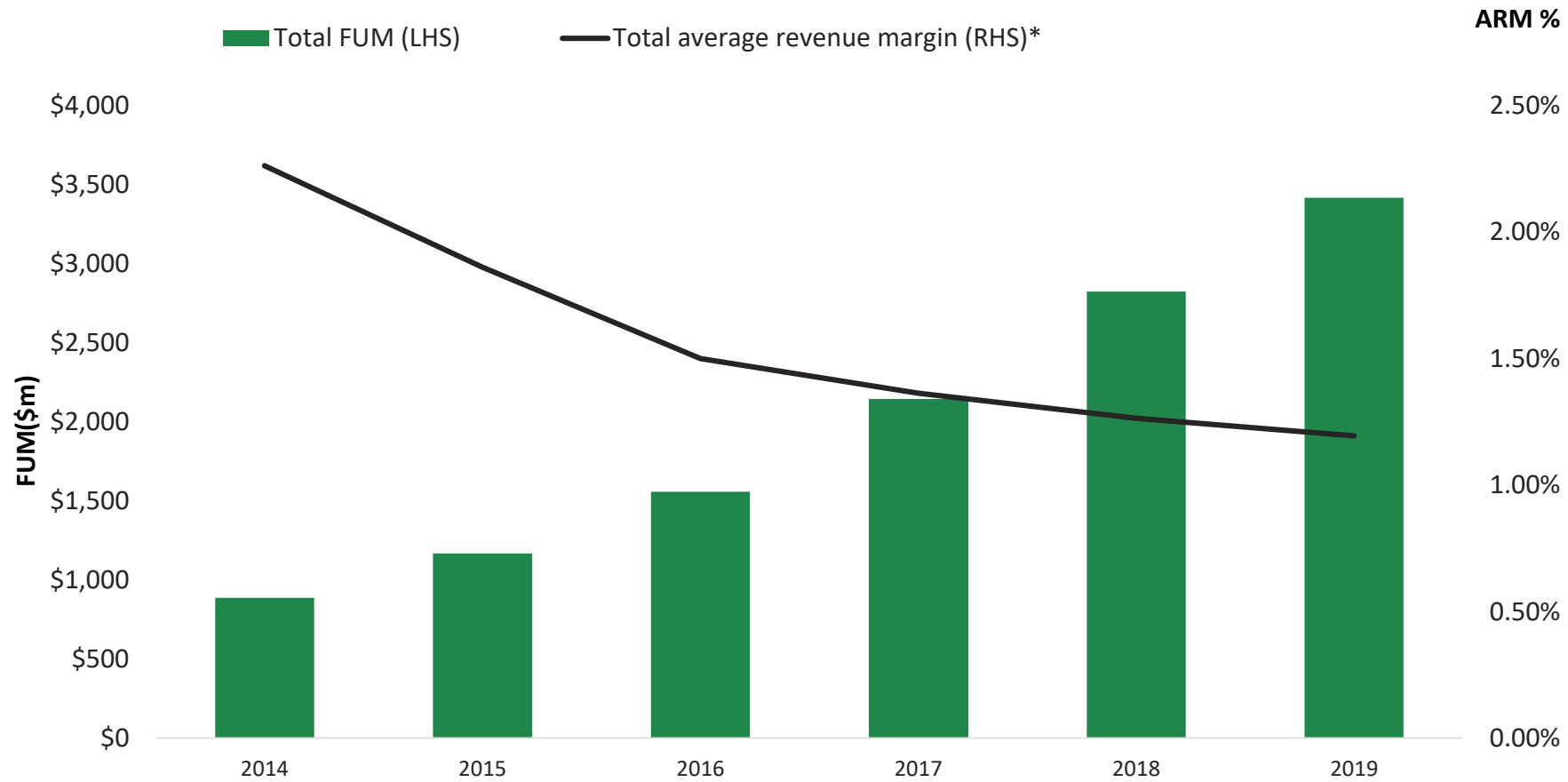
# Positive net flows continue



## Key themes

- Strong positive netflows continue however are lower than FY18 primarily due to large institutional win in FY18
- Strong positive flows with super netflows of \$250m compared to \$255m in FY18
- Following improvements to our online join processes in February 2019, we have seen a strong uptick in rollover rates in Q4 which is expected to extend into FY20
- Higher FY19 SG contributions as member base grows
- Net super outflow ratio continues to be the **lowest** across all retail funds in the industry\*
- Managed fund flows (excl institutional) \$72m compared to \$117m in FY18. Managed fund flows were impacted by the volatile market conditions during the first half of FY19

# Revenue margin



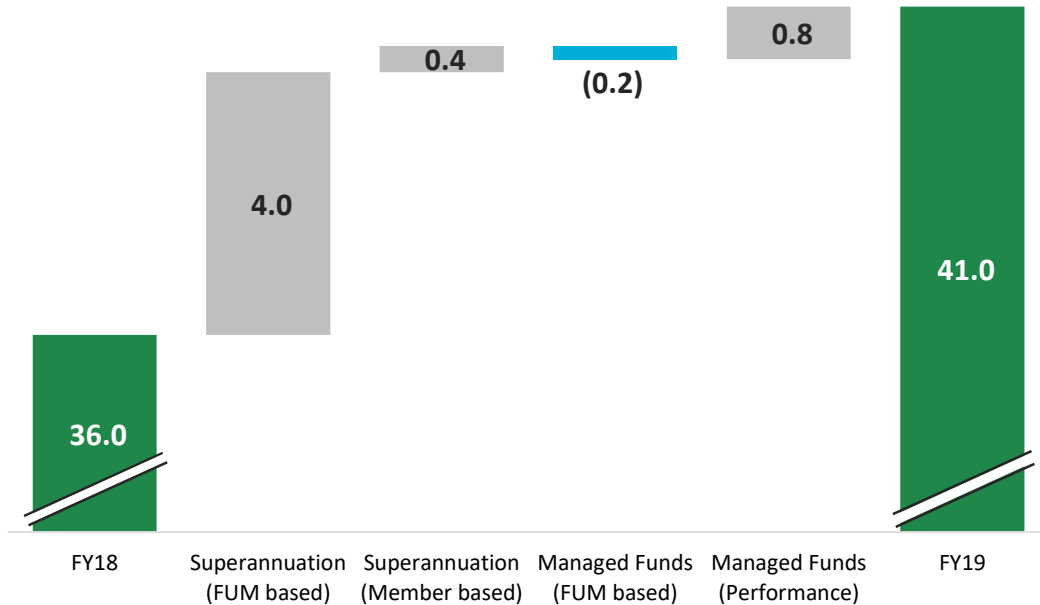
## Key themes

- Ongoing targeted fee reductions since 2014
- FY19 fee and threshold reductions within retail managed funds and fee reductions within selected super and pension options
- Change in managed funds product mix from retail to wholesale following threshold reductions and focused sales activity, has contributed to further reduction in average margin in FY19
- Average revenue margin of 1.19% in FY19\* down from 1.26% in FY18.

\* Average revenue margin calculated on FUM based revenue (excluding member based fees) as a percentage of average FUM

# Revenue and expense drivers

Revenue (\$'m)



Operating expenses (\$'m)



## Key themes

- Super FUM growth of 23% driving strong revenue growth
- Managed funds FUM tilt to wholesale and fee reductions driving lower average revenue margins and revenue growth
- Performance fee earned on outperformance of the Emerging Companies Fund



## Key themes

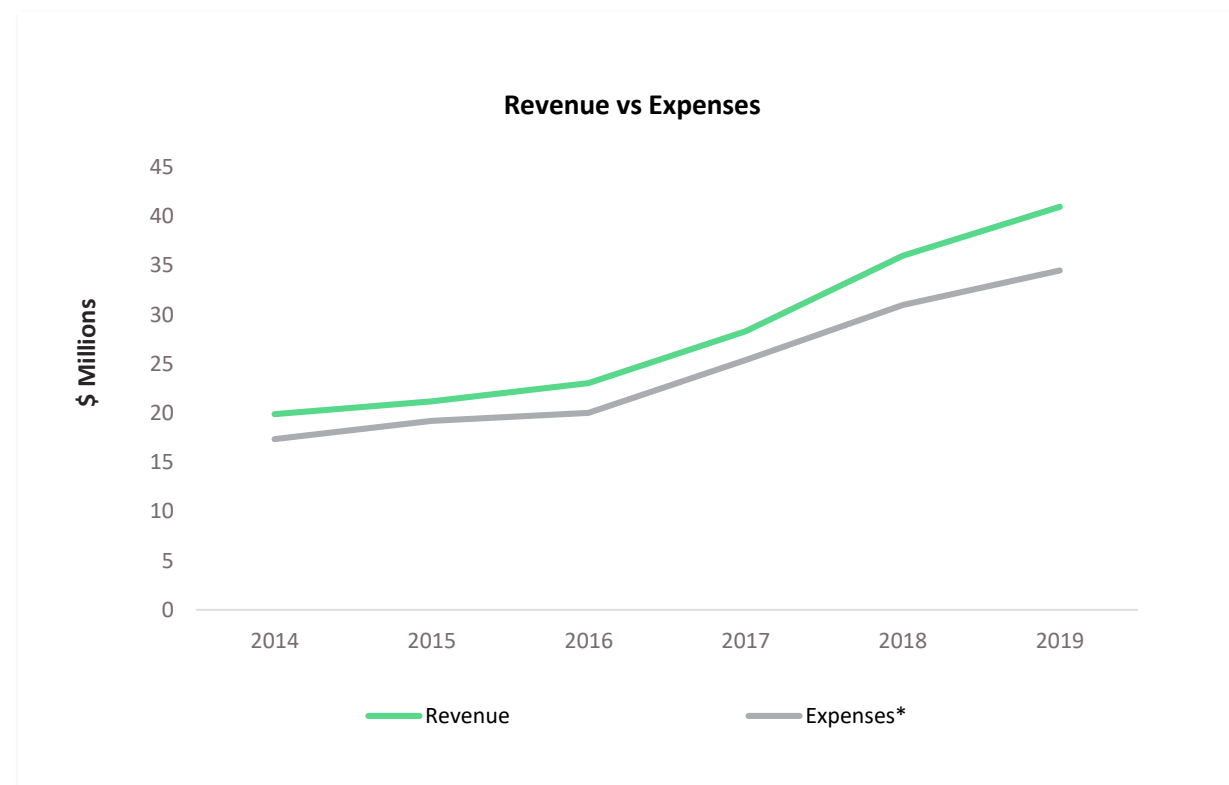
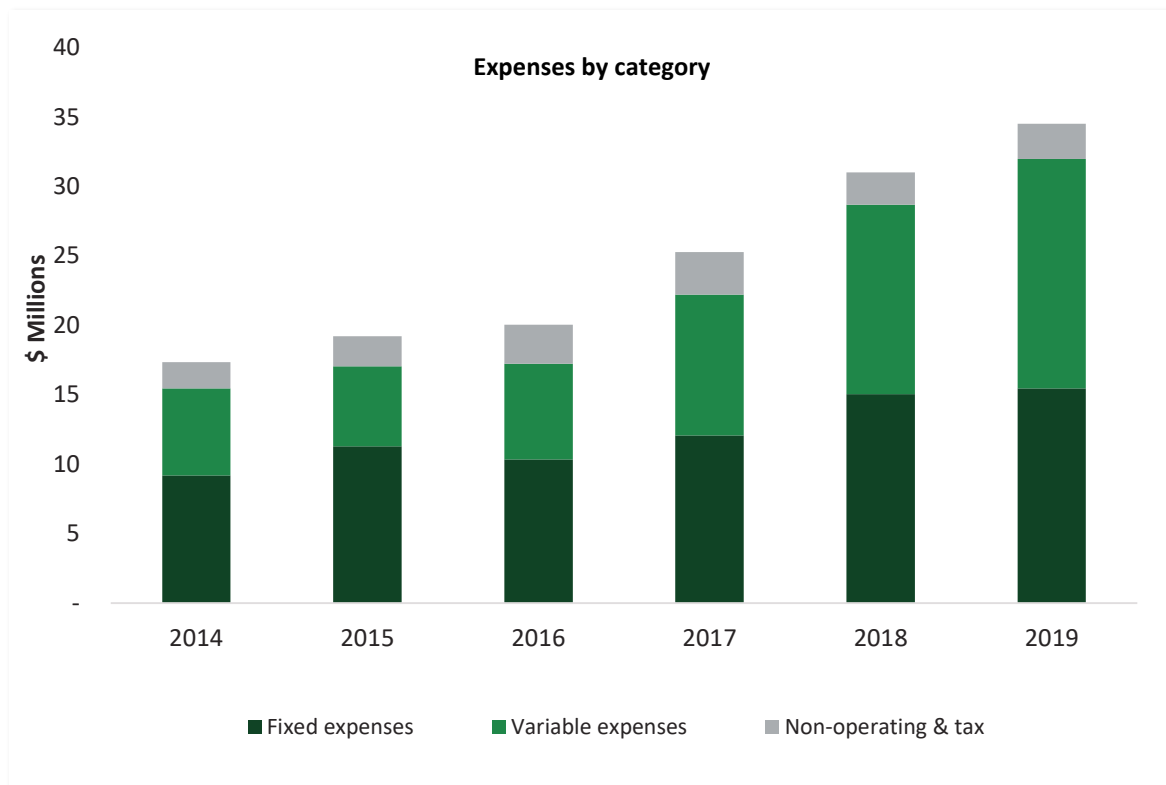
- Operating expense growth of 11.3% in FY19 vs revenue growth of 14%
- Employee benefits increased 8.6% in FY19 driven by new hires and full year impact of FY18 hires
- Continued investment in digital platform, client experience & client acquisition

# Expenses\*

SCALE BENEFITS EMERGING BUT BUSINESS IS STILL IN GROWTH PHASE

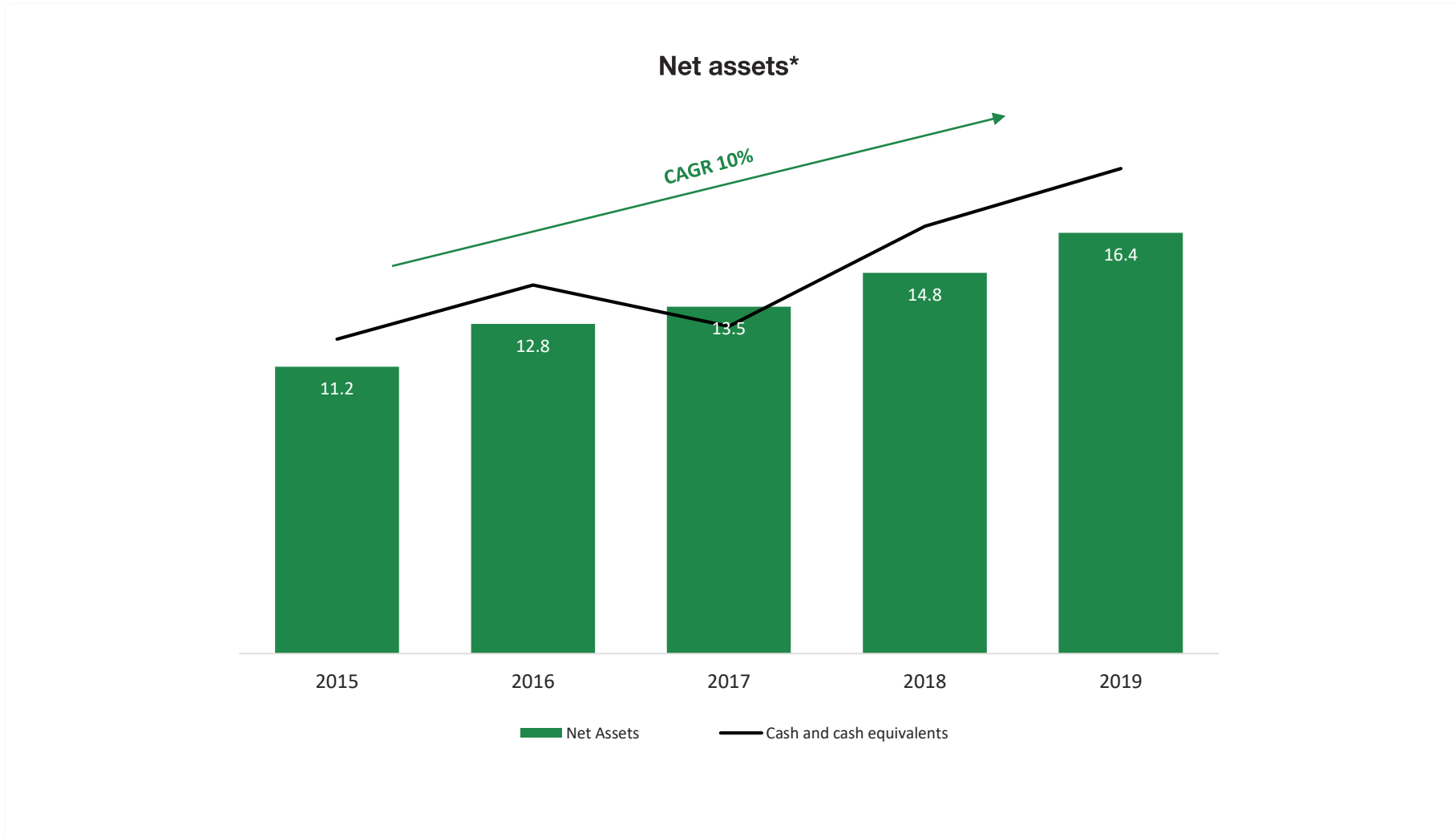
## Key themes

- Maintaining margins as we continue to invest in growth
- Focused strategic investment in digital platform, client experience enhancements and client acquisition is driving increase in some variable costs
- Fund related costs grew 15% to \$6m in FY19
- Low growth of fixed expenses in FY19



\*Represents expenses attributable to shareholders (excluding Foundation)

# Balance sheet strength

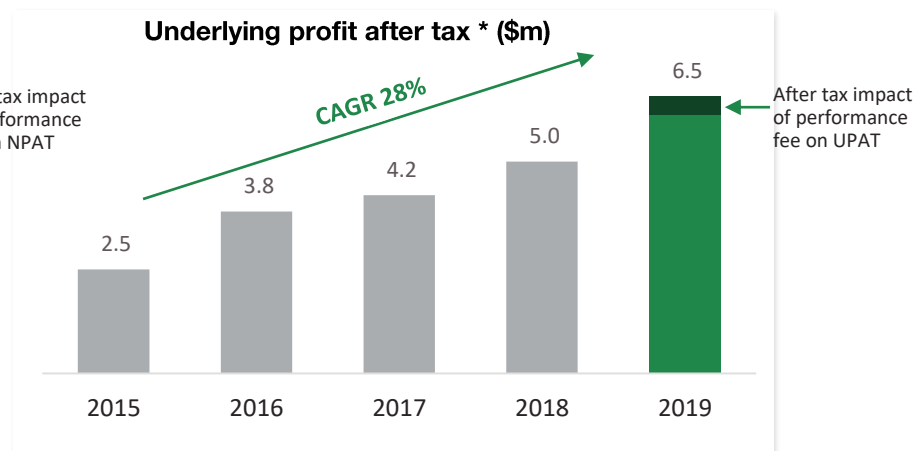
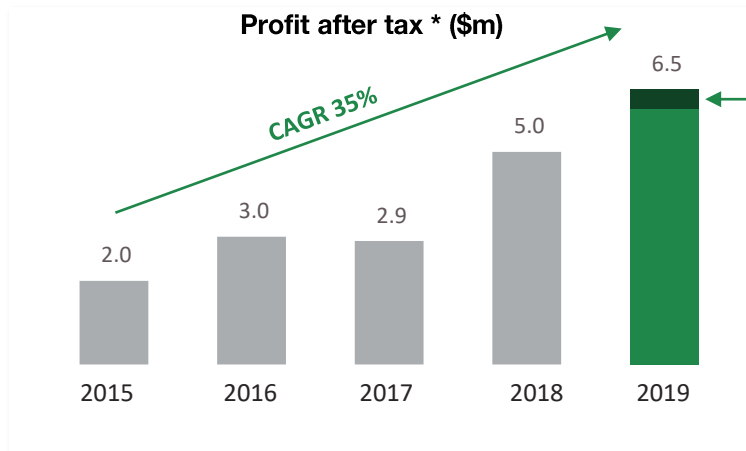
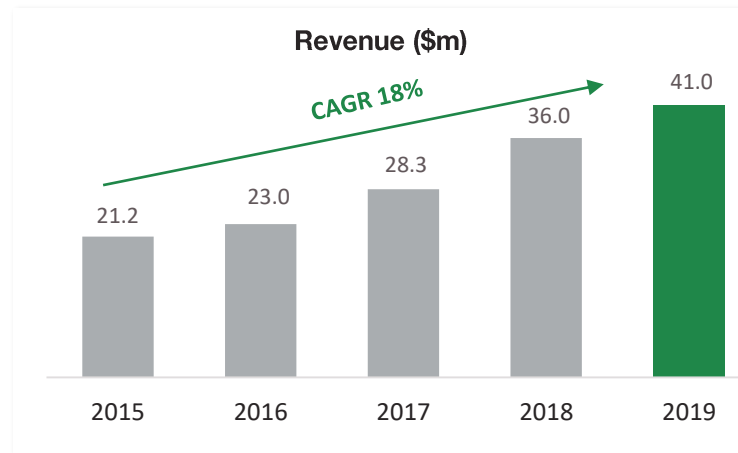
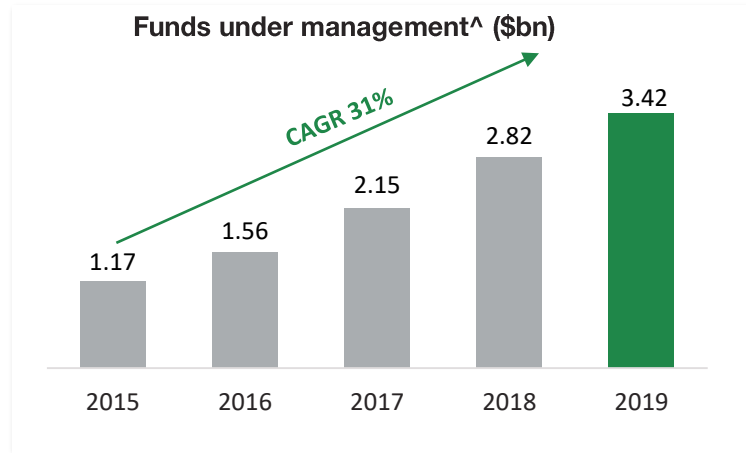


## Key themes

- Strong balance sheet with no debt
- Strong cash position
- Parent holds surplus above regulatory capital of \$5m

\* Represents total assets less total liabilities attributable to shareholders (excluding The Foundation)

# Key financials



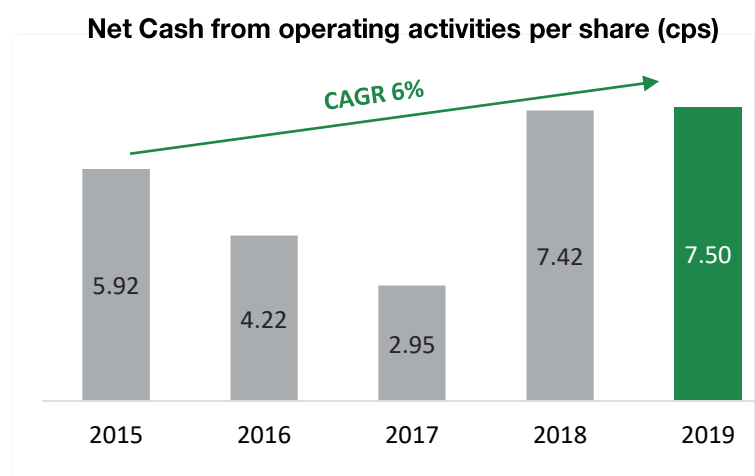
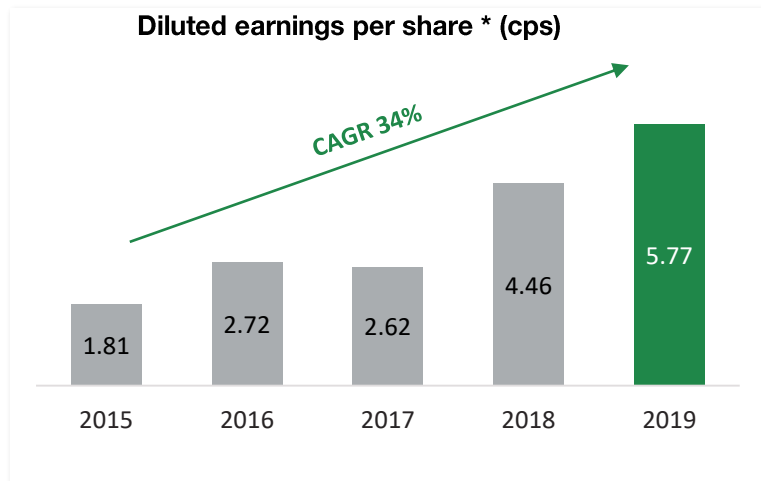
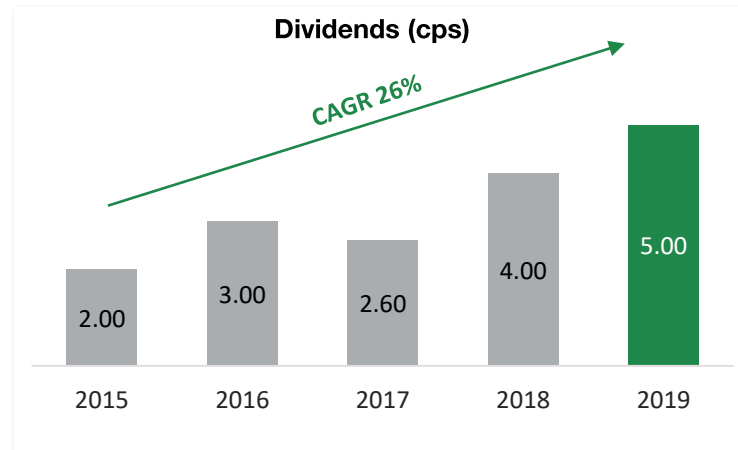
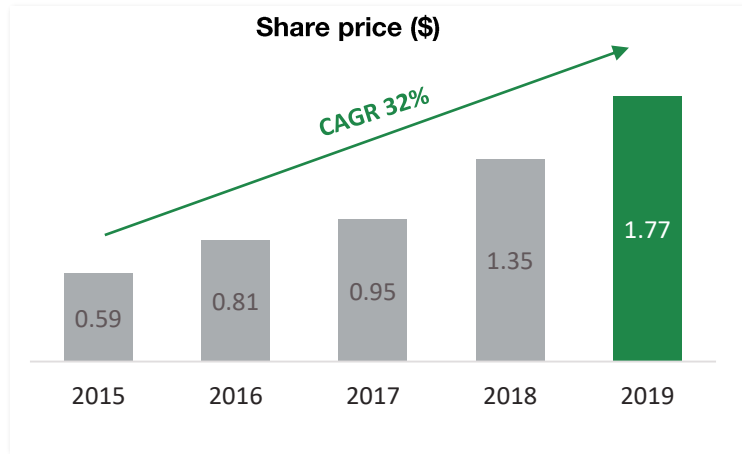
## Key themes

- Delivered strong growth across all key financial metrics

^ Before distributions  
\*Attributable to shareholders



# Key financials



## Key themes

- Continue to deliver value to shareholders
- Strong share price growth
- FY19 dividends 5c, up 25%
- Strong operating cash flow

# Business update

# Our strategic pillars

## INVESTING FOR A BETTER WORLD



PILLAR

01

### Ethical leadership

Be a bold ethical voice and drive change for good.



PILLAR

02

### Professional investment management

Deliver long term competitive financial returns for our clients.



PILLAR

03

### Client focus

Offer a client experience and product suite to meet the expectations of the conscious consumer and investor.



PILLAR

04

### Sustainable business

Be of a scale that meets customer needs, shareholder returns and delivers significant social and environmental impact.

# Ethical leadership - impact highlights



## Investment portfolio

Share investments produced **70% less CO2** than benchmark<sup>1</sup>



Nil investment in fossil fuels<sup>2</sup>



Nil investment in nuclear



Nil investment in tobacco

Engaged with over 250 companies for people, animals & the environment. 44 companies committed to positive change



**Best for the World** status by B Corps<sup>3</sup>

**3.1 times** more impact to achieve the Sustainable Development Goals than market<sup>1,6</sup>

**6 times more** investment in renewable power generation than the global share market<sup>4</sup>



Advocated for a ban on live animal export and supported critical social justice campaigns like 'Kids off Nauru'.



## Our Foundation

**10%** of AEI profits<sup>5</sup> donated to not-for-profit organisations

**\$937k** provisioned for impact initiatives in FY19

**\$3.5m** donated to not-for-profits since inception

**Multi-year partnership** arrangements:



- People: Educating & empowering women with **Human Rights Watch**
- Planet: Protecting Australia's forests under threat with **The Wilderness Society**
- Animals: Supporting **Food Frontier** in their development of plant-based & cell-based meat alternatives



Some of the projects our grant money has funded:

- **One Girl's** Launchpad program aimed at **overcoming barriers that girls in Sierra Leone face** in succeeding in school due to lack of safe water, sanitation & hygiene facilities. The program continues to report significant positive impacts on the communities
- **Wildlife Asia's Wildlife Protection Teams** who protect the **critically endangered Sumatran Rhino**. The teams focus on preventing poaching and habitat destruction and have successfully reduced poaching activities in the area -there are encouraging signs of thriving wildlife species in all the areas covered, including rhino.

More than **18,000 people** voted for community grants from clients, employees, shareholders and from our active social network in FY19



# Professional investment management

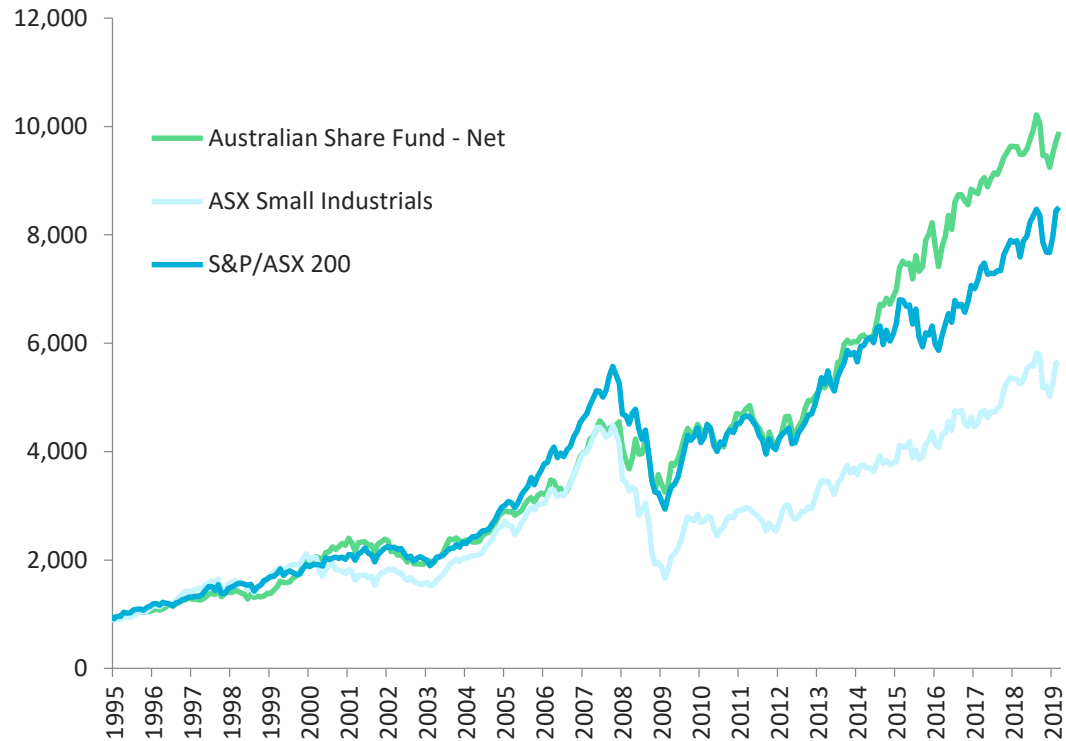
## INVESTMENT HIGHLIGHTS

- **Strong performance across our super and investment products over 1 year**
- **All funds** (with exception of fixed interest), **met or exceeded benchmark over 1 year**
- Continued outperformance over the long term
- **Emerging Companies Fund** significantly outperformed benchmark, generating a **performance fee**
- **Australian Shares** option achieved **top quartile performance** over 5, 7, 10, 15, 20 years<sup>1</sup>
  
- **Multiple industry awards received in FY19**, including **three Gold ratings** from **SuperRatings** (MySuper, MyChoice, Account Based Pension)
  
- Impressive **rankings in SuperRatings** Fund Crediting Rate Survey – June 2019:
  - **Best performing growth option** over 1 year<sup>2</sup>
  - **Best performing Australian Shares** option over 5 & 7 years<sup>3</sup>
  - **MySuper** option ranked **number 2** over 1 year<sup>4</sup>

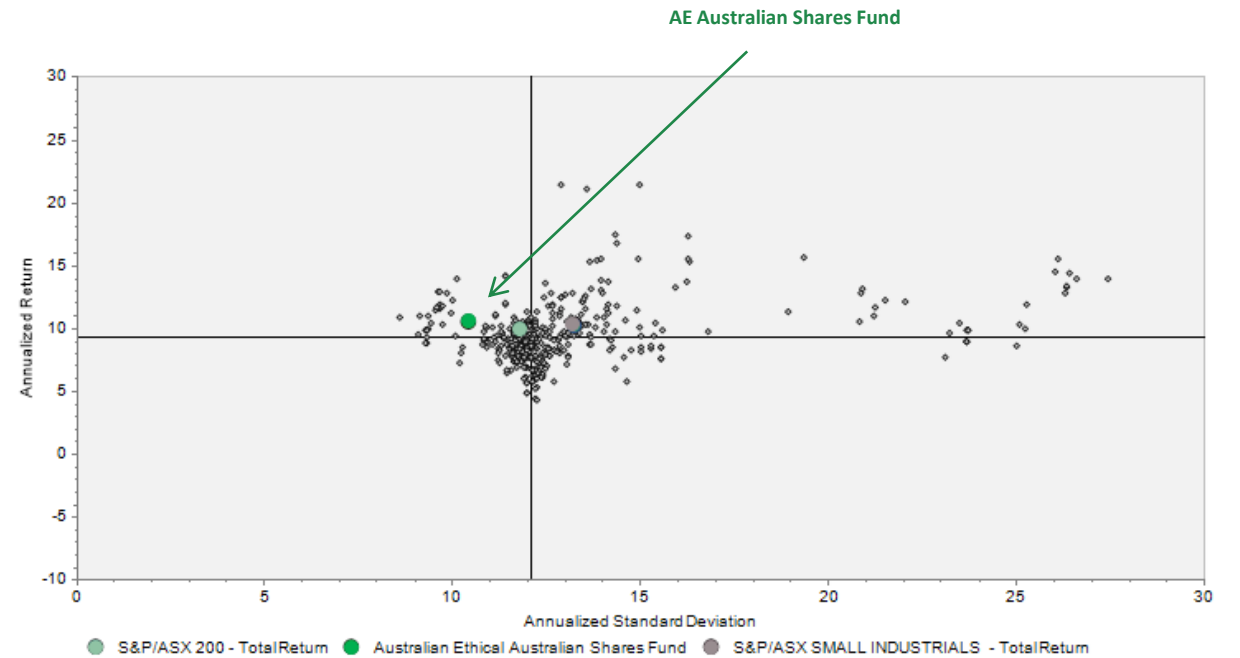
# Investment performance - strong returns, managed risk

AUSTRALIAN SHARES FUND\*

Value of \$1000 invested since inception



Risk/return over ten years to 2019



Source: Morningstar June 2019. Universe includes all trusts in the following Morningstar universes: Australian Large Value, Australian Large Growth, Australian Large Blend, Australian Mid/Small Blend, Australian Mid/Small Value, Australian Mid/Small Growth

\* Australian Shares Fund - Retail

# Long track record of outperformance

Our default MySuper Option, the **Balanced Accumulation option**, has met its 5 year objective and outperformed the benchmark over all time periods

	1Y	3Y	5Y	7Y	10Y	Since Inception*
<b>Balanced Accumulation Option ~</b>	10.2%	8.9%	7.9%	8.9%	6.8%	6.4%
Benchmark#	6.7%	7.7%	6.1%	7.3%	6.8%	5.0%
<i>Relative Performance</i>	3.6%	1.2%	1.8%	1.5%	0.0%	1.4%
Investment Return Objective^	n/a	n/a	5.0%	n/a	n/a	n/a
<i>Relative Performance</i>	n/a	n/a	2.9%	n/a	n/a	n/a

~ After all fees, assuming average \$50k member balance. Performance calculated in accordance with FSC standard 6 and standard 10

\* Inception Date: 31/12/1998

# Benchmark changed from Morningstar Multi-sector Balanced – Superannuation Fund peer group index to Morningstar Multi-sector Growth, effective 1 March 2015. The historical returns are calculated by combining the two indices.

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

# Long track record of outperformance

**Australian Shares Fund** continues to outperform the market over the medium, long and very long term

	1Y	3Y	5Y	7Y	10Y	20Y	Since Inception
<b>Retail*</b>	8.4%	9.3%	11.5%	13.7%	10.6%	10.0%	9.9%
S&P/ASX 200 Accum Index	11.5%	12.9%	8.9%	11.9%	10.0%	8.6%	9.4%
<i>Relative Performance</i>	(3.1)%	(3.6)%	2.6%	1.8%	0.6%	1.4%	0.5%
S&P/ASX Small Industrials Accum Index	6.4%	10.7%	10.4%	11.7%	10.4%	6.0%	7.4%
<i>Relative Performance</i>	2.1%	(1.4)%	1.1%	2.1%	0.2%	3.9%	2.5%
<b>Wholesale^</b>	9.6%	10.8%	13.1%	15.3%	n/a	n/a	14.8%
S&P/ASX 200 Accum Index	11.5%	12.9%	8.9%	11.9%	10.0%	8.6%	11.1%
<i>Relative Performance</i>	(1.9)%	(2.1)%	4.2%	3.4%	n/a	n/a	3.7%
S&P/ASX Small Industrials Accum Index	6.4%	10.7%	10.4%	11.7%	10.4%	6.0%	11.5%
<i>Relative Performance</i>	3.2%	0.0%	2.7%	3.7%	n/a	n/a	3.3%

Table reflects performance after fees for the Australian Shares Fund. Performance calculated in accordance with FSC standard 6 and standard 10

\* Inception Date (Retail): 19/09/1994. ^ Inception Date (Wholesale): 23/01/2012



# Outperformance of Emerging Companies Fund

Performance fee received in FY19 for strong outperformance of Emerging Companies Fund

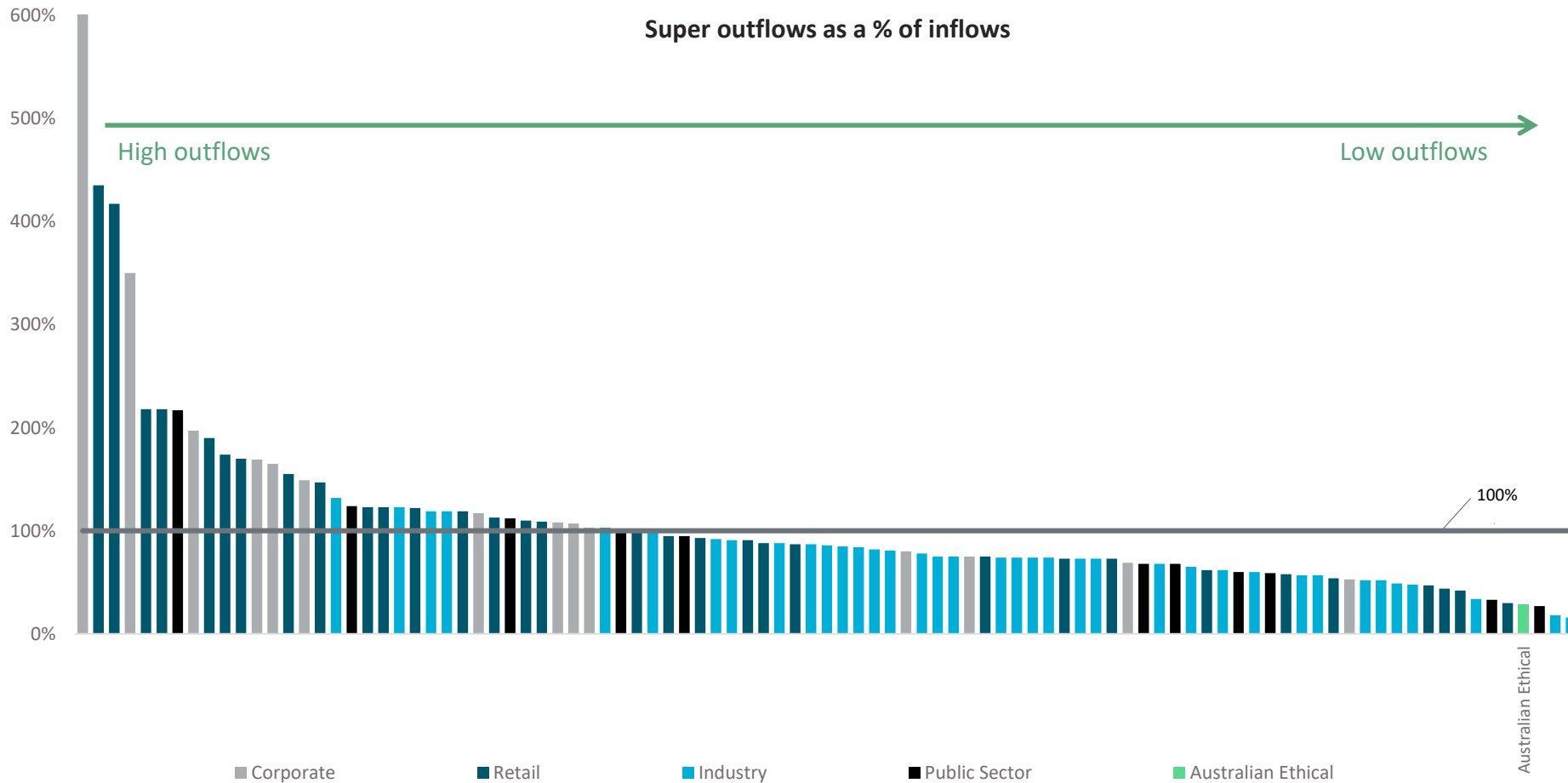
	1Y	3Y	Since Inception
<b>Retail*</b>	15.6%	13.5%	14.2%
S&P/ASX Small Industrials Accum Index	6.4%	10.7%	11.2%
<i>Relative Performance</i>	9.2%	2.8%	3.0%
<b>Wholesale*</b>	16.2%	14.4%	15.1%
S&P/ASX Small Industrials Accum Index	6.4%	10.7%	11.2%
<i>Relative Performance</i>	9.8%	3.7%	3.9%

Table reflects performance after fees for the Emerging Companies Fund. Performance calculated in accordance with FSC standard 6 and standard 10

\* Inception Date: 30/06/2015

# Client focus

## INDUSTRY LEADING SUPER CLIENT RETENTION RATES

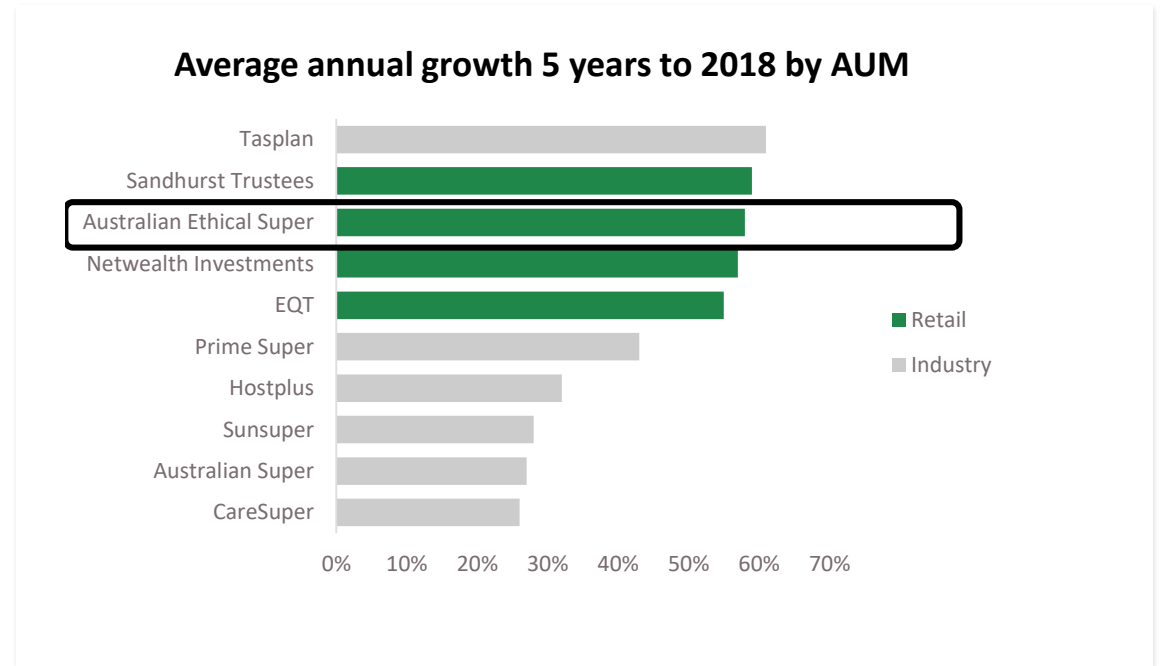
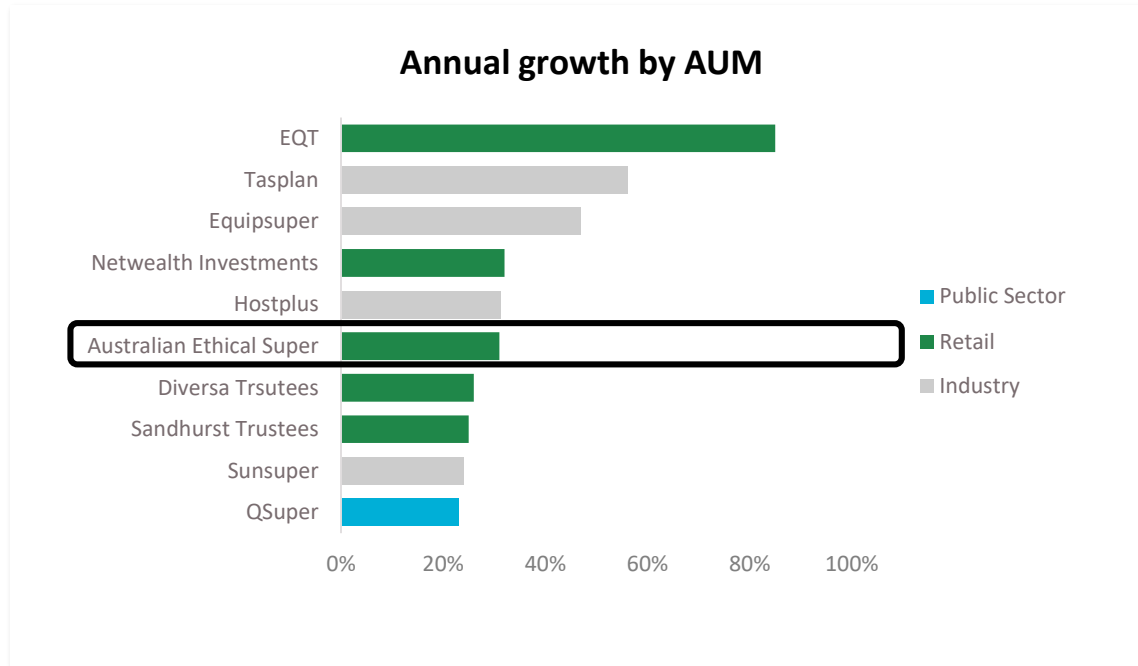


### Key themes

- One of the best performing funds in terms of outflows - super outflow ratio continues to be the **lowest** across all retail funds in the industry
- AE retention has consistently been in the top 5 funds over a 5 year period
- Industry average outflow ratio is >100%, with 34 funds having an outflow ratio exceeding 100%; AE ratio is 29%
- Outflows as a % of FUM are 6.1%

# Sustainable business

CONTINUE TO BE ONE OF THE FASTEST GROWING SUPER FUNDS\*



\* Source: KPMG 2019 Super Insights Report – published April 2019.

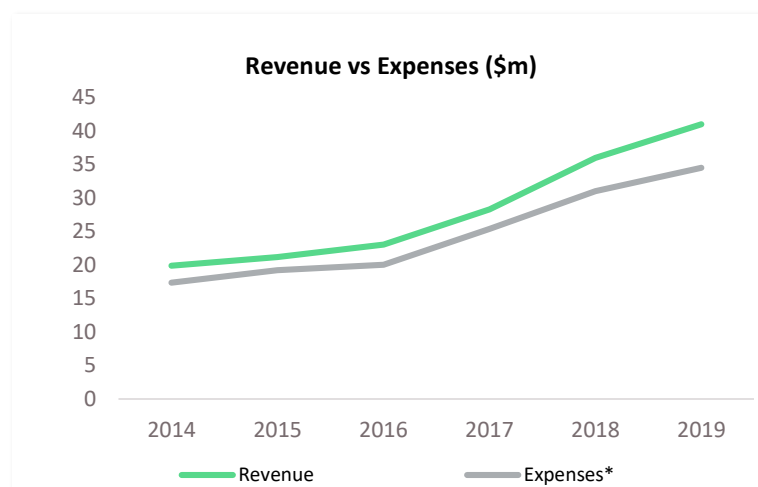
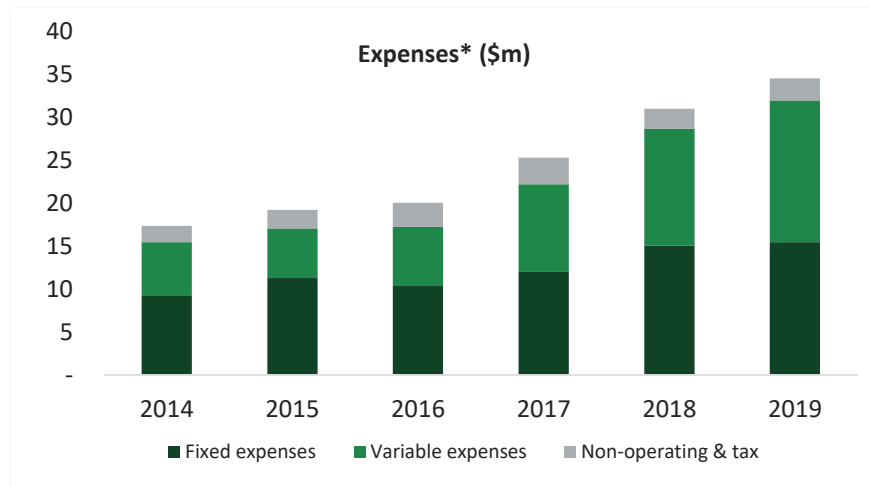
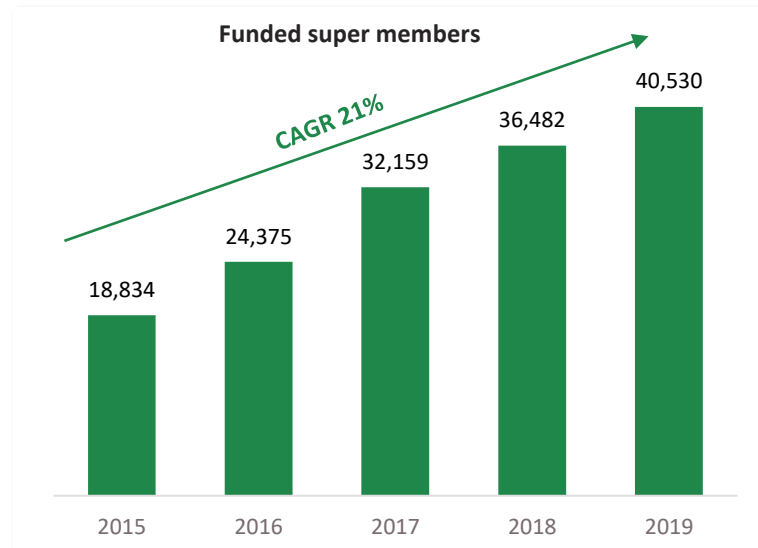
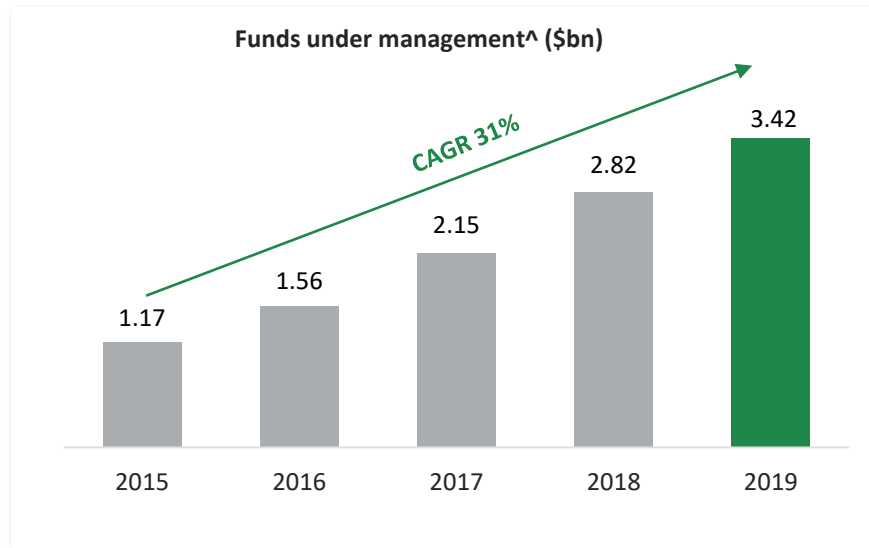
# Sustainable business

## SCALABILITY



### Key themes

- Scalability continues to increase across the business



^ Before distributions

\* Represents expenses attributable to shareholders (excluding Foundation)

# Note: in previous years we have reported total membership, however funded members are more representative of revenue drivers. We have thus changed reporting methodology. Prior years have been restated to reflect funded members.

# Sustainable business

## INVESTING IN OUR PEOPLE

64 staff



Top quartile **employee engagement** of 71%

2 paid volunteering days per year



**Wellbeing program** including annual health checks, meditation programs, corporate massages, company sponsored charity sports events



Generous paid **parental leave** and **paid superannuation** contributions during parental leave periods

**Annual employee trip** – each year one employee gets to work with a community grant recipient to experience first hand the work they're doing. 2019 will see a visit to Central Arnhem land in NT to work with Karrkad Kanjdji Trust on their indigenous ranger program

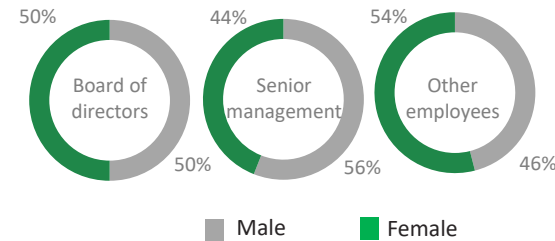


Employee supplies sourced through **social impact organisations** and **B Corps**: bread from Bread and Butter Project, a social enterprise who employs refugees; coffee from Sprout, a B Corp certified, sustainable coffee provider

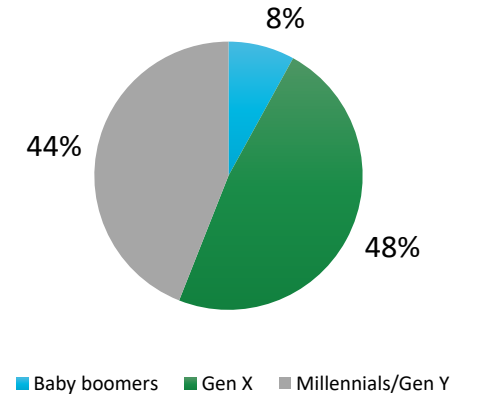
## Diversity & inclusion

Diversity across many dimensions including gender, age and ethnicity

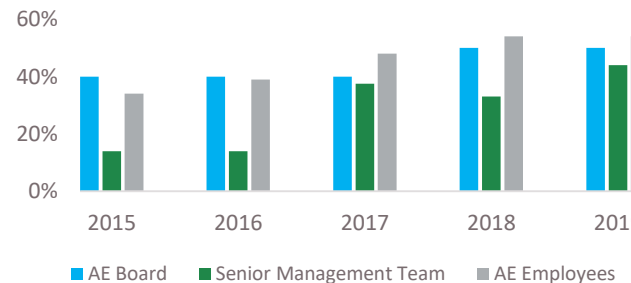
Equality in leadership - FY19



Generational split of AE employees



Gender Diversity – Female representation



51% employees born outside Australia



57% of employees speak another language

# Outlook

## INVESTING FOR THE NEXT PHASE OF OUR GROWTH

- Ideally placed to **capture opportunities for growth** as more people realise that our approach is achieving **strong returns** and **delivering social good**
  - Ongoing **growth in FUM** and **strong inflows** expected to drive **continued profit growth**
  - **Strong start to FY20** with **higher rollover rate** positively impacting super inflows
- **Targeted investment in key initiatives in FY20** to **drive sustainable growth** & **deliver better outcomes** for clients
  - Investment in **brand awareness** as business continues to grow
  - Continue to enhance our **client experience** through investment in **digital platform** & other **touch points**
  - Continued **product innovation** to meet **client needs**
  - Further investment to support our **intermediated channels**, ensuring we are **accessible** through clients' channel of choice
  - Implementation of **regulatory change pipeline**
- Continued growth expected in **community impact investment**, as The Foundation grows
- **FY20 cost growth** expected to be broadly in line with FY19 growth

# Strong performance across whole portfolio for 1 year, with long term outperformance across our key options

## ABSOLUTE PERFORMANCE

	1Y	3Y	5Y	7Y	10Y	20Y	Since Incept'n
<b>Australian Ethical Funds – Managed Funds</b>							
Balanced Fund Retail	10.0%	7.7%	7.4%	9.2%	7.2%	6.8%	6.8%
Balanced Fund Wholesale	11.2%	n/a	n/a	n/a	n/a	n/a	11.4%
Australian Shares Fund Retail	8.4%	9.3%	11.5%	13.7%	10.6%	10.0%	9.9%
Australian Shares Fund Wholesale	9.6%	10.8%	13.1%	15.3%	n/a	n/a	14.8%
Diversified Shares Fund Retail	13.3%	10.2%	9.9%	13.9%	9.3%	8.2%	8.5%
Diversified Shares Fund Wholesale	14.4%	11.6%	11.3%	15.3%	n/a	n/a	14.9%
International Shares Fund Retail	12.1%	11.7%	9.7%	14.9%	7.5%	n/a	2.9%
International Shares Fund Wholesale	13.3%	12.9%	n/a	n/a	n/a	n/a	9.9%
Emerging Companies Fund Retail	15.6%	13.5%	n/a	n/a	n/a	n/a	14.2%
Emerging Companies Fund Wholesale	16.2%	14.4%	n/a	n/a	n/a	n/a	15.1%
Income Fund Retail	2.0%	1.7%	1.7%	2.4%	3.1%	3.9%	3.9%
Income Fund Wholesale	2.3%	2.2%	n/a	n/a	n/a	n/a	2.1%
Fixed Interest Fund Retail	8.3%	2.7%	3.6%	4.0%	n/a	n/a	4.0%
Fixed Interest Fund Wholesale	9.0%	3.6%	4.5%	n/a	n/a	n/a	4.9%
Advocacy Fund Retail	13.3%	10.3%	9.9%	13.4%	n/a	n/a	10.0%
Advocacy Fund Wholesale	14.4%	11.5%	11.2%	14.6%	n/a	n/a	13.8%

# Strong performance across whole portfolio for 1 year, with long term outperformance across our key options

## ABSOLUTE PERFORMANCE

Australian Ethical Funds – Super and Pension	1Y	3Y	5Y	7Y	10Y	20Y	Since Incept'n
Defensive Accumulation Fund	1.3%	1.2%	1.2%	1.5%	2.3%	3.1%	3.1%
Conservative Accumulation Fund	7.5%	4.6%	4.4%	4.5%	n/a	n/a	4.3%
Balanced Accumulation Fund	10.2%	8.9%	7.9%	8.9%	6.8%	6.4%	6.4%
Growth Accumulation Fund	11.2%	10.0%	8.6%	10.5%	7.3%	7.0%	7.7%
Australian Shares Accumulation Fund	9.2%	10.8%	12.1%	14.0%	10.5%	9.6%	9.9%
International Shares Accumulation Fund	11.5%	12.3%	8.9%	13.3%	6.6%	n/a	2.4%
Advocacy Accumulation Fund	13.0%	11.0%	9.7%	12.5%	n/a	n/a	9.4%
Defensive Pension Fund	1.5%	1.5%	1.4%	1.8%	2.7%	n/a	3.8%
Conservative Pension Fund	8.4%	5.2%	4.9%	5.2%	n/a	n/a	4.5%
Balanced Pension Fund	9.9%	8.3%	7.8%	9.1%	7.2%	6.8%	6.7%
Growth Pension Fund	12.3%	11.2%	9.7%	11.4%	8.5%	n/a	7.6%
Australian Shares Pension Fund	9.5%	11.8%	12.9%	15.0%	11.7%	10.5%	10.4%
International Shares Pension Fund	12.1%	13.2%	8.9%	13.7%	6.3%	n/a	1.6%



# Strong performance across whole portfolio for 1 year, with long term outperformance across our key options

## PERFORMANCE RELATIVE TO BENCHMARK

Australian Ethical Funds – Managed Funds	1Y	3Y	5Y	7Y	10Y	20Y	Since Incept'n
Balanced Fund Retail <sup>1</sup>	0.0%	(1.8)%	(1.0)%	(1.5)%	(2.1)%	0.1%	(0.7)%
Balanced Fund Wholesale <sup>1</sup>	1.2%	n/a	n/a	n/a	n/a	n/a	(0.1)%
Australian Shares Fund Retail <sup>2</sup>	2.1%	(1.4)%	1.1%	2.1%	0.2%	3.9%	2.5%
Australian Shares Fund Wholesale <sup>2</sup>	3.2%	0.0%	2.7%	3.7%	n/a	n/a	3.3%
Diversified Shares Fund Retail <sup>3</sup>	2.4%	(1.0)%	0.4%	(0.5)%	(2.8)%	1.0%	0.3%
Diversified Shares Fund Wholesale <sup>3</sup>	3.5%	0.3%	1.7%	0.9%	n/a	n/a	0.4%
International Shares Fund Retail <sup>4</sup>	0.1%	(2.3)%	(1.5)%	(2.3)%	(5.0)%	n/a	(3.6)%
International Shares Fund Wholesale <sup>4</sup>	1.3%	(1.1)%	n/a	n/a	n/a	n/a	(0.5)%
Emerging Companies Fund Retail <sup>2</sup>	9.2%	2.8%	n/a	n/a	n/a	n/a	3.0%
Emerging Companies Fund Wholesale <sup>2</sup>	9.8%	3.7%	n/a	n/a	n/a	n/a	3.9%
Income Fund Retail <sup>5</sup>	0.1%	(0.2)%	(0.3)%	0.1%	0.2%	(0.4)%	(0.5)%
Income Fund Wholesale <sup>5</sup>	0.4%	0.3%	n/a	n/a	n/a	n/a	0.2%
Fixed Interest Fund Retail <sup>6</sup>	(1.3)%	(1.5)%	(1.5)%	(0.9)%	n/a	n/a	(0.8)%
Fixed Interest Fund Wholesale <sup>6</sup>	(0.6)%	(0.6)%	(0.6)%	n/a	n/a	n/a	(0.6)%
Advocacy Fund Retail <sup>3</sup>	2.4%	(1.0)%	0.3%	0.5%	n/a	n/a	0.7%
Advocacy Fund Wholesale <sup>3</sup>	3.5%	0.3%	1.7%	1.8%	n/a	n/a	1.3%

**Legend:** Green = outperformed benchmark; Red = underperformed benchmark

# Strong performance across whole portfolio for 1 year, with long term outperformance across our key options

## PERFORMANCE RELATIVE TO BENCHMARK

Australian Ethical Funds – Super and Pension	1Y	3Y	5Y	7Y	10Y	20Y	Since Incept'n
Defensive Accumulation Fund <sup>7</sup>	0.2%	0.2%	(0.1)%	(0.3)%	(0.3)%	(1.0)%	(1.1)%
Conservative Accumulation Fund <sup>8</sup>	2.6%	0.6%	0.6%	(0.3)%	n/a	n/a	(0.1)%
Balanced Accumulation Fund <sup>9</sup>	3.6%	1.2%	1.8%	1.5%	0.0%	1.3%	1.4%
Growth Accumulation Fund <sup>10</sup>	4.1%	0.3%	1.2%	1.3%	(0.8)%	1.4%	2.1%
Australian Shares Accumulation Fund <sup>11</sup>	3.9%	1.6%	5.0%	12.1%	7.7%	n/a	n/a
International Shares Accumulation Fund <sup>12</sup>	1.6%	0.7%	(0.4)%	(2.5)%	(5.1)%	n/a	(3.4)%
Advocacy Accumulation Fund <sup>13</sup>	3.7%	1.3%	1.5%	0.5%	n/a	n/a	0.8%
Defensive Pension Fund <sup>14</sup>	0.2%	0.2%	(0.0)%	(0.0)%	0.0%	n/a	(0.4)%
Conservative Pension Fund <sup>15</sup>	2.9%	0.8%	0.7%	(0.1)%	n/a	n/a	(0.4)%
Balanced Pension Fund <sup>16</sup>	4.2%	2.0%	2.2%	1.9%	0.4%	1.6%	1.7%
Growth Pension Fund <sup>17</sup>	4.4%	0.9%	1.7%	1.6%	(0.1)%	n/a	1.6%
Australian Shares Pension Fund <sup>18</sup>	3.8%	1.7%	4.9%	12.3%	8.3%	n/a	n/a
International Shares Pension Fund <sup>19</sup>	0.8%	(0.1)%	(1.6)%	(2.9)%	(5.9)%	n/a	(4.7)%

**Legend:** Green = outperformed benchmark; Red = underperformed benchmark

# Footnotes

## FY19 Highlights – slide 4

1. Represents membership growth
2. KPMG 2019 Super Insights Report – published April 2019
3. Excluding institutional
4. This excludes the results for the Australian Ethical Foundation Limited ('The Foundation')
5. Pollinate research
6. Morningstar Australian Shares Funds (All Caps) universe
7. The Australian Ethical Growth option was ranked 1<sup>st</sup> in the SuperRatings Fund Crediting Rate Survey - SR50 Growth (77-90) Index over 12 months as at 30 June 2019 delivering a return of 11.17%
8. The Australian Ethical Australian Shares option (super) ranks no.1 over 5 years and 7 years according to the SuperRatings SR50 Australian Shares Index delivering returns of 12.13% and 14.02% respectively
9. Australian Ethical MySuper option was ranked no.2 in the SuperRatings Fund Crediting Rate Survey - SR50 MySuper Index over 12 months as at 30 June 2019 delivering a 10.2% return (5 yr return is 7.9% p.a)

## Ethical Leadership - Impact Highlights – slide 20

1. Emissions intensity of Australia Ethical share investments compared to benchmark of S&P ASX 200 Index (for Australian shareholdings) and MSCI World ex Australia Index (for international shareholdings). Calculated as at 31 December 2018
2. Since 1 July 2016 we have been free from all companies whose main business is fossil fuels, as well as diversified companies that earn some fossil fuel revenue and aren't creating positive impact with their other activities. We may invest in a diversified company which is having a positive impact in other ways such as producing renewable energy, provided its fossil fuel revenue is sufficiently low (a maximum of 5% to 33% depending on the fuel).
3. Recognised by B Lab as Best for the World (top 10%) of companies in the category of Governance (2018). Assurance is underway for 2019 recognition.
4. Proportion of our share investments in renewable power generation compared to the global share market
5. Before deducting bonus and grant expense.
6. Based on value of selected 'sustainable impact' products and services sold annually by companies we hold shares in

## Professional investment management – slide 21

1. Morningstar Australian Shares Funds (All Caps) universe
2. The Australian Ethical Growth option was ranked 1<sup>st</sup> in the SuperRatings Fund Crediting Rate Survey - SR50 Growth (77-90) Index over 12 months as at 30 June 2019 delivering a return of 11.17%
3. The Australian Ethical Super's Australian Shares option ranks no.1 over 5 years and 7 years according to the SuperRatings SR50 Australian Shares Index delivering returns of 12.13% and 14.02% respectively
4. Australian Ethical MySuper option was ranked no.2 in the SuperRatings Fund Crediting Rate Survey - SR50 MySuper Index over 12 months as at 30 June 2019 delivering a 10.2% return (5 yr return is 7.9% p.a)

## Appendix 1 Investment performance tables – slide 33/34

1. Benchmark SAA Weighted Benchmark changed from Morningstar Multi-sector Balanced from 1 Sep 2012. The historical benchmark returns are calculated by linking two indices.
2. Benchmark S&P/ASX Small Industrials
3. Benchmark 75% ASX 200 Industrials/25% MSCI World ex Australia, changed from 75% ASX 200 Industrials/25% MSCI Global Climate from 1 July 2016. The historical benchmark returns are calculated by linking indices.
4. Benchmark MSCI World ex Australia changed from MSCI Global Climate from 1 July 2016. The historical benchmark returns are calculated by linking two indices.
5. Benchmark 90 Bank Bill
6. Benchmark Bloomberg AusBond Composite
7. Benchmark Australian 90 day bank bill (Net of tax and admin fees)
8. Benchmark Morningstar Multisector Moderate – Superannuation
9. Benchmark Morningstar Multisector Growth – Superannuation
10. Benchmark Morningstar Multisector Aggressive – Superannuation
11. Benchmark S&P/ASX Small Industrials (Net of tax and admin fees changed from FTSE ASFA Australia Small Cap Index - Superannuation from 1 January 2015. The historical benchmark returns are calculated by linking indices. FTSE ASFA indices history is available to Feb 2004, since inception and 20yr benchmark returns are not available
12. Benchmark MSCI World ex Australia (net of tax and admin fees) changed from MSCI Global Climate from 1 July 2016. The historical benchmark returns are calculated by linking two indices
13. Benchmark 75% ASX 200 Industrials/25% MSCI World ex Australia (Net of tax and admin fees) changed from 75% ASX 200 Industrials/25% MSCI Global Climate (Net of tax and admin fees) from 1 July 2016. FTSE ASFA Australia 200 Index – Superannuation was used as Benchmark before 1 January 2015. The historical benchmark returns are calculated by linking indices.
14. Benchmark Australian 90 day bank bill (Net of admin fees)
15. Benchmark Morningstar Multisector Moderate – Pension
16. Benchmark Morningstar Multisector Balanced – Pension
17. Benchmark Morningstar Multisector Aggressive – Pension
18. Benchmark S&P/ASX Small Industrials (Net of admin fees) changed from FTSE ASFA Australia Small Cap Index - Tax Exempt from 1 January 2015. The historical benchmark returns are calculated by linking indices. FTSE ASFA indices history is available to Feb 2004, since inception and 20yr benchmark returns are not available.
19. Benchmark MSCI World ex Australia (net of admin fees) changed from MSCI Global Climate from 1 July 2016. The historical benchmark returns are calculated by linking two indices.

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