

Earnings guidance, performance and FUM update for the financial year ending 30 June 2020

ASX ANNOUNCEMENT

Earnings guidance for the financial year ending 30 June 2020

Australian Ethical Investment (ASX:AEF) advises that Underlying Profit after Tax (UPAT) before performance fees for the year ending 30 June 2020 is expected to be between \$6.8 million and \$7.5 million, a mid-point increase of 10% on the 12 months ended 30 June 2019. Any performance fee on the Emerging Companies Fund will only crystallise on 30 June 2020.

This earnings guidance is based on unaudited management accounts to 31 May 2020 and a tax rate of 27.5%. More information will be provided when full year results are announced in late August 2020.

Performance update

Following a first half UPAT of \$4.4 million, the impact of COVID-19 on investment performance and FUM balances has affected second half earnings. Second half UPAT is also impacted by lower revenue margins following the reduced superannuation administration fee introduced on 1 April 2020¹ and processing costs related to the early release of superannuation.

Despite recent volatile market conditions and the economic downturn, Australian Ethical continues to experience considerable growth in investor and member acquisition and net flows, as well as strong investment performance during April and May.

FUM movement since 31 March 2020

Australian Ethical funds under management (FUM) increased by 9.1% to \$3.92 billion as at 31 May 2020, up from \$3.59 billion at 31 March 2020. This increase was driven by positive net flows and strong investment performance and includes outflows of \$0.03 billion following the Federal Government's changes to early release of superannuation conditions.

FUM and flows by product for the period 31 March 2020 to 31 May 2020 were (\$bn):

Product	FUM March 20	Net Flows	Market & other*	FUM May 20
Managed Funds	1.14	0.01	0.12	1.27
Superannuation	2.45	0.04	0.16	2.65
All products	3.59	0.05	0.27	3.92

* Includes changes in asset value due to market movements and net income.

¹ On 1 April 2020, Australian Ethical reduced the percentage-based administration fee on its superannuation and pension products from 0.41% to 0.29% p.a. of daily fund balance plus \$97 p.a. per member. An investment fee unique to each option is also payable. Full details are available on the company's website.

Outlook

John McMurdo, Australian Ethical Investment CEO, said: “Australian Ethical went into the pandemic with positive momentum. Our balance sheet remains strong – with no debt and high levels of liquidity – and we are well positioned to continue our strategic growth agenda, though mindful of the need to balance the needs of the business with market conditions.”

With a great deal of uncertainty around the duration and severity of the pandemic, Australian Ethical expects market conditions to remain volatile. It is still seeing positive net inflows and growth in its customer base. Withdrawals following the Federal Government’s changes to the early release of superannuation have been in line with business forecasts.

“Despite the challenging economic backdrop, our investment philosophy and Ethical Charter have proved to be resilient with most of our funds outperforming their benchmarks and recouping many of the losses seen in February and March.

“Meanwhile, we have continued to see strong growth in our managed fund and superannuation products, especially among those Australians looking for strong investment returns, resilient portfolios and a positive environmental and social impact,” McMurdo said.

Looking forward, Australian Ethical will continue to invest in its growth strategy through channel diversification, operating platform and IT infrastructure improvements, an enhanced customer experience and product innovation including extending its high conviction ethical SMA strategy to more platforms.

McMurdo said: “I am very proud of the way our people and infrastructure have responded to the COVID-19 crisis.

“And while we remain highly leveraged to the markets with revenue linked to FUM and market performance, our business model is robust and we will continue to generate long-term, sustainable benefits for all our stakeholders.”

This announcement is authorised by the Board.

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About Australian Ethical

Australian Ethical is Australia’s leading ethical investment 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 shapes its ethical approach and underpins both its culture and its vision.

Australian Ethical has \$3.92 billion in funds under management across managed funds and superannuation.

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