

# Business update

## ASX ANNOUNCEMENT

### Funds under Management hits record high of \$9.02 billion

Managing Director John McMurdo said “the business is now better positioned than ever for further headline and earnings growth following the successful integration of the Christian Super successor funds transfer (SFT), and following positive investments’ returns, and organic net cashflows”.

### FUM and Flows to 31 May 2023

Funds under management reached a record \$9.02 billion at 31 May 2023, an increase of 3% since 31 March 2023 and 45% since 30 June 2022.

The two months since March 2023 saw further positive net flows of \$90 million, despite the challenging economic and market environment all investment managers are currently experiencing. Superannuation flows remained particularly resilient.

Positive investment performance in the period contributed \$170 million of net growth.

FUM and flows by product for the two months to 31 May 2023 were:

Product Category	FUM March 23 (\$bn)	Net flows (\$bn)	Market & other <sup>1</sup> (\$bn)	FUM May 23 (\$bn)
Managed Funds <sup>2</sup>	1.92	(0.02)	0.05	1.95
Superannuation	6.85	0.11	0.11	7.07
<b>Total</b>	<b>8.77</b>	<b>0.09</b>	<b>0.17</b>	<b>9.02</b>

<sup>1</sup> Includes changes in asset value due to market movements and net income.

<sup>2</sup> Includes SMA; reflects retail, wholesale, and mezzanine investors.

### Second Half Revenue and Earnings Growth

Australian Ethical continues to execute on its strategy with strong headline growth metrics expected for FY23.

During the second half of FY23, revenue is expected to be approximately 21% higher than the first half driven by higher average FUM. Underlying Profit after Tax (UPAT) for the second half is expected to be approximately 30% higher than the first half in a range of \$6.3 to \$6.8 million, taking full year UPAT before performance fees for the year ending 30 June 2023 to \$11.3 to \$11.8 million. Stronger revenue and disciplined cost management have contributed to the emergence of operating leverage and the underlying profit increase.

The full year statutory profit includes integration costs associated with the SFT and the revaluation of Australian Ethical’s investment in the Sentient Impact Group which are adjustments to underlying profit.

The earnings guidance is based on unaudited management accounts to 31 May 2023. More information will be provided when full year results are announced in late August 2023.

## Operating Platform Update

Following the SFT in November 2022, Australian Ethical is pleased to confirm that the initial integration program has been delivered according to plan, with consolidation into a single investment management platform, and the combined management operating effectively under one brand and model, being Australian Ethical.

The higher level of Funds under Management now presents Australian Ethical the opportunity to both continue to invest in the business to capture the significant addressable market for Responsible Investing, and simultaneously see operating leverage emerge in the future earnings profile of the business.

On account of the SFT, Australian Ethical will now turn its focus to extracting further middle and back office synergies, initially through the transition of superannuation administration services to a single provider. Australian Ethical has selected GROW Technology Services Ltd (GROW) as its new superannuation administration based on a strong alignment of innovative cultures between the organisations, GROW's modern technology stack, which will deliver flexibility as Australian Ethical grows, and a more compelling commercial rate-card. The multi-year project to transition to GROW, has commenced, with member transition to GROW's platform expected to be complete in FY25.

This and other future initiatives are expected to deliver cost savings for the business over the medium to long term, enhance the customer experience, and will underpin Australian Ethical's long term growth.

This announcement is authorised by the Board.

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### About Australian Ethical

Australian Ethical is Australia's leading ethical investment manager. Since 1986, Australian Ethical has provided investors with investment management products that align with their values and provide competitive returns. Investments are guided by the Australian Ethical Charter which shapes its ethical approach and underpins both its culture and its vision. Australian Ethical has over \$9 billion in funds under management across managed funds and superannuation.

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