

Australian Ethical Investment Limited

Half Year Results to 31 December 2019

ASX ANNOUNCEMENT

Australian Ethical announces increase in first half profit to \$4.4 million

Financial highlights (all comparisons to half year ended 31 December 2018):

- Net profit after tax attributable to shareholders of \$4.4m¹ (up 40%)
- Revenues of \$23.3m (up 18%)
- Operating expenses of \$17.0m (up 13%)
- Interim ordinary dividend of 2.5 cents per share, fully franked
- Strong balance sheet, no gearing

Operating highlights:

- As previously announced, funds under management reached \$3.87 billion on 31 December 2019 (up 36% from December 2018)
- Group funds under management reached \$4.14 billion at 31 January 2020
- First half net inflows up 100% to \$295.8m
- Funded superannuation members increased 13% to 43,264 members
- Outstanding performance continues across the investment portfolio
- Strong operating cash flow

Australian Ethical (ASX: AEF) today announced its results for the half year ending 31 December 2019, reporting an 18% increase in revenue to \$23.3 million and a 40% increase in net profit after tax (NPAT)² to \$4.4 million, driven by strong member growth and net inflows, and excellent investment performance. This result was around the mid point of the earnings guidance range announced on 5 December 2019.

Consolidated net profit after tax was \$4.7 million, which includes the results of the Australian Ethical Foundation Limited ('Foundation'). Funds under management (FUM) increased 36% to \$3.87 billion from \$2.85 billion reported for the previous corresponding period.

First half net inflows were up 100% to \$295.8 million. This result was driven primarily by an 82% increase in super net inflows compared with the first half last year, to \$199.4m, following solid growth in super member numbers, increased member engagement and industry-leading member retention. Funded super member numbers increased 13% to 43,264 members. In managed funds, net inflows were up 150% from the prior corresponding period to \$96.4m.

Steve Gibbs, Chair of the Board said: "These are very strong results for Australian Ethical that reflect both the growing demand for what we do and our reputation for providing exceptional investment expertise.

"Just last week our Australian Shares Fund won the Australian Equities - High Performance award in the 2020 Financial Standard Investment Leadership Awards in recognition of our broad investment capabilities and against

mainstream competition. The fund was the only product to win in two categories with an additional award for our ESG expertise following nominations across multiple categories.

“The last six months have seen an unprecedented wave of public climate demonstrations with people’s concern for climate action reaching a tipping point and focusing firmly on solutions.

“As a result, we’re seeing that more Australians want to make their money matter. They are realising that investing ethically is about so much more than avoiding unethical businesses and is about investing for better returns and a future worth living in.”

Operating expenses increased by 13% to \$17.0 million, up from \$15.2 million for the prior corresponding period as Australian Ethical continues to invest in a sustainable business platform to maintain momentum, enhance the customer experience and 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 (\$m) | 2019 (\$m) |
|--|---------------|---------------|
| Consolidated statutory profit | 3.4 | 4.7 |
| Profit attributable to the Foundation | 0.2 | 0.3 |
| Net profit after tax attributable to shareholders | 3.2 | 4.4 |

Interim dividend

The Board declared a fully franked interim dividend of 2.5 cents per share for the half-year ended 31 December 2019, an increase of 25% on the previous half year. The record date is 5 March 2019 with payment on 19 March 2019.

Outlook

The positive momentum that underpinned the first half results has continued into the second half with Australian Ethical seeing record net inflows and new member signups in January 2020.

Looking forward, the company will continue to invest in a sustainable business platform from which it can deliver more benefits to members, enhance its customer experience and respond to ongoing regulatory change while also capturing growth opportunities. In keeping with Australian Ethical’s long track record of reducing fees, it plans to reduce the percentage-based standard administration fee on its superannuation products from 0.41% to 0.29%³ per annum in April 2020. This will further improve outcomes for current and future members.

John McMurdo, Australian Ethical Chief Executive Officer said: “These results suggest that not only has ethical investing moved firmly into the mainstream but it’s also redefining the way Australians think about investing overall.

“It allows them to be more discerning about the impact of their investments and offers them the opportunity to align these with their personal values while also achieving outstanding financial returns.

“There is an urgent need to create a more sustainable world and we know that investing ethically can help change things for the better.

“Our aim is to continue to shape the future of finance, enabling investors to use their money – their power – for climate action and a liveable, equitable future for everyone.”

This announcement is authorised by the Board.

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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 \$4 billion in funds under management across superannuation and managed funds.

Visit: www.australianethical.com.au

1. Excluding The Foundation

2. Attributable to shareholders

3. Following the fee reduction, the Superannuation Fund’s administration fee will be 0.29% p.a. of daily fund balance plus \$97 p.a. per member