

Australian
Ethical

Australian Ethical Investment Ltd FY22– Analyst pack

26 August 2022

AE

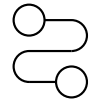


Overview & history



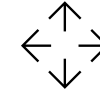
Our purpose

Investing for a better world



35+ years

offering investment and super solutions using our leading ethical investing approach



100+ employees

and growing



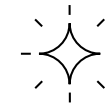
Our vision

Money as a force for good



Best for the World

for Customer & Governance by B Corps



10% of annual profits*

donated through our Foundation to charitable organisations



Managing \$6.0bn+

as an ASX 300 listed investment manager, on behalf of members and investors



Multi award-winning

investment portfolio with strong track record of excellent long-term investment performance



Fastest growing

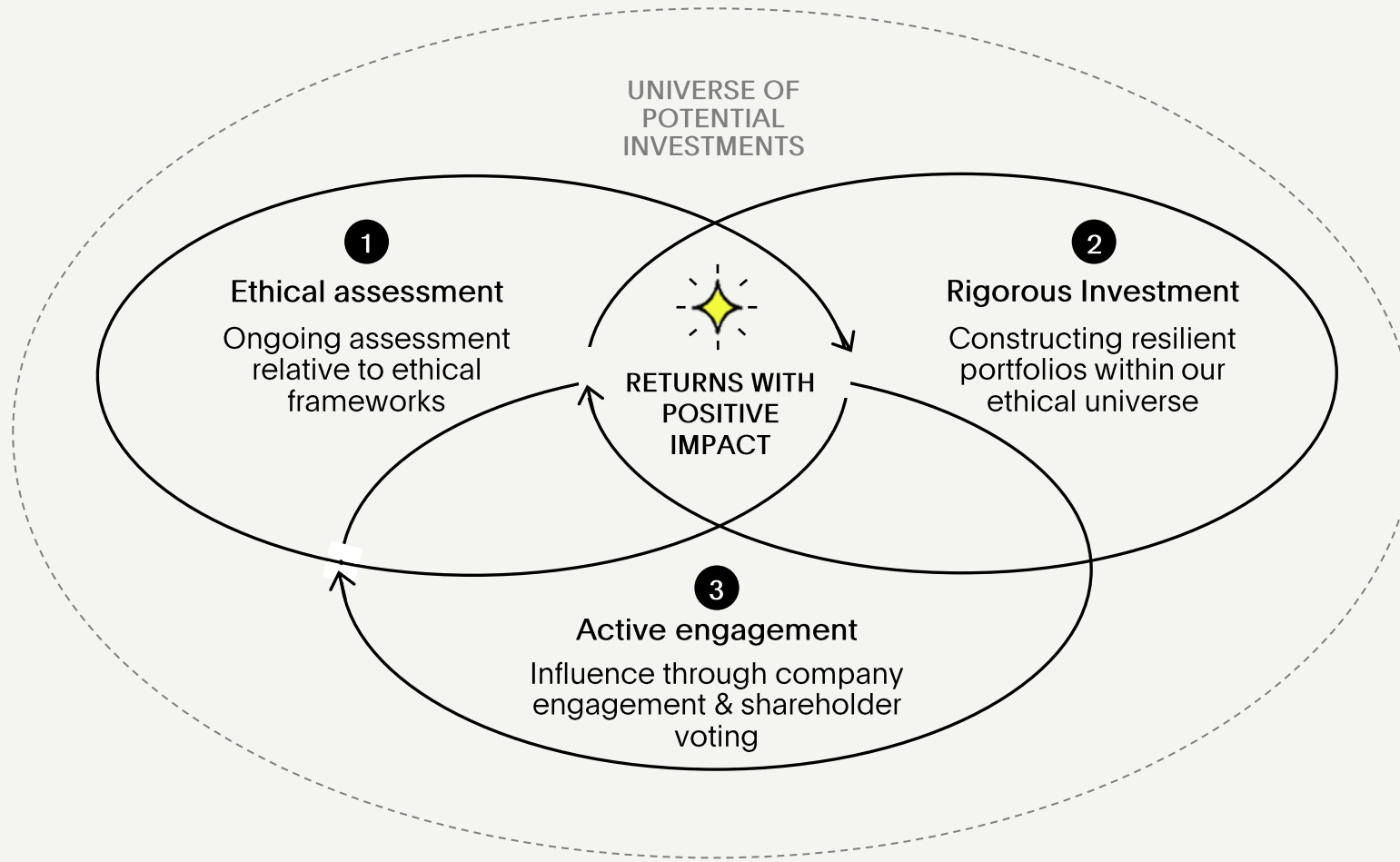
super fund over 5 years by members^

* after tax and before bonuses

^ KPMG 2022 Super Insights Report – published May 2022, using statistics published by APRA and ATO as at 30 June 2021.

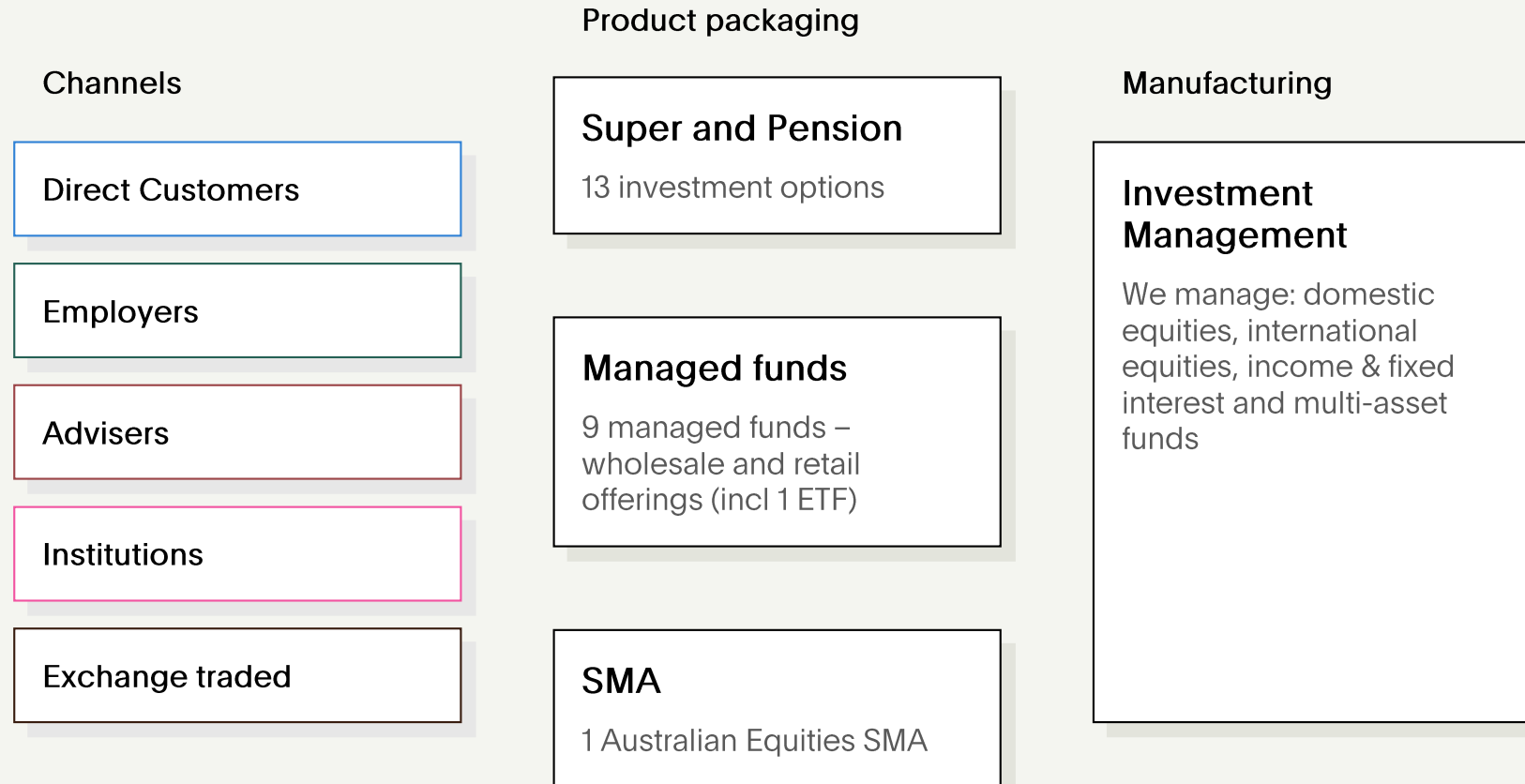
How we invest

Creating returns with positive impact



Our business model

We offer a broad range of products for five different audience segments.



Additional information

- 78% of net flows acquired via direct channel*
- Investing in growing advised channel and HNW segment, whilst continuing to foster direct channel
- New High Conviction ETF launched on 1 February 2022, our first ETF
- Externally managed property and alternative assets ~8% of total FUM.
 - Super has direct holdings in property and alternatives ~2% of Super FUM

* As a % of net flows excluding institutional

FUM summary – Asset Class & Strategy

Asset Class	FUM at 30 Jun 22 (\$bn)	FUM at 30 Jun 21 (\$bn)
Domestic Equities*	2.98	3.10
International Equity	1.32	1.28
Cash	0.15	0.26
Fixed Income	1.24	1.14
Unlisted Property~	0.44	0.26
Alternatives~	0.09	0.04
Total	6.20	6.07

Asset Strategy	FUM at 30 Jun 22 (\$bn)	FUM at 30 Jun 21 (\$bn)
Single	4.55	4.37
Multi-Asset	1.65	1.70
Total	6.20	6.07

* Including NZ equities
~ Externally managed

FUM summary – Managed Funds

Fund/option	Current Management Fee	FUM at 30 June 21 (\$bn)	Net flows for FY22 (\$bn)	Reclass. and switches FY22 (\$bn)	Market movement / Other FY22 (\$bn)	FUM at 30 Jun 22 (\$bn)
Managed Funds – Retail						
Balanced Fund	1.42%	0.09	0.04	(0.04)	(0.01)	0.09
Australian Shares	1.69%	0.21	0.02	(0.02)	(0.04)	0.18
Emerging Companies	1.69%	0.02	0.01	(0.01)	(0.01)	0.02
Income, Fixed, Int'l, Diversified, High Growth	0.20%, 0.50%, 0.99%, 1.39%, 1.39%	0.03	0.01	(0.01)	(0.01)	0.03
Total Managed Funds Retail		0.35	0.09	(0.07)	(0.06)	0.31
Managed Funds – Wholesale						
Income Fund	0.20%	0.01	0.00	0.00	0.00	0.01
Fixed Interest	0.30%	0.04	0.00	0.00	0.00	0.03
International Shares	0.59%	0.09	0.01	0.00	(0.01)	0.09
Balanced Fund	0.76%	0.19	0.03	0.04	(0.02)	0.23
High Conviction	0.80%	0.00	0.00	0.00	0.00	0.00
Diversified Shares	0.95%	0.27	0.03	0.00	(0.04)	0.26
High Growth	0.90%	0.06	0.01	0.00	(0.01)	0.06
Australian Shares	1.10%	0.57	0.15	0.02	(0.15)	0.58
Emerging Companies	1.20%	0.20	0.06	0.01	(0.07)	0.20
Total Managed Funds Wholesale		1.41	0.29	0.07	(0.31)	1.46
Institutional		0.41	(0.20)	0.00	(0.02)	0.19
Total Managed Funds		2.17	0.19	0.00	(0.39)	1.97

- Note:
- FUM is calculated based on cum-div net market value (after fees)
 - Management fees exclude ICRs
 - Total Managed Funds includes SMA which is not shown here separately due to the small FUM size
 - In addition to the management fee, Emerging Companies Fund & High Conviction Performance Fund also receive a performance fee of 20% & 15% respectively (less unrecovered GST) of 1 year outperformance over its benchmark, subject to clawback of any underperformance
 - FUM represents external investments only ie excludes AE superannuation amounts invested in these funds.

- High Conviction Fund inception date 1 October 2021
- As at 26 August, a further \$183m Institutional FUM had been redeemed
- Market movement/Other Includes changes in asset value due to market movements, income, reinvestments and distributions

FUM summary – Superannuation

Fund/option	Current Management Fee	FUM at 30 Jun 21 (\$bn)	Net flows for FY22 (\$bn)	Market movement / Other for FY22 (\$bn)	FUM at 30 Jun 22 (\$bn)
Superannuation					
Defensive	0.20%	0.09	(0.00)	0.03	0.12
Conservative	0.63%	0.13	0.01	(0.01)	0.14
Balanced Accum / Pension	0.64% / 0.67%	2.17	0.59	(0.29)	2.47
International Shares	0.89%	0.10	0.01	(0.01)	0.10
Growth	0.99%	0.56	0.07	(0.04)	0.59
High Growth	0.99%	0.18	0.04	0.01	0.22
Australian Shares	1.20%	0.67	0.03	(0.12)	0.58
Total Superannuation		3.90	0.75	(0.42)	4.23

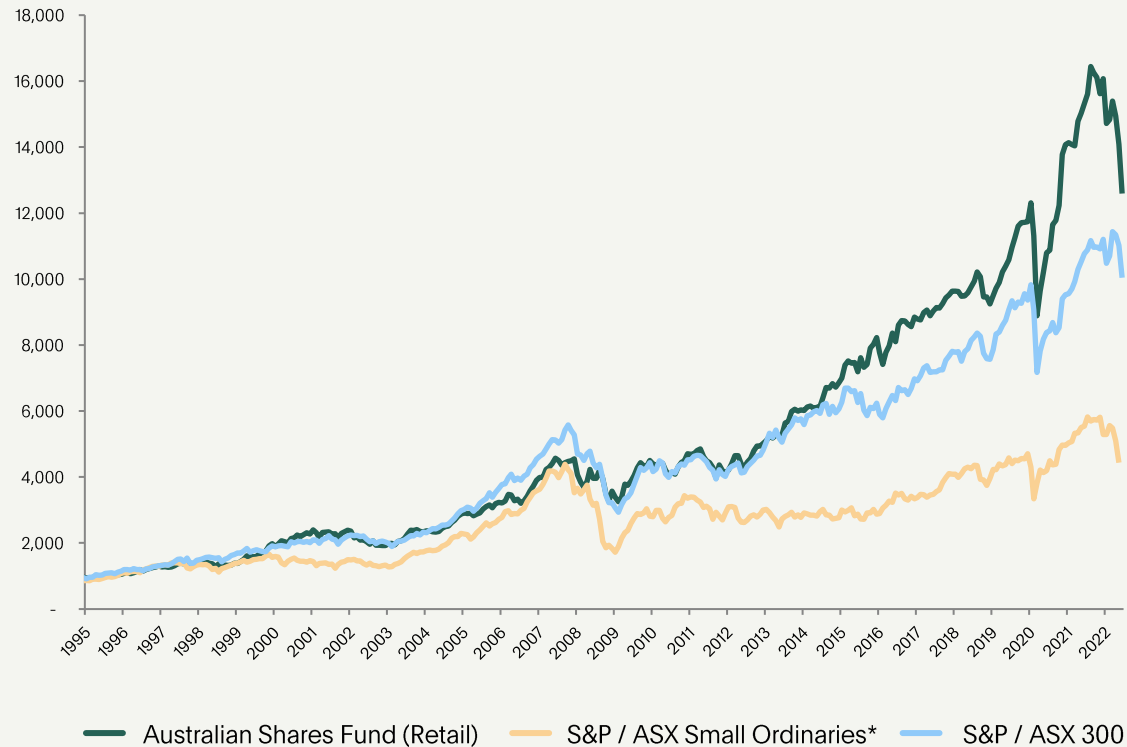
Notes:

- In addition to the management fee, there is also an administration fee of 0.29% and a fixed fee of \$97 per member per annum, less ORFR and rebates
- Management fees exclude ICRs
- Market movement/Other Includes changes in asset value due to market movements, income, reinvestments and distributions

Investment leadership

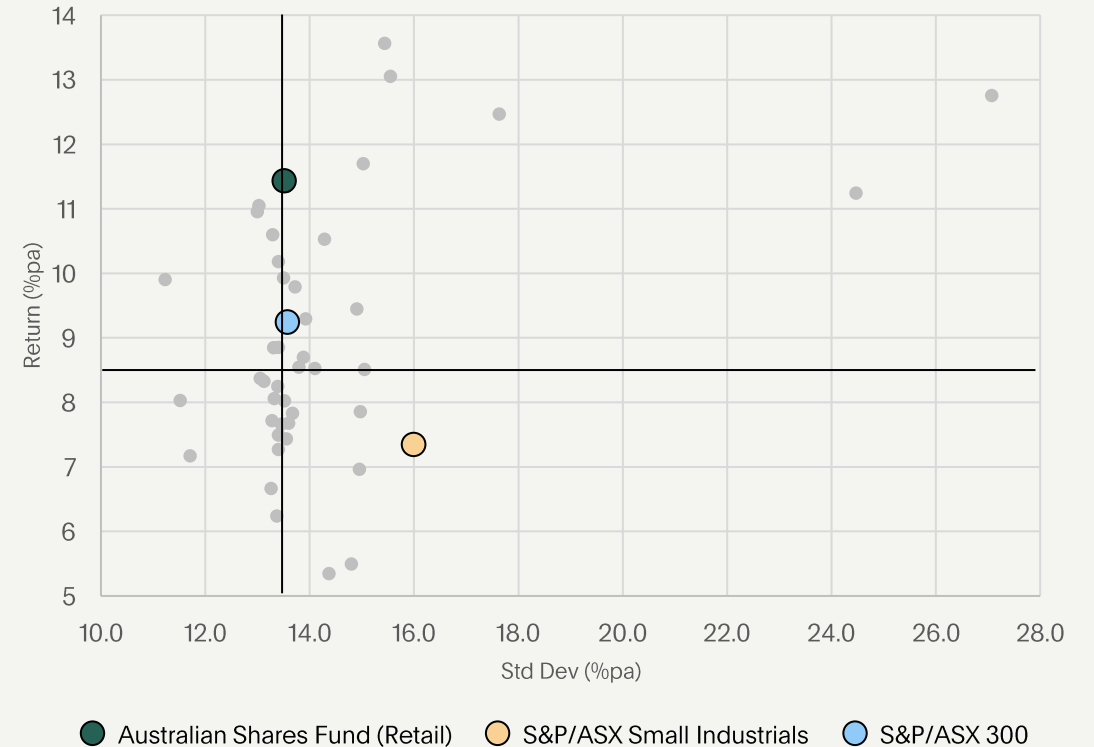
Strong long term returns, with lower risk | Australian Shares Fund

Value of \$1000 invested since inception



* S&P/ASX Small Industrials does not have sufficient historical data thus S&P / ASX Small Ordinaries has been used for comparison purposes

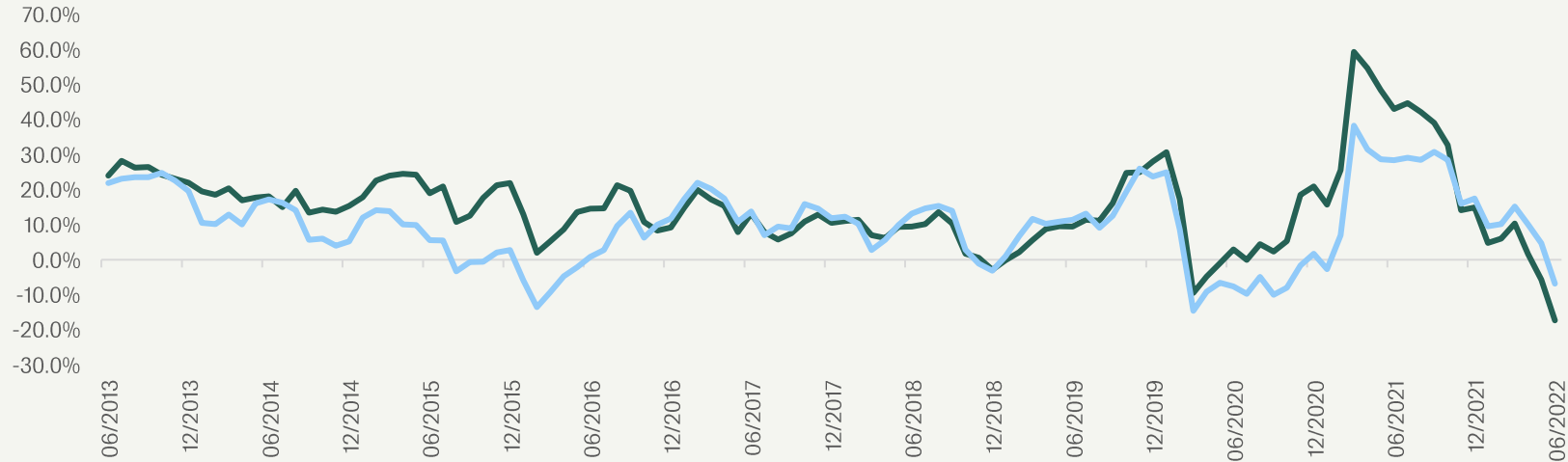
Risk/return over ten years to 22 June 2022



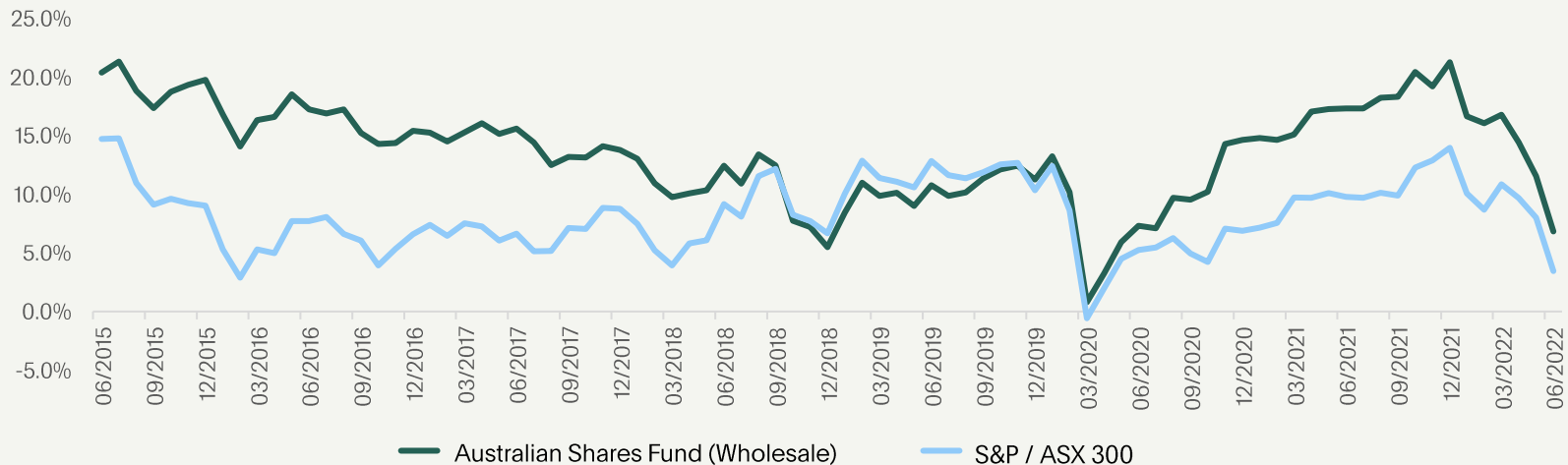
Source: Mercer. Comparison with the Retail-Equity - Australia - All Cap universe (monthly calculations) Return and Std Deviation in \$A (after fees) over 10 yrs ending June-22

Australian Shares Fund

Rolling 1 Year Net Return



Rolling 3 Year Net Return^



- Flagship Australian Shares Fund has delivered top quartile performance over 3, 4, 5 and 10 year periods[#]
- Australian Shares Fund has delivered positive rolling 3 year returns (annualised) for all periods since June 2015^{*}
- 1 year relative performance has been impacted by lack of exposure to fossil fuels and commodities and the tilt towards Small Caps, Information Technology and Healthcare

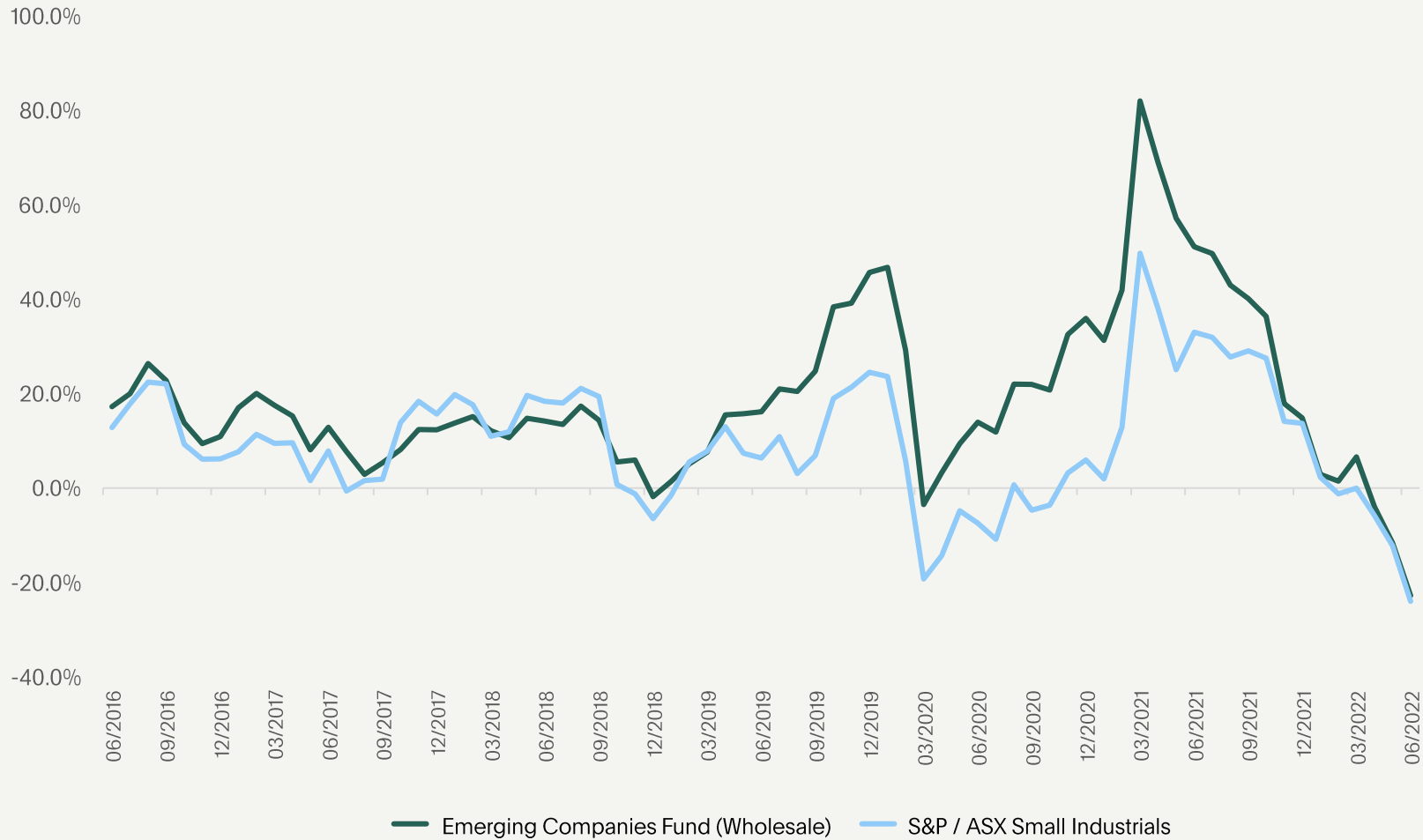
[#] For the wholesale funds in their respective Mercer surveys as at 30 June 2022

^{*} Australian Shares Fund wholesale inception date 23/1/2012

[^] Annualised

Emerging Companies Fund

Rolling 1 Year Net Return

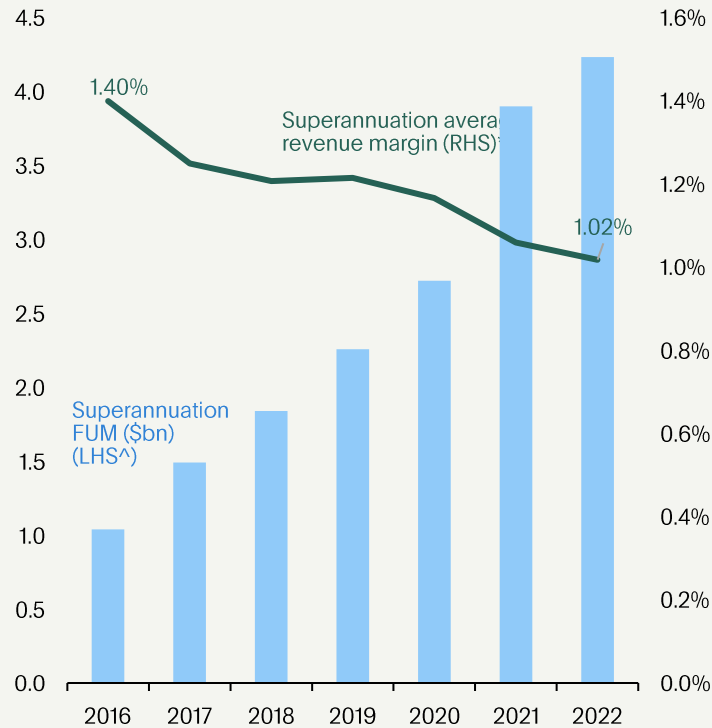


- The Emerging Companies Fund attracts a performance fee for outperformance over benchmark
- Consistently delivering outperformance
- Performance fee generated for 6 out of last 7 years

Fees

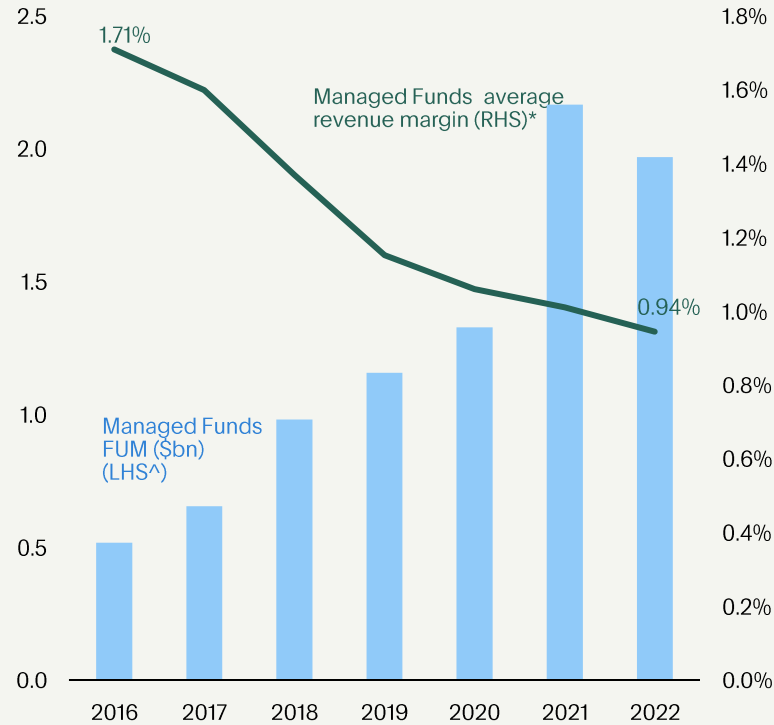


Superannuation average revenue margin



Managed Funds average revenue margin

Includes retail, wholesale, SMA and institutional



^ As at 30 June of each year

* Average revenue margin calculated on last twelve months FUM based revenue (excluding member-based fees and excluding performance fees) as a percentage of last twelve months average FUM

In addition to FUM based fees, we also charge a super member fee of \$97 per member, which is paid back to Mercer, our super administrator (appears in fund related costs)

Additional information

- Margins have reduced over time as we pass on benefits of scale to investors and members through fee reductions
- Average margin across all products (including institutional and SMA) was 0.99% for the 12 months to June 2022. Excluding institutional, average margin for FY22 was 1.03%.
- Overall margin at 30 June 2022 was 0.97%. Excluding institutional, margin at 30 June 2022 was 1.00%
- Looking forward, as part of our fee strategy, we will continue to reduce fees as we grow, to increase our competitiveness.
- Performance fees on the Emerging Companies Fund and High Conviction Fund crystallise on 30 June each year, if the funds outperform their respective benchmarks.



Investment team

Reflects team structure as at 30 June 2022

Team member	Position	Tenure	Experience
David Macri, CFA	Chief Investment Officer	13 years at AEI CIO since 2012	20+ years of investment experience Previously at Macquarie Securities, Credit Suisse, Mellon, Mercer
Michael Murray, CFA	Head of Domestic Equities	6 years at AEI	20+ years of investment experience Previously at Integrity, AMP Capital Analyst Coverage – Healthcare, Bio-technology
John Woods, CFA	Head of Asset Allocation	1.5 years at AEI	15+ years of investment experience Previously at MLC, CLSA, Macquarie
Clinton Leong	Head of Investment Business Management	Commenced June 2022	25 + years in Asset Management and Financial Services Previously at IAG, Manulife and Credit Suisse
Andy Gracey	Portfolio Manager, Emerging Companies, Australian Shares	17 years at AEI PM since 2007 (Australian Shares/Emerging Companies)	20+ years of investment experience Previously worked at ANZFM, Friends Provident
Ray Gin	Portfolio Manager/Analyst, International & Diversified Shares	9 years at AEI PM since 2017 (Diversified Shares/International Shares)	30+ years of investment experience Previously at ING, Deutsche Analyst Coverage – Financials, REITs, Misc Industrials
Tim Kelly	Portfolio Manager, Fixed Interest & Income Fund	20 years at AEI PM since 2011 (Fixed Interest/Income)	15+ years of investment experience
Angus Dennis	Investment Director – Investment Communication & Institutional Strategy	Commenced January 2022	20+ years of investment experience Previously at Vanguard, CoreData and AMP Capital
Mark Williams, MBA	Equities Analyst	6 years at AEI Managing the SMA portfolio since March 2020	15+ years of investment experience Previously at Morgans, ABN AMRO Analyst Coverage – Infra/Utilities, Media, Telco, Misc Industrials
Deana Mitchell, CFA	Equities Analyst	4 years at AEI	15+ years of investment experience Previously at Macquarie Securities Analyst Coverage – Small Caps, Technology, Diversified Financials
Jason Korchinski	Equities Analyst	Commenced September 2021	8+ years of financial services experience Previously at KPMG, SuperChoice Services & Ord Minnett Analyst coverage – Small cap healthcare, agriculture & travel & leisure.
Jason Huang	Quantitative Analyst	6 years at AEI	10+ years of investment experience Previously at BBY Ltd
Julian Richman, CFA	Investment Analyst	6 years at AEI	4 years of investment experience Assisting Balanced Fund and REITs coverage



Ethics team

Reflects team structure as at 30 June 2021

Team member	Position	Tenure	Experience
Stuart Palmer	Head of Ethics Research	8 years at AEI	<ul style="list-style-type: none">• 30+ years experience in the financial, investment and legal sectors• Previously Head of Ethics Services at St James Ethics Centre, helping develop strong organisational leadership and culture to guide good decision making in the corporate, government and not for profit sectors• Former law firm partner (practicing in finance and investment) and banker (Head of Asset Securitisation at ABN AMRO Australia). Stuart's doctorate is in philosophy of mind
Amanda Richman	Ethical Stewardship Lead	4 years at AEI	<ul style="list-style-type: none">• Previously Senior Associate at law firm Allens specialising in competition law• Experienced animal law advocate, Director of Animal Law Institute, former Chair of NSW Young Lawyers Animal Law Committee• First class honours in law; Dean's awards for outstanding contributions to Macquarie Law Community and for outstanding academic achievement in law
Olivia Webster	Senior Impact Analyst	2 years at AEI	<ul style="list-style-type: none">• Previously Sustainability Analyst at Westpac Group, developing best practice approaches to Sustainability Governance• University medallist for Information Technology degree
Persephone Fraser	Ethics Analyst	1.5 years at AEI	<ul style="list-style-type: none">• Previously research analyst for Common Capital and research assistant at UNSW's Climate Justice Initiative, developing reports on environmental and ethical impacts and policy.• Worked in policy and research at Reconciliation Australia and in the office of Senator Mehreen Faruqi.• MA in Political Economy, BA in Political Science & Philosophy. She received the Leon Fink Institute Grant for study in Jerusalem, the Dame Eadith Campbell Walker Bursary and the Harry Senior Bequest from The University of Sydney.

Growth metrics

AE growth metrics	FY22	FY21	FY20	2H22	1H22	2H21	1H21	2H20	1H20
FUM – managed funds – retail/wsale (\$bn)	1.78	1.76	1.06	1.78	2.10	1.76	1.40	1.06	1.07
FUM – managed funds – insto (\$bn)	0.19	0.41	0.27	0.19	0.38	0.41	0.35	0.27	0.25
FUM – super (\$bn)	4.23	3.90	2.72	4.23	4.46	3.90	3.30	2.72	2.56
FUM - total (\$bn)	6.20	6.07	4.05	6.20	6.94	6.07	5.05	4.05	3.87
Investor numbers	13,966	11,793	8,995	13,966	13,326	11,793	10,111	8,995	8,302
Member numbers (funded)	69,100	59,480	48,819	69,100	63,397	59,480	52,712	48,819	43,264
Net new funded members	9,620	10,661	8,289	5,703	3,917	6,768	3,893	5,555	2,734
Net flows – managed funds - retail/wsale (\$m)	391.4	338.3	128.6	110.9	280.5	217.6	120.7	62.3	66.3
Net flows – managed funds – insto (\$m)	(200.1)	77.0	58.6	(150.1)	(50.1)	29.6	47.4	28.5	30.1
Net flows – super (\$m)	751.4	613.6	469.0	384.0	368.0	360.3	253.4	269.5	199.4
Net flows - Total (\$m)	942.6	1,028.9	656.1	344.8	598.4	607.4	421.5	360.3	295.8
Managed funds flows drivers (\$m)	FY22	FY21	FY20	2H22	1H22	2H21	1H21	2H20	1H20
Managed funds (excl insto) inflows	599.3	461.3	247.5	221.9	377.3	283.1	178.1	121.7	125.8
Managed funds (excl insto) outflows	(207.9)	(123.0)	(119.0)	(111.0)	(96.9)	(65.5)	(57.4)	(59.5)	(59.5)
Insto net flows	(200.1)	77.0	58.6	(150.1)	(50.1)	29.6	47.4	28.5	30.1
Outflow % FUM annualised (excl insto)	(11%)	(9%)	(12%)	(11%)	(10%)	(8%)	(10%)	(12%)	(12%)
Super flows drivers (\$m)	FY22	FY21	FY20	2H22	1H22	2H21	1H21	2H20	1H20
Rollovers in	499.1	453.4	409.3	224.5	274.6	230.8	222.6	239.0	170.4
SG contributions	284.3	207.6	157.4	159.8	124.5	116.4	91.1	86.6	70.8
Other contributions	135.8	104.7	63.5	79.4	56.4	72.9	31.8	35.8	27.8
Total super inflows	919.1	765.7	630.3	463.7	455.4	420.1	345.5	361.3	268.9
Total super outflows	(167.7)	(152.0)	(161.3)	(79.7)	(87.4)	(59.9)	(92.2)	(91.8)	(69.5)
Outflow % FUM annualised~	(4%)	(5%)	(6%)	(4%)	(4%)	(3%)	(6%)	(7%)	(6%)
Outflows % FUM annualised (excluding early release of super)	(4%)	(3%)	(5%)	(4%)	(4%)	(3%)	(4%)	(4%)	(6%)

Additional metrics

- Average age of current super members is 38
- Average super account balance is \$61k*
- Average rollover in of \$45k#

^ As at 30 June 2022

* Average of funded accounts
excluding rollovers from ATO

~ 2H20 and 1H21 outflows includes early release of super outflows
Note: Managed Funds includes SMA

Financial metrics

Financial metrics	FY22	FY21	FY20	2H22	1H22	2H21	1H21	2H20	1H20
FUM based revenue (ex performance fee) (\$m)	65.6	51.6	39.1	32.8	32.9	28.1	23.5	17.6	21.5
Performance fee (\$m)	0.4	2.9	3.6	0.4	-	2.9	-	3.6	-
Member based revenue (\$m)^	4.7	4.1	3.2	2.4	2.3	2.1	2.1	1.6	1.6
Operating revenue (\$m)	70.8	58.7	49.9	35.6	35.2	33.1	25.6	26.6	23.3
UPAT – pre performance fee (\$m)	10.0	9.2	7.0	4.6	5.4	4.3	4.9	2.7	4.4
Performance fee (after tax & community grant impact)	0.2	1.9	2.3	0.2	-	1.9	-	2.3	-
UPAT – post performance fee (\$m)	10.3	11.1	9.3	4.9	5.4	6.2	4.9	4.9	4.4
NPAT (\$m)	9.6	11.3	9.5	4.2	5.4	6.1	5.2	5.0	4.4
Cost to income ratio – pre performance fee (%)*	79%	77%	79%	81%	78%	80%	74%	83%	74%
Cost to income ratio – post performance fee (%)*	79%	74%	74%	80%	78%	74%	74%	74%	74%
Effective tax rate (%)^^	30.8%	28.0%	27.6%	31.7%	30.0%	30.0%	25.5%	28.6%	26.5%
Earnings per share (cents)~	FY22	FY21	FY20	2H22	1H22	2H21	1H21	2H20	1H20
Basic	8.64	10.19	8.62	3.75	4.89	5.51	4.68	4.57	4.05
Diluted	8.55	10.02	8.42	3.72	4.83	5.42	4.60	4.47	3.95
Dividend per share	FY22	FY21	FY20	2H22	1H22	2H21	1H21	2H20	1H20
Ordinary Dividend (cents)	6.00	7.00	5.00	3.00	3.00	4.00	3.00	2.50	2.50
Special Dividend (cents)	-	1.00	1.00	-	-	1.00	-	1.00	-
Dividend franking (%)	100%	100%	100%	100%	100%	100%	100%	100%	100%
NPAT annual payout ratio#	70%	80%	71%	81%	62%	92%	65%	78%	63%
Capital Management	FY22	FY21	FY20	2H22	1H22	2H21	1H21	2H20	1H20
Cash & cash equivalents (\$m)**	27.2	27.8	21.5	27.2	24.9	27.8	21.3	21.5	18.2
Net assets	24.2	23.7	20.2	24.2	23.3	23.7	20.7	20.2	17.4
Net assets per basic share (\$)	0.22	0.21	0.18	0.22	0.21	0.21	0.19	0.18	0.16

Note the above is attributable to shareholders and excludes The Foundation

^ Net of rebates

^^ The 1H21 effective tax rate includes an income tax credit of 4.1% relating to restatement of deferred tax balances following corporate tax rate change to 30%.

Increase in 2H22 tax rate driven by non-deductible expenses incurred in relation to due diligence activity

** Includes term deposits

~ Based on NPAT attributable to shareholders

Payout ratio calculated on Diluted EPS (dilution includes employee shares).

* Cost to income ratio is calculated using operating expenses + depreciation adjusted for extraordinary items as a percentage of revenue (excluding extraordinary items)

Above may include variances due to rounding

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