Australian Ethical Emerging Companies (Wholesale) 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 by investing in small capitalisation companies that meet the Australian Ethical Charter. The fund aims to significantly exceed the return of the S&P/ASX Small Industrials Total Return 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:	$207.37m
Benchmark:	S&P ASX Small Industrials
Asset class:	Equity
Inception date:	30/06/2015
Minimum investment timeframe:	7 Years
Risk level:	Very high

Identifiers

ISIN code:	AU60AUG00275
APIR code:	AUG0027AU

Distributions

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

Fees

Management costs - PDS:	1.20%
Performance fee:	0.29%
Minimum initial investment:	$25,000
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)

Investment strategy

The opportunity to invest in a diversified portfolio of shares in small capitalisation companies on the basis of their social, environmental and financial credentials. The Fund utilises an active stock-picking management style with stocks selected for growth rather than income. 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	-1.6%	-2.7%	-20.1%	-14.4%	1.9%	-2.2%	8.7%	9.4%
S&P/ASX Small Indust.	3.9%	8.4%	-7.1%	-0.9%	6.8%	0.2%	5.4%	6.1%

Calendar Performance (as at end 2025)

	CY2025	CY2024	CY2023	CY2022	CY2021
Fund	8.9%	15.9%	10.2%	-25.4%	14.9%
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

SITEMINDER LTD	5.0%
TYRO PAYMENTS LTD	5.0%
PEPPER MONEY LTD/AU	4.7%
AUSTRALIAN FINANCE GROUP LTD	4.3%
PEXA GROUP LTD	4.2%
CONTACT ENERGY LTD	3.9%
AROA BIOSURGERY LTD	3.8%
AUSSIE BROADBAND PTY LTD	3.6%
WEB TRAVEL GROUP LIMITED	3.6%
COGSTATE LIMITED	3.4%

Ratings and awards

RIAA Certification:

SUSTAINABLE PLUS

CERTIFIED BY RIAA

Lonsec rating:

Recommended

Zenith rating:

Zenith APPROVED

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 Monday-Friday on:

T 1800 021 227

F 02 9252 1987

E investors@australianethical.com.au

W australianethical.com.au

Australian Ethical Investment Ltd

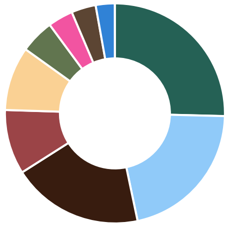
c/o Boardroom Pty Ltd

GPO Box 3993

Sydney NSW 2001

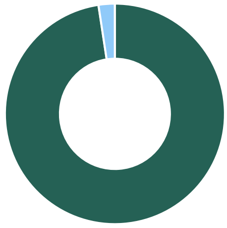
Sector allocation

Information Technology	25.4%
Health Care	21.3%
Financials	19.3%
Utilities	9.5%
Industrials	9.4%
Consumer Discretionary	5.0%
Consumer Staples	3.7%
Communication Services	3.6%
Other	2.8%



Asset allocation

Australian & NZ Small Cap	97.6%
Cash	2.4%



Commentary

Australian Small Cap Industrials overall were only slightly down for the year to 30 June 2026, despite three RBA rate hikes in the second half of the year. The market's favoured sectors, however included defense stocks and electrical and mining services contractors, most of which are excluded under our Ethical Charter, and many making multi year highs amidst the Iran War and the AI capex rollout. Of the top fifty best performing companies in the Small Industrials Index over the year, only thirteen names are eligible for investment under our Ethical Charter, but we believe this narrow market leadership is unlikely to persist, particularly as geopolitical issues fade and the AI investment cycle takes on heightened risks (see below).

The Emerging Companies wholesale fund (-14.4%) underperformed the ASX Small Industrials benchmark (-0.9%) over the 12 months to 30 June 2026.Most of the underperformance occurred in the last quarter of the year with several of our financial companies temporarily falling out of favour post the release of the Federal Budget in May (eg: Australian Finance Group, -27.3%) and selected healthcare names (eg: Austco Healthcare, -13.8%) suffering delayed demand for their products in a low confidence environment across healthcare globally.

Cogstate (+58.3%), on the other hand was the Fund's best contributor for the year, benefiting from continued momentum in its clinical trials business and increasing diversification of its pipeline across multiple therapeutic areas (see below for more detail).

Aroa Biosurgery (+2.6%), a key Fund holding is a strong example of how healthcare innovation can improve patient outcomes. The company develops regenerative healing products used to treat serious wounds caused by trauma, burns, diabetes, surgery and infection, with its technologies having been used more than 7 million times globally and supported by over 100 peer-reviewed studies. In a recent trauma study involving 49 patients and 61 serious wounds1, AROA's Myriad product restored healthy tissue in a median of 22.5 days, typically required only a single application and resulted in no graft failures or deep infections, while patients reported high satisfaction with their treatment. The technology is also being used in specialist burns centres, including the Royal Brisbane and Women's Hospital, helping patients with complex wounds recover with fewer complications and less need for repeat procedures. By supporting faster healing and reducing the burden on healthcare systems through shorter hospital stays and lower treatment costs, Aroa demonstrates how our investment capital can contribute to better health outcomes and improved quality of life for patients. The Fund holds over 5% of issued capital in the company.

On the negative side, while technology stocks have, in the past, added significant outperformance to the Fund, in FY26 it was software that bore the brunt of selling across the market as AI innovation came to the fore. As the AI narrative extends and the tools become part of our everyday lives, the AI business model itself is essentially still unknown. Massive capex, increasingly funded through debt as “hyperscalers” run through their cash flow, Meta announcing the sale of overcapacity, the circular financing that is fueling the rollout, and the evolving price of tokens all point to a certain fragility in the model. Software businesses that have been assumed to be entirely disrupted may yet have a long future as they firstly adopt AI themselves, to use in client workflows, and secondly as markets face the possibility that unconstrained capex can lead to overbuild (like almost every other boom in history). Software company multiples in our view, are likely to rebound if the build out of AI computing power pauses for any reason and having reassessed our software exposures in detail we are comfortable that most of them will stand the test of time in this new world. We continue to hold positions in Siteminder (-7.9%) as it remains critical infrastructure, Gentrack (-72.1%) as contract wins are forecast to resume and EROAD (-35.5%) as the company restructures to improve customer satisfaction and win market share in tracking road user charges.

Despite the Fund’s underperformance for the year the companies held in the portfolio are in good shape. As one measure of portfolio health, over the FY26 year we expect the portfolio to deliver double-digit weighted average sales growth (when they report in August). And while some companies have faced challenges this year our internal valuation for our total portfolio is substantially above where the portfolio is trading today. As markets reward and punish various themes over the short term, we are focused on the medium to long term, detailed fundamentals including cash flow and balance sheet and finding opportunities among those companies that may not be flavour of the month but represent good long-term value.