

Australian
Ethical



Australian Ethical Investment Ltd FY23 – Analyst Pack

25 August 2023



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Overview & history

For over 35 years, we have sought to create a more sustainable and equitable world through the power of investment



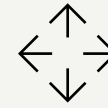
Our purpose

Investing for a better world



Our vision

Money as a force for good



100+ employees

and growing



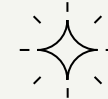
35+ years

offering investment and super solutions using our leading ethical investing approach



Managing \$9bn+

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



10% of annual profits*

donated through our Foundation to charitable organisations



Top 10

fastest-growing super fund over 1 year[^]



Multi award-winning

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



B Corp

Highest scoring Certified B Corporation in Australia & Aotearoa NZ~

* after tax and before bonuses

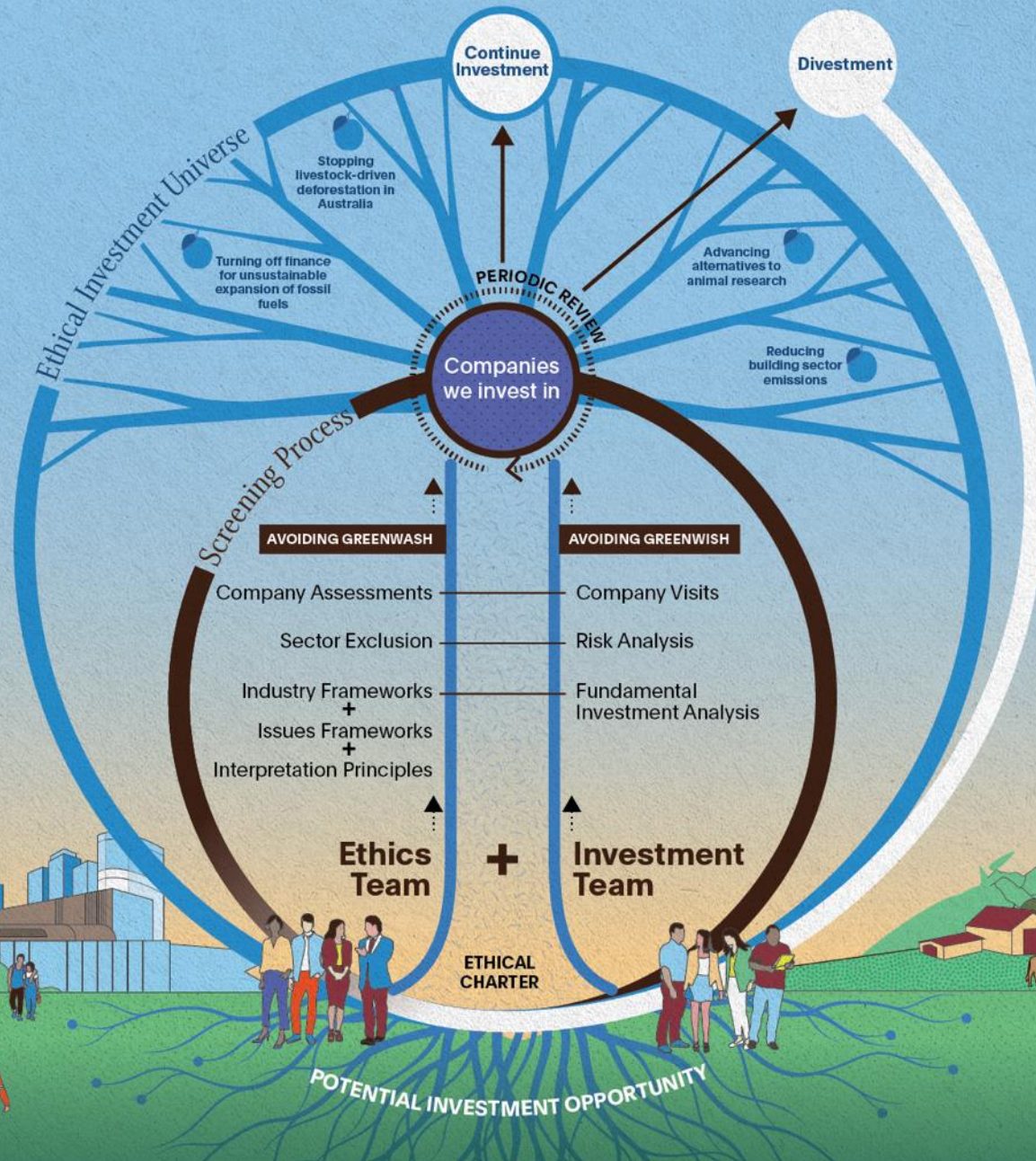
[^] 9th fastest growing super fund. 4th fastest growing when compared to industry organic growth only. KPMG 2023 Super Insights Report – published May 2023, using statistics from APRA and the ATO as at 30 June 2022 (prior to the Christian Super SFT). Excludes impact of CS SFT for AE's growth

~ As at 13 July 2023

Investing for a better world

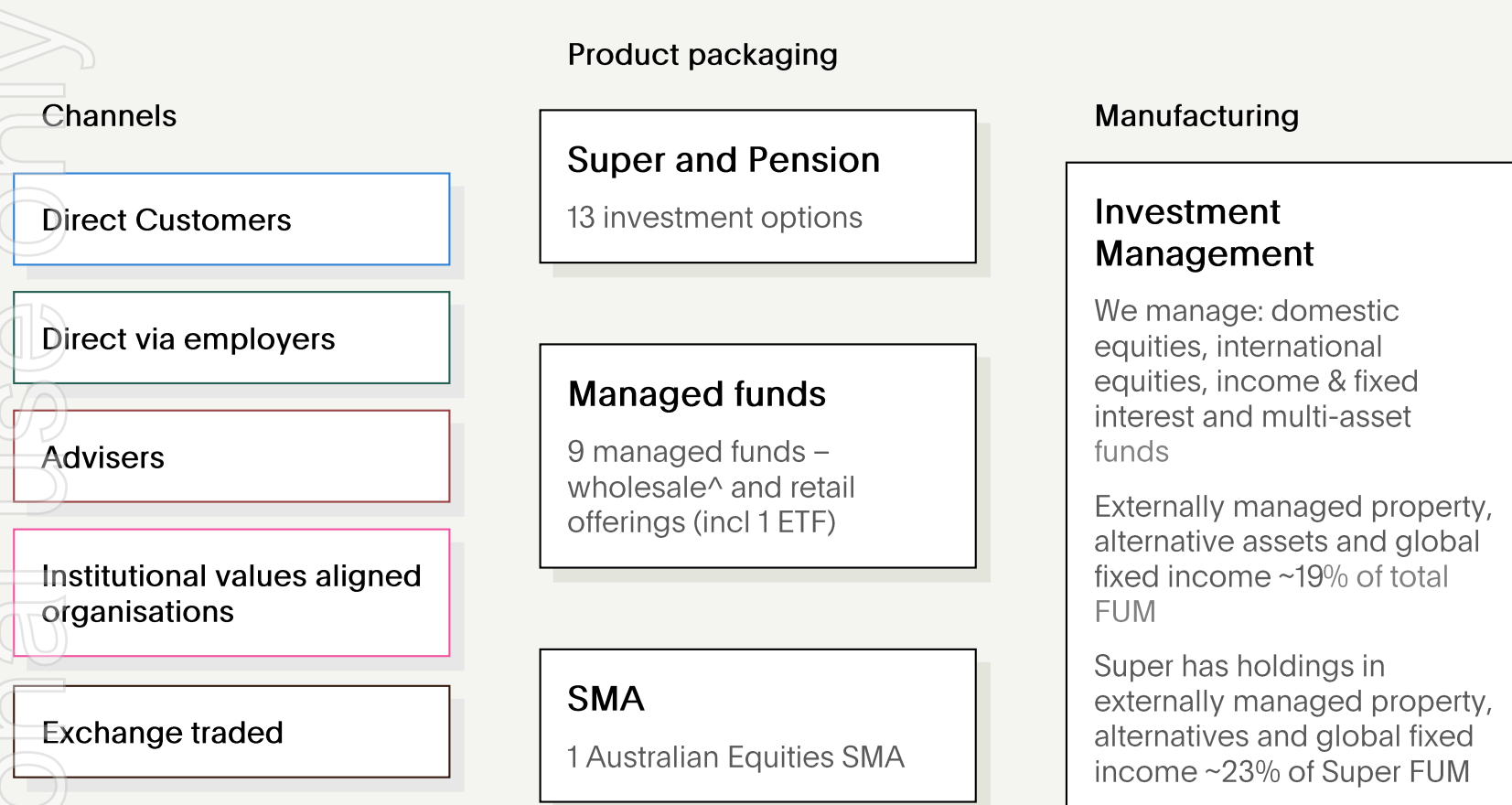
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BETTER FUTURE FOR PEOPLE, PLANET AND ANIMALS



Our business model

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



Additional information

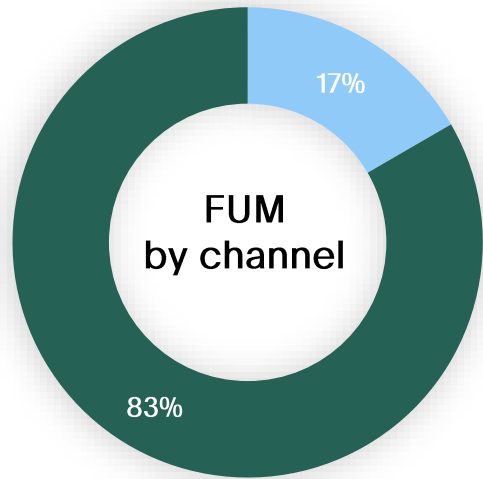
- 87% of organic net flows acquired via direct channel* in FY23
- Investing in growing advised channel and values aligned segment, whilst also expanding direct channel through employment platforms partnerships

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

[^] References to 'Wholesale' funds indicate the class of pricing above a minimum investment threshold, which varies by fund

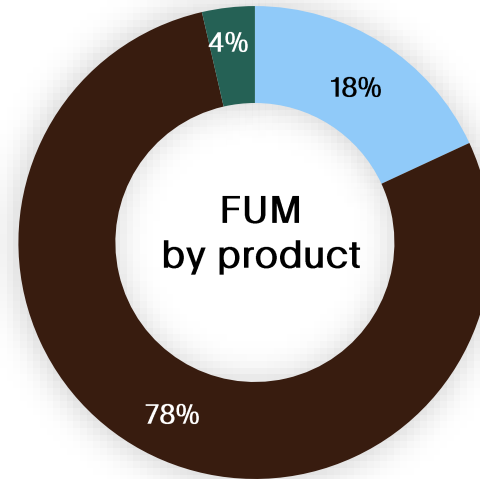
Channel, product and asset class overview

Direct remains predominant channel with advised channel now material



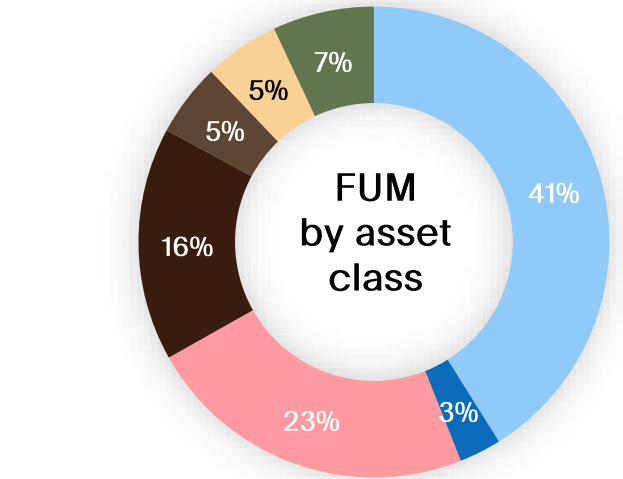
Advised Direct

Super FUM a larger proportion of overall book following Christian Super SFT



Managed funds wholesale* Managed funds retail Superannuation

Increased allocation to alternatives following SFT, up from 1% at June 2022



International Equity Unlisted Property Fixed Income (domestic) Domestic Equities (incl NZ) Fixed Income (global) Cash Alternatives

FUM summary – Asset Class & Strategy

Asset Class	FUM at 30 Jun 23 (\$bn)	FUM at 30 Jun 22 (\$bn)
Domestic Equities*	3.78	2.98
International Equity	2.10	1.32
Cash	0.27	0.15
Fixed Income (domestic)	1.47	1.24
Fixed Income (global)	0.46	-
Unlisted Property~	0.64	0.44
Alternatives~	0.47	0.09
Total	9.20	6.20

Asset Strategy	FUM at 31 Jun 23 (\$bn)	FUM at 30 Jun 22 (\$bn)
Single	2.08	1.65
Multi-Asset	7.12	4.55
Total	9.20	6.20

* Including NZ equities
~ Externally managed

FUM summary – Superannuation

Fund/option	Current Management Fee	FUM at 30 Jun 22 (\$bn)	Net flows for FY23 (\$bn)	Christian Super SFT (\$bn)	Market movement / Other (\$bn)	FUM at 30 Jun 23 (\$bn)
Superannuation						
Defensive	0.20%	0.12	(0.00)	0.05	0.01	0.18
Conservative	0.55%	0.14	0.01	0.17	0.01	0.33
Balanced Accum / Pension	0.64% / 0.67%	2.47	0.45	1.36	0.20	4.48
International Shares	0.89%	0.10	0.01	0.02	0.02	0.15
Growth	0.89%	0.59	0.06	0.06	0.07	0.79
High Growth	0.94%	0.22	0.05	0.26	0.07	0.59
Australian Shares	1.15%	0.58	0.03	0.02	0.07	0.69
Total Superannuation		4.23	0.60	1.93	0.44	7.21

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

FUM summary – Managed Funds

Fund/option	Current Management Fee	FUM at 30 June 22 (\$bn)	Applications and Redemptions Net flows (\$bn)	Reclass. and switches + Transfer (\$bn)	Market movement / Other (\$bn)	FUM at 30 June 23 (\$bn)
Managed Funds – Wholesale						
Income Fund	0.20%	0.01	(0.00)	0.00	0.00	0.01
Fixed Interest	0.30%	0.03	(0.00)	0.00	0.00	0.03
International Shares	0.59%	0.09	(0.01)	0.00	0.01	0.10
Balanced Fund	0.76%	0.23	0.02	0.01	0.02	0.28
High Conviction	0.80%	0.00	0.00	(0.00)	0.00	0.01
Diversified Shares	0.95%	0.26	(0.00)	0.00	0.03	0.29
High Growth	0.90%	0.06	(0.00)	0.00	0.01	0.07
Australian Shares	1.10%	0.58	0.03	0.01	0.06	0.68
Emerging Companies	1.20%	0.20	0.00	0.00	0.01	0.21
Total Managed Funds Wholesale		1.46	0.04	0.02	0.14	1.66
Managed Funds – Retail						
Balanced Fund	1.42%	0.09	0.00	(0.01)	0.01	0.10
Australian Shares	1.69%	0.18	(0.00)	(0.00)	0.02	0.19
Emerging Companies	1.69%	0.02	0.00	(0.00)	0.00	0.02
Income, Fixed, Int'l, Diversified, High Growth	0.20%, 0.50%, 0.99%, 1.39%, 1.39%	0.03	0.00	(0.00)	0.00	0.03
Total Managed Funds Retail		0.31	0.00	(0.02)	0.03	0.33
Institutional		0.19	(0.18)	(0.00)	(0.00)	-
Total Managed Funds		1.97	(0.14)	0.00	0.16	2.00

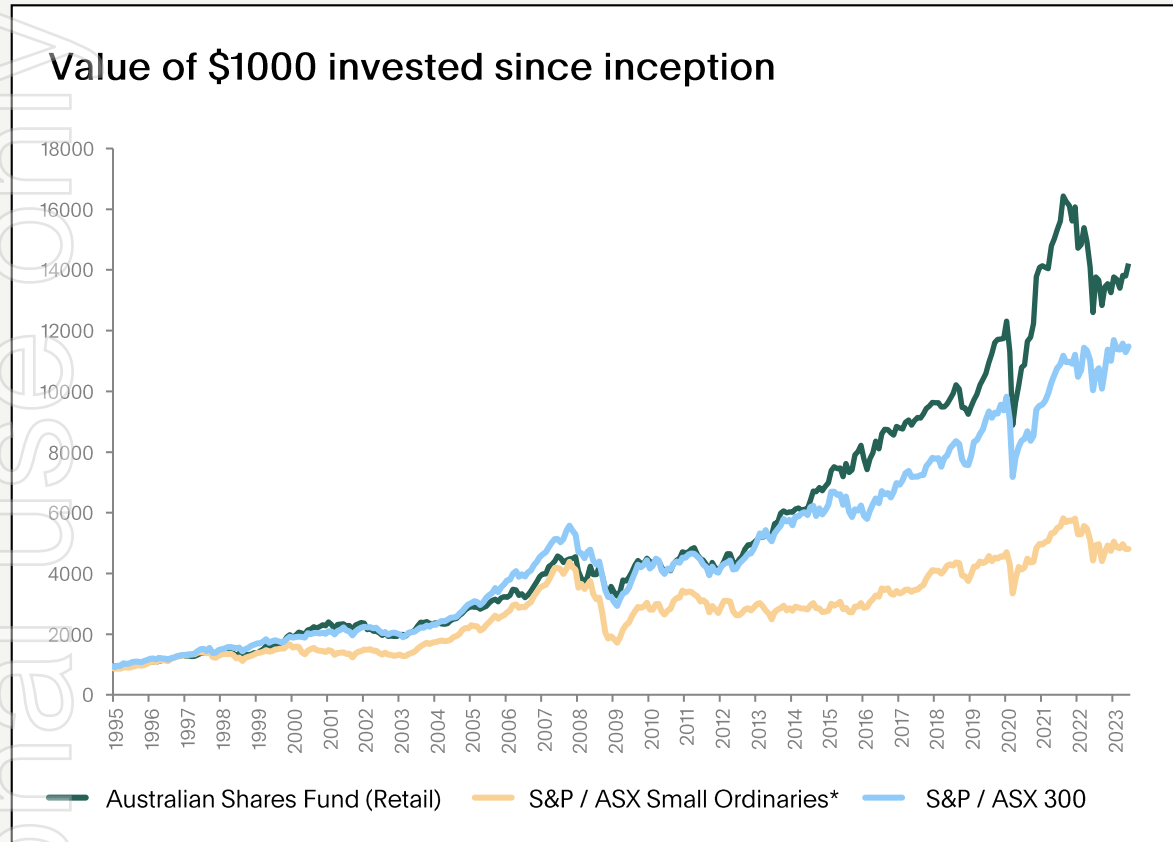
Note:

- References to 'Wholesale' funds indicate the class of pricing above a minimum investment threshold, which varies by fund
- 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

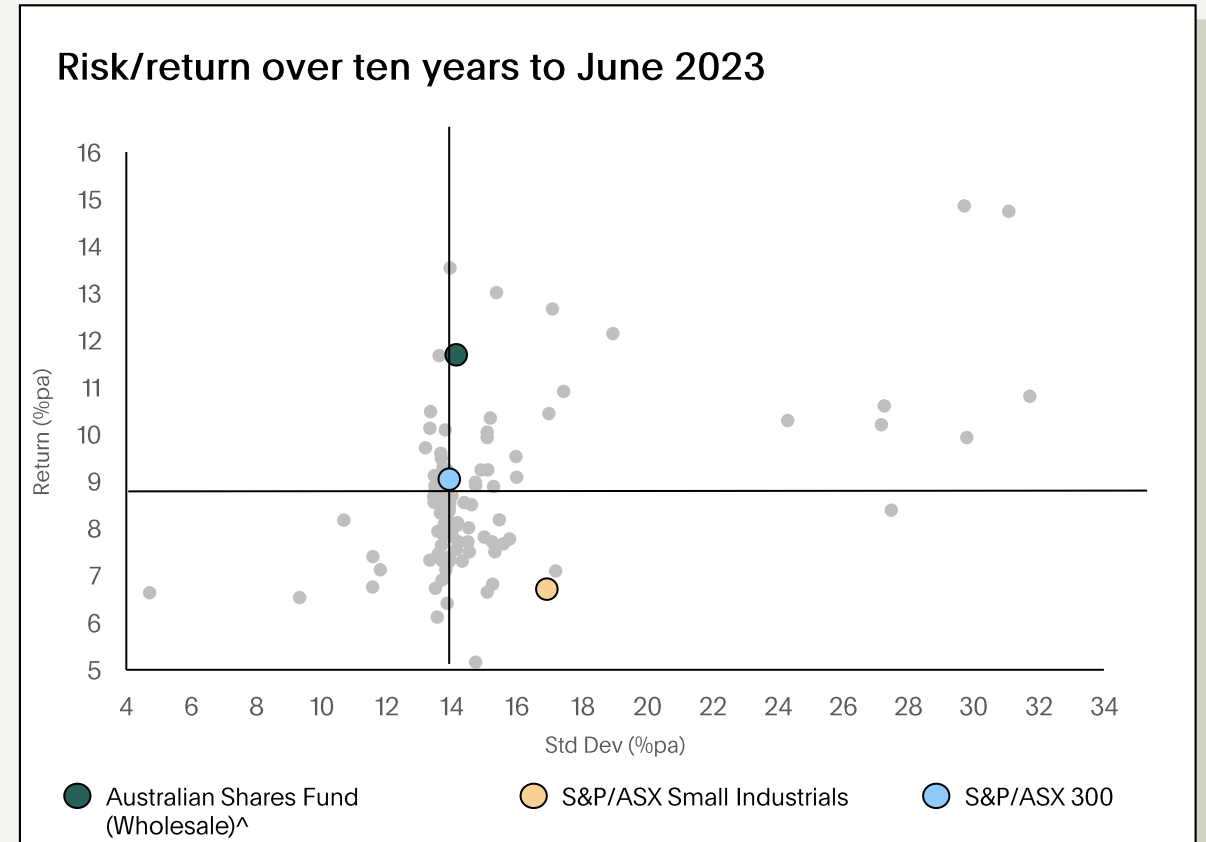
- FUM represents external investments only ie excludes AE superannuation amounts invested in these funds.
- Market movement/Other Includes changes in asset value due to market movements, income, reinvestments and distributions

Investment leadership

Strong long-term returns | Australian Shares Fund



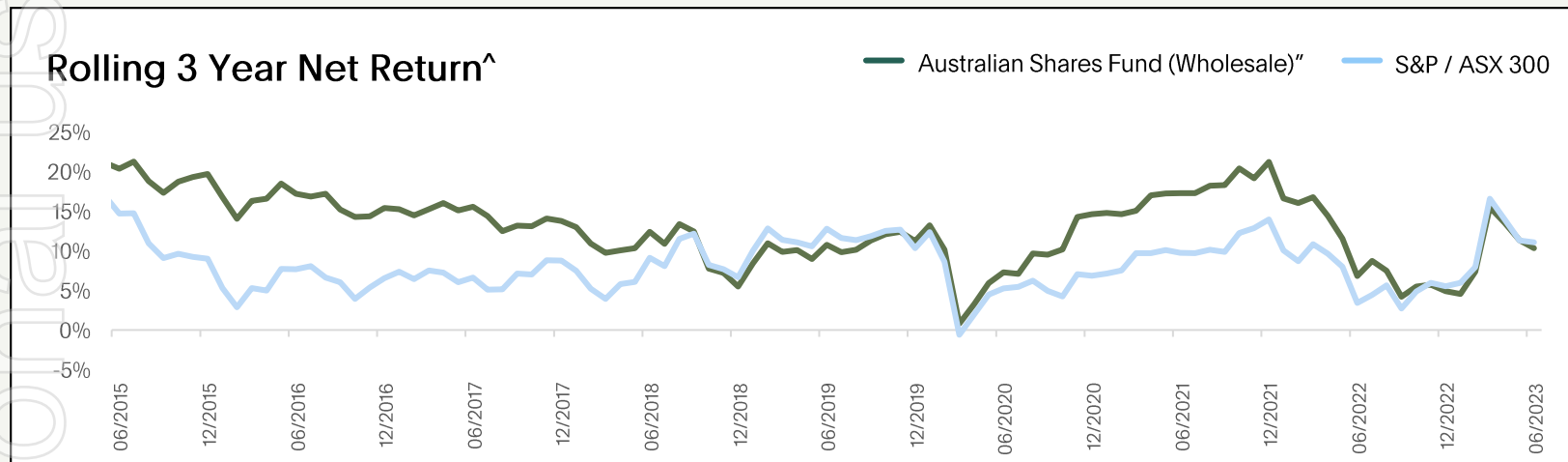
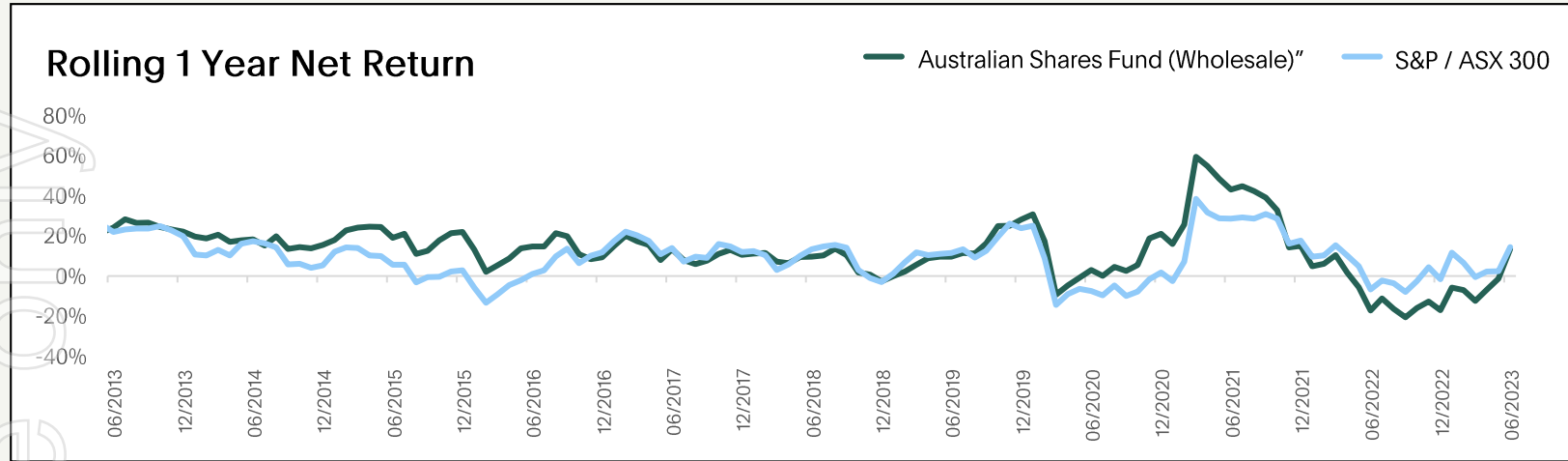
* S&P/ASX Small Industrials does not have sufficient historical data thus S&P/ASX Small Ordinaries has been used for comparison purposes



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 June 2023

^Reference to 'Wholesale' funds indicate the class of pricing above a minimum investment threshold, which varies by fund

Australian Shares Fund



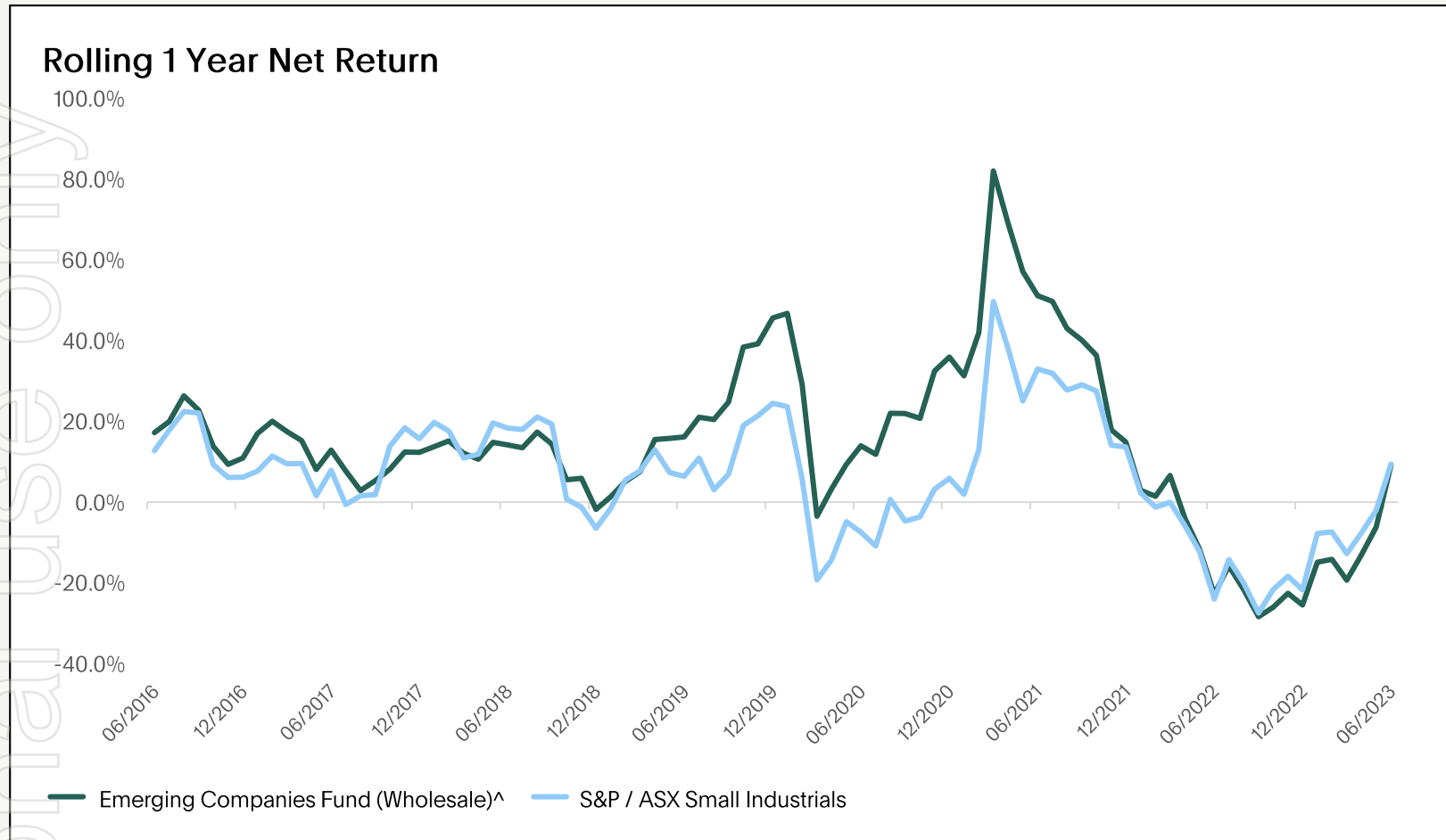
- Australian Shares Fund has delivered positive rolling 3 year returns (annualised) for all periods since June 2015*
- Australian Shares Fund (ASF) has outperformed its benchmark[~] for all periods of five years and greater

* Australian Shares Fund wholesale inception date 23/1/2012
[^] Annualised

[~] Benchmark is composite S&P/ASX Small Industrials Accumulations Index till 12 August 2019 & S&P/ASX 300 Accumulation Index thereafter

[”] Reference to 'Wholesale' funds indicate the class of pricing above a minimum investment threshold, which varies by fund

Emerging Companies Fund

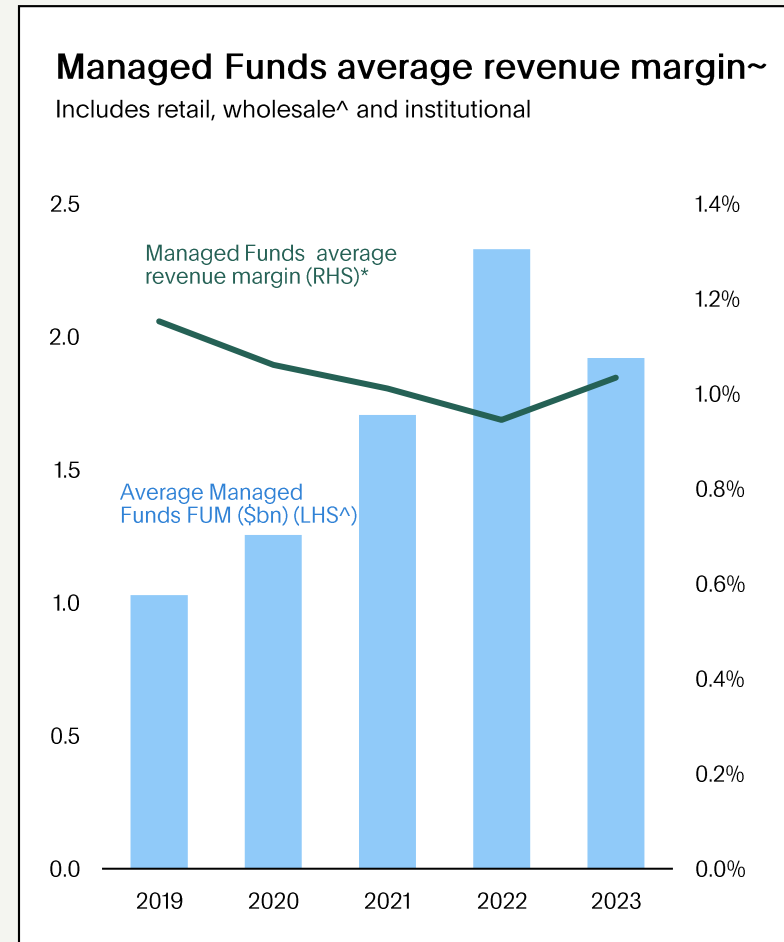
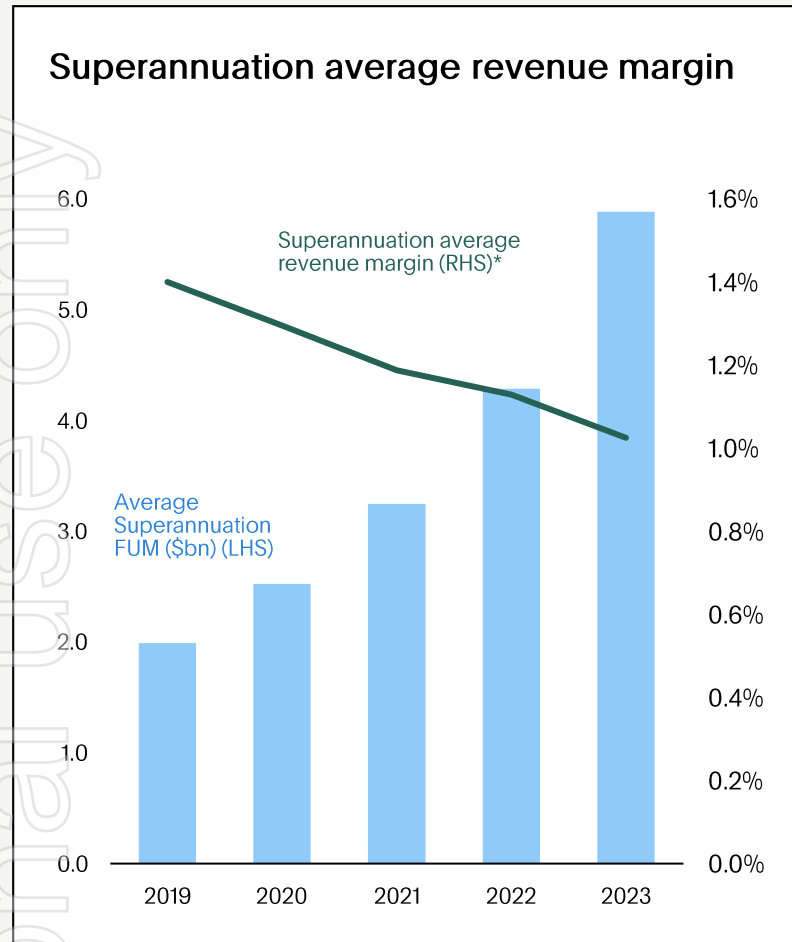


- The Emerging Companies Fund (ECF) attracts a performance fee for outperformance over benchmark
- The ECF has outperformed benchmark for all periods of two years and above
- Over the last year ECF investments in Financials and Utilities added value, and being significantly underweight the poor performing sectors of Consumer Staples and Real Estate investment also assisted investment performance. Consumer Discretionary, Industrials and Information Technology sectoral investments were a drag on performance.

^References to 'Wholesale' funds indicate the class of pricing above a minimum investment threshold, which varies by fund

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 1.03% for the 12 months to June 2023 (Super 1.02% and Managed Funds 1.03%).
- Average revenue margin for managed funds (including institutional) has increased from 0.94% to 1.03% due to mix of funds largely as a result of large institutional redemptions at the end of FY22 (\$0.20bn) and the beginning of FY23 (\$0.18bn).** Excluding Institutional the average revenue margin has decreased from 1.05% to 1.04%.
- Revenue margin at 30 June 2023 was 1.00%, with super 0.99% and managed funds 1.03%.
- 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 are earned on Emerging Companies Fund and High Conviction Fund if funds outperform their benchmarks (not shown in chart)



Investment team

Team member	Position	Tenure	Experience
Ludovic Theau	Chief Investment Officer	Newly Appointed in April	<p>Over 30 years of experience in ESG investing, funds management, commercial and investment banking and financial advisory.</p> <p>Previously Chief Investment Officer for the Clean Energy Finance Corporation, Australia's Green Bank. Previously also at Hastings Funds Management, Westpac, ABN AMRO, Macquarie Bank, UBS and BNP Paribas.</p> <p>Ludovic holds a Master of Engineering from Ecole Centrale de Paris, France, and is a graduate of the Australian Institute of Company Directors.</p>
John Woods, CFA	Deputy Chief Investment Officer and Head of Multi Assets	2.5 years at AEI	15+ years investment experience Previously at MLC, CLSA and Macquarie
Head of Domestic Equities	In recruitment, CIO in acting role		
Clinton Leong	Head of Investment Business Management	1 year at AEI	25+ years in Asset Management and Financial Services Previously at IAG, Manulife, Credit Suisse, and Westpac.
Andy Gracey	Portfolio Manager	18.5 years at AEI	20+ years of Investment Experience Previously worked at ANZFM, Fidelity Australia and Friends Provident
Tim Kelly	Portfolio Manager	21.5 years at AEI	15+ years of Investment experience
Angus Dennis	Investment Director	1.5 years at AEI	25+ years of Investment experience Previously at Vanguard and AMP
Mark Williams, MBA	Equities Analyst/ Portfolio Manager	7.5 years at AEI	15+ years of Investment experience Previously at ABN AMRO and Morgans
Deana Mitchell, CFA	Equities Analyst/ Portfolio Manager	5.5 years at AEI	20+ years of investment experience Previously at Macquarie
Jason Korchinski	Equities Analyst	1.5 years at AEI	8+ years of Investment experience Previously at KPMG, Superchoice Services and Ord Minnett

Reflects team structure as at August 2023



Investment team (contd.)

Team member	Position	Tenure	Experience
Michelle Wigglesworth, CFA	Senior Equities Analyst	Commenced February 2023	17+ years of Investment Experience Prior to AEI, she was at Washington H. Soul Pattinson and Milton Corporation
Julian Richman, CFA	Senior Investment Analyst	7 years at AEI	5+ years of Investment experience
Daniel Koleth, CFA	Senior Investment Analyst	Previously at Christian Super, commenced November 2022	6+ years of Investment experience
Yong Tan, CFA	Senior Investment Analyst	Previously at Christian Super, commenced November 2022	8+ years of Investment experience
Angela Seidel	Investment Performance and Data Analyst	Previously at Christian Super, commenced November 2022	10+ years of Investment Experience
Jason Huang	Quantitative Analyst	7.5 years at AEI	10+ years of Investment experience

Reflects team structure as at August 2023



Ethics team

Team member	Position	Tenure	Experience
Alison George	Head of Impact and Ethics	Commenced May 2023	<p>20+ experience in ethical investment</p> <p>Alison has more than 20 years' experience in responsible investment and stewardship, working with numerous industry leaders in her prior roles with Pandal and Regnan. A Chartered Accountant, Alison also completed a Master of Environment and was previously a corporate sustainability advisor with EY.</p>
Dr Stuart Palmer	Ethical Futures Lead	9.5 years at AEI	<p>30+ years experience in the financial, investment and legal sectors</p> <p>Stuart was previously Head of Ethics Research at Australian Ethical for the last 9 years, and stepped into the new role of Ethical Futures Lead in April 2023.</p> <p>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</p> <p>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</p>
Amanda Richman	Ethical Stewardship Lead	5.5 years at AEI	<p>Previously Senior Associate at law firm Allens specialising in competition law</p> <p>Experienced animal law advocate, Director of Animal Law Institute, former Chair of NSW Young Lawyers Animal Law Committee</p> <p>First class honours in law; Dean's awards for outstanding contributions to Macquarie Law Community and for outstanding academic achievement in law</p>
Persephone Fraser	Senior Ethics Analyst	2.5 years at AEI	<p>Previously research analyst for Common Capital and research assistant at UNSW's Climate Justice Initiative, developing reports on environmental and ethical impacts and policy.</p> <p>Worked in policy and research at Reconciliation Australia and in the office of Senator Mehreen Faruqi.</p> <p>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.</p>

Reflects team structure as at August 2023

Growth metrics

AE growth metrics	FY23	FY22	FY21	2H23	1H23	2H22	1H22	2H21	1H21
FUM – managed funds – retail/wsale (\$bn)	2.00	1.78	1.76	2.00	1.87	1.78	2.10	1.76	1.40
FUM – managed funds – insto (\$bn)	0.00	0.19	0.41	0.00	0.00	0.19	0.38	0.41	0.35
FUM – super (excluding SFT) (\$bn)	5.28	4.23	3.90	5.28	4.57	4.23	4.46	3.90	3.30
FUM – Christian Super SFT FUM (\$bn)	1.93	-	-	1.93	1.93	-	-	-	-
FUM - total (\$bn)	9.20	6.20	6.07	9.20	8.37	6.20	6.94	6.07	5.05
Investor numbers	13,581	13,966	11,793	13,581	13,953	13,966	13,326	11,793	10,111
Member numbers (funded)	114,133	69,100	59,480	114,133	101,349	69,100	63,397	59,480	52,712
Net new funded members^	45,033	9,620	10,661	12,784	32,249	5,703	3,917	6,768	3,893
Net flows – managed funds - retail/wsale (\$m)	44.9	391.4	338.3	(23.5)	68.4	110.9	280.5	217.6	120.7
Net flows – managed funds – insto (\$m)	(183.2)	(200.1)	77.0	-	(183.2)	(150.1)	(50.1)	29.6	47.4
Net flows – super (\$m)	605.0	751.4	613.6	304.4	300.6	384.0	368.0	360.3	253.4
Net flows - Total (\$m)	466.7	942.6	1,028.9	280.9	185.8	344.8	598.4	607.4	421.5
Managed funds flows drivers (\$m)	FY23	FY22	FY21	2H23	1H23	2H22	1H22	2H21	1H21
Managed funds (excl insto) inflows	283.4	599.3	461.3	114.7	168.7	221.9	377.3	283.1	178.1
Managed funds (excl insto) outflows	(238.5)	(207.9)	(123.0)	(138.2)	(100.3)	(111.0)	(96.9)	(65.5)	(57.4)
Insto net flows	(183.2)	(200.1)	77.0	-	(183.2)	(150.1)	(50.1)	29.6	47.4
Outflow % FUM annualised (excl insto)	(12%)	(11%)	(9%)	(14%)	(11%)	(11%)	(10%)	(8%)	(10%)
Super flows drivers (\$m) **	FY23	FY22	FY21	2H23	1H23	2H22	1H22	2H21	1H21
Rollovers in	334.7	499.1	453.4	160.2	174.5	224.5	274.6	230.8	222.6
SG contributions	454.7	284.3	207.6	276.2	178.5	159.8	124.5	116.4	91.1
Other contributions	146.1	135.8	104.7	93.9	52.2	79.4	56.4	72.9	31.8
Total super inflows	935.5	919.1	765.7	530.4	405.2	463.7	455.4	420.1	345.5
Total super outflows	(330.5)	(167.7)	(152.0)	(225.9)	(104.6)	(79.7)	(87.4)	(59.9)	(92.2)
Outflow % FUM annualised~	(6%)	(4%)	(5%)	(7%)	(4%)	(4%)	(4%)	(3%)	(6%)
Outflows % FUM annualised (excluding early release of super)	(6%)	(4%)	(3%)	(7%)	(4%)	(4%)	(4%)	(3%)	(4%)

Additional metrics

- Average age of current super members is 39
- Average super account balance is \$62k*
- Average rollover in of \$39k#
- Outflows increased in FY23 following some member attrition post SFT. This has now stabilised. Outflow rates as a percentage of FUM remain low at 6%.

* Average of funded accounts
excluding rollovers from ATO

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

^References to 'Wholesale' funds indicate the class of pricing above a minimum investment threshold, which varies by fund

Financial metrics

Financial metrics	FY23	FY22	FY21	2H23	1H23	2H22	1H22	2H21	1H21
FUM based revenue (ex performance fee) (\$m)	75.0	65.6	51.6	41.1	33.9	32.8	32.9	28.1	23.5
Performance fee (\$m)	-	0.4	2.9	-	-	0.4	-	2.9	-
Member based revenue (\$m)^	5.1	4.7	4.1	2.7	2.4	2.4	2.3	2.1	2.1
Other (\$m)	1.0	0.1	0.1	0.7	0.3	0.0	0.0	0.0	0.0
Operating revenue (\$m)	81.1	70.8	58.7	44.5	36.6	35.6	35.2	33.1	25.6
UPAT – pre performance fee (\$m)	11.8	10.0	9.2	6.8	5.0	4.6	5.4	4.3	4.9
Performance fee (after tax & community grant impact)	-	0.2	1.9	-	-	0.2	-	1.9	-
UPAT – post performance fee (\$m)	11.8	10.3	11.1	6.8	5.0	4.9	5.4	6.2	4.9
NPAT (\$m)	6.6	9.6	11.3	5.6	1.0	4.2	5.4	6.1	5.2
Cost to income ratio – pre performance fee (%)*	79%	79%	77%	78%	81%	81%	78%	80%	74%
Cost to income ratio – post performance fee (%)*	79%	79%	74%	78%	81%	80%	78%	74%	74%
Effective tax rate (%)^^	37.9%	30.8%	28.0%	30.6%	61.4%	31.7%	30.0%	30.0%	25.5%
Earnings per share (cents)	FY23	FY22	FY21	2H23	1H23	2H22	1H22	2H21	1H21
Basic (NPAT attributable to shareholders)	5.89	8.64	10.19	5.03	0.86	3.76	4.89	5.51	4.68
Diluted (NPAT attributable to shareholders)	5.84	8.55	10.02	4.98	0.85	3.71	4.83	5.42	4.60
Basic (UPAT attributable to shareholders)	10.57	9.26	10.00	6.12	4.45	4.38	4.89	5.60	4.40
Diluted (UPAT attributable to shareholders)	10.46	9.16	9.84	6.06	4.41	4.32	4.83	5.51	4.32
Dividend per share	FY23	FY22	FY21	2H23	1H23	2H22	1H22	2H21	1H21
Ordinary Dividend (cents)	7.00	6.00	7.00	5.00	2.00	3.00	3.00	4.00	3.00
Special Dividend (cents)	-	-	1.00	-	-	-	-	1.00	-
Dividend franking (%)	100%	100%	100%	100%	100%	100%	100%	100%	100%
NPAT annual payout ratio#	120%	70%	80%	100%	235%	81%	62%	92%	65%
Capital Management	FY23	FY22	FY21	2H23	1H23	2H22	1H22	2H21	1H21
Cash & term deposits (\$m)	32.1	26.7	27.3	32.1	25.0	26.7	24.4	27.3	20.8
Net assets	26.3	24.2	23.7	26.3	22.8	24.2	23.3	23.7	20.7
Net assets per ordinary share (\$)"	0.24	0.22	0.21	0.24	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

" Ordinary shares on issue excludes employee share plan

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

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