

## Australian Ethical Investment Limited

### 2016 Earnings Guidance – Update

On 19 May 2016 the Company issued an Earnings Guidance. Since then the share price has increased significantly from \$63.00 to \$90.50 as at the close of business 16 June 2016 (a 43.7% increase).

Following this rapid share price increase, and in the interests of a properly informed market, Australian Ethical wishes to highlight some aspects of its financial results for the year ending 30 June 2016.

#### Share price impacts non-cash expenses of employee share performance rights

The Company has one series of share performance rights remaining in respect of its employee incentive scheme (these share performance rights have been replaced by a different scheme referred to as deferred shares).

The nature of the performance rights is such that the value at which they vest and hence the cost to the Company depends on the share price as at 30 June 2016. A higher share price means a higher expense and hence lower profit. This dynamic was explained in our guidance note of 24 June 2015.

The 19 May 2016 guidance assumed a share price of \$63. Given the dynamics described above we have provided a range of outcomes based on various final share prices as at 30 June 2016. These outcomes are based on unaudited management accounts as at 31 May 2016. As can be seen from the table below, if the share price as at 30 June 2016 remained at the current share price of \$90.50, NPAT would be \$3.27m.

Share price at 30 June 2016	Guidance (\$m)
\$60	3.73
\$65	3.66
\$70	3.57
\$75	3.46
\$80	3.42
\$85	3.35
\$90.50 <sup>1</sup>	3.27
\$95	3.20
\$100	3.13
\$105	3.05
\$110	2.98

It is important to note that the share price/expense dynamic caused by this remaining series of performance rights will not affect future earnings periods. The expense related to the new deferred share scheme whereby shares are held on trust is not affected by share price movements that occur after the shares are placed into the trust.

<sup>1</sup> Closing price 16 June 2016

**Impact of transition to new remuneration structure**

In 2014 the Company changed its remuneration structure which had a transitional impact on employment expenses. In particular, the expenses for the financial year ended 30 June 2015 included half of the expenses for short term incentives from the previous performance year and all of the expense associated with the short term incentives for that year. This should be taken into account in any comparison between the 2016 financial year and the 2015 financial year. This impact was described in detail in the Remuneration Report for the financial year ended 30 June 2015 (see pages 23 and 24).

**Property valuation**

In line with previous years we have engaged independent valuers to value our Canberra property. The outcome of that valuation may impact the NPAT for the year.

**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 the Company's ethical approach and underpins its culture and vision.

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