

Australian Ethical Income Fund

FUND PROFILE - 31 DECEMBER 2020

Australian Ethical is one of Australia's leading ethical fund managers. By investing responsibly in well-managed ethical companies, we deliver competitive financial performance to our clients and positive change to society and the environment. Since our inception in 1986, our Ethical Charter has guided all investment decisions and underpinned our business practices. Every year 10 per cent of our profits* are distributed to charitable organisations and social impact initiatives through The Australian Ethical Foundation.

Investment objective

To generate an income stream consistent with prevailing short-term interest rates while minimising the risk of capital loss and supporting the Australian Ethical Charter.

Price information

Pricing frequency: Daily

Buy/Sell spread: 0.00%/0.00%

Fund facts

Fund size: \$1.38m

Benchmark: Bloomberg AusBond Bank Bill

Asset class: Money Market

Inception date: 26/11/1997

Minimum investment timeframe: 1 year

Risk level: Very low

Identifiers

ISIN code: AU60AUG00036

APIR code: AUG0003AU

Distributions

Frequency: 2

Dates: 30/06, 31/12

Fees

Management costs - PDS: 0.20%

Minimum initial investment: \$1,000
\$500 with a Regular investor plan

Additional transactional and operational costs: 0.00%

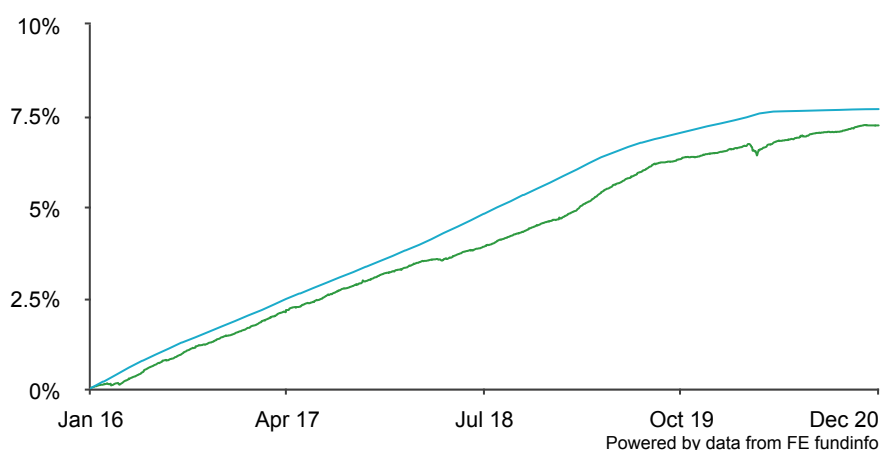
A full explanation of all the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Product Disclosure Statements available from our website australianethical.com.au

*(after tax, before bonus expense)

Investment strategy

The opportunity to invest in a diversified portfolio of interest-bearing investments generating income. The Fund is invested in short-dated deposits, high grade mortgage-backed securities, State and Commonwealth Government Bonds, and bank and other corporate bonds. As such, the returns of the Fund tend to move in line with the general level of interest rates.

Cumulative performance (as at 31/12/2020)



■ Australian Ethical Income
■ Benchmark

Performance (as at 31/12/2020)

	1m	3m	6m	1y	3y	5y	10y	Since inception
Fund	0.0%	0.2%	0.3%	0.7%	1.2%	1.4%	2.5%	3.7%
Benchmark	0.0%	0.0%	0.0%	0.4%	1.2%	1.5%	2.4%	4.2%

Calendar Performance (as at end 2020)

	CY2020	CY2019	CY2018	CY2017	CY2016
Fund	0.7%	1.7%	1.3%	1.6%	1.7%
Benchmark	0.4%	1.4%	2.0%	1.8%	2.0%

Source: FE fundinfo.

Total returns are calculated using the sell (exit) price, net of management fees and gross of tax as if distributions of income have been reinvested at the actual distribution reinvestment price. The actual returns received by an investor will depend on the timing, buy and exit prices of individual transactions. Return of capital and the performance of your investment in the fund are not guaranteed. Past performance is not a reliable indicator of future performance. Figures showing a period of less than one year have not been adjusted to show an annual total return. Figures for periods of greater than one year are on a per annum compound basis. The current benchmark may not have been the benchmark over all periods shown in the above chart and tables. The calculation of the benchmark performance links the performance of previous benchmarks and the current benchmark over the relevant time periods.

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Top 10

Government of Australia	13.6%
Western Australian Treasury Corp.	9.5%
Queensland Treasury Corp.	9.4%
New South Wales Treasury Corp.	9.1%
South Australian Government Financing Authority	6.0%
National Australia Bank Limited	4.6%
Bendigo and Adelaide Bank Limited	4.3%
Bank of Queensland Limited	4.2%
Treasury Corporation of Victoria	4.0%
Northern Territory Treasury Corp.	3.9%

Ratings and awards

RIAA rating:



UNPRI signatory:



Why invest ethically?

Portfolio diversification: Diversify your portfolio by investing in companies and sectors not well covered by other fund managers and brokers.

Help build a better world: Invest in the new, low-carbon economy, fund medical and technology breakthroughs, efficient transport and more.

Promote human rights: We strive to avoid any investment in companies involved in the poor treatment of asylum seekers or the exploitation of workers through poor working conditions.

Need Help?

Contact us between 9:00am-5:00pm

AEST Monday-Friday on:

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Australian Ethical Investment Ltd

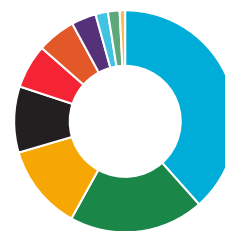
c/o Boardroom Pty Ltd

GPO Box 3993

Sydney NSW 2001

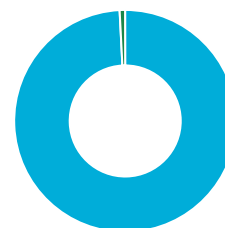
Sector allocation

State Government	38.4%
Bank Senior Debt	19.6%
Government	12.4%
SSA	9.6%
Term Deposit	6.4%
Corporate Credit	5.6%
Bank Covered Bonds	3.6%
ABS	1.8%
RMBS	1.7%
Cash	0.8%



Asset allocation

Australian Interest Bearing Investments	99.2%
Cash	0.8%



Commentary

Over the December quarter the Australian Ethical Income Fund return was 0.2%, 0.18% ahead of the benchmark Bloomberg Ausbond Bank Bills Index at 0.02%. This outperformance owes primarily to tightening credit spreads, driven by demand as market participants moved further out the credit spectrum in the face of near-zero short-term rates, a lack of supply of new bank senior debt as authorised deposit-taking institutions (ADIs) take up the Term Funding Facility, and an improving credit outlook as COVID-19 uncertainties ease.

The Reserve Bank of Australia increased its accommodative stance in November, with a partial rate cut from to 0.10%, reinforced with mirrored changes to the 3-year Yield Curve Control target and Term Funding Facility.

The outlook for short-term money markets remains one of subdued returns. Near-zero Bank Bill rates reflect the abundance of available liquidity, and some ADIs have notified depositors they are not accepting new funds. High Quality Liquid Assets offer near zero rates, and while the Income Fund continues to hold a mix of these for liquidity management, we have also added to bank senior debt, corporate credit, short-dated RMBS and term deposits to seek opportunities for yield.