

Australian Ethical Investment Limited  
**Half Year Results to 31 December 2018**  
ASX ANNOUNCEMENT

## Australian Ethical announces strong first half profit of \$3.2 million

### Financial highlights (all comparisons to half year ended 31 December 2017):

- Net profit after tax attributable to shareholders of \$3.2m<sup>1</sup> (up 47%)
- Consolidated statutory net profit after tax of \$3.4m
- Revenues of \$19.8m (up 14%)
- Operating expenses of \$15.2m (up 7%)
- Interim ordinary dividend of 2 cents per share, fully franked
- Strong balance sheet, no gearing

### Operating highlights:

- Group funds under management of \$2.85 billion (up 10%)
- Group funds under management reached \$3 billion as at mid February
- Superannuation membership increased to 45,170 members (up 20%)
- First half net inflows (excluding Institutional) of \$155.5m (down 23%)
- Flagship Australian Shares Fund outperformed the market benchmarks<sup>2</sup> over the period and over the long term
- Strong operating cash flow

Australian Ethical (ASX:AEF) today announced its results for the half year ending 31 December 2018, reporting a 14% increase in revenue to \$19.8 million and a 47% increase in net profit after tax (NPAT) to \$3.2 million, driven by strong member growth.

Consolidated net profit after tax was \$3.4 million, which includes the results of the Australian Ethical Foundation Limited ('Foundation'). Funds under management (FUM) are up 10% to \$2.85 billion from \$2.60 billion reported for the previous corresponding period, despite volatile market conditions. First half net inflows of \$155.5m (excluding institutional) were down on the prior corresponding period due to lower superannuation rollovers and lower managed fund flows due to investor sentiment.

Australian Ethical Managing Director Phil Vernon said: "These results reflect the growing interest among Australians who want to see their savings and investments have a positive social and environmental impact as well as producing a solid financial return with Australian Ethical having reached the \$3 billion FUM milestone in mid February 2019.

"Our long-term track record of investment performance combined with our ethical leadership, purpose-driven culture and market-leading customer engagement have driven today's solid results despite what has been a challenging operating environment in financial services.

“At Australian Ethical, we continue to see a growing demand for investments that can drive better outcomes for people, the planet and animals, with our superannuation members growing 20% from the corresponding period last year.

“However, transforming outcomes for the planet and for future generations can only be achieved through bold actions that encourage wider participation and help realise the boundless potential of ethical investing.

“This is why we are continuing to invest in the sustainability of our business to meet anticipated demand and give our valued members the customer experience they deserve.

“Sustainability is the cornerstone of what we do.”

Operating expenses increased by 7% to \$15.2 million, up from \$14.2 million for the prior corresponding period as Australian Ethical continues to invest in its business and people to capture growth opportunities.

## The 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. All the income and net assets of the Foundation are restricted to the Foundation’s activities and are not available for distribution to Australian Ethical’s shareholders.

A summary of Group profits for the half-year to 31 December 2018:

	2017 (\$m)	2018 (\$m)
Consolidated statutory profit	2.3	3.4
Profit attributable to the Foundation	0.1	0.2
<b>Net profit after tax attributable to shareholders</b>	<b>2.2</b>	<b>3.2</b>

## Interim dividend

The Board declared a fully franked interim dividend of 2 cents per share for the half-year ended 31 December 2018, an increase of 21% on the previous half year. The record date is 1 March 2019 with payment on 15 March 2019.

## Outlook

The first half of the financial year was marked by a difficult operating environment with increased volatility, industry disruption and political uncertainty playing out across the sector. However, Vernon said Australian Ethical is well-placed to manage through the cycle and capture opportunities for growth: “As a leading ethical fund manager, there has never been a better time for our style of investing.

“We know demand is growing among the many Australians who have lost trust in the financial services sector and who want choices aligned with their values. Meanwhile, investors are waking up to the fact that there really is no such thing as a neutral investment: every investment has an impact on individuals and the planet.

“As our competitors rethink their business models to find a way to better serve all members of society, at Australian Ethical we have been integrating impact into our decision making for the benefit of people and the planet for over 30 years.

“We are committed to making the most of this opportunity and exposing the myth that social good must come at the expense of profit.”

Looking forward, Australian Ethical is continuing to invest in a number of initiatives to support our continued growth in the areas of enhanced customer experience through a new digital platform, product development, increasing brand awareness and nurturing intermediated channels and non-digital marketing. The second half of FY19 will reflect the full impact of these investments and the full impact of fee reductions implemented in October 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 provide competitive 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 over \$3 billion in funds under management across superannuation and managed funds.

Visit: [www.australianethical.com.au](http://www.australianethical.com.au)

1. *Excluding the Foundation*
2. *S&P/ASX 200 Accum Index and S&P/ASX Small Industrials Accum Index*

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