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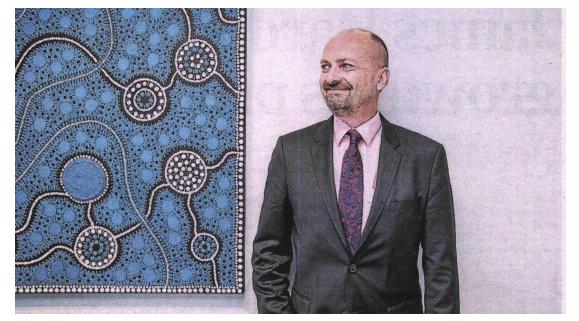
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Chief executive Phillip Vernon says a track record of strong returns is winning over people. PHOTO: CHRISTOPHER PEARCE

Green is good as Australian Ethical flags 86pc profit jump

Sally Rose

The feel-good factor, savvy digital marketing and strong investment returns have made Australian Ethical one of the fastest-growing superannuation managers in the country.

Shares in the \$75 million ASXlisted specialist wealth management firm jumped 5.4 per cent to close at an all-time high of \$68.48, after managing director Phillip Vernon told investors to expect an 86 per cent jump in full-year profit to \$3.47 million to \$3.84 million.

Mr Vernon said a track record of strong returns was winning over consumers who once were wary of the financial risk of moving away from a mainstream manager.

"We are seeing a big rise in interest from the adviser networks for our ethical investment products, driven by client demand. A digital marketing campaign had been successful in appealing to savers with "high-level" ethical convictions, he said.

Last month Australian Ethical – which has long excluded industries such as armaments, tobacco and coal

– pledged to completely exclude all fossil fuel producers and distributors.

"Strong ethical convictions set us apart from the sustainable options offered by many of our larger competitors," Mr Vernon said.

Wealth management giant AMP, the country's largest manager of super assets with a market value of \$16.2 billion, last week batted off a raft of questions at its annual general meeting from shareholders concerned that the company was not taking its commitment to environmental, social and governance factors seriously enough when deciding what companies to invest in.

The Australian Shareholders Association also questioned why AMP had failed to significantly grow its market share during the past five years and lamented the incumbent's "flatlining" share price.

Australian Ethical's total funds under management grew 31 per cent since July 1, 2015, to \$1.53 billion at May 17, 2016.

Australian Prudential Regulation Authority deputy chairman Helen Rowell has previously flagged concerns about the ability of many super funds with less than \$2 billion under management to comply with the regulator's "scale test" and prove they are delivering value to their members. However, she has also noted that "niche" funds may be an exception.

"Some small funds are able to operate efficiently and effectively and have sound strategies and niche positioning that should position them well for the future," she told *The Australian Financial Review* Banking & Wealth Summit last month.

Analysis of APRA data by actuarial consulting firm Rice Warner shows Australian Ethical is one of the fastest-growing superannuation managers in the country.

"Last financial year Australian Ethical grew net assets by 31.5 per cent, compared to an average rate of 11.6 per cent across all APRAregulated funds," Rice Warner head of superannuation research Nathan Bonarius said.

"Australian Ethical was the 15th fastest growing of the 194 funds, in terms of net assets, for the year ended June 2015."