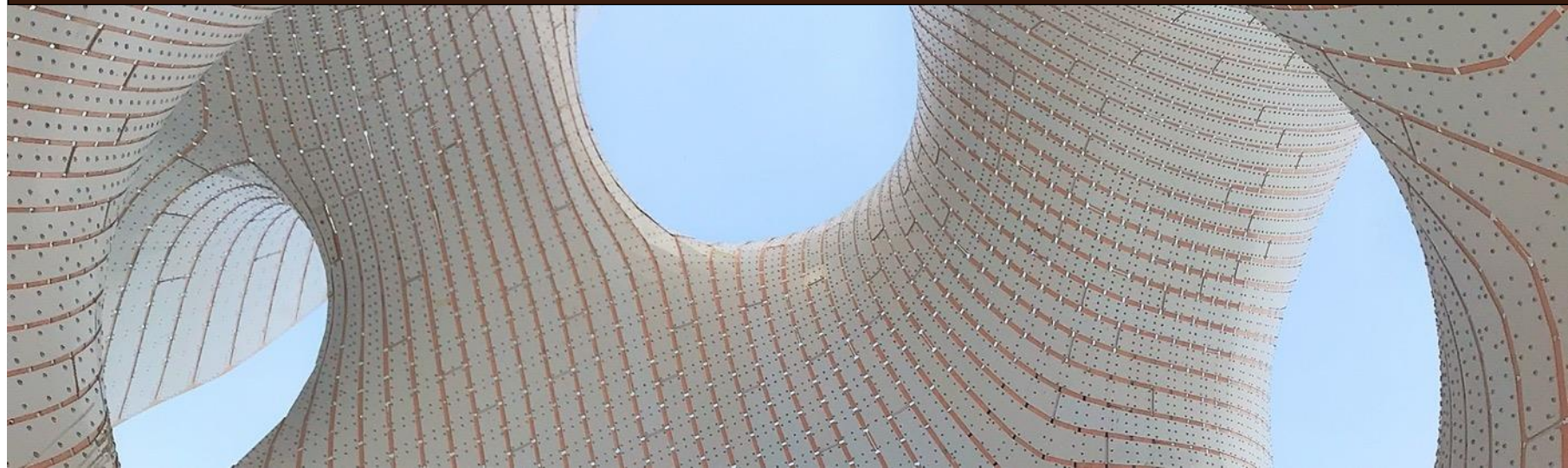


**Australian
Ethical**

Australian Ethical Investment Ltd FY23 H1– Analyst pack

22 February 2023

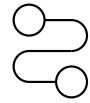


Overview & history



Our purpose

Investing for a better world



35+ years

offering investment and super solutions using our leading ethical investing approach



100+ employees

and growing



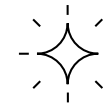
Our vision

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 \$8bn+

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



Multi award-winning

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



Top 5

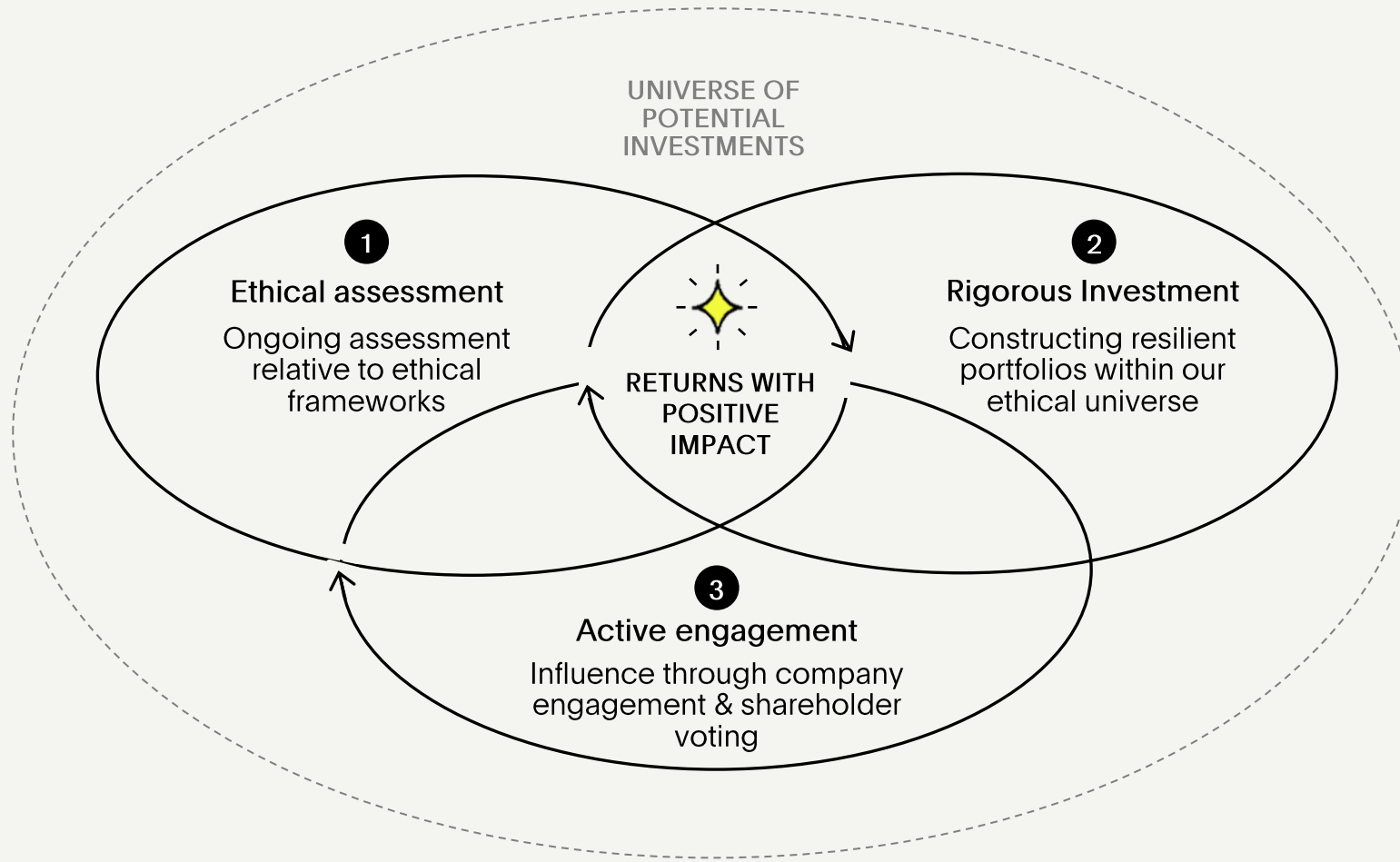
fastest growing super fund over 1 year[^]

* after tax and before bonuses

[^] 4th fastest growing super fund for FY22 relative to size, based on FY22 APRA statistics. Calculated by dividing net inflows by FUM – Investment Magazine, 18 January 2023

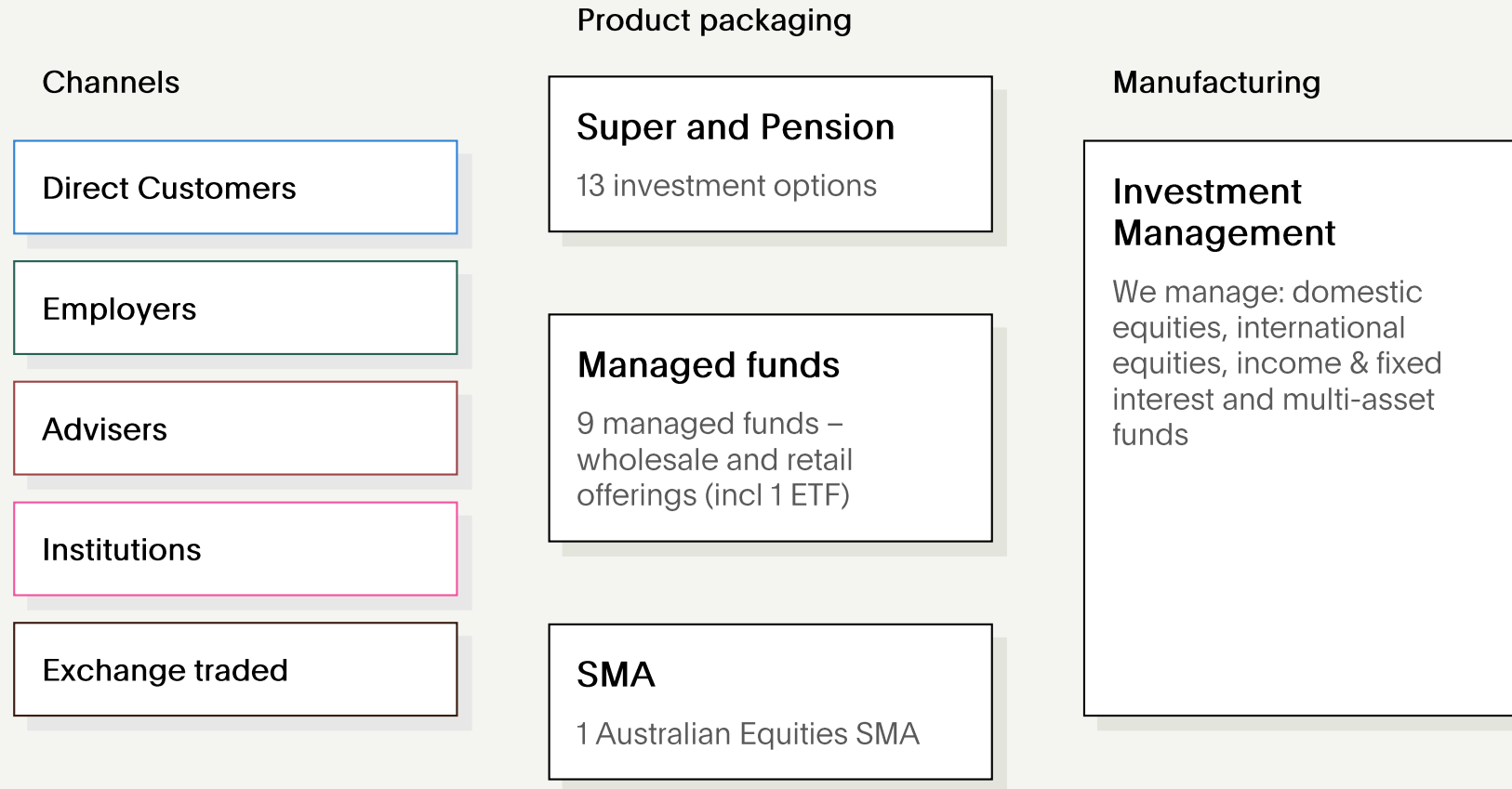
How we invest

Creating returns with positive impact



Our business model

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



Additional information

- 80% of net flows acquired via direct channel*
- Investing in growing advised channel and HNW / Mezzanine segment, whilst also expanding direct channel through employment platforms partnerships
- Externally managed property, alternative assets and global credit ~19% of total FUM
 - Super has direct holdings in property, alternatives and global credit ~6% of Super FUM

* As a percentage of net flows excluding institutional. This also includes net flows from employers.

FUM summary – Asset Class & Strategy

Asset Class	FUM at 31 Dec 22 (\$bn)	FUM at 30 Jun 22 (\$bn)
Domestic Equities*	3.60	2.98
International Equity	1.72	1.32
Cash	0.22	0.15
Fixed Income	1.74	1.24
Unlisted Property~	0.55	0.44
Alternatives~	0.54	0.09
Total	8.37	6.20

Asset Strategy	FUM at 31 Dec 22 (\$bn)	FUM at 30 Jun 22 (\$bn)
Single	1.96	1.65
Multi-Asset	6.41	4.55
Total	8.37	6.20

* Including NZ equities
~ Externally managed

FUM summary – Managed Funds

Fund/option	Current Management Fee	FUM at 30 June 22 (\$bn)	Applications and Redemptions Net flows for 1H23 (\$bn)	Reclass. and switches + Transfer 1H23 (\$bn)	Market movement / Other 1H23 (\$bn)	FUM at 31 Dec 22 (\$bn)
Managed Funds – Retail						
Balanced Fund	1.42%	0.09	-	-	-	0.09
Australian Shares	1.69%	0.18	-	-	-	0.18
Emerging Companies	1.69%	0.02	-	-	-	0.02
Income, Fixed, Int'l, Diversified, High Growth	0.20%, 0.50%, 0.99%, 1.39%, 1.39%	0.03	-	-	-	0.03
Total Managed Funds Retail		0.31	0.01	(0.01)	0.00	0.32
Managed Funds – Wholesale						
Income Fund	0.20%	0.01	-	-	-	0.01
Fixed Interest	0.30%	0.03	-	-	-	0.03
International Shares	0.59%	0.09	-	-	-	0.08
Balanced Fund	0.76%	0.23	0.02	-	-	0.25
High Conviction	0.80%	-	-	-	-	0.01
Diversified Shares	0.95%	0.26	-	-	-	0.26
High Growth	0.90%	0.06	-	-	-	0.07
Australian Shares	1.10%	0.59	0.04	-	0.01	0.64
Emerging Companies	1.20%	0.20	-	-	-	0.20
Total Managed Funds Wholesale		1.46	0.06	0.01	0.02	1.56
Institutional		0.18	(0.18)	-	-	(0.00)
Total Managed Funds		1.97	(0.11)	-	0.02	1.87

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
- Market movement/Other Includes changes in asset value due to market movements, income, reinvestments and distributions
- Amounts shown as “-” may have small values that round down to zero

FUM summary – Superannuation

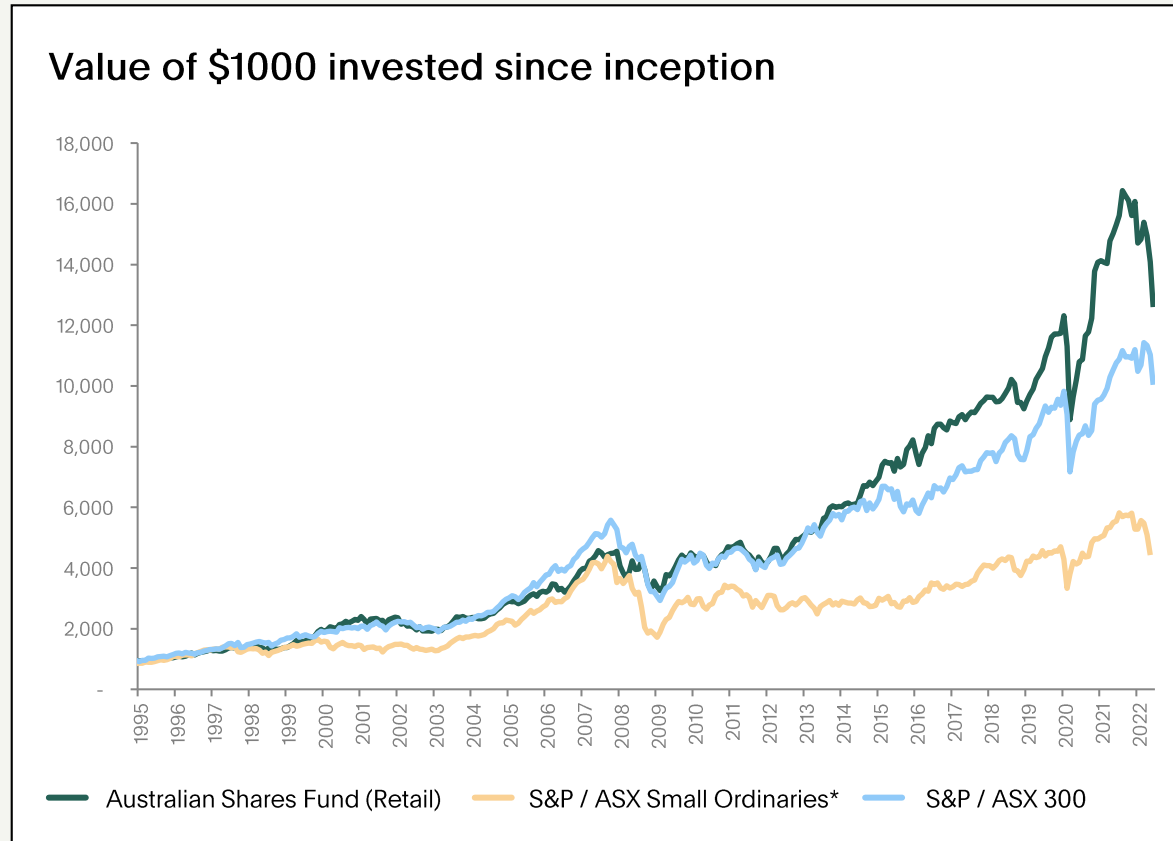
Fund/option	Current Management Fee	FUM at 30 Jun 22 (\$bn)	Net flows for 1H23 (\$bn)	Christian Super SFT (\$bn)	Market movement / Other 1H23 (\$bn)	FUM at 31 Dec 22 (\$bn)
Superannuation						
Defensive	0.20%	0.12	0.00	0.05	0.01	0.18
Conservative	0.55%	0.14	0.01	0.17	(0.00)	0.33
Balanced Accum / Pension	0.64% / 0.67%	2.47	0.21	1.36	(0.01)	4.02
International Shares	0.89%	0.10	0.01	0.02	(0.01)	0.12
Growth	0.89%	0.59	0.03	0.06	0.01	0.69
High Growth	0.94%	0.22	0.03	0.26	0.00	0.51
Australian Shares	1.15%	0.58	0.01	0.02	0.02	0.64
Total Superannuation		4.23	0.30	1.93	0.04	6.50

Notes:

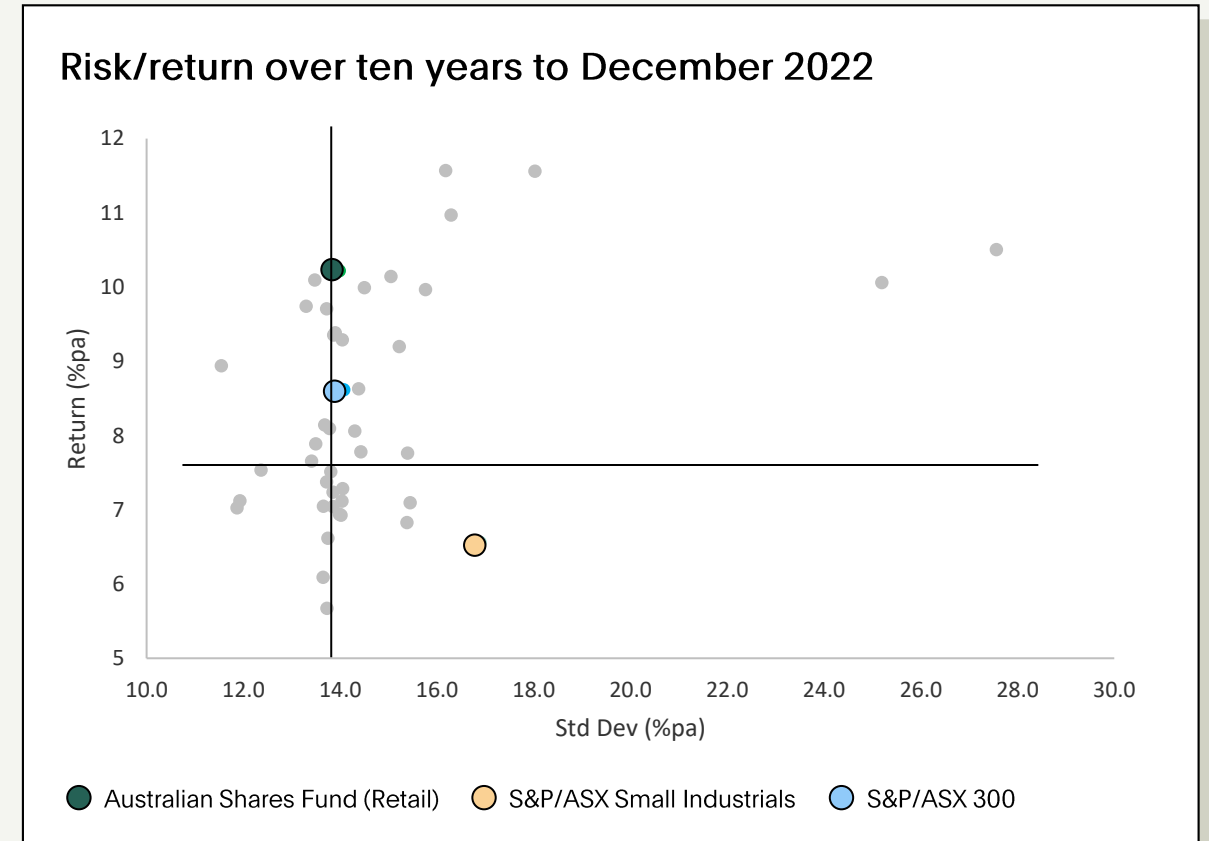
- In addition to the management fee, there is also an administration fee of 0.26% and a fixed fee of \$68 per member per annum, less ORFR and rebates
- Management fees exclude ICRs
- Market movement/Other Includes changes in asset value due to market movements, income, reinvestments and distributions

Investment leadership

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

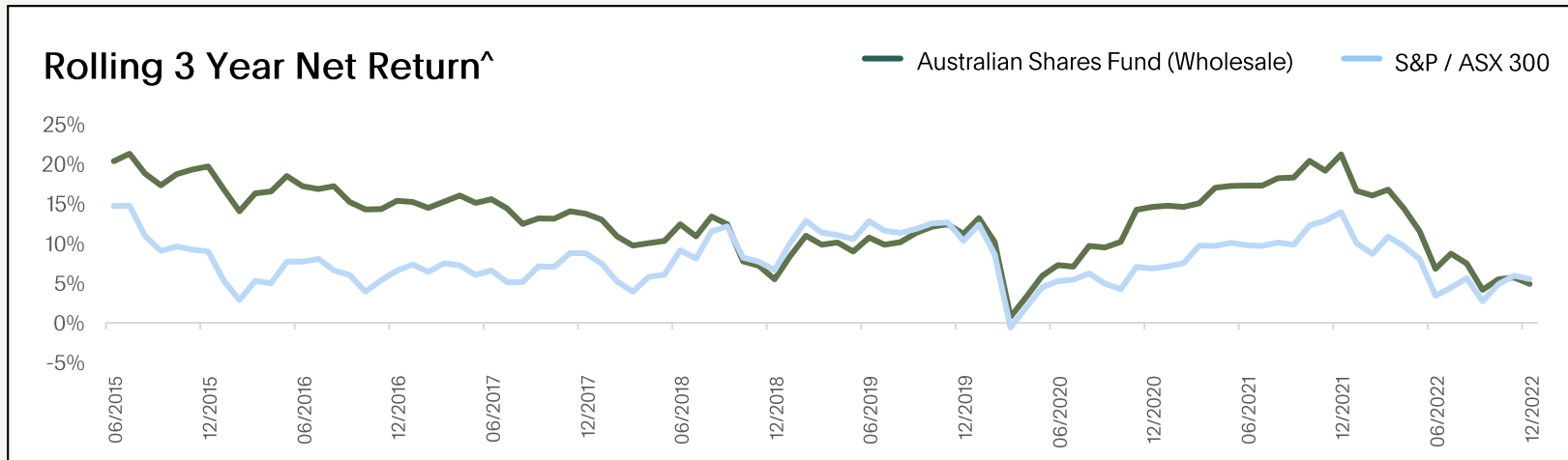
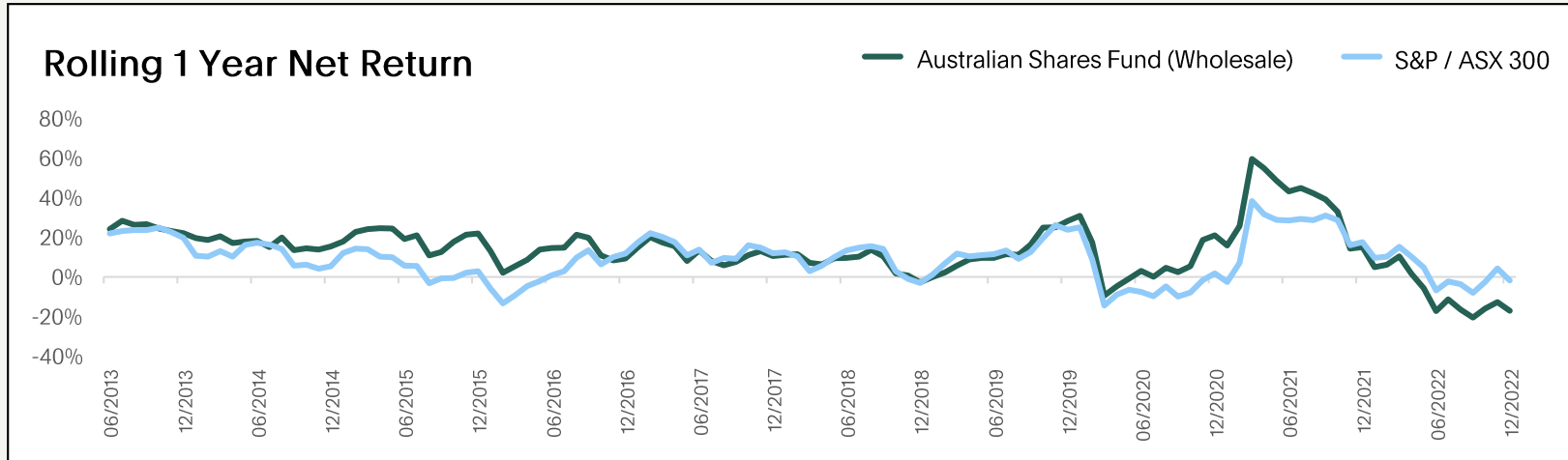


* S&P/ASX Small Industrials does not have sufficient historical data thus S&P / ASX Small Ordinaries has been used for comparison purposes



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 December 2022

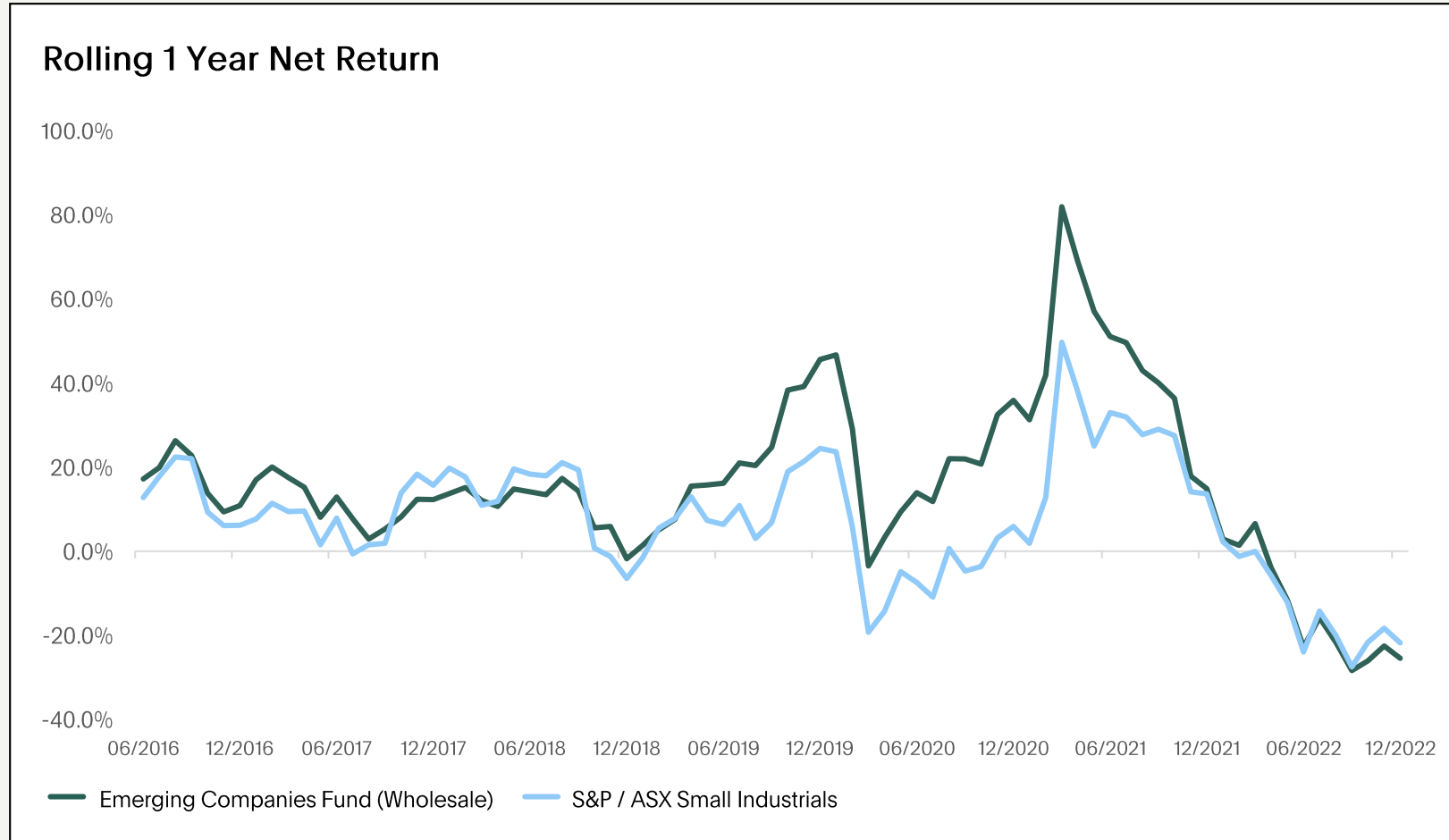
Australian Shares Fund



- Flagship Australian Shares Fund has delivered top quartile performance over 5 and 10 year periods#
- Australian Shares Fund has delivered positive rolling 3 year returns (annualised) for all periods since June 2015*
- Short term relative performance impacted by underweight allocation to resources, and investments in smaller capitalisation companies.

For the wholesale funds in the Mercer Investment Performance Survey of Wholesale-Equity-Australia-All Cap (Core) at 31 December 2022
 * Australian Shares Fund wholesale inception date 23/1/2012
 ^ Annualised

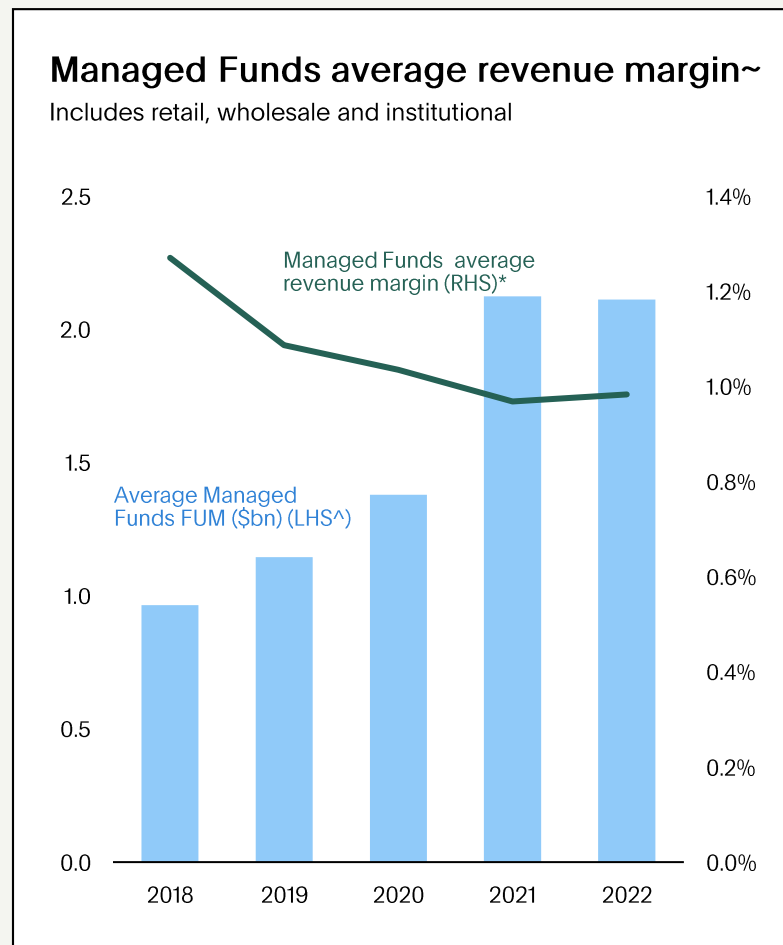
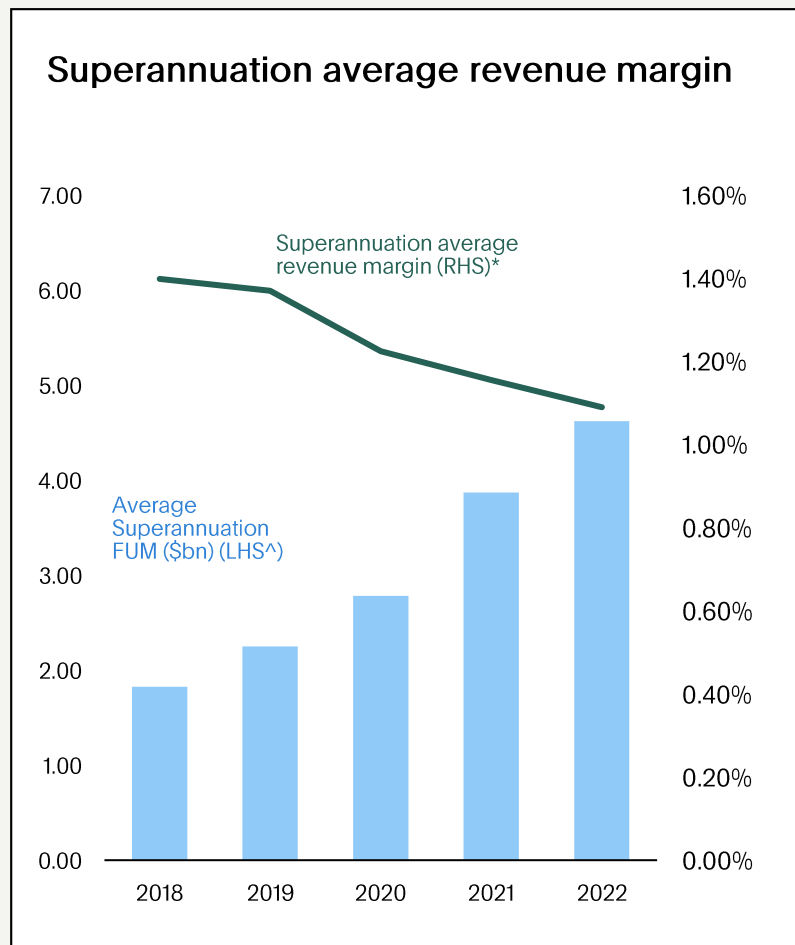
Emerging Companies Fund



- The Emerging Companies Fund attracts a performance fee for outperformance over benchmark
- Consistently delivering long term outperformance – has outperformed benchmark over 3, 5 and 7 years
- Recent relative performance impacted by information technology exposures

Fees

Additional information



- Margins have reduced over time as we continue to pass on benefits of scale to investors and members through fee reductions.
- Average revenue margin across all products (including institutional) was 1.06% for the 12 months to December 2022 (Super 1.09% and Managed Funds 0.98%).
- Total revenue margin at 31 December 2022 was 1.00%, with super 0.99% and managed funds 1.04%
- Looking forward, as part of our fee strategy, we will continue to reduce fees as we grow, to increase our competitiveness, balanced for all stakeholders.
- Performance fees on the Emerging Companies Fund and High Conviction Fund crystallise on 30 June each year, if the Fund achieves the benchmark outperformance targets

^ As at 31 December of each year

* Average revenue margin calculated on total revenue (both FUM based and member based fees) excluding performance fees, as a percentage of average annual FUM (12 months)

~ Managed Funds includes SMA



Investment team

Team member	Position	Tenure	Experience
Chief Investment Officer	Appointment pending		
Michael Murray, CFA	Head of Domestic Equities	6.5 years at AEI	20+ years of investment experience Previously at Integrity, AMP Capital
John Woods, CFA	Head of Asset Allocation	2 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	17.5 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	9.5 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	20.5 years at AEI PM since 2011 (Fixed Interest/Income)	15+ years of investment experience
Angus Dennis	Investment Director	1.5 years at AEI	20+ years of investment experience Previously at Vanguard, CoreData and AMP Capital
Michelle Wigglesworth, CFA	Senior Equities Analyst	Commenced February 2023	15 years+ of investment experience Previously at Washington H. Soul Pattison, Milton Corporation Analyst Coverage – Banks, REITs, Insurance
Mark Williams, MBA	Equities Analyst/Portfolio Manager	6.5 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/Portfolio Manager	4.5 years at AEI	15+ years of investment experience Previously at Macquarie Securities Analyst Coverage – Small Caps, Technology, Diversified Financials
Jason Korchinski	Equities Analyst	1 year at AEI	8+ years of financial services experience Previously at KPMG, SuperChoice Services & Ord Minnett Analyst coverage – Healthcare, agriculture & travel & leisure.

Reflects team structure as at February 2023



Investment team (contd.)

Team member	Position	Tenure	Experience
Jason Huang	Quantitative Analyst	6.5 years at AEI	10+ years of investment experience Previously at BBY Ltd
Julian Richman, CFA	Senior Investment Analyst	6.5 years at AEI	4 years of investment experience Assisting Balanced Fund and REITs coverage
Yong Tan, CFA	Senior Investment Analyst	Previously at Christian Super, commenced at AE November 2022	9+ years of investment experience Assisting with multi-asset strategies, direct & enhanced cash strategies & RI
Daniel Koleth, CFA	Senior Investment Analyst	Previously at Christian Super, commenced at AE November 2022	5+ years of investment experience Assisting with multi-asset strategies
Angela Seidel	Investment Performance & Data Analyst	Previously at Christian Super, commenced at AE November 2022	10+ years of investment experience Responsible for investment performance reporting and analytics

Reflects team structure as at February 2023



Ethics team

Reflects team structure as at February 2023

Team member	Position	Tenure	Experience
Stuart Palmer	Head of Ethics Research	8.5 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	4.5 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	2.5 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	2 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	1H23	2H22	1H22	2H21	1H21
FUM – managed funds – retail/wsale (\$bn)	1.78	1.76	1.06	1.87	1.78	2.10	1.76	1.40
FUM – managed funds – insto (\$bn)	0.19	0.41	0.27	0.00	0.19	0.38	0.41	0.35
FUM – super (\$bn)	4.23	3.90	2.72	6.50	4.23	4.46	3.90	3.30
FUM - total (\$bn)	6.20	6.07	4.05	8.37	6.20	6.94	6.07	5.05
Investor numbers	13,966	11,793	8,995	13,953	13,966	13,326	11,793	10,111
Member numbers (funded)	69,100	59,480	48,819	101,349	69,100	63,397	59,480	52,712
Net new funded members^	9,620	10,661	8,289	32,249	5,703	3,917	6,768	3,893
Net flows – managed funds - retail/wsale (\$m)	391.4	338.3	128.6	68.4	110.9	280.5	217.6	120.7
Net flows – managed funds – insto (\$m)	(200.1)	77.0	58.6	(183.2)	(150.1)	(50.1)	29.6	47.4
Net flows – super (\$m)	751.4	613.6	469.0	300.6	384.0	368.0	360.3	253.4
Net flows - Total (\$m)	942.6	1,028.9	656.1	185.8	344.8	598.4	607.4	421.5
Managed funds flows drivers (\$m)	FY22	FY21	FY20	1H23	2H22	1H22	2H21	1H21
Managed funds (excl insto) inflows	599.3	461.3	247.5	168.7	221.9	377.3	283.1	178.1
Managed funds (excl insto) outflows	(207.9)	(123.0)	(119.0)	(100.3)	(111.0)	(96.9)	(65.5)	(57.4)
Insto net flows	(200.1)	77.0	58.6	(183.2)	(150.1)	(50.1)	29.6	47.4
Outflow % FUM annualised (excl insto)	(11%)	(9%)	(12%)	(11%)	(11%)	(10%)	(8%)	(10%)
Super flows drivers (\$m) *	FY22	FY21	FY20	1H23	2H22	1H22	2H21	1H21
Rollovers in	499.1	453.4	409.3	174.5	224.5	274.6	230.8	222.6
SG contributions	284.3	207.6	157.4	178.5	159.8	124.5	116.4	91.1
Other contributions	135.8	104.7	63.5	52.2	79.4	56.4	72.9	31.8
Total super inflows	919.1	765.7	630.3	405.2	463.7	455.4	420.1	345.5
Total super outflows	(167.7)	(152.0)	(161.3)	(104.6)	(79.7)	(87.4)	(59.9)	(92.2)
Outflow % FUM annualised~	(4%)	(5%)	(6%)	(4%)	(4%)	(4%)	(3%)	(6%)
Outflows % FUM annualised (excluding early release of super)	(4%)	(3%)	(5%)	(4%)	(4%)	(4%)	(3%)	(4%)

Additional metrics

- Average age of current super members is 39
- Average super account balance is \$64k*
- Average rollover in of \$39k#

* Average of funded accounts
excluding rollovers from ATO

^ includes ~28,000 members from Christian Super SFT in 1H23
* Relates to organic growth; excludes SFT ~ 2H20 and 1H21 outflows includes early release of super outflows
Note: Managed Funds includes SMA

Financial metrics

Financial metrics	FY22	FY21	FY20	1H23	2H22	1H22	2H21	1H21
FUM based revenue (ex performance fee) (\$m)	65.6	51.6	39.1	33.9	32.8	32.9	28.1	23.5
Performance fee (\$m)	0.4	2.9	3.6	-	0.4	-	2.9	-
Member based revenue (\$m)^	4.7	4.1	3.2	2.4	2.4	2.3	2.1	2.1
Operating revenue (\$m)	70.8	58.7	49.9	36.6	35.6	35.2	33.1	25.6
UPAT – pre performance fee (\$m)	10.0	9.2	7.0	5.0	4.6	5.4	4.3	4.9
Performance fee (after tax & community grant impact)	0.2	1.9	2.3	-	0.2	-	1.9	-
UPAT – post performance fee (\$m)	10.3	11.1	9.3	5.0	4.9	5.4	6.2	4.9
NPAT (\$m)	9.6	11.3	9.5	1.0	4.2	5.4	6.1	5.2
Cost to income ratio – pre performance fee (%)*	79%	77%	79%	86%	81%	78%	80%	74%
Cost to income ratio – post performance fee (%)*	79%	74%	74%	86%	80%	78%	74%	74%
Effective tax rate (%)^^	30.8%	28.0%	27.6%	61.4%	31.7%	30.0%	30.0%	25.5%
Earnings per share (cents)~	FY22	FY21	FY20	1H23	2H22	1H22	2H21	1H21
Basic	8.64	10.19	8.62	0.86	3.75	4.89	5.51	4.68
Diluted	8.55	10.02	8.42	0.85	3.72	4.83	5.42	4.60
Dividend per share	FY22	FY21	FY20	1H23	2H22	1H22	2H21	1H21
Ordinary Dividend (cents)	6.00	7.00	5.00	2.00	3.00	3.00	4.00	3.00
Special Dividend (cents)	-	1.00	1.00	-	-	-	1.00	-
Dividend franking (%)	100%	100%	100%	100%	100%	100%	100%	100%
NPAT annual payout ratio#	70%	80%	71%	235%	81%	62%	92%	65%
Capital Management	FY22	FY21	FY20	1H23	2H22	1H22	2H21	1H21
Cash & cash equivalents (\$m)**	27.2	27.8	21.5	25.8	27.2	24.9	27.8	21.3
Net assets	24.2	23.7	20.2	22.8	24.2	23.3	23.7	20.7
Net assets per ordinary share (\$)	0.22	0.21	0.18	0.20	0.22	0.21	0.21	0.19

Note the above is attributable to shareholders and excludes The Foundation

^ Net of rebates

^^ 1H23 high effective tax rate reflects impact of change in fair value of Sentient investment which is on capital account and not deductible (excluding this fair value impact, tax rate is 30%). 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 based on NPAT (dilution includes employee shares).

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

Above may include variances due to rounding



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

Elise Davidson

BlueChip Communication



elise@bluechipcommunication.com.au



0405 825 005

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

