Australian Ethical Australian Shares Fund

Fund Profile - 30 June 2026

Australian Ethical

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 provide long-term growth focusing on Australian companies that meet our Ethical Criteria. The Fund aims to significantly exceed the return of the blended index after taking into account management costs over a 7 year period.

Price information

Pricing frequency:	Daily
Buy/Sell spread:	0.15%/0.15%

Fund facts

Class size:	$158.92m
Benchmark:	Composite benchmark
Asset class:	Equity
Inception date:	19/09/1994
Number of holdings:	
Minimum investment timeframe:	7 Years
Risk level:	High

Identifiers

ISIN code:	AU60AUG00028
APIR code:	AUG0002AU

Distributions

Frequency:	2
Dates:	30/06, 31/12

Fees

Management costs - PDS:	1.69%
Minimum initial investment:	$1,000 $500 with a Regular investor plan
Additional transactional and operational costs:	0.04%

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

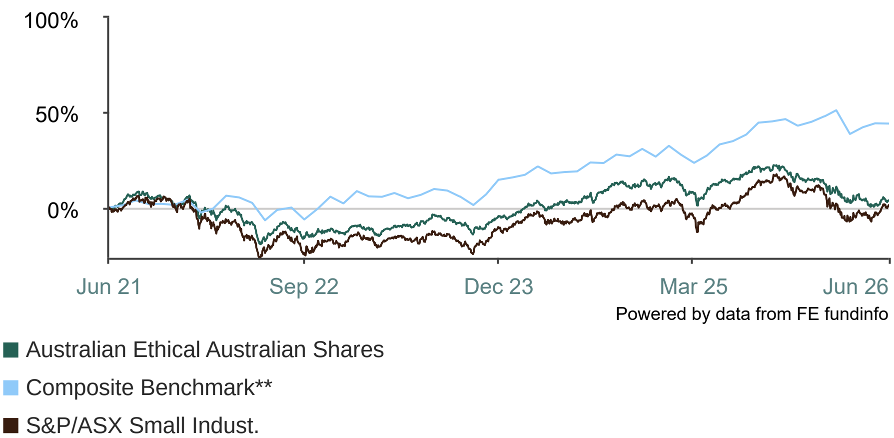
*(after tax, before bonus expense)

**The benchmark was the S&P/ASX Small Industrials Index from inception until 12 August 2019, the S&P/ASX 300 Accumulation Index from 13 August 2019 to 29 September 2023, and a composite of 65% S&P/ASX 100 Accumulation Index and 35% S&P/ASX Small Ordinaries Accumulation Index thereafter.

Investment strategy

The opportunity to invest in a diversified share portfolio of companies predominately listed on the ASX and selected on the basis of their social, environmental and financial credentials. The Fund utilises an active stock-picking management style with stocks generally selected for growth rather than income, with a bias towards smaller capitalisation stocks listed on the ASX. All stocks are chosen on the basis of relative value where we deem the risks are being adequately priced.

Cumulative performance (as at 30/06/2026)



Performance (as at 30/06/2026)

	1m	3m	6m	1y	3y	5y	10y	Since inception (ann.)
Fund	2.0%	0.4%	-9.3%	-9.6%	3.8%	0.7%	7.0%	9.0%
Composite Benchmark**	-0.1%	4.0%	-0.6%	6.9%	10.6%	7.6%	8.8%	7.5%
S&P/ASX Small Indust.	3.9%	8.4%	-7.1%	-0.9%	6.8%	0.2%	5.4%	6.5%

Calendar Performance (as at end 2025)

	CY2025	CY2024	CY2023	CY2022	CY2021
Fund	2.2%	17.2%	10.3%	-17.6%	14.2%
Composite Benchmark**	14.5%	10.6%	12.2%	-1.8%	17.5%
S&P/ASX Small Indust.	8.8%	12.1%	11.4%	-21.8%	13.7%

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

QUBE HOLDINGS LTD	3.9%
CONTACT ENERGY LTD	3.3%
MACQUARIE GROUP LTD	3.2%
WESTPAC BANKING CORPORATION ORD F/PD SHARES	3.2%
NATIONAL AUSTRALIA BANK	3.2%
CSL LIMITED	3.0%
BENDIGO AND ADELAIDE BANK LIMITED	2.9%
MIRVAC GROUP STAPLED SECURITIES	2.8%
NIB HOLDINGS LTD	2.8%
PEXA GROUP LTD	2.8%

Ratings and awards

RIAA Certification:

Lonsec rating:

Zenith rating:

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?

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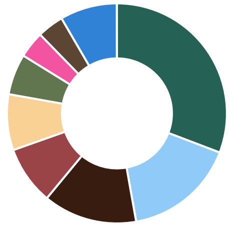
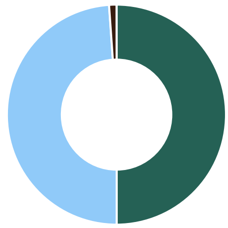
Sector allocation

Financials	30.8%
Health Care	16.4%
Information Technology	13.8%
Industrials	8.6%
Utilities	8.2%
Real Estate	6.0%
Communication Services	3.9%
Consumer Staples	3.9%
Other	8.4%



Asset allocation

Australian & NZ Small Cap	50.0%
Australian & NZ Large Cap	48.9%
Cash	1.1%



Commentary

The Australian share market was characterised by one of the largest divergences in individual stock returns seen in recent years. Returns were heavily concentrated in resource and commodity-related companies as rising commodity prices, geopolitical uncertainty and energy security concerns drove strong performance from the Materials sector. In contrast, much of the broader Industrials sector experienced a far more challenging environment, with three consecutive 25bp rate hikes in 2026 adding pressure to rate-sensitive and growth sectors, which lagged despite their generally resilient underlying business performance.

Technology and Artificial Intelligence were prominent themes but they played out very differently in Australia than in the United States. In the US, AI enthusiasm drew significant capital into large-cap technology companies, pushing valuations higher and contributing to the S&P 500's outperformance relative to other markets, particularly in the first half. In Australia, the dynamic ran in the opposite direction. The rapid advance of AI raised fears of disruption, particularly for software businesses. This dynamic weighed heavily on the sector throughout the year, as markets began pricing in the risk of AI displacement well before any meaningful earnings impact had appeared. This dynamic resulted in sell-offs in several of our software stocks despite their strong balance sheets and clear AI strategies, including Siteminder, Xero and PEXA. We are starting to see some reversion in the sector however, with Siteminder for instance posting a 43% return in the June quarter.

Our portfolios naturally look different to the broader market, shaped by our Ethical Charter over the last 40 years. This isn't adjusted to reflect short-term market movements. We are more exposed to technology, healthcare and businesses we believe have resilient, long-term operating models and we have limited involvement in commodity-driven industries and cyclical plays. During FY26, those differences were challenged by the unusually narrow market leadership. However, over the longer-term we believe they position the portfolio to benefit from structural growth, innovation and the transition to a lower-carbon economy.

Markets tend to move around underlying value as sentiment shifts. When price disconnects from fundamentals – as it has in selective pockets of the market in our view – that creates opportunity. We have been deploying capital with conviction into areas where market the dynamics described above have created opportunities. At the end of June, the portfolio held minimal cash, reflecting the active deployment of capital at what we believe are attractive valuations. Our disciplined stock selection focuses on businesses trading at attractive valuations, supported by strong balance sheets and durable long-term earnings profiles. We believe this positioning provides a solid foundation as sector leadership broadens and returns increasingly reflect underlying company fundamentals rather than macro-driven rotations.

The Healthcare and Technology sectors detracted from performance. The healthcare sector, which the Fund is overweight, detracted from relative performance as investors remained cautious on the growth and margin outlook for large cap healthcare companies. In the technology sector, PEXA weighed on performance following the release of an independent review by NSW's Ipart on conveyancing fees, with the draft determination proposing reductions to fees and the prospect of ongoing regulatory oversight. Avoidance of energy stocks was a key contributor to positive performance relative to benchmark as this sector fell heavily in the June quarter, while stock selection in both the Financials and Communications sectors were also positive contributors. We maintain strong conviction in portfolio holdings, given deep familiarity with management teams, balance sheets, and long-term business models. This is reflective in the reduced cash levels across our funds enabling active deployment into opportunities created by dislocations. We have been deploying capital with conviction into areas where market the dynamics described above have created opportunities.
The stark divergence between Resources and Industrials created an unusually narrow market leadership and was a defining feature of the year for active investors. Illustrating the bifurcation in markets, the S&P/ASX 300 Materials Index rose 54%, while the S&P/ASX 300 Industrials Index declined 7.5%. This 61.5 percentage point performance gap represents one of the most pronounced periods of sector dispersion in recent years and was a defining feature of the investment environment.

Our limited investment in fossil fuels, defence and many of the carbon-intensive resource companies that rose during the period led to headwinds for relative returns. Although the Fund finished on a stronger footing, outperforming the broader market during the final month as investor interest began to broaden, the late improvement was not enough to offset the significant headwinds throughout the year. The Australian Shares Fund declined 9.6% compared to the benchmark which rose 6.9%. The main driver of the performance differential was sector allocations.