

Australian Ethical High Conviction SMA Portfolio

Australian
Ethical



Portfolio Profile - 31/12/2025

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 profits¹ are distributed to charitable organisations and social impact initiatives through The Australian Ethical Foundation.

Investment objective

Our Australian Shares SMA offers clients the opportunity to invest in a portfolio of Australian companies that aligns with their own values – we restrict companies that cause unnecessary harm to people, animals, society and the environment and seek out positive, future-building companies across healthcare, technology, utilities and finance. The Portfolio aims to exceed the return of the S&P ASX300 Total Return Index after taking into account management expenses over a 7 year period.

Investment strategy

We apply ethical screening and fundamental investment analysis to give clients a responsible alternative to mainstream equity portfolios – all within the flexible and transparent structure of an SMA. Leveraging the team, process and 20 plus year track record² of our award-winning³ Australian Shares Fund, it provides a concentrated portfolio of 15 to 30 holdings with a large cap bias, and is shaped by our Ethical Charter.

Portfolio facts

Benchmark:	S&P ASX 300
Asset class:	Australian equities
Inception date:	16/04/2020
Minimum investment timeframe:	7 Years
Typical number of stocks:	15-30
Risk level:	High

Fees

MER:	0.69%
Minimum initial investment:	\$25,000

¹(after tax, before bonus expense).

²Past performance is not a reliable indicator of future performance.

³Please refer to our website for the specific awards we have won, including the specific categories.

Platform availability

- Hub 24
- Netwealth
- Praemium

Cumulative performance (as at 31/12/2025)



Performance⁴ (as at 31/12/2025)

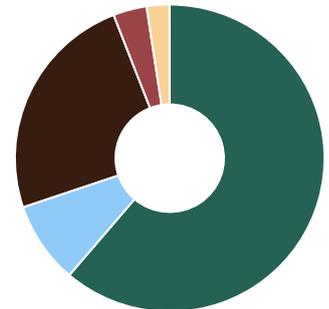
	1m	3m	6m	1y	3y	5y	10y	Since inception (ann.)
Portfolio ⁵	-2.4%	-3.1%	0.6%	2.0%	7.6%	3.8%	-	9.9%
Benchmark	1.4%	-0.9%	4.1%	10.7%	11.4%	9.8%	8.6%	12.8%

⁴Past performance is not a reliable indicator of future performance.

⁵Based on gross performance before management fees.

Asset allocation

■ ASX 100	61.3%
■ ASX 100 Equivalent	8.6%
■ ASX 200	24.3%
■ ASX 300	3.5%
■ Cash	2.4%



Top 5 holdings

CSL Limited	5.5%
Contact Energy Limited	5.0%
WEB Travel Group limited	4.6%
Westpac Banking Corporation	4.5%
CAR Group Limited	4.5%

Top 3 contributors to Portfolio return

Challenger	6.0%
National Australia Bank	5.5%
Goodman Group	4.9%

Top 3 detractors from Portfolio return

CAR Group	-11.7%
Resmed	-8.6%
CSL	-7.3%

Portfolio activity

Additions to the Portfolio

Removals from the Portfolio

Ratings

RIAA

Certification:



Lonsec

rating:



Need Help?

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Commentary

The High Conviction SMA Portfolio (Portfolio) delivered a 2% return (net of fees) for the 12 months to 31 December 2025, amidst a challenging market backdrop for our fundamentally driven, ethical investment style. The first half of the year was characterised by persistent market flows concentrated into companies with large index weights (e.g. the Big 4 banks) despite elevated valuation multiples, while gold stocks rallied strongly as the gold price strengthened on heightened macro uncertainty. As the year progressed, growing confidence in the market outlook saw a broadening of risk appetite into stocks with relative valuation appeal and new IPOs coming to market, while the rally in gold stocks broadened into a rally across the Materials sector on strengthening commodity prices.

With the Materials sector comfortably outperforming the rest of the market over the year, the Portfolio underperformed the benchmark ASX 300 index, which recorded a return of 10.7%. The Portfolio has a material underweight position in the Materials sector relative to the benchmark due to the high carbon intensity of the mining and energy companies that dominate the sector. Correspondingly, the Portfolio has maintained overweight positions in technology and healthcare. Whilst these sector positions have detracted value over the last year, they have added significantly more value over the 30+ years we have been managing Australian equities. Positive stock selection softened the impact on the Portfolio's return. With valuations now looking particularly attractive for technology and healthcare, we retain an overweight position and we expect both sectors to outperform in 2026.

Despite the headwinds, the consumer sector was an area of strength for the portfolio aided by stock selection. A key contributor to the Portfolio was the decision to focus its supermarkets exposure in Coles instead of Woolworths. The management team at Coles executed strongly throughout the year, taking market share and leveraging recent investments in supply chain capabilities. Retaining the Portfolio's investment in lithium producer, Pilbara Minerals, also benefited the Portfolio, as the notoriously volatile lithium market turned positive in the second half of the year.

The Portfolio's investment focus remained on leveraging our team's fundamental research capability to find attractively priced companies within our ethical investment universe that will outperform over time. Changes to Portfolio holdings during the year reflected this process, with the Portfolio well positioned to deliver positive performance going forward.

As we head into 2026, the Portfolio is well positioned to benefit from normalising macro conditions and a more balanced market. The focus for the Portfolio remains on finding stocks that are undervalued in the Australian or New Zealand markets, with our team of experienced analysts unearthing opportunities.

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