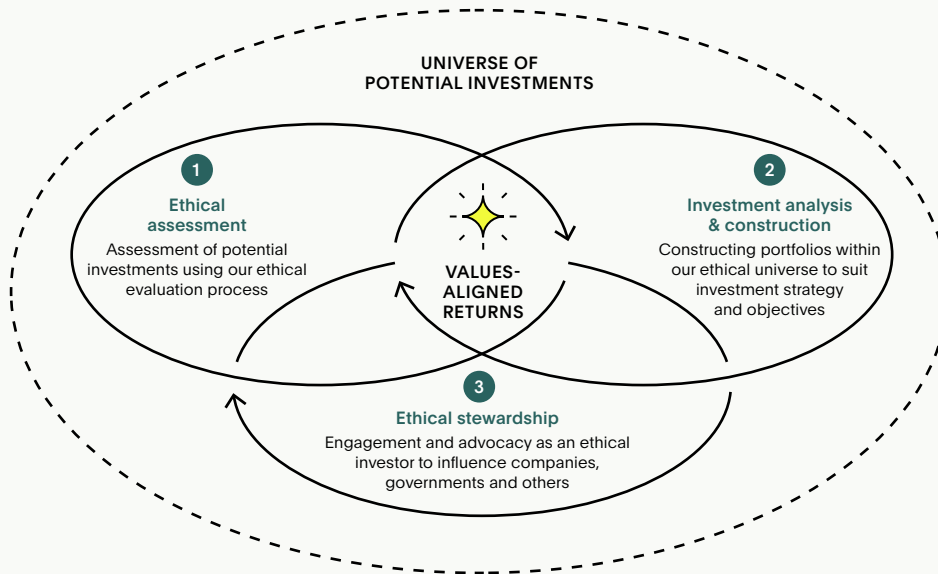


# Balanced Fund

Australian Ethical has been investing ethically – and only ethically – since we began in 1986. Our Balanced Fund is designed for the future-focused investor seeking a holistic ethical investment solution that generates returns while managing risk, and while seeking to deliver positive change for people, planet and animals.

# Our ethical investment approach

Every investment we make across our entire \$9.2 billion portfolio must meet the requirements of our Ethical Charter. It guides us to parts of the economy that are good for the planet, people and animals and away from harmful sectors. We believe companies with a social and environmental purpose as part of their competitive strategy, will thrive in and help create a lower carbon and more equitable future.



- 1 Our Ethical Charter establishes the foundation for how we invest and how we've always invested. It guides us in seeking out investments to support, and those to avoid.
- 2 Our investment team's strategic asset allocation process is used to identify suitable long-term asset allocations to meet the return and risk objectives of the Fund.
- 3 We don't just set and forget, monitoring and active engagement of investee companies is an important part of our process.

## We seek investments assessed to support:

- ✓ Clean energy
- ✓ Sustainable products
- ✓ Medical solutions
- ✓ Innovative technology
- ✓ Responsible banking
- ✓ Healthcare
- ✓ Recycling
- ✓ Energy efficiency
- ✓ Education
- ✓ Aged care

## We restrict<sup>+</sup> investments in:

- ✗ Coal
- ✗ Coal seam gas
- ✗ Oil
- ✗ Weapons
- ✗ Tobacco
- ✗ Old growth forest logging
- ✗ Exploitation
- ✗ Gambling
- ✗ Human rights abuses
- ✗ Harmful products

<sup>+</sup> Our investment restrictions include some thresholds. Thresholds may be in the form of an amount of revenue that a business derives from a particular activity, but there are other tolerance thresholds we can use depending on the nature of the investment. We apply a range of qualitative and quantitative analysis to the way we apply thresholds. For example, we may make an investment where we assess that the positive aspects of the investment outweigh its negative aspects. For information on how we make these assessments for a range of investment sectors and issues such as fossil fuels, nuclear power, gambling, tobacco, human rights, and many others, please read our Ethical Criteria at [australianethical.com.au/why-ae/ethics](http://australianethical.com.au/why-ae/ethics).

# The Balanced Fund (Wholesale)

The Australian Ethical Balanced Fund (Wholesale) (the 'Fund') is a holistic ethical solution offering investors the opportunity to invest in a well-diversified portfolio of ethically-screened assets and markets. It is designed to deliver long-term moderate returns and minimise volatility.



## Ethical approach

Our investment philosophy is centred around the 23 principles of our Ethical Charter that seeks out investments with positive impact while restricting\* those that do harm. To find out more, visit: [australianethical.com.au/why-ae/ethical-charter](http://australianethical.com.au/why-ae/ethical-charter)



## A ready-made multi-asset solution

The Fund is designed to help investors achieve investment outcomes by providing access to a broad range of asset classes, sectors and markets, while carefully managing risk.



## A total portfolio solution

The Fund is suitable for investors seeking an ethically-screened investment. It provides investors with a balance between capital growth and a moderate level of income through a diversified portfolio of assets that supports the Australian Ethical Charter.



## Ahead of the curve

We incorporate ethics into our investment process to help identify risks and opportunities earlier than most other funds. For example, we've been assessing exposure to climate change risk for decades.

## At a glance

### Asset allocation

60-80% Growth  
20-40% Defensive

### Management fees and costs<sup>1</sup>

0.89% p.a.

### Risk level

Medium – High

### Recommended minimum investment timeframe

8 years

### Minimum initial investment

\$25,000 minimum in the Fund and a total minimum of \$200,000 investment across Australian Ethical's managed funds

### Benchmark

Australian Ethical Balanced Composite

### Platform availability

AMP	✓
BT	✓
HUB24	✓
IOOF	✓
Mason Stevens	✓
Netwealth	✓
PowerWrap	✓
Praemium	✓

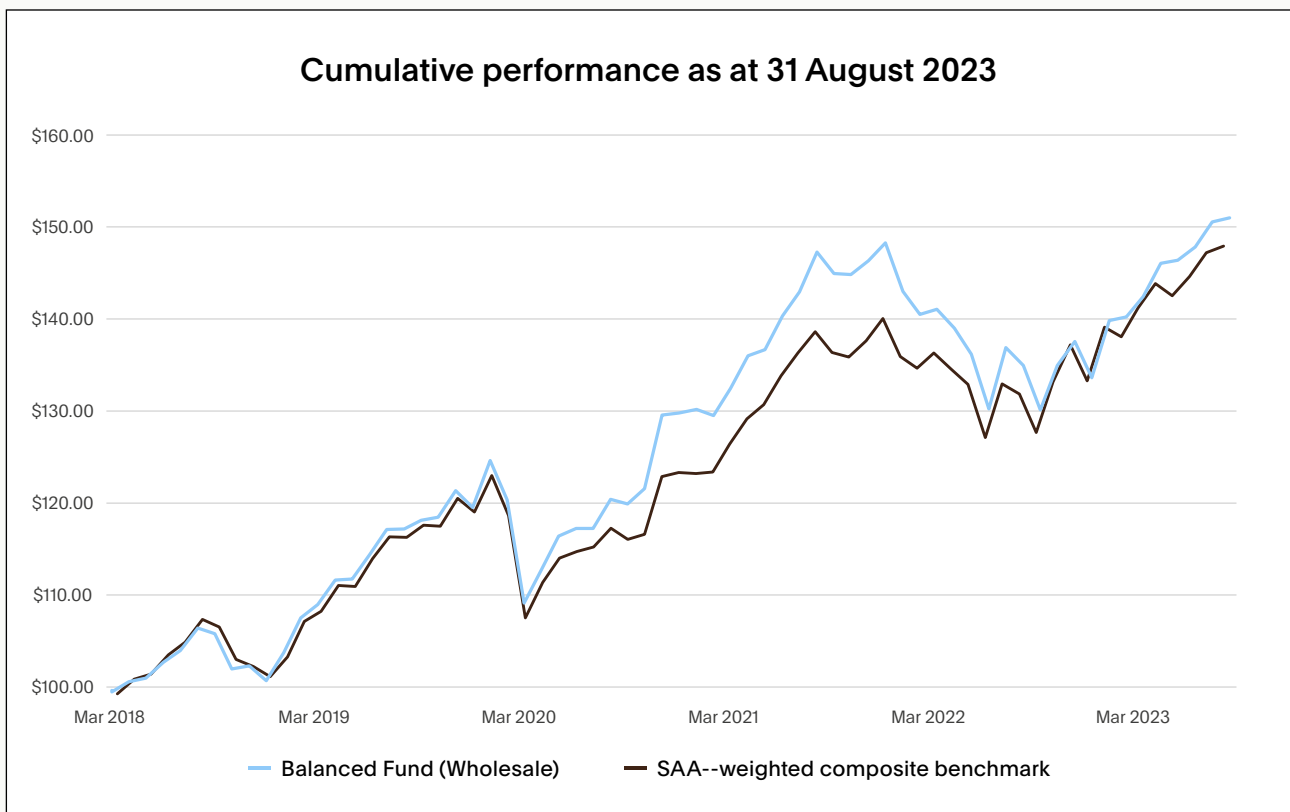
# Our investment approach

## A focus on the long-term

1. We apply our Ethical Charter to all asset classes and underlying holdings that we invest in.
2. Our ethical approach leads us to consider what ought to happen in the world around us and compels us to consider the long-term. We take advantage of our long-term investment horizon and liquidity.
3. We take a systemised and evidence-led approach to understanding opportunities and risks across asset classes and portfolio holdings.
4. We tailor our understanding of the distributions of returns relevant to achieving the goals of ethical portfolios.
5. We improve portfolio resilience by identifying diversifying exposures, and exposures targeted at managing meaningful risks.

# Our track record

Leveraging the team, process and 30+ year track-record of the original Balanced Fund (Retail), the Balanced Fund (Wholesale) has outperformed its composite benchmark since its inception, returning 7.2% p.a. against the benchmark's 7.0% pa (as at 31 August 2023).



Benchmark: Australian Ethical Balanced Composite. Inception date: 28/03/2018. Past performance is not a reliable indicator of future performance.

# How the Fund invests

The Balanced Fund is a multi-asset fund which provides investors with the opportunity to invest in a diversified portfolio of asset types and markets to reduce the volatility of returns. Asset classes include, but are not limited to, Australian and international shares, property and fixed income securities.

## Asset allocation

Target asset allocation  
as at 30 June 2023

### Growth assets

#### ■ Australian & NZ Shares 29.0%

A blend of optimised and active in-house Australian equities strategies (**Australian Ethical Australian Shares Fund**, **Emerging Companies Fund**, **High Conviction Fund**, and **Diversified Shares Fund**)

#### ■ International Shares 25.0%

Investments in a diversified portfolio of companies across sectors listed on international stock exchanges through the **Australian Ethical International Shares Fund**

#### ■ Property 10.0%

Investments in unlisted direct property funds managed by specialist external managers (**Investa**, **Dexus** and **Australian Unity**) across residential, commercial, retail, and industrial sectors, as well as 'specialty' property investments to accommodate food production, childcare and healthcare

#### ■ Growth Alternatives 5.0%

Externally managed investments in venture capital, private equity, growth infrastructure and other assets to improve diversification and growth opportunities in the Fund



### Defensive assets

#### ■ Defensive Alternatives 2.5%

Externally managed investments in private debt, core infrastructure, impact and catastrophe bonds, microfinance and other holdings to diversify the Fund's defensive portfolio with assets that have a low correlation with traditional assets and offer inflation protection/CPI linkage.

#### ■ Cash 5.5%

The Fund's cash exposure is invested in zero-fee class units of the **Australian Ethical Income Fund**

#### ■ Australian Fixed Interest 15.5%

The Fund's domestic fixed income exposure is invested in zero-fee class units of the **Australian Ethical Fixed Interest Fund**

#### ■ International Fixed Interest 7.5%

Global credit (hedged) exposure to preserve capital and diversify the Fund's fixed income holding away from the financials-dominated domestic market. (**Credit & Sovereign – External Mandates**)



# Case studies

A few examples of what the Fund invests in via its underlying assets.



## Mercury Energy

Mercury Energy is a renewable energy generator and retailer of electricity based in New Zealand Aotearoa.

Some of the biggest social and economic risks that we face stem from climate change according to the latest Risk Report from the World Economic Forum<sup>2</sup>. It's a scary prospect and there's a lot of uncertainty about the direction businesses and governments will take. However, the world's climate emergency is equally an opportunity. An opportunity to decarbonise, create new industries and jobs that will be the bedrock of the global economy for decades to come.

Mercury Energy embodies this line of thought. Despite the world being in the early stages of the clean energy transition, it generates electricity from 100 per cent renewable sources, including hydro, geothermal and wind. As one of the largest energy retailers and generators in New Zealand, Mercury is looking to scale up as fast as possible to provide 'energy freedom' to the entire nation. This means being more economically self-sufficient and environmentally sustainable through cheap and reliable renewable energy.

### SDG contribution

- 7 Affordable and clean energy
- 13 Climate action

## The Dexus Healthcare Property Fund

The Dexus Healthcare Property Fund is the first Australian healthcare property fund to have environmental sustainability as its focus<sup>4</sup>. The materials sector accounts for between 5 to 10 per cent per cent of Australia's greenhouse gas emissions<sup>5</sup>. Healthcare facilities are particularly more emissions-intensive than average dwellings as they run for extended hours and use medical equipment that requires more power. Despite this, there are no specific environmental regulations for healthcare facilities.

Our investment in the Dexus Healthcare Property Fund is the first portfolio in Australia where healthcare assets have an environmental development focus. Some of these facilities include Calvary Adelaide Hospital and GP Plus Health Care Adelaide and North Shore Health Hub in Sydney. From a health perspective, these health facilities will provide specialist medical consulting in cancer treatment, pathology and medical imaging. Some of the sustainable design features include passive building design, energy efficiency measures, onsite and offsite renewable energy and electric vehicle charging outlets for low emissions transport.

### Impact contribution

Sustainable real estate





# Australian Ethical continues to be recognised among leading in responsible investment managers

## Xylem Inc

Xylem Is a leading water technology company aiming to solve global water challenges such as waste, scarcity, use efficiency and affordability.

Water is becoming increasingly scarce and this scarcity of supply is being exacerbated by climate change, especially in developing economies. Morgan Stanley Sustainability Research estimates that the divide between global supply and demand of fresh water is expected to reach 40 per cent by 2030<sup>3</sup>. Significant financial investment is needed to develop the technology and infrastructure required to meet this gap. That's where Xylem comes in. Bucking the trend of underinvestment, it offers a suite of products designed to make water more accessible and affordable, while also ensuring communities are more resilient.

Our investment enables Xylem to continue developing industrial, household and commercial technologies and equipment designed to prevent water wastage, pollution and improve use efficiency.

### SDG contribution

- 6 Clean water and sanitation
- 13 Climate action

### Ratings



The Fund has achieved a 4-STAR SUPERIOR rating from SQM Research and is deemed to be of a 'High investment grade' and suitable for inclusion on most APLs.<sup>6</sup>

### Award-winning team



### Ethical credentials



Responsible Investment Leader 2023



Top 5 for Financial Services



Best for the World for Customer Service and for Governance



## Find out more

**Phone:** 1800 021 227

**Email:** [advisers@australianethical.com.au](mailto:advisers@australianethical.com.au)

**Website:** [australianethical.com.au](http://australianethical.com.au)

Investing ethically and sustainably means that the investment universe will generally be more limited than non-ethical, non-sustainable portfolios in similar asset classes. This means that the Fund may not have exposure to specific assets which over or underperform over the investment cycle, and so the returns and volatility of the Fund may be higher or lower than non-ethical, non-sustainable portfolios over all investment time frames.

The content of this document is correct as at the date of publication. It has not been subject to auditor review. This document may contain material provided by third parties derived from sources believed to be accurate at its issue date. While such material is published with necessary permission, the Australian Ethical accepts no responsibility for the accuracy or completeness of, nor does it endorse any such third party material. To the maximum extent permitted by law, we intend by this notice to exclude liability for this third party material.

1. Current as at 1 September 2023. Complete fees and costs information available at [australianethical.com.au/managed-funds/fees](http://australianethical.com.au/managed-funds/fees)
2. World Economic Forum, 2022. The Global Risks report 2022 17th Edition. [online] Switzerland: World Economic Forum, pp.30-41. Available at: [https://www3.weforum.org/docs/WEF\\_The\\_Global\\_Risks\\_Report\\_2022.pdf](https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf) [Accessed 21 July 2022].
3. morganstanley.com. 2022. A Deep Dive On the Water Crisis. [online] Available at: <https://www.morganstanley.com/ideas/water-scarcitycauses-and-solutions> [Accessed 21 July 2022].
4. Clean Energy Finance Corporation, 2020. Healthcare Fund sets new clean energy standards. Canberra: Clean Energy Finance Corporation. [online] Sydney, Available at: <https://www.cefc.com.au/where-we-invest/casestudies/healthcare-fund-sets-new-clean-energy-standards> [Accessed 21 July 2022].
5. Clean Energy Finance Corporation, 2021. Australian buildings and infrastructure: Opportunities for cutting embodied carbon. [online] Sydney, p.8. Available at: <https://www.cefc.com.au/media/ovrkk513/australianbuildings-and-infrastructure-opportunities-for-cuttingembodied-carbon.pdf> [Accessed 21 July 2022].
6. The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

© November 2023 Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 22994)

This information is of a general nature and is not intended to provide you (or your clients) with financial advice or take into account your (or your clients') personal objectives, financial situation or needs.

This information is a guide only and is provided to assist you. We have not taken either your or your clients' circumstances into account when preparing this information so it may not be applicable to the particular situation you are considering. Australian Ethical does not guarantee the performance of any fund or the return of an investor's capital; past performance is not a reliable indicator of future performance. Your use of any of this information is entirely at your own risk and Australian Ethical Investment Ltd. accepts no liabilities for any errors or omissions.

This document provides an overview or summary only and it should not be considered a comprehensive statement on any matter or relied upon as such. You and your client should consider our Financial Services Guide (FSG), relevant Product Disclosure Statement (PDS) and Target Market Determinations (TMD) available at [australianethical.com.au](http://australianethical.com.au).

This information is provided by Australian Ethical Investment Ltd ABN 47 003 188 930, AFSL 229949 as Responsible Entity for the Australian Ethical Managed Funds.

