Australian Ethical High Conviction SMA Portfolio

Portfolio Profile - 30/06/2026

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[1] 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 record[2] of our award-winning[3] 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

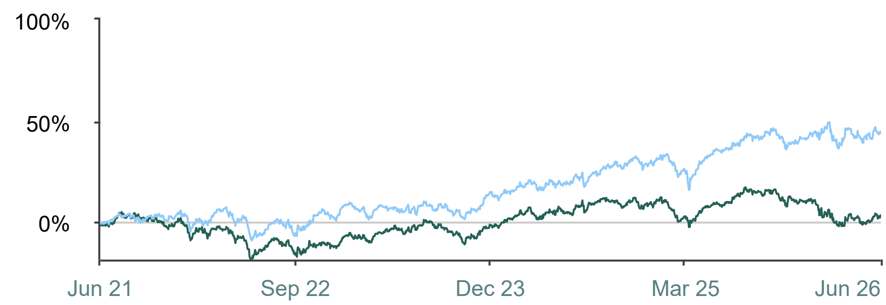
MER:	0.69%
Minimum initial investment:	$25,000

[1](after tax, before bonus expense).
[2]Past performance is not a reliable indicator of future performance.
[3]Please 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 30/06/2026)



Powered by data from FE fundinfo

High Conviction SMA Portfolio   S&P/ASX 300 Acc. Index

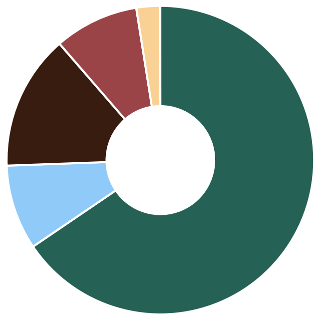
Performance [4] (as at 30/06/2026)

	1m	3m	6m	1y	3y	5y	10y	Since inception (ann.)
Portfolio[5]	2.7%	4.7%	-6.1%	-5.5%	1.8%	0.7%	-	8.0%
Benchmark	0.6%	4.1%	2.0%	6.2%	10.6%	7.6%	8.8%	12.0%

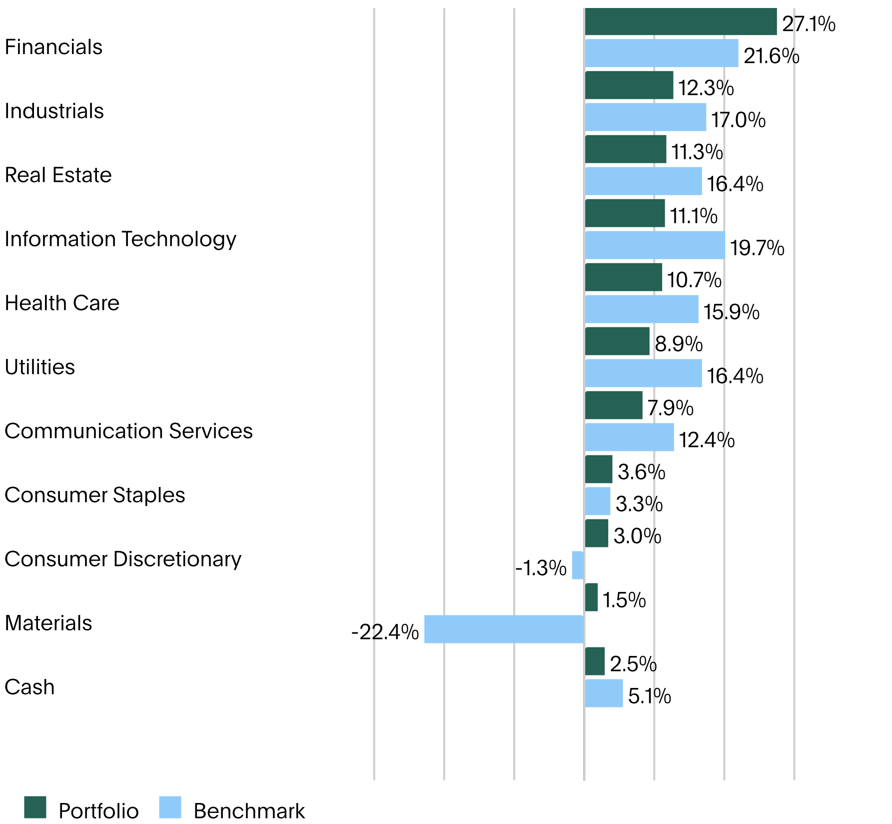
[4]Past performance is not a reliable indicator of future performance.
[5]Based on gross performance before management fees.

Asset allocation

ASX 100	65.6%
ASX 100 Equivalent	8.9%
ASX 200	14.2%
ASX 300	8.9%
Cash	2.5%



Sector Allocation



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Top 5 holdings

Goodman Group	6.1%
Macquarie Group, Ltd.	5.8%
Contact Energy Limited	5.2%
ResMed Inc. CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh	4.8%
CAR Group Limited	4.7%

Top 3 contributors to Portfolio return

Reliance Worldwide
23.7%
CSL
18.8%
QBE Insurance
11.3%

Top 3 detractors from Portfolio return

Pilbara Minerals
-22.4%
Mercury
-7.7%
Aussie Broadband
-8.2%

Portfolio activity

Additions to the Portfolio

Removals from the Portfolio

Ratings

RIAA Certification:

Lonsec rating:

Need Help?

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Commentary

FY26 was a very strong year for global equity markets, however the domestic experience was more subdued. Whilst the ASX was propelled higher by the broader Resources complex, driven by rising commodity prices, while the rest of the market lagged. Geopolitical events, persistent inflationary pressures, and the rise of artificial intelligence capabilities, combined to create ongoing volatility for investors. The ASX recorded its first earnings upgrade cycle in four years, however the strength in Resources masked significant cuts for the Industrials segment of the market, one of its worst performances in a decade. 'Quality', as a factor, recorded its worst year in decades, with Healthcare and Technology sectors particularly challenged. While small caps modestly outperformed large caps across the 12 months.

The High Conviction Fund (the "Fund") delivered a return of -3.9% net of fees for the 12 months to June 30, compared to the benchmark, ASX 300, return of +6.2%. The main driver of the performance differential was sector allocations. A broad rally in commodities resulted in significant outperformance in the Materials sector (+52%), while the Energy sector (+12%) also outperformed. The portfolio has minimal exposure to both sectors under our Ethical investment framework that prioritises investments in lower carbon intensive sectors. Conversely, the portfolio's two key overweight sectors, Healthcare (-36%) and Information Technology (-27%), underperformed the market in FY26. Technology stocks were negatively impacted by fears that artificial intelligence (AI) could displace traditional software companies, while the decline in Healthcare sector returns came as a result of reduced hospital capex spending given the impact of rising rates, and short-term idiosyncratic challenges. We expect both sectors to perform significantly better going forward as investors regain confidence in the outlook for both.

Despite the headwinds in two of the portfolio's key investment sectors (Healthcare and Technology), the Fund outperformed the ASX 300 Industrials index, which removes the impact of the carbon intensive mining and energy sectors. This was driven by positive stock selection across a number of sectors throughout the year, reflecting the contribution from the team's fundamental investment approach. Particular success was evident in the Financials sector, where the Fund's underweight position to the domestic Banks contributed positively, while increased exposure to diversified financials stocks with valuation appeal – including Challenger (CGF), Macquarie Group (MQG) and QBE Insurance (QBE) – delivered strong returns. The Fund also had success in the mid and small-cap space, with Aussie Broadband (ABB), Sims Ltd (SGM), and SiteMinder (SDR) delivering some of the portfolio's best performance over the year.

The Fund's top performer in FY26 was Pilbara Minerals (PLS), a low-cost global Tier 1 producer of lithium raw materials used in the construction of batteries for electric vehicles and energy storage systems. PLS returned 276% over the year, driven by a strengthening pricing environment for lithium as demand continued to grow and market supply remained constrained. Australian Ethical have been long-term investors in PLS, which we expect to benefit from the significant long-term demand growth of lithium raw materials as global economies gradually decarbonise their transport and energy networks. Whilst supply shocks may improve the near-term outlook for oil and gas producers, they do not change the climate imperative to phase out fossil fuels. In fact, global instability reinforces important non-climate benefits of renewable energy, including its potential to diversify energy supply and strengthen national energy security. Higher energy costs can also help more efficient products and services which our ethical approach favours, like electric vehicles, public transport, metal recycling and lower carbon building products.

The Financials sector was the top contributor to performance during the quarter, where the Fund's underweight position to the domestic Banks contributed positively, while increased exposure to diversified financials stocks with valuation appeal – including Challenger (CGF), Macquarie Group (MQG) and QBE Insurance (QBE) – delivered strong returns. The Industrials sector also contributed positively, driven by a partial recovery in oversold stocks including Reliance Worldwide (RWC) and IPH Group (IPH).
Some of the key trends influencing performance across the last year continued in the final quarter, with ongoing weakness in the Healthcare and Information Technology sectors. However, we saw signs of improving investor sentiment in the

final month of the quarter, with a recovery in Healthcare names most evident. With valuation levels at historically attractive levels, we expect an ongoing recovery in FY27 in both these sectors.

The Fund's top performer in the June quarter was Macquarie Group (MQG), a diversified investment bank with global operations. MQG returned 26% over the quarter, driven by a strong FY26 result that highlighted growth across the Group. After a more challenging few years, a number of tailwinds have been helping MQG's various business units, with the outlook remaining positive into FY27. Pexa (PXA) was the Fund's biggest detractor in the June quarter, following the publication of a regulatory proposal that may lead to a decline in revenue for PXA's Australian operations if enacted. The final determination will occur in FY27 following consultation with industry, however we remain positive on PXA's strong position in the Australian market and its growing UK operations.

For the June quarter the Fund returned 5.1%, outperforming the benchmark by 1.0%. This was largely due to a reversal of some of the dynamics which detracted from financial year performance mentioned above. Avoidance of energy stocks was a key contributor to positive performance relative to benchmark as the sector fell heavily. Similarly a reversal of fortunes for the Materials sector in June boosted relative performance. The Fund's Financials holdings also performed well on both an absolute and benchmark relative basis.

As we look ahead to FY27, we believe the Fund is well placed to deliver strong long term returns. Geopolitical events, inflation levels, and the evolution of AI capabilities will continue to drive short-term market volatility. But the Fund's diversified sector exposures beyond the index heavy Banks and Resources sectors provides opportunity in FY27 as investors seek returns in more attractively valued areas of the market. Australian Ethical's fundamental, bottom-up investment approach is well placed to identify and take advantage of these opportunities.