

Australian
Ethical



Australian Ethical Investment Ltd FY24 H1 – Analyst Pack

23 February 2024



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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



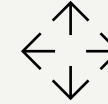
Our purpose

Investing for a better world



Our vision

Money as a force for good



130+ employees[#]
and growing



35+ years

offering investment and super solutions using our leading ethical investing approach



Managing \$9.5bn+

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



10% of annual profits^{*}
donated through our Foundation to charitable organisations



Growth business

As recognised in the Australian Growth Company Awards[^]



Multi award-winning

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



B Corp

Highest scoring Certified B Corporation in Australia & NZ[~]

^{*} after tax and before bonuses

[#] includes contractors on strategic projects

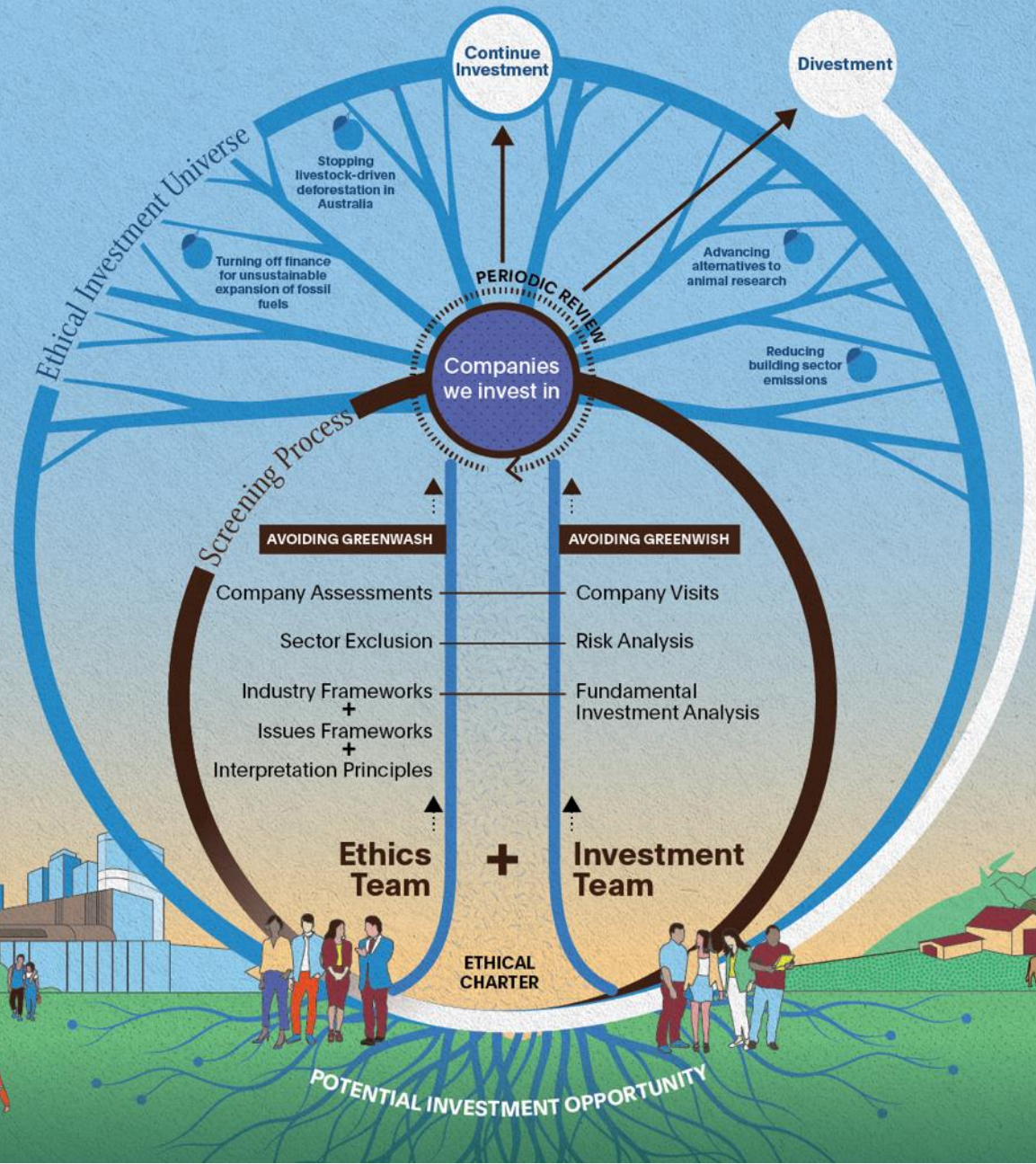
[^] Financial Services Growth Company of the Year Award 2023

[~] As at 13 July 2023, the date of our last certification

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.

Channels

Direct Customers

Direct via employers

Advisers

Institutional values aligned organisations

Exchange traded

Product packaging

Super and Pension

13 investment options

Managed funds

11 managed funds –
wholesale^ and retail
offerings (incl 1 ETF)

SMA

1 Australian Equities SMA

Manufacturing

Investment Management

We manage: domestic equities, international equities, income & fixed interest and multi-asset funds

Externally managed property, alternative assets and global fixed income ~18% of total FUM

Super has holdings in externally managed property, alternatives and global fixed income ~22% of Super FUM



Additional information

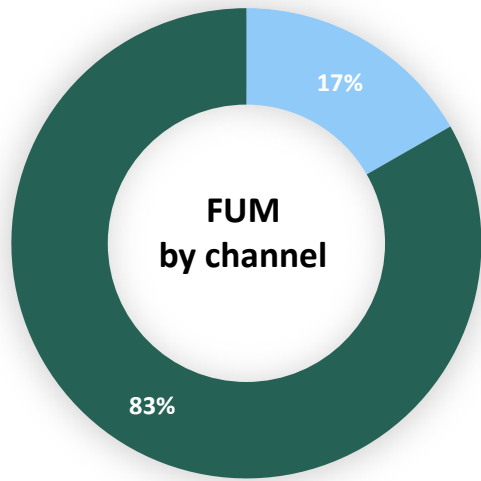
- 91% of net flows acquired via direct channel* in FY24 H1
- Investing in growing advised channel and values aligned segment, whilst also expanding direct channel

* As a percentage of net flows. 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

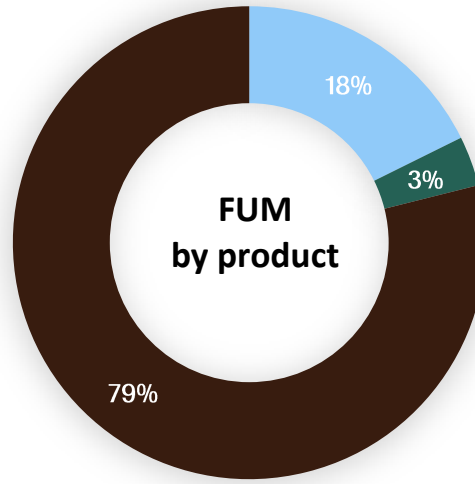
Channel, product and asset class overview

Direct remains predominant channel with advised channel now material



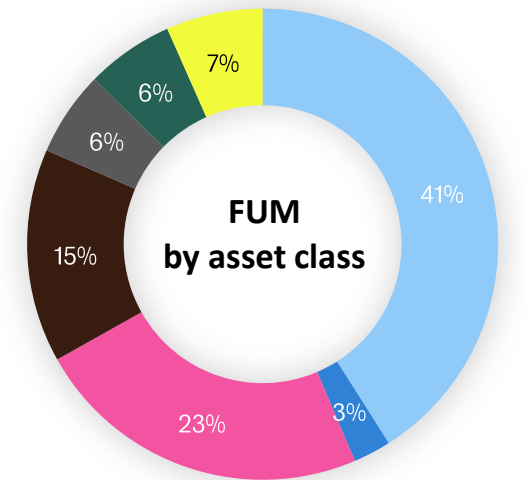
Advised Direct

Majority of FUM in super product – underpinning stable net flows in volatile market conditions



Managed funds wholesale Managed funds retail Superannuation

Asset class expansion with alternatives allocation now at 7% of portfolio



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

References to 'Wholesale' funds indicate the class of pricing above a minimum investment threshold, which varies by fund
Values Aligned channel not shown separately due to relative small size currently. ETF included in Direct, SMA included in Adviser channel

FUM summary – Asset Class & Strategy

Asset Class	FUM at 31 Dec 23 (\$bn)	FUM at 30 Jun 23 (\$bn)
Domestic Equities*	3.96	3.78
International Equity	2.25	2.10
Cash	0.25	0.27
Fixed Income (domestic)	1.42	1.47
Fixed Income (global)~	0.56	0.46
Unlisted Property~	0.58	0.64
Alternatives~	0.64	0.47
Total	9.67	9.20

Asset Strategy	FUM at 31 Dec 23 (\$bn)	FUM at 30 Jun 23 (\$bn)
Single	2.17	2.08
Multi-Asset	7.49	7.12
Total	9.67	9.20

* Including NZ equities
~ Externally managed

FUM summary – Superannuation

Fund/option	Current Management Fee	FUM at 30 Jun 23 (\$bn)	Net flows for 1H24 (\$bn)	Market movement / Other 1H24 (\$bn)	FUM at 31 Dec 23 (\$bn)
Superannuation					
Defensive	0.20%	0.18	(0.01)	0.00	0.18
Conservative	0.55%	0.33	(0.01)	0.00	0.33
Balanced Accum / Pension	0.64% / 0.67%	4.48	0.22	0.06	4.76
International Shares	0.89%	0.15	0.00	0.02	0.17
Growth	0.89%	0.79	0.02	0.02	0.82
High Growth	0.94%	0.59	0.02	0.03	0.64
Australian Shares	1.15%	0.69	0.01	0.02	0.72
Total Superannuation		7.21	0.27	0.15	7.63

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

Notes:

- 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 23 (\$bn)	Applications and Redemptions Net flows for 1H24 (\$bn)	Reclass. and switches 1H24 (\$bn)	Market movement / Other 1H24 (\$bn)	FUM at 31 Dec 23 (\$bn)
Managed Funds – Wholesale						
Income	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%	0.10	0.00	0.00	0.01	0.10
Balanced Fund	0.76%	0.28	(0.00)	0.00	0.01	0.28
High Conviction	0.69%	0.01	0.00	-	(0.00)	0.01
Diversified Shares	0.95%	0.29	(0.01)	0.00	0.01	0.28
High Growth	0.90%	0.07	0.00	0.00	0.00	0.07
Australian Shares	1.10%	0.66	(0.01)	0.00	0.01	0.67
Emerging Companies	1.20%	0.21	0.01	(0.00)	0.01	0.22
Total Managed Funds Wholesale		1.64	(0.02)	0.01	0.05	1.68
Managed Funds – Retail						
Balanced Fund	1.42%	0.10	(0.00)	(0.00)	(0.00)	0.09
Australian Shares	1.69%	0.19	(0.00)	(0.00)	0.00	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		0.33	(0.00)	(0.01)	0.00	0.33
SMA		0.02	0.01	-	0.00	0.03
Total Managed Funds		2.00	(0.01)	(0.00)	0.05	2.04

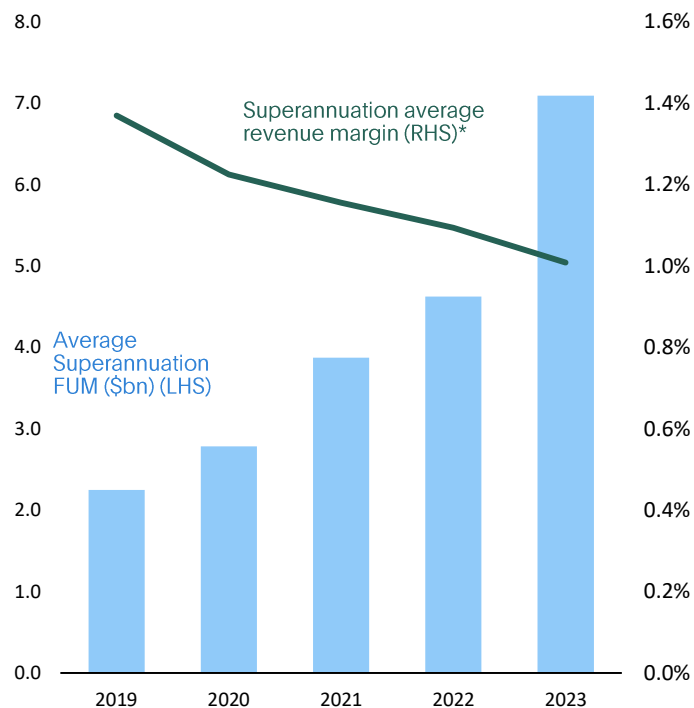
Note:

- 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
- 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 at end of financial year, 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
- Conservative and Moderate funds are newly launched, the FUM is not yet material thus does not appear in table

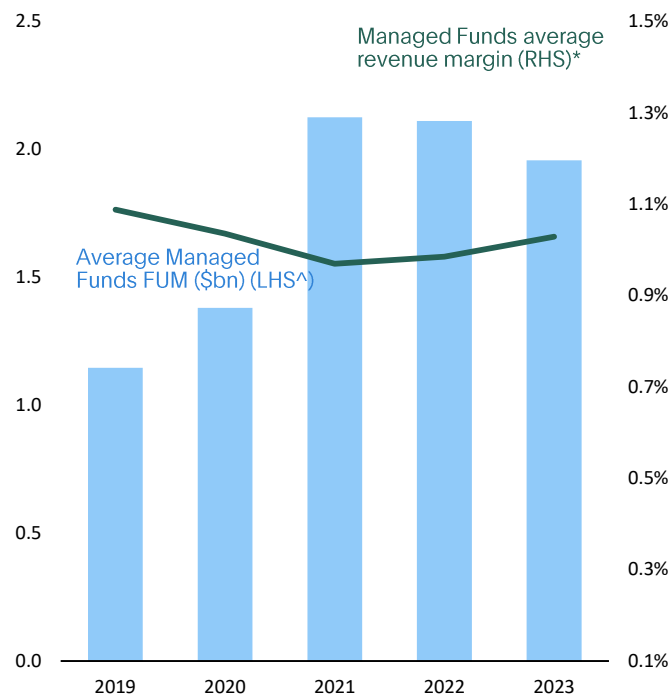
Fees

Superannuation average revenue margin



Managed Funds average revenue margin~

Includes retail, wholesale^ and institutional



* 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)

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

~ Managed Funds includes SMA & ETF

- Super 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 was 1.01% for the calendar year 2023 (Super 1.01% and Managed Funds 1.03%).*
- Average revenue margin for managed funds has increased due to mix of funds largely as a result of large institutional redemptions in FY22 and FY23
- Revenue margin at 31 December 2023 was 1.02%, compared to 1.00% at 30 June 2023.
- Looking forward, as we increase scale, we will continue to offer more competitive fees in line with our fee strategy
- 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 (not shown on chart)



Investment team

Reflects team structure as at January 2024

Team member	Position	Tenure	Experience
Ludovic Theau	Chief Investment Officer	Appointed in April 2023	Over 30 years of experience in ESG investing, funds management, commercial and investment banking and financial advisory. 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. Ludovic holds a Master of Engineering from Ecole Centrale de Paris, France, and is a graduate of the Australian Institute of Company Directors.
John Woods, CFA	Deputy Chief Investment Officer and Head of Multi Assets	3 years at AEI	15+ years investment experience Previously at MLC, CLSA and Macquarie
Clinton Leong	Head of Investment Business Management	2 years at AEI	25+ years in Asset Management and Financial Services Previously at IAG, Manulife, Credit Suisse, and Westpac.
Andy Gracey	Portfolio Manager	19 years at AEI	20+ years of Investment Experience Previously worked at ANZFM, Fidelity Australia and Friends Provident
Natalie Tam, CFA	Systematic Equities Portfolio Manager	Joined AE in December 2023	20+ years investment and industry experience Previously at Perpetual & Aberdeen Asset Management
Tim Kelly	Portfolio Manager	22 years at AEI	20+ years of Investment experience
Mark Williams, MBA	Portfolio Manager / Equities Analyst	8 years at AEI	15+ years of Investment experience Previously at ABN AMRO and Morgans
Deana Mitchell, CFA	Portfolio Manager / Equities Analyst	6 years at AEI	20+ years of investment experience Previously at Macquarie
Jason Korchinski	Equities Analyst	2 years at AEI	8+ years of Investment experience Previously at KPMG, Superchoice Services and Ord Minnett



Investment team (contd.)

Reflects team structure as at January 2024

Team member	Position	Tenure	Experience
Michelle Wigglesworth, CFA	Senior Equities Analyst	1 year at AE	17+ years of Investment Experience
Zeljka Black, CFA	Equities Analyst	Joined AE in October 2023	20+ years investment and industry experience
Julian Richman, CFA	Senior Investment Analyst	7 years at AEI	6+ years of Investment experience
Daniel Koleth, CFA	Senior Investment Analyst	1 year at AE	7+ years of Investment experience
Yong Tan, CFA	Senior Investment Analyst	1 year at AE	9+ years of Investment experience
Angela Seidel	Investment Performance and Data Analyst	1 year at AE	10+ years of Investment Experience
Jason Huang	Quantitative Analyst	8 years at AEI	10+ years of Investment experience



Ethics team

Team member	Position	Tenure	Experience
Alison George	Head of Impact and Ethics	Joined AE in May 2023	20+ experience in ethical investment. Alison has more than 20 years' experience in responsible investment and stewardship, working with numerous industry leaders in her prior roles with Pental and Regnan. A Chartered Accountant, Alison also completed a Master of Environment and was previously a corporate sustainability advisor with EY.
Dr Stuart Palmer	Ethical Futures Lead	9 years at AEI	30+ years experience in the financial, investment and legal sectors. 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. 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	6 years at AEI	10+ years experience in ethics, impact and policy. 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.
Persephone Fraser	Senior Impact and Ethics Analyst	3 years at AEI	6+ years experience in roles such as 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.
Dr Ella Robinson	Senior Impact and Ethics Analyst	Joined AE in January 2024	7 years experience in research in the university sector. Ella previously worked as a post-doctoral researcher investigating the role of responsible investment in driving food industry accountability for health. Ella also has extensive experience evaluating and benchmarking corporations and the public sector on their policies and performance related to food environments. Ella has a PhD in public health, specialising in the commercial determinants of health.
Shannon Akers	Impact and Ethics Analyst	Joined AE in August 2023	3+ years experience in sustainable investing and analytics, impact measurement, systems analysis and research synthesis. Held previous roles at Pental, Domain and Monex Securities Australia.

Reflects team structure as at January 2024

Growth metrics

AE growth metrics	FY23	FY22	FY21	1H24	2H23	1H23	2H22	1H22	2H21	1H21
FUM – managed funds – retail/whsale (\$bn)	2.00	1.78	1.76	2.04	2.00	1.87	1.78	2.10	1.76	1.40
FUM – managed funds – insto (\$bn)	-	0.19	0.41	-	-	-	0.19	0.38	0.41	0.35
FUM – super (\$bn)	7.21	4.23	3.90	7.63	7.21	6.50	4.23	4.46	3.90	3.30
FUM - total (\$bn)	9.20	6.20	6.07	9.67	9.20	8.37	6.20	6.94	6.07	5.05
Investor numbers	13,581	13,966	11,793	13,135	13,581	13,953	13,966	13,326	11,793	10,111
Member numbers (funded)	114,133	69,100	59,480	117,518	114,133	101,349	69,100	63,397	59,480	52,712
Net new funded members^	45,033	9,620	10,661	3,385	12,784	32,249	5,703	3,917	6,768	3,893
Net flows – managed funds - retail/whsale (\$m)	44.9	391.4	338.3	(10.3)	(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	269.4	304.4	300.6	384.0	368.0	360.3	253.4
Net flows - Total (\$m)	466.7	942.6	1,028.9	259.1	280.9	185.8	344.8	598.4	607.4	421.5
Managed funds flows drivers (\$m)	FY23	FY22	FY21	1H24	2H23	1H23	2H22	1H22	2H21	1H21
Managed funds (excl insto) inflows	283.4	599.3	461.3	144.0	114.7	168.7	221.9	377.3	283.1	178.1
Managed funds (excl insto) outflows	(238.5)	(207.9)	(123.0)	(154.3)	(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%)	(15%)	(14%)	(11%)	(11%)	(10%)	(8%)	(10%)
Super flows drivers (\$m) **	FY23	FY22	FY21	1H24	2H23	1H23	2H22	1H22	2H21	1H21
Rollovers in	334.7	499.1	453.4	185.2	160.2	174.5	224.5	274.6	230.8	222.6
SG contributions	454.7	284.3	207.6	279.7	276.2	178.5	159.8	124.5	116.4	91.1
Other contributions	146.1	135.8	104.7	55.8	93.9	52.2	79.4	56.4	72.9	31.8
Total super inflows	935.5	919.1	765.7	520.7	530.4	405.2	463.7	455.4	420.1	345.5
Total super outflows	(330.5)	(167.7)	(152.0)	(251.3)	(225.9)	(104.6)	(79.7)	(87.4)	(59.9)	(92.2)
Outflow % FUM annualised~	(6%)	(4%)	(5%)	(7%)	(7%)	(4%)	(4%)	(4%)	(3%)	(6%)
Outflows % FUM annualised (excluding early release of super)	(6%)	(4%)	(3%)	(7%)	(7%)	(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 \$49k#

* 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

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

Financial metrics

Financial metrics	FY23	FY22	FY21	1H24	2H23	1H23	2H22	1H22	2H21	1H21
FUM based revenue (ex performance fee) (\$m)	75	65.6	51.6	44.8	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	3.0	2.7	2.4	2.4	2.3	2.1	2.1
Other (\$m)	1.0	0.1	0.1	0.7	0.7	0.3	-	-	-	-
Operating revenue (\$m)	81.1	70.8	58.7	48.5	44.5	36.6	35.6	35.2	33.1	25.6
UPAT – pre performance fee (\$m)	11.8	10.0	9.2	8.5	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	8.5	6.8	5.0	4.9	5.4	6.2	4.9
NPAT (\$m)	6.6	9.6	11.3	6.2	5.6	1.0	4.2	5.4	6.1	5.2
Cost to income ratio – pre performance fee (%)*	79%	79%	77%	75%	78%	81%	81%	78%	80%	74%
Cost to income ratio – post performance fee (%)*	79%	79%	74%	75%	78%	81%	80%	78%	74%	74%
Effective tax rate (%)^^	38%	31%	28%	30%	31%	61%	32%	30%	30%	26%
Earnings per share (cents)	FY23	FY22	FY21	1H24	2H23	1H23	2H22	1H22	2H21	1H21
Basic (NPAT attributable to shareholders)	5.89	8.64	10.19	5.57	5.03	0.86	3.76	4.89	5.51	4.68
Diluted (NPAT attributable to shareholders)	5.84	8.55	10.02	5.53	4.98	0.85	3.71	4.83	5.42	4.60
Basic (UPAT attributable to shareholders)	10.57	9.26	10.00	7.59	6.12	4.45	4.38	4.89	5.60	4.40
Diluted (UPAT attributable to shareholders)	10.46	9.16	9.84	7.54	6.06	4.41	4.32	4.83	5.51	4.32
Dividend per share	FY23	FY22	FY21	1H24	2H23	1H23	2H22	1H22	2H21	1H21
Ordinary Dividend (cents)	7.00	6.00	7.00	3.00	5.00	2.00	3.00	3.00	4.00	3.00
Special Dividend (cents)	-	-	1.0	-	-	-	-	-	1.0	-
Dividend franking (%)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
NPAT annual payout ratio#	120%	70%	80%	54%	100%	235%	81%	62%	92%	65%
Capital Management	FY23	FY22	FY21	1H24	2H23	1H23	2H22	1H22	2H21	1H21
Cash & term deposits (\$m)	32.1	26.7	27.3	26.9	32.1	25.0	26.7	24.4	27.3	20.8
Net assets	26.3	24.2	23.7	26.8	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	0.24	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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