

Australian
Ethical

Australian Ethical Investment Ltd FY22 Results

John McMurdo, Managing Director & CEO

Mark Simons, CFO

26 August 2022

AE



Agenda

01 Key themes & highlights

02 Financials

03 Business update



Key themes & highlights



Context & strategy

We are an authentic purpose-driven investor, focused on investor returns and positive impact

The structural drivers for a more sustainable, low carbon future have never been stronger

We're scaling our business to capitalise on growing demand for ethical investing and contribute to these long-term trends



FY22 themes

Strong growth in retail and wholesale net flows, revenue and customer numbers

Diversification of channels & products in line with strategy, driving a more resilient business

Targeted cost growth is delivering a scalable business and attractive new organic and inorganic growth options

We remain authentic in our ethical investment philosophy and optimistic in our strategy despite challenging market conditions

Note: All financial results and metrics in this pack relate to year ended 30 June 2022 with comparatives relating to year ended 30 June 2021. All footnotes appear on slide 37



FY22 results

Growth in retail & wholesale net flows and revenue in challenging market conditions

Continued reinvestment for long term growth

\$0.94bn

total net flows in challenging market, down (8%)

20%

growth in retail and wholesale net flows to **\$1.14bn~**

22%

growth in super net flows of **\$0.75bn** – record super net flows

2%

growth in funds under management to **\$6.2bn**

21%

growth in operating revenue

\$0.4m

performance fees for **Emerging Companies Fund**

(7%)

decrease in UPAT to **\$10.3m**

(15%)

decrease in NPAT to **\$9.6m^**

10%

increase in UPAT (excl performance fee)

Note: All financial results and metrics in this pack relate to year ended 30 June 2022 with comparatives relating to year ended 30 June 2021. All footnotes appear on slide 37

~ Excluding institutional

^ NPAT attributable to shareholders, which excludes the results for the Australian Ethical Foundation Limited ('The Foundation')

Award-winning business – authentic and ethical

Leadership



Responsible Investment Association Australasia
Responsible Investment Leader 2021



Top 5 for financial services
AFR Sustainability Leaders 2022



ESG Leader superfunds for 2022
Rainmaker Information

Managed funds

Best Australian Shares ESG Fund – Diversified Shares Fund
Money Magazine Best of the Best 2022



Super

Green Superannuation Fund of the Year 2020-2022
Finder Awards



Winner Infinity Award 2020-2022
SuperRatings



GOLD For MySuper, MyChoice & Pension
SuperRatings



Accolades

Best for the World: Customer Service
BCorp since 2016¹

Best for the World: Governance
BCorp since 2016¹

Most Recommended Super Fund
Investment Trends Super member Engagement Report 2022²

Best Social Media Campaign of the Year
MAX Awards

Distribution Executive of the Year
MAX Awards

FY22 highlights



BRAND

Brand familiarity increasing³

17% increase in customers

46% growth in adviser flows



SUPER

SFT deed with Christian Super signed

Fastest growing super fund over 5 years⁴

#1 NPS for Super²

#1 customer advocacy for Super²

SuperRatings Infinity Award

Best sustainable super fund — awarded third time



2 new products launched, including first ETF

#1 NPS for HNW managed funds HNW⁵

Money Magazine Best of the Best 2022

Best Australian Equities ESG Fund for Diversified Shares



MANAGED FUNDS

Launched our first mobile app
Making ethical investing easier

Multiple strategic projects delivered

Improving customer experience, back-office infrastructure, product & channel diversification & service offering

Top quartile employee engagement of 79%⁶



BUSINESS

Progressed M&A strategy with minority stake in Sentient Impact Group

Note: All financial results and metrics in this pack relate to year ended 30 June 2022 with comparatives relating to year ended 30 June 2021. All footnotes appear on slide 37

Impact highlights – Investment portfolio



Listed companies in our portfolio have, compared to benchmark
77% lower CO₂ intensity⁷



Nil investment
in nuclear



Nil investment
in fossil fuel companies⁸



Nil investment
in tobacco⁹



1.8x more
revenue from
sustainable impact
solutions¹⁰



3.7x
for sustainable water &
agriculture and pollution
prevention¹⁰



5.6x more
investment in
renewables and energy
solutions¹¹



**450+ engagements
for people, planet &
animals¹²**
78 proactive company
engagements, of these
~**25%** committed to or
made a positive change



4 divestments
on ethical grounds
(not including companies
excluded from initial
investment)



**In-depth multi-year
engagements**
with investee companies
on gender diversity, and
with Lendlease on its
Mt Gilead development



4 strategic areas of focus for ethical stewardship:

Turning off finance for expansion of fossil fuels

Livestock-driven deforestation in Australia

Alternatives to animal research

Building sector emissions



Impact highlights – Our Foundation

Our Foundation’s vision is to direct as much philanthropy as possible to effective solutions and charities addressing the climate emergency.

\$1.6m

allocated for impact initiatives in FY22

>\$8m

allocated to not-for-profits since inception

10% of AEI profits

allocated to not-for-profit organisations¹³



Strategic grants

\$1M+ directed to effective, proven climate mitigation strategies which:

- Stop sources of carbon pollution
- Support carbon sinks
- Educate & empower women



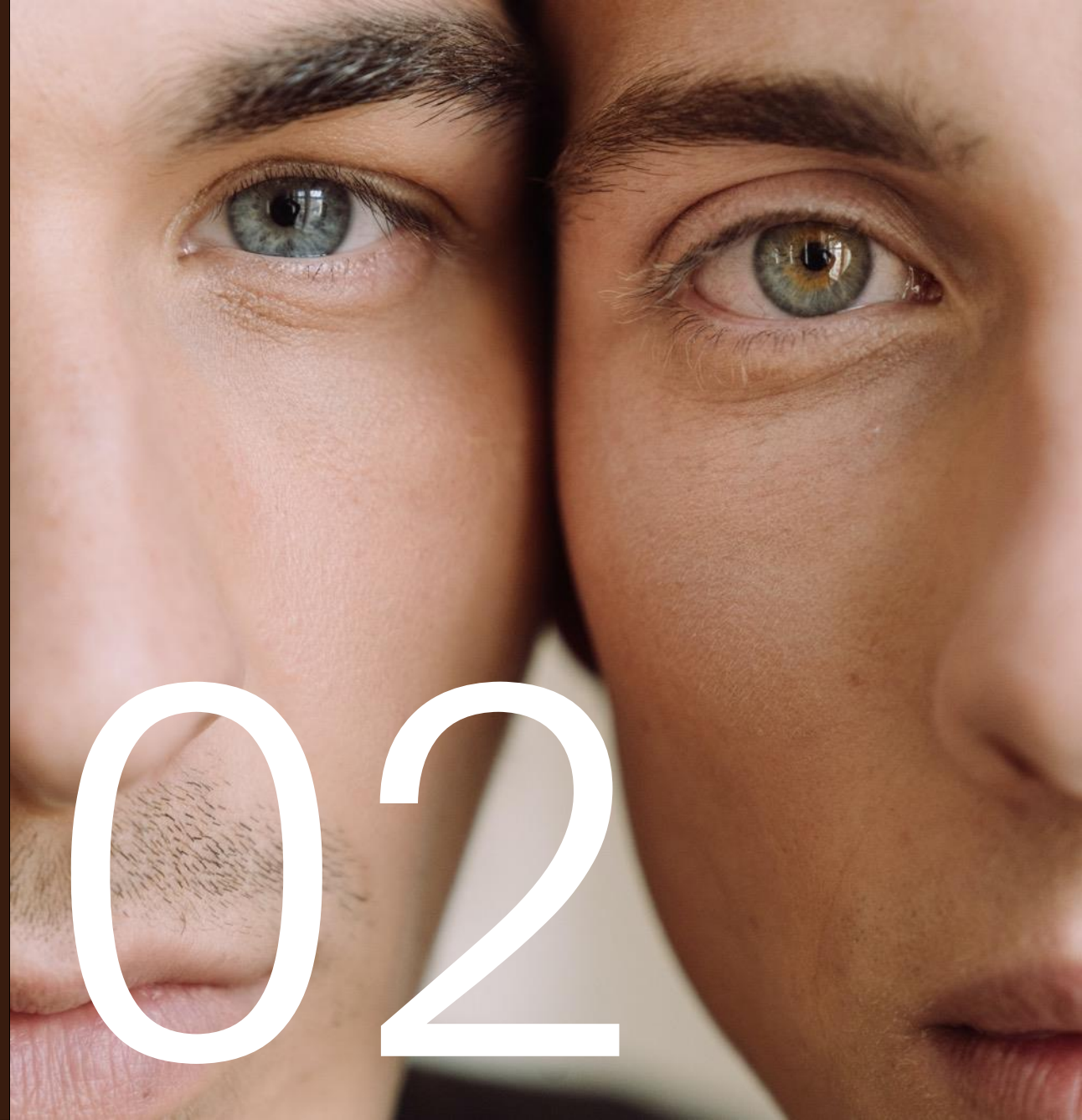
Visionary grants

- Unearthed 8 innovative projects fighting climate change
- \$500,000 provided in total grants

Some of the projects funded:

- Living Goods community health work in Uganda supporting 1,500+ people & generating a 30% reduction in child mortality¹⁴
- Love Mercy Foundation - empowering smallholder women farmers - increasing access to water by 14% & community acceptance by 12%¹⁵
- A solar community renewable energy project in Marlinja (NT) with Original Power¹⁶
- Driving the transition to net-zero infrastructure with Climateworks¹⁷

Financials



Key financials



Key financials (\$'000)	FY2022	FY2021	Change (YoY)
Operating Revenue pre performance fee	70,409	55,816	26%
Performance fee	375	2,895	(87%)
Operating Revenue	70,784	58,711	21%
Other Revenue	-	399	-
Total Revenue	70,784	59,110	20%
Expenses (excluding due diligence & transaction costs)	(56,028)	(43,614)	28%
Due diligence & transaction costs	(982)	-	-
Profit before income tax	13,774	15,496	(11%)
Income tax expense	(4,263)	(4,378)	(3%)
Net profit after tax – statutory	9,511	11,118	(14%)
Add Net loss attributable to The Foundation	86	143	(40%)
Net profit after tax attributable to shareholders	9,597	11,261	(15%)
Underlying profit after tax (UPAT) attributable to shareholders	10,284	11,052	(7%)
Underlying profit after tax (UPAT) attributable to shareholders pre performance fee	10,044	9,167	10%
Diluted earnings per share* – attributable to shareholders	8.55 cents	10.02 cents	(15%)
Diluted earnings per share 3-year CAGR	14.0%	31.0%	
Dividend per share^	6.0 cents	8.0 cents	
Net PBT margin	19%	26%	

Key Themes

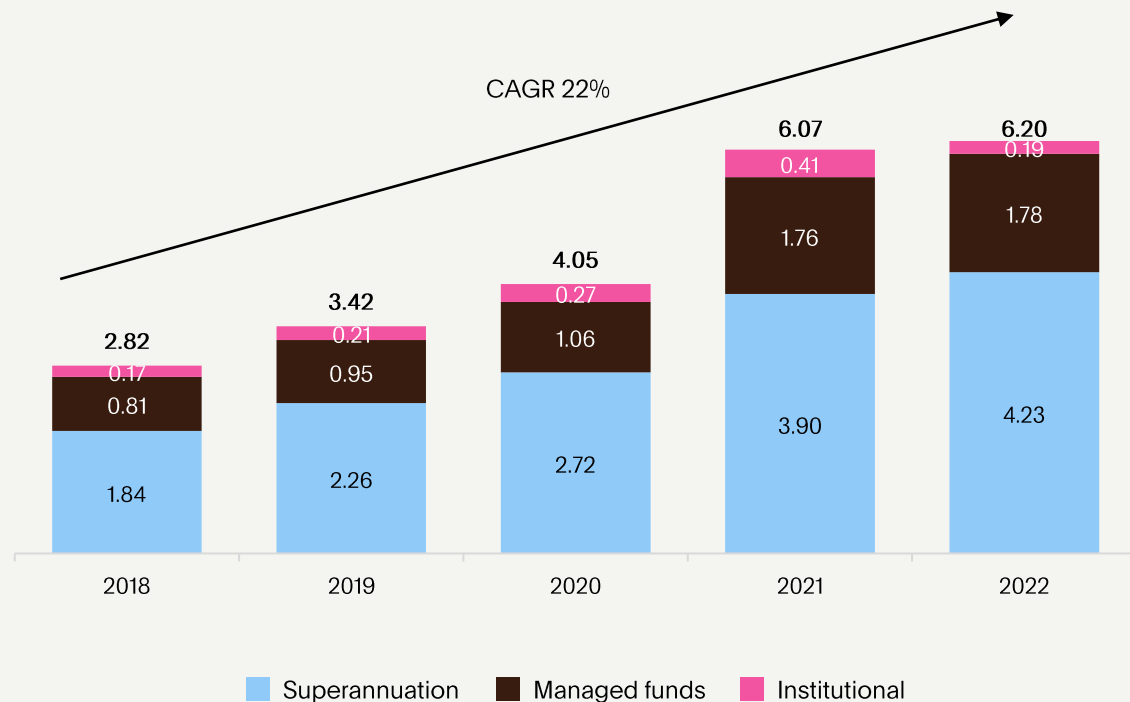
- Strong average FUM and customer growth driving operating revenue growth of 21%, which includes the impact of fee reductions (\$2.5m)^{^^}
- FY22 expense growth predominantly driven by targeted strategic initiatives as outlined on slide 20
- Performance fee of \$0.4m on Emerging Companies Fund. Excluding performance fee impact, NPAT was flat year on year, and UPAT grew 10%
- Final dividend of 3.0 cents. Total FY22 dividends of 6.0 cents. Payable on 15 September. Surplus cash retained for further investment in growth.

* EPS based on NPAT attributable to shareholders
Refer Slide 36 for detailed UPAT adjustments
^ FY21 Dividend per share includes 1c special dividend
^^ Calculated as the difference between previous margin and new margin applied to actual monthly average FUM by impacted option / fund over the period for which the reduced fees were in place (i.e. full year for those reductions implemented in June '21, and 9 months for those implemented in Oct '21).

FUM growth impacted by institutional outflow and volatile markets

FUM (\$bn)

As at 30 June of each year



Funds under management (\$bn)	FY2022	FY2021	Change (YoY)
Opening FUM	6.07	4.05	50%
Super net flows	0.75	0.61	22%
Managed Funds net flows (excl insto)	0.39	0.34	16%
Net flows (excl insto)	1.14	0.95	20%
Institutional net flows	(0.20)	0.08	large
Total net flows	0.94	1.03	(8%)
Market movement and other^	(0.81)	0.99	large
Closing FUM	6.20	6.07	2%
Average FUM	6.58	4.96	33%

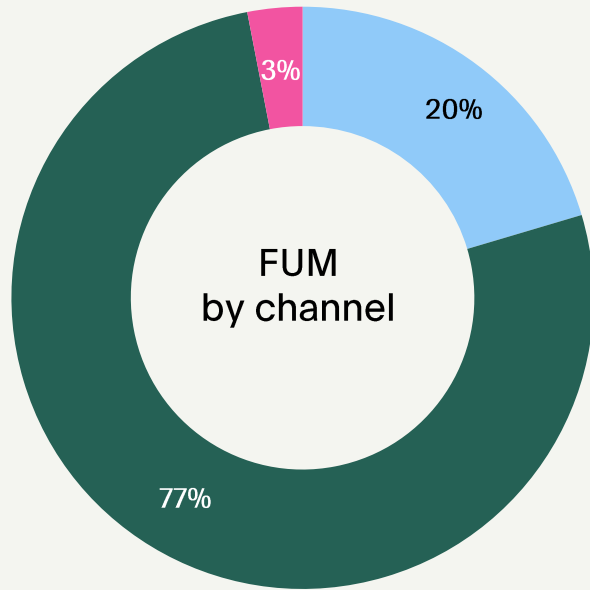
^ Includes changes in asset value due to market movements, income, reinvestments and distributions

Notes:

- FUM at 31 July was \$6.45bn
- Estimated pro forma FUM post SFT with Christian Super is >\$8bn

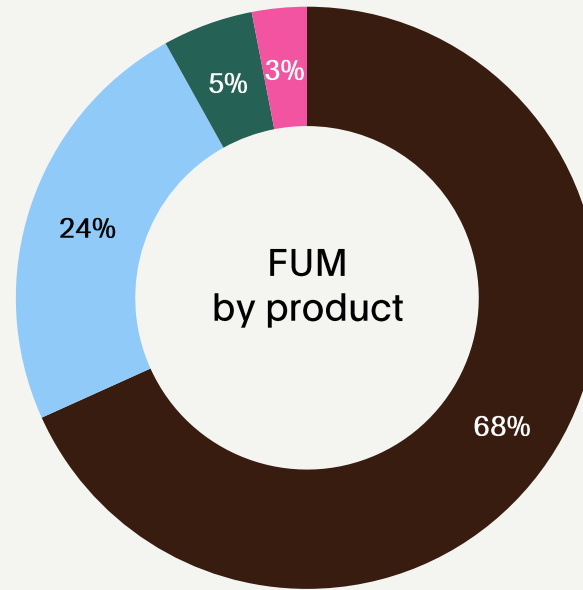
Building a diversified, resilient business to deliver sustainable growth

Direct remains predominant channel; strong focus on growing advised off a lower base



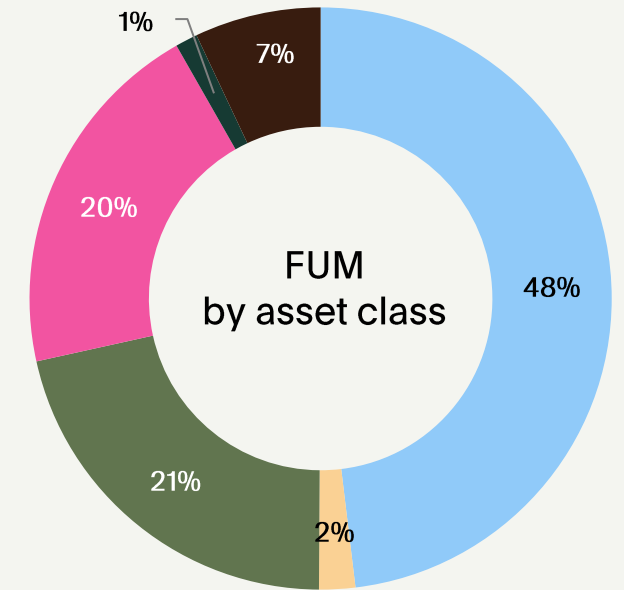
Institutional Advised Direct

Super FUM represents 68% of our book



Managed funds wholesale Managed funds retail
Managed funds institutional Superannuation

Domestic equities* comprise 48% of portfolio

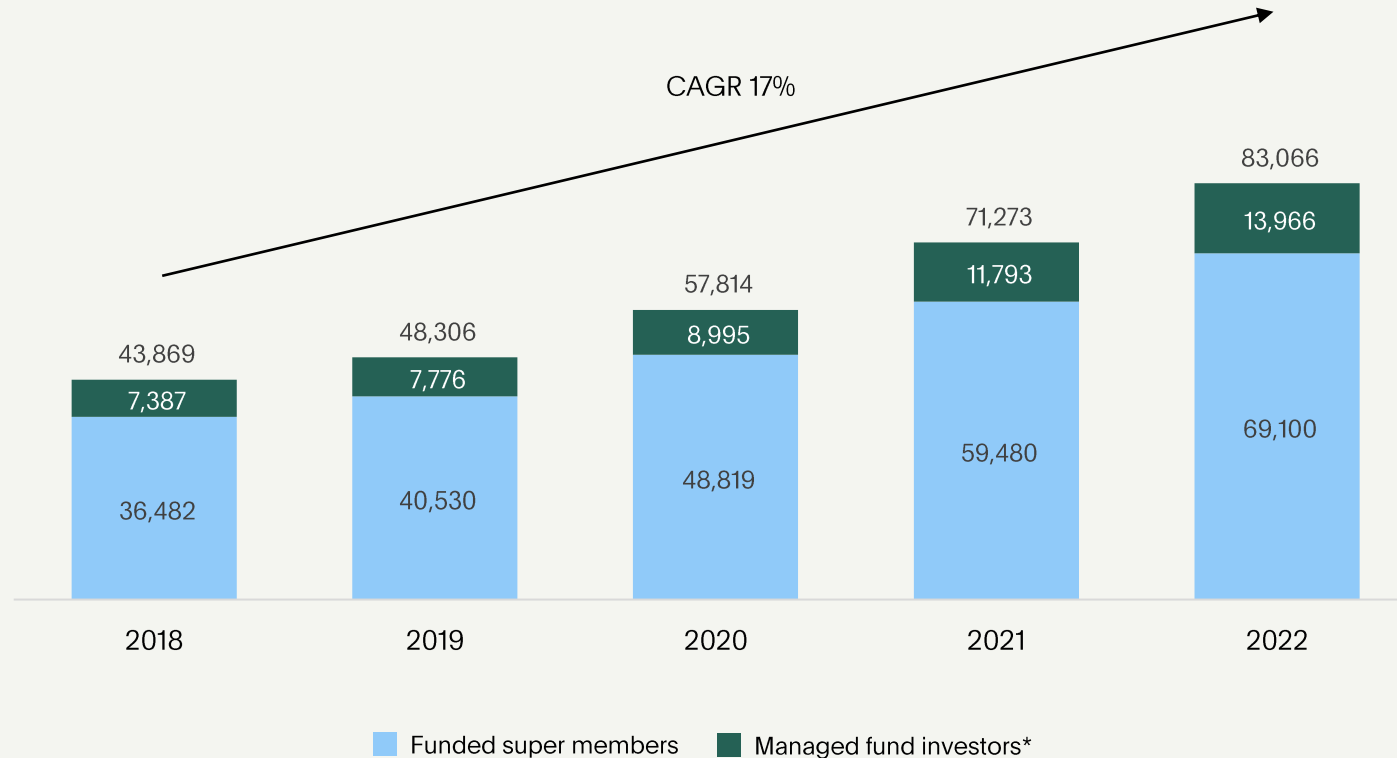


International Equity Unlisted Property
Fixed Income Domestic Equities
Alternatives Cash

Strong customer growth continues



Customers at 30 June



Key Themes

- Strong customer growth continues with funded customer numbers up 17%
- Managed fund customers are up 18% - a pleasing result in a market where many investors are redeeming their funds or holding onto cash
- In our more mature super business, funded members grew 16% as more Australians are seeking out responsible investment options for their superannuation
- Strong customer growth expected to continue as we invest in channel and product expansion including FY22 launch of listed channel (via first ETF), launch of employer platforms to accelerate growth in super customers, as well as ongoing focus on advised and direct channels
- The SFT with Christian Super will add up to 30,000 super members

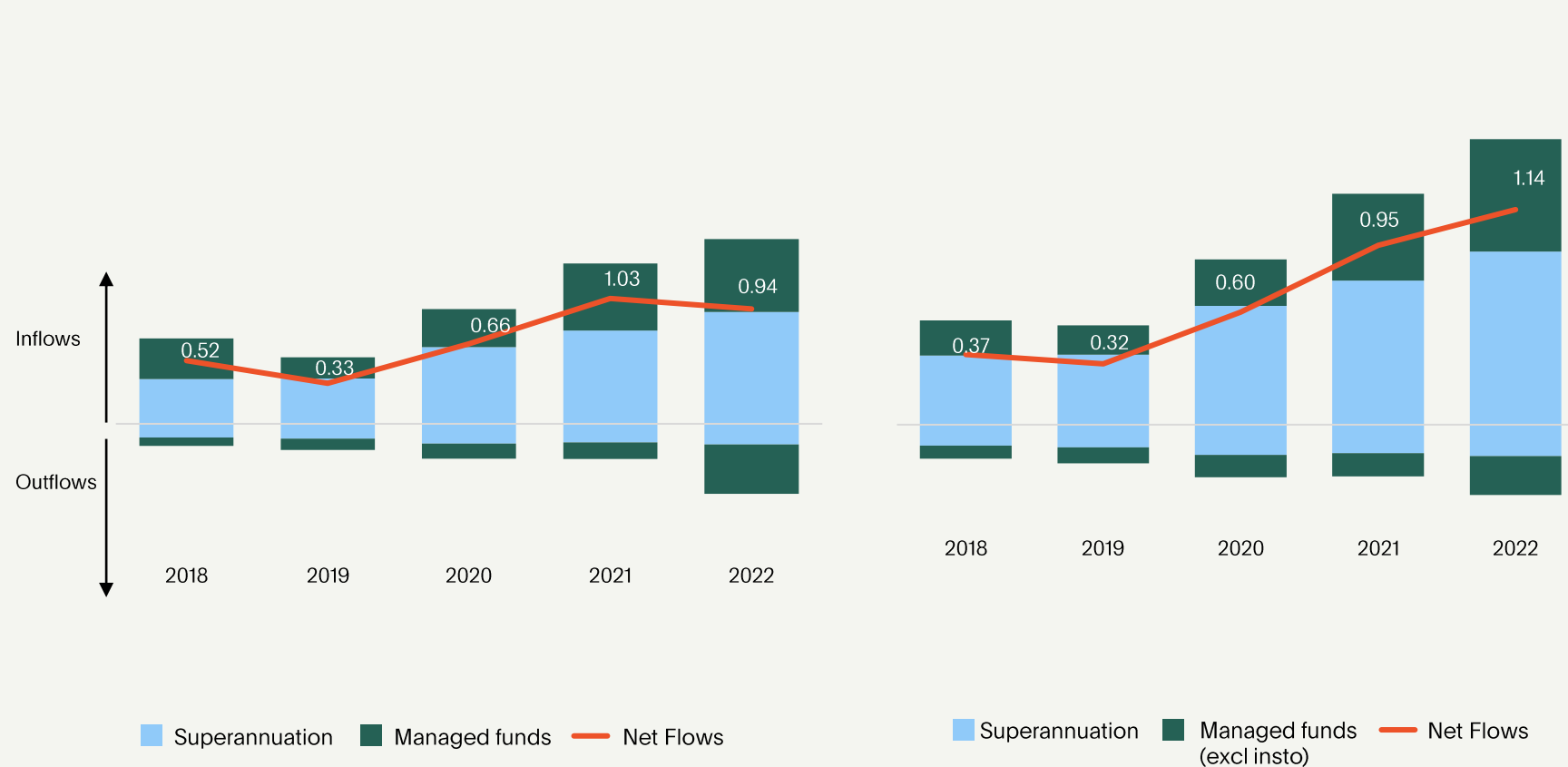
* Each platform is regarded as one investor (in managed fund investor numbers) as platforms don't disclose investor numbers. We have 23 platform accounts
Note: Super members may also be Managed Fund investors.

Strong growth in retail & wholesale net flows



Net flows by product (\$bn)

Net flows by product (excl insto) (\$bn)



Note: Managed funds includes SMA

Key Themes

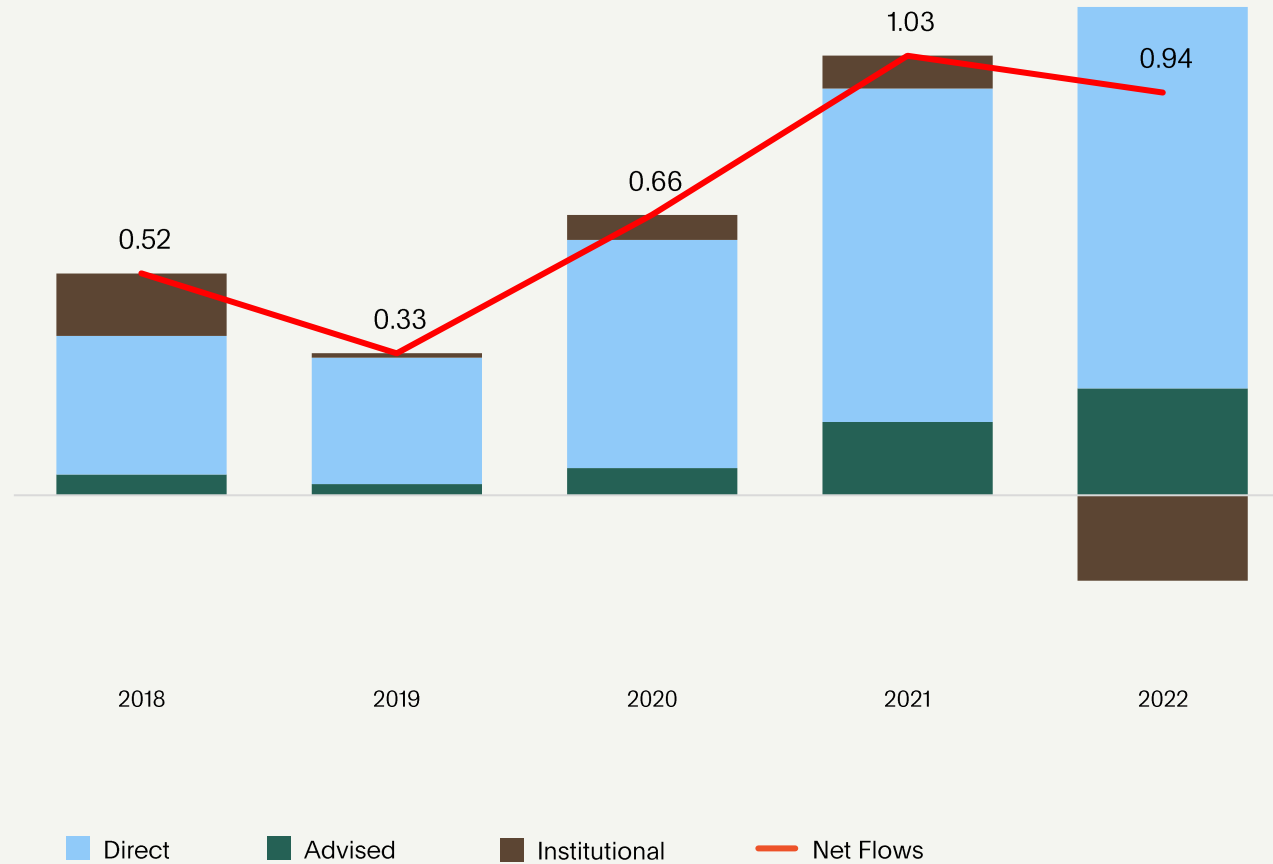
- Total net flows of \$0.94bn, down 8% from FY21 due to low margin institutional redemption of \$0.20bn
- Institutional redemption due to the internalisation of management of a client's sustainable option following a successor fund transfer*
- Higher margin retail and wholesale net flows (excluding institutional) up 20% to \$1.14bn
- Retail and wholesale managed funds net flows up 16% to \$0.39bn
- Record super net flows of \$0.75bn, up 22%
- Industry leading super retention rates - top quintile for highest retention⁴

* Note: as at 26 August, this client has now fully redeemed, with further redemptions of \$126m in July and a final \$57m in August

Net flows by channel



Net flows by channel (\$bn)



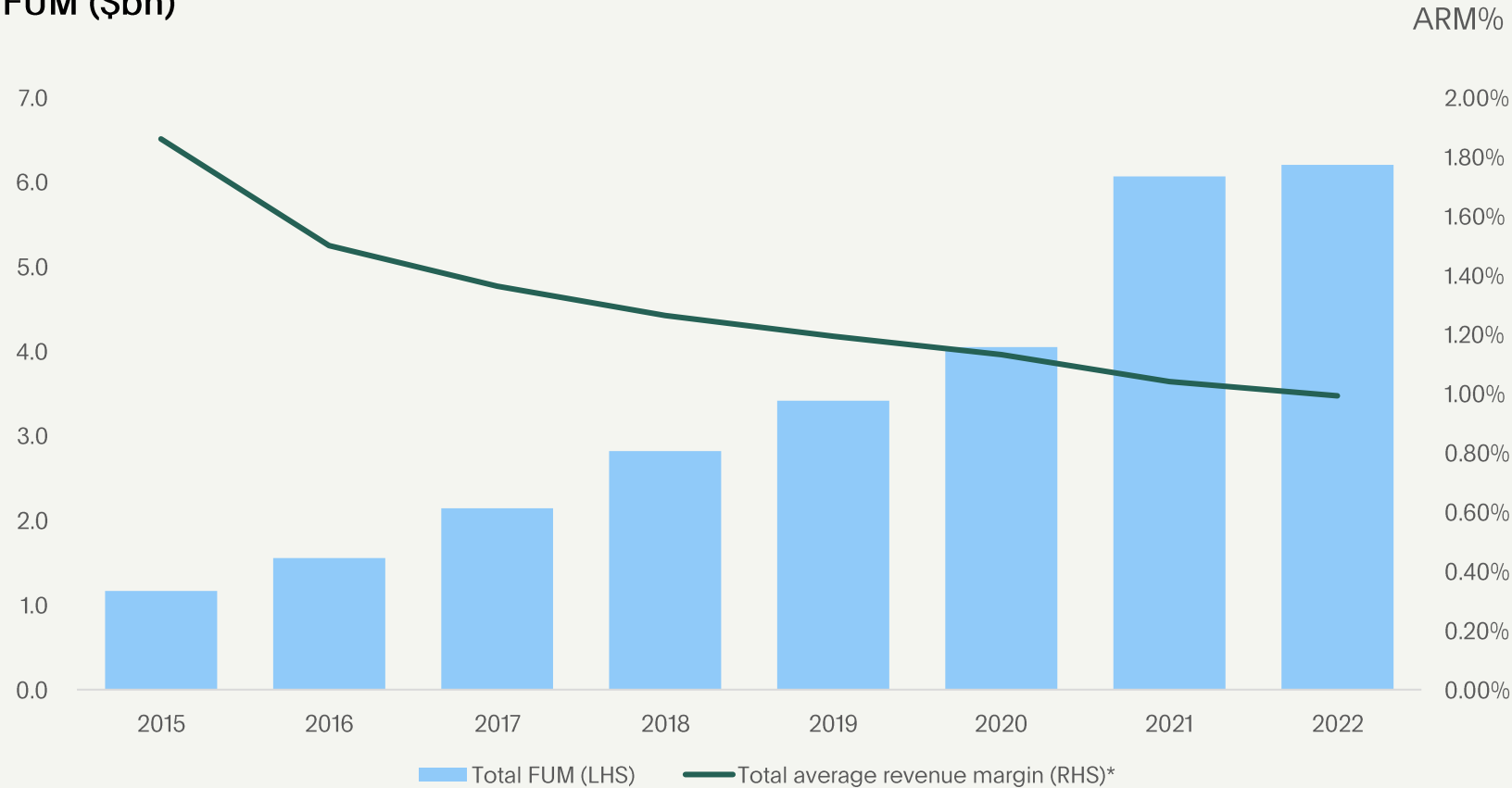
Key Themes

- Institutional redemption of \$0.20bn in FY22
- Advised channel net flows grew 46% to \$0.25bn following targeted strategic investment
- Our more mature direct channel net flows grew 14% to \$0.89bn

Revenue margin



FUM (\$bn)



Key Themes

- Fee reductions during the year as we pass on benefits of scale to our customers and remain competitive¹⁸
- Average margin across all products (including institutional and SMA) was 0.99% for FY22*. 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 balance profitable growth with fee reductions, to ensure a more competitive offering for our customers

* Average revenue margin calculated on FUM based revenue (excluding member based fees & excluding performance fee) as a percentage of average annual FUM

Operating revenue increased 21%



Operating Revenue (\$'m)

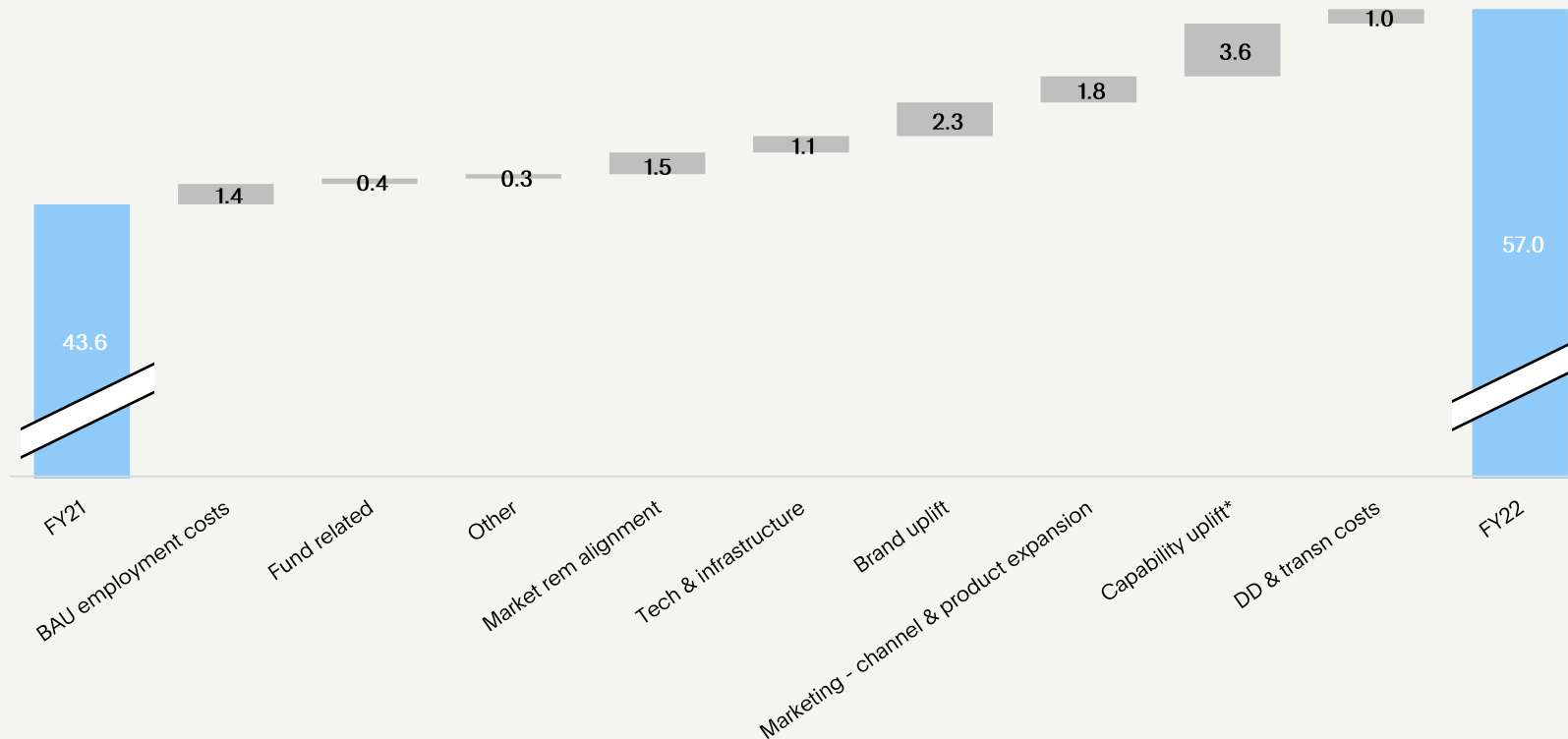


Key Themes

- Revenue growth driven by strong average FUM growth of 33%
- This growth is partially offset by the \$2.5m impact of fee reductions in FY22 and late FY21¹⁸
- FY22 managed funds performance fee of \$0.4m was \$2.5m lower than FY21 performance fee of \$2.9m

Expenses

Total expenses (\$'m)



Key Themes

- Expense increase driven by strategic investment to accelerate growth, with further acceleration anticipated as demand for responsible investing continues. Key areas of FY22 investment include:
 - ✓ Targeted strategic hires to bolster capability and to support future growth, including:
 - Investment team – three new staff to strengthen our investment leadership and to grow our institutional channel
 - Sales team – to expand our distribution reach and to drive strategic growth in the adviser channel
 - Business Intelligence & Technology team to increase data analytics & data led decision making
 - Contract hires to support strategic projects in lieu of consultants
 - ✓ Due diligence & transaction costs for M&A focussed on capability and scale
 - ✓ Other strategic initiatives to accelerate long term growth
- Following targeted investment, a scalable business platform is being delivered, including:
 - ✓ Robust systems and infrastructure
 - ✓ Strong market position, governance and underlying momentum
 - ✓ Market competitive remuneration with alignment of key investment team & leadership
 - ✓ Disciplined control of “BAU” expense base

Balance sheet strength*



Key Themes

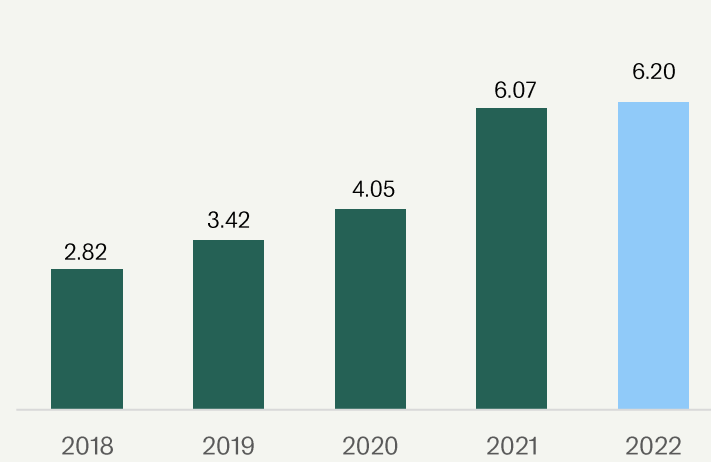
- Strong balance sheet with no debt
- Strong cash position
- Parent holds a surplus above regulatory capital of \$12.2m (pre-dividend)
- Reserves over regulatory requirements retained to fund potential future inorganic opportunities

\$m	FY2022	FY2021
Cash & cash equivalents	27.2	27.8
Surplus above regulatory capital	12.2	13.2
Net cash from operating activities	16.2	16.2
Cashflow conversion % [^]	>100%	>100%
Debt	0	0
Net Assets	24.7	24.2

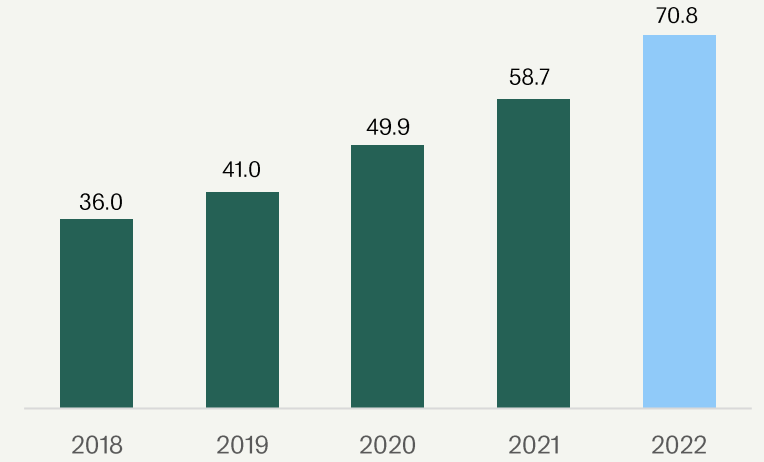


Key financials

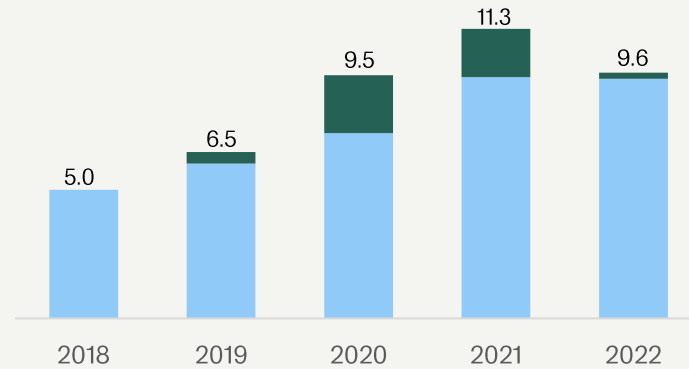
Funds under management (\$bn)



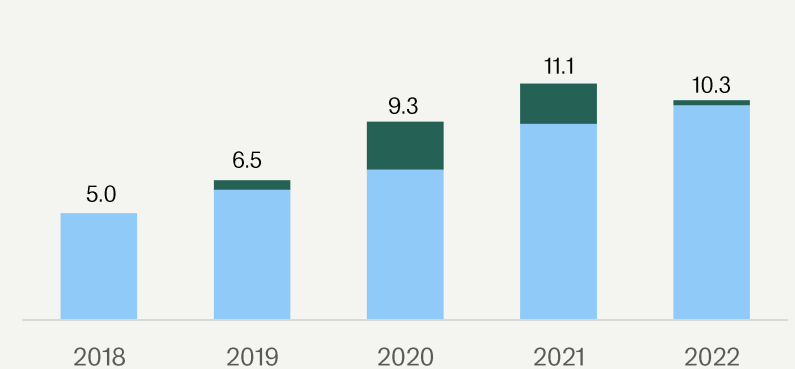
Operating Revenue (\$m)



Profit after tax* (\$m)



Underlying profit after tax* (\$m)



■ After tax & grants impact of performance fees on NPAT

■ Profit after tax (pre-performance fees)

■ After tax & grants impact of performance fees on UPAT

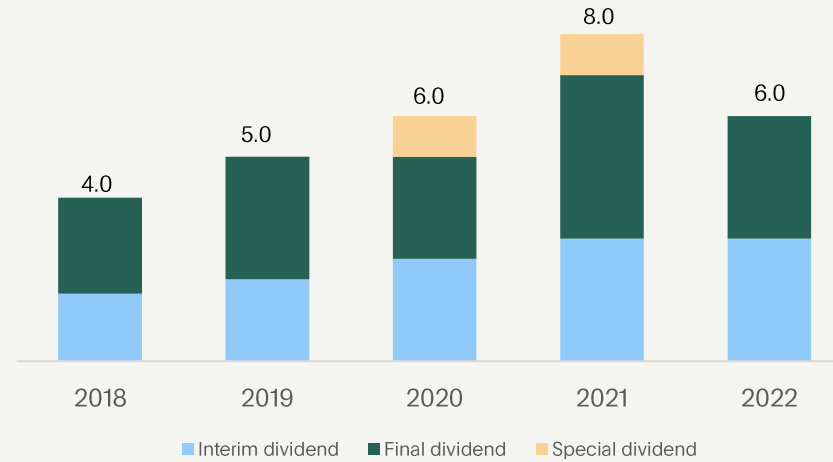
■ UPAT (excl performance fees)

* Attributable to shareholders

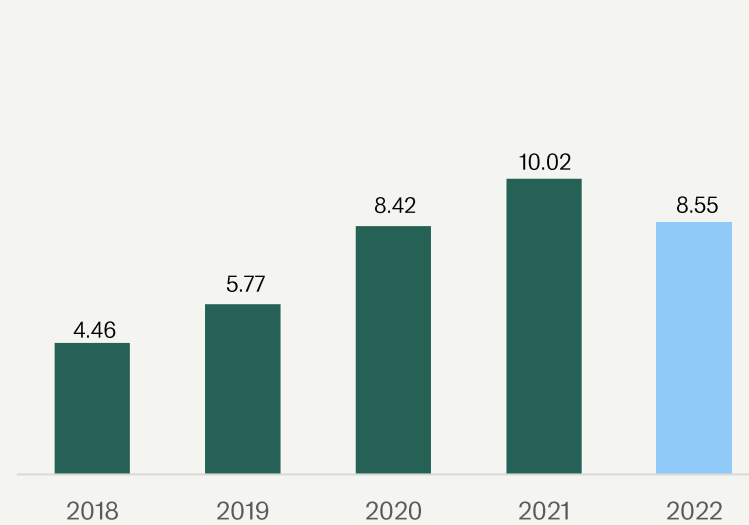


Key metrics

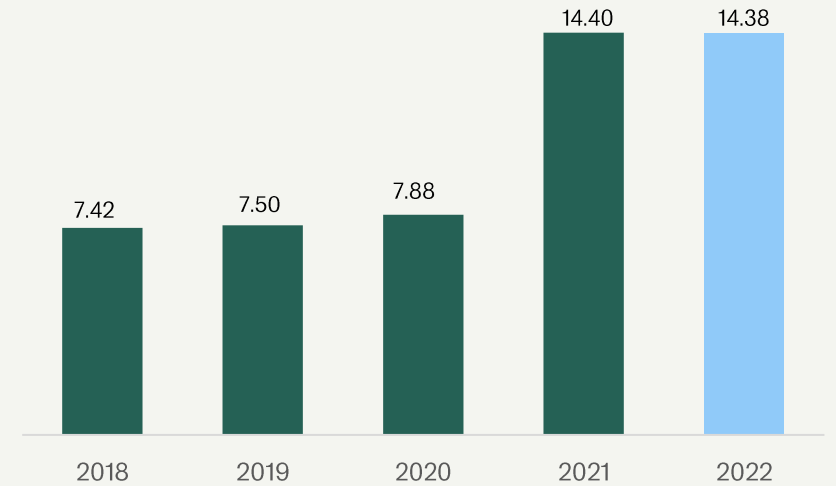
Dividends (cps)



Diluted earnings per share* (cps)



Net Cash from operating activities per share (cps)



*Based on NPAT attributable to shareholders
Performance fee was settled in July, thus cashflow impact was in FY21

Business update



03

Our strategic pillars

Purpose: Investing for a better world



1. Principled investment leadership

- Deliver leading products with long term competitive returns & portfolio resilience for investors.
- Be a powerful proof-point for ethical investing.



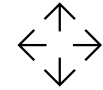
2. Advocates for a better world

- Fostering a coalition of co-investors in the cause for a better world.
- A bold voice harnessing people power and strength of community through purpose resonance and action.



3. Compelling client experience

- Deliver a seamless, modern, engaging and competitive client experience to support the creation of a better financial future for investors.



4. Impactful business

- Build scale and scalability through brand preference, channel and product breadth and efficient infrastructure.
- Delivering attractive shareholder returns and significant positive outcomes.



Leadership & Innovation: Driving a diverse high-performance environment and culture of innovation

Delivering on strategy in FY22

Strong momentum on delivering against our strategic pillars through FY22.
We are investing now to support sustainable, long-term growth

1. Principled investment leadership

New capability: Investment Director, Head of Investment Business Management & 3 new Investment Committee members

Minority stake in Sentient Impact Group

Momentum in product development: Launched High Growth & High Conviction funds (incl. first ETF) to reach new segments

Enhanced asset allocation through implementation of new strategic asset allocation model

2. Advocates for a better world

Announced a more ambitious net-zero target of 2040 for our private sector investments

Strong visibility through COP26 with 7,500 investors profiled on front page of Financial Times

\$1.6m allocated by the Foundation for impact initiatives including \$500k to new Visionary Grants supporting innovative climate solutions

3. Compelling client experience

#1 NPS for Super & HNW customers^{3,4}

Launch of new AE App to digitise, personalise and improve the managed fund investor experience

Continued to streamline the customer experience - launched new telephony system and automated key customer interactions; significant uptick in customer satisfaction metrics

4. Impactful business

Adviser channel gaining momentum: net flows up 46%

Launch of new channels - 'employer platform' channel to accelerate acquisition of super customers; and diversification into listed channel via launch of High Conviction ETF

SFT with Christian Super announced with potential to grow FUM by up to \$1.96bn

Backoffice digital transformation with new cloud based GL, integrated HR & payroll system



Leadership & innovation

Deep investment in capability across the business

Top quartile employee engagement

New performance & remuneration framework aligned to high performance culture

Creation of new incubator team to underpin innovative new product development

Christian Super SFT on track for completion by early 2023

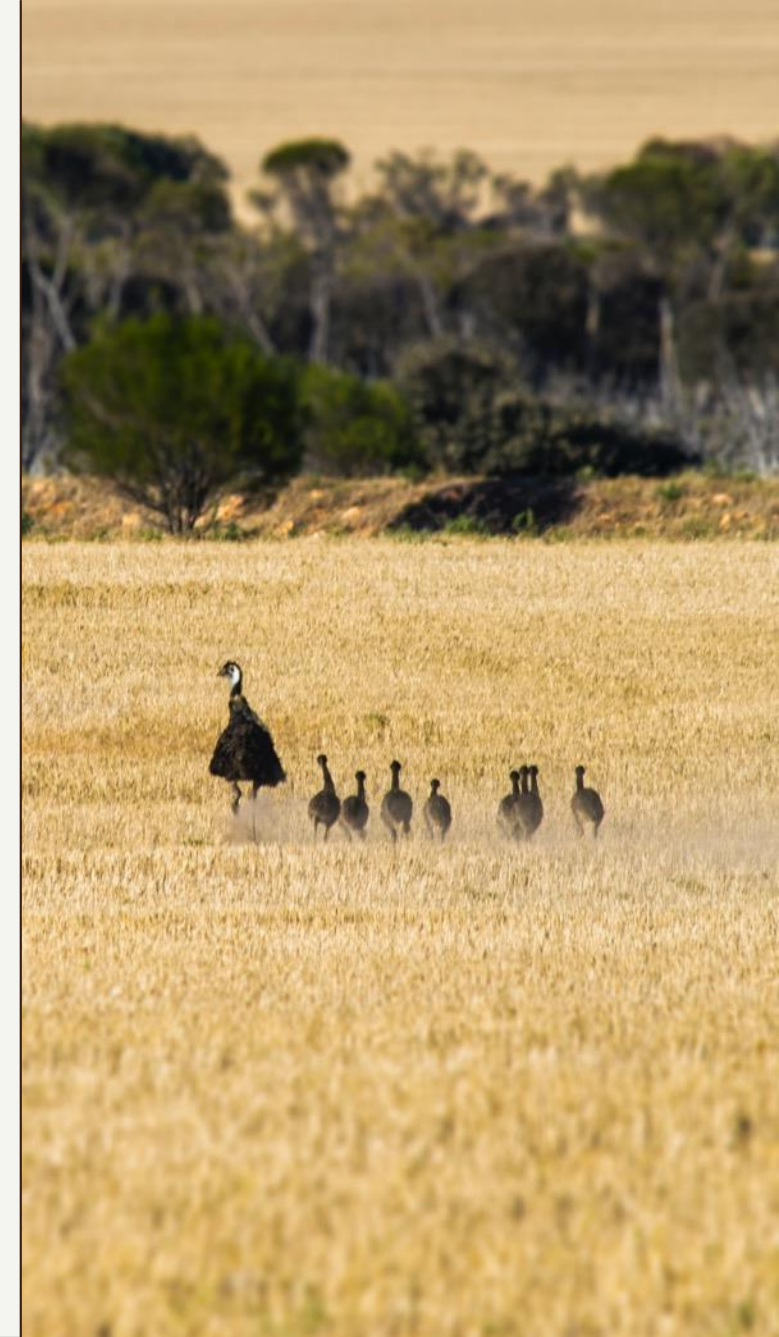
Christian Super is a profit-for-members Australian superannuation fund

~30,000 members and \$1.96bn in FUM

An investment philosophy focused on ethical investing

Predominantly direct and employer channels (via Christian Schools / faith-based organisations)

Successor fund transfer (SFT) deed signed in July 2022



Christian Super SFT on track for completion by early 2023

Benefits

- Benefits expected for all stakeholders, and will significantly accelerate our growth plans, bolster capability and add immediate scale
- Up to 30,000 members and \$1.96bn FUM to transition to Australian Ethical (but some member attrition expected). Estimated pro-forma combined FUM of >\$8bn
- Investment portfolio resilience will be enhanced through a greater exposure to alternatives and impact investments
- Scale benefits will allow planned aggregate fee reductions of ~3bps*, and the opportunity to invest in initiatives to further improve member experience

Integration & operating model

- Implementation and integration costs estimated to be \$3-4m
- Christian Super investment management will be largely internalised within the Australian Ethical investment team; Australian Ethical will maintain existing investment philosophy and options offered to members
- No changes will be made to the Australian Ethical Investment Ltd Board or the Australian Ethical brand
- 10-15 CS employees expected to be retained to support increased size and employer relationships
- Operating model synergies and efficiencies expected to emerge over the 1 to 2-year period
- The transaction is expected to be earnings accretive after the first year[^], subject to reinvestment in strategic initiatives

Further information will be provided on completion of SFT

* With reference to AE's total fee margin. This is in addition to the 1 September fee reductions noted on slide 29. Note that this BP impact reflects the impact on total margin, which differs to the FUM based margin referenced on slide 18
[^] on an underlying basis

Outlook

Further disciplined investment in FY23 to capture the significant growth opportunity

* From 1 September fee reductions of ~2BP planned. Further planned aggregate fee reductions of ~3BP on completion of the Christian Super SFT (with reference to AE's current total fee margin). Note that this BP impact reflects the impact on total margin, which differs to the FUM based margin referenced on slide 18



Volatile markets expected to continue

FY23 will see disciplined, focussed investment in the business and careful management of BAU cost base



Christian Super

SFT expected to complete early 2023 delivering FUM growth, scale, capability and portfolio diversification



Further fee reductions*

to ensure our products are accessible and competitive.



Growth in net flows expected to continue

however FY23 profit will reflect continued reinvestment in the business with higher growth in operating expenses vs revenue



Some scale benefits

expected in FY24, as we realise the anticipated benefits of investing in our business, however business to remain in growth phase for the medium term



FUM at 31 July reached \$6.45bn

up 4% from 30 June 2022

Appendices



Balanced Accumulation Option (MySuper)

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, through the option's allocation to domestic equities

The option has exceeded its objective of CPI + 3.5% for 7 and 10 years by 0.3% and 1.7% respectively

	1Y	3Y (%pa)	5Y (%pa)	7Y (%pa)	10Y (%pa)	Inception (%pa)*
Absolute performance~	(6.3%)	4.0%	5.8%	6.0%	7.4%	6.1%
Performance gross of member fee	(6.1%)	4.2%	5.9%	6.1%	7.5%	6.1%
Benchmark#	(3.4%)	4.1%	5.3%	5.2%	6.4%	4.9%
Relative Performance**	(2.7%)	0.1%	0.6%	0.9%	1.2%	1.2%

~ After all fees, assuming average \$50k member balance. Performance calculated in accordance with FSC standard 6 and standard 10, and is as at 30 June 2022

* Inception Date: 31/12/1998

Benchmark changed from Morningstar Multisector Growth - Superannuation to SuperRatings SR50 Balanced (60-76) Index from 1 Dec 2019.

** Relative performance variances are due to rounding

Past performance is not a reliable indicator of future performance

Australian Shares Fund

The largest driver of negative absolute and relative performance came from our domestic equities portfolio, which was down -12% over the 12-months against the benchmark, the S&P ASX 200 index, return of -6.5%. Our domestic equities portfolios, in line with the principles of our Ethical Charter, hold no fossil fuel companies, have a significantly lower than benchmark allocation to materials, and have a sizeable allocation to small companies. All these positions were negative contributors given heightened inflation and concerns around energy supply, plus rising interest rates which impact smaller growth-oriented companies moreso than their larger counterparts.

The fund has generated top quartile performance over 3, 4, 5 & 10 years[#]

	1Y	3Y (%pa)	5Y (%pa)	7Y (%pa)	10Y (%pa)	20Y (%pa)	Inception (%pa)
Retail*	(17.8%)	6.0%	6.9%	8.3%	11.3%	9.5%	9.5%
Benchmark^^	(6.8%)	3.4%	6.8%	7.8%	9.1%	7.1%	6.9%
Relative Performance	(11.0%)	2.6%	0.05%	0.5%	2.2%	2.4%	2.5%
S&P/ASX Small Industrials Accum Index	(24.0%)	(2.2%)	3.3%	5.3%	7.3%	6.2%	6.3%
Relative Performance	6.2%	8.2%	3.5%	3.1%	4.0%	3.3%	3.2%
Wholesale^	(17.3%)	6.8%	7.9%	9.6%	12.7%	n/a	12.4%
Benchmark^^	(6.8%)	3.4%	6.8%	7.8%	9.1%	n/a	9.1%
Relative Performance	(10.5%)	3.4%	1.1%	1.8%	3.6%	n/a	3.3%
S&P/ASX Small Industrials Accum Index	(24.0%)	(2.2%)	3.3%	5.3%	7.3%	n/a	7.4%
Relative Performance	6.7%	9.0%	4.6%	4.3%	5.4%	n/a	5.0%

Emerging Companies Fund

Over 1 year, the Fund's investments in the Financials sector outperformed while its IT investments detracted, with early stage microcap and small-cap Australian companies particularly hard hit.

Higher degree of volatility expected from smaller-cap investments, but through deep research over time we have been able to identify highly attractive opportunities that have delivered returns well in excess of the broader market.

The fund has outperformed the benchmark for all time periods with top quartile performance over 3, 4 & 5 years[#]

	1Y	3Y (%pa)	5Y (%pa)	7Y (%pa)	Inception (%pa)
Retail*	(23.1%)	9.4%	11.3%	12.1%	12.1%
S&P/ASX Small Industrials Accum Index	(24.0%)	(2.2%)	3.3%	5.3%	5.3%
Relative Performance	0.9%	11.6%	8.0%	6.9%	6.9%
Wholesale*	(22.8%)	9.9%	12.0%	12.9%	12.9%
S&P/ASX Small Industrials Accum Index	(24.0%)	(2.2%)	3.3%	5.3%	5.3%
Relative Performance	1.2%	12.1%	8.7%	7.6%	7.6%

Table reflects performance after all fees (including performance fees) for the Emerging Companies Fund.

Performance calculated in accordance with FSC standard 6 and standard 10, and is as at 30 June 2022.

* Inception Date: 30/06/2015

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

Past performance is not a reliable indicator of future performance

High Conviction Fund – Launched 1 Oct 2021

The Fund commenced on 1 October 2021 and has delivered -9.9% since inception. This is -1.5 percentage points (ppts) behind the S&P/ASX 300 Accumulation index benchmark and 3.6ppts ahead of the S&P/ASX 300 Industrials index (which excludes resources). Underperformance reflects the Fund’s material underweight to fossil fuel-oriented resource companies, consistent with our Ethical Charter. The Fund benefited, particularly over the 6 months to 30 June 2022, from being relatively defensively positioned versus the benchmark, with large exposures to insurance, communications and consumer staples, sectors that are somewhat economically resilient. The Fund continues to be relatively defensively positioned and oriented towards more mature companies with strong balance sheets.

This dual-channel fund is available via ETF and direct channels.
It’s the second Australian Ethical Fund with potential to deliver performance fees.

	1 month	3 months	6 months	Inception (%pa)*
High Conviction Fund	(7.2%)	(9.7%)	(8.3%)	(9.9%)
S&P/ASX 300 Accum Index	(9.0%)	(12.2%)	(10.4%)	(8.4%)
Relative Performance	1.8%	2.5%	2.1%	(1.5%)

Table reflects performance after all fees (including performance fees) for the High Conviction Fund.
Performance calculated in accordance with FSC standard 6 and standard 10, and is as at 30 June 2022.
* Inception Date: 1 October 2021
Past performance is not a reliable indicator of future performance

Historical performance fee impact on results

Key financials (\$'000)	FY2022	FY2021	Change (YoY)
Operating Revenue pre performance fee	70,409	55,816	26%
Performance fee	375	2,895	(87%)
Operating Revenue post performance fee	70,784	58,711	21%
Net profit after tax attributable to shareholders (post performance fee)	9,597	11,261	(15%)
Performance fee post tax & community grant expense	(240)	(1,885)	(87%)
Net profit after tax attributable to shareholders (pre performance fee)	9,356	9,377	0%
Underlying profit after tax (UPAT) attributable to shareholders (post performance fee)	10,284	11,052	(7%)
Underlying profit after tax (UPAT) attributable to shareholders (pre performance fee)	10,044	9,167	10%
Diluted earnings per share* – attributable to shareholders (post performance fee)	8.55 cents	10.02 cents	(15%)
Diluted earnings per share* – attributable to shareholders (pre performance fee)	8.33 cents	8.35 cents	0%
Diluted earnings per share 3-year CAGR (post performance fee)	14.0%	31.0%	
Diluted earnings per share 3-year CAGR (pre performance fee)	16.2%	23.2%	

*EPS based on NPAT
Any variances in totals are due to rounding

UPAT reconciliation

Key financials (\$'000)	FY2022	FY2021	Change (YoY)
Net profit after tax – statutory	9,511	11,118	(14%)
Add: Net Loss attributable to The Foundation	86	143	(40%)
Net profit after tax attributable to shareholders	9,597	11,261	(15%)
Due diligence & transaction costs relating to mergers & acquisition activity*	982	-	
Government grant income	-	(100)	
Government grant donated	-	100	
Net proceeds from insurance settlement	-	(299)	
Tax on adjustments	(295)	90	
Underlying profit after tax (UPAT) attributable to shareholders	10,284	11,052	(7%)
Performance fee post tax & community grant expense	(240)	(1,885)	
Underlying profit after tax (UPAT) attributable to shareholders (pre performance fee)	10,044	9,167	10%

* Due diligence & transaction costs includes consultants, legal services and contractors engaged in relation to the investment in Sentient Impact Group, the successor funds transfer with Christian Super and ongoing inorganic investment opportunities.

Footnotes

1. [B Corp 'Best for the World Honouree' Customer 2022 and BCorp 'Best for the World Honouree' Governance 2022. The Best for the World are BCorps whose score in the top 5% of all 3,500+ B Corps worldwide.](#) This relates to the Australian Ethical entity, not the investment portfolio.
2. Investment Trends Superfund Member Engagement Report, May 2022. Independent research covering 23 major super funds and surveying over 7,500 Australians exploring the attitudes, behaviours and preferences of super fund members, including satisfaction levels across multiple service elements.
3. Swayable brand tracker
4. KPMG 2022 Super Insights Report – published May 2022, using statistics published by APRA and ATO as at 30 June 2021. Fastest growing super fund over 5 years by members to June 2021. Fourth lowest net outflow ratio measured as a percentage of inflows.
5. Investment Trends High Net Worth Investor Report – November 2021.
6. Top quartile Australian Financial Services Benchmark (Culture Amp).
7. Carbon intensity (measured as tonnes CO₂e per \$ revenue) of Australia Ethical share investments compared to a blended benchmark of S&P ASX 200 Index (for Australian and NZ shareholdings) and MSCI World ex Australia Index (for international shareholdings). Comparisons based on shareholdings at 30 June 2022 and analysis tools provided by external sources which cover 88% of the listed companies we hold shares in by value.
8. We don't invest in companies whose main business is fossil fuels, or in diversified companies that earn some fossil fuel revenue and aren't creating positive impact with their other activities. We may invest in a diversified company which is having a positive impact in other ways such as producing renewable energy, providing its negative revenue is sufficiently low (a maximum of 5% to 33% depending on the activity).
9. We have never invested in tobacco and support Tobacco Free Portfolios. For more information on our Ethical Criteria, visit: australianethical.com.au/why-ae/ethics/ethical-criteria
10. Revenue from impact solutions compared to a blended benchmark of S&P ASX 200 Index (for Australian and NZ shareholdings) and MSCI World ex Australia Index (for international shareholdings). Comparisons based on shareholdings at 30 June 2022 and analysis tools provided by external sources which cover 88% of the listed companies we hold shares in by value.
11. Proportion of our share investments in renewables and energy solutions compared to the blended benchmark of S&P ASX 200 Index (for Australian and NZ shareholdings) and MSCI World ex Australia Index (for international shareholdings). Comparisons based on shareholdings at 30 June 2022 and analysis tools provided by external sources which cover 88% of the listed companies we hold shares in by value.
12. Total includes lending our voice to support others' initiatives, engaging with companies, the investment community or government directly (on our own or with others), and filing and voting on shareholder resolutions. Represents FY22 activity.
13. Before deducting bonus and grant expense.
14. Australian Ethical Foundation annual impact acquittal reporting.
15. [Love Mercy Foundation 2021 Annual Report](#)
16. [2021 Visionary Grants funded project](#)
17. 2021 Visionary Grants funded project.
18. In June 2021, we reduced the fees on the Australian Shares and International options for our super members. For managed fund customers, fees were reduced on the Balanced, International, Diversified, Advocacy, Australian Shares and Emerging Companies retail funds, and the Balanced and International wholesale funds. And, in October 2021, we repositioned our Advocacy Fund as the High Growth Fund with a reduction in fees for our super and wholesale managed fund customers. Impact of fee reductions are calculated as the difference between previous margin and new margin applied to actual monthly average FUM by impacted option / fund over the period over which the reduced fees were in place (i.e. full year for those reductions implemented in June '21, and 9 months for those implemented in Oct'21). Further fee reductions are planned in September 2022, and on completion of the Christian Super SFT.

Contacts

John McMurdo

Chief Executive Officer

✉ jmcmurdo@australianethical.com.au

☎ 0449 903 207

Melanie Hill

Head of Business Performance & Investor Relations

✉ mhill@australianethical.com.au

☎ 0428 879 348

Mark Simons

Chief Financial Officer

✉ msimons@australianethical.com.au

☎ 0434 369 746

Camilla Herring

Head of Communications

✉ cherring@australianethical.com.au

☎ 0432 988 980

Disclaimer

Australian Ethical Investment Ltd (ABN 47 003 188 930; AFSL No. 229949) is the Responsible Entity and Investment Manager of the Australian Ethical Managed Investment Funds. Interests in the Australian Ethical Retail Superannuation Fund (ABN 49 633 667 743; Fund Registration No. R1004731) are offered by Australian Ethical Investment Ltd by arrangement with its subsidiary and trustee of the Super Fund, Australian Ethical Superannuation Pty Ltd (ABN 43 079 259 733, Registerable Superannuation Entity Licence No. L0001441, AFSL No. 526055).

The information contained in this presentation is general information only, and does not take into account your individual investment objectives, financial situation or needs. Before acting on it, you should consider seeking independent financial advice that is tailored to your personal circumstances and refer to the Financial Services Guide, Product Disclosure Statements and Additional Information Booklets available on our website (australianethical.com.au).

Certain statements in this presentation relate to the future. Such statements involve known and unknown risks and uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from expected future results. Australian Ethical Investment Ltd does not give any representation, assurance or guarantee that the events expressed or implied in any forward-looking statements in this update will actually occur and you are cautioned not to place undue reliance on such statements.

The content of this presentation is intended to provide a summary and general overview concerning matters of interest and is correct as at the date of publication. It has not been subject to auditor review. Australian Ethical Investment Ltd does not accept any liability, either directly or indirectly, arising from any person relying, either wholly or partially, upon any information shown in, or omitted from, this update. Under no circumstances will Australian Ethical Investment Ltd be liable for any loss or damage caused by your reliance on information obtained from this update. You should consider seeking independent advice from a legal or other professional adviser before acting in response to the content of this update.

Thank you

