Australian Ethical High Conviction Fund

Australian Ethical

Fund ticker: AEAE
Fund Profile - 30 June 2026

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

The Fund aims to provide long term capital growth and income from focusing on a relatively concentrated portfolio of Australian and NZ companies that meet our Ethical Criteria. The Fund aims to exceed the return of the ASX300 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:	$10.84m
Benchmark:	S&P/ASX 300 Accumulation
Asset class:	Equity
Inception date:	01/10/2021
Minimum investment timeframe:	7 Years
Risk level:	High

Identifiers

ISIN code:	AU60AUG79196
APIR code:	AUG7919AU

Distributions

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

Fees

Management costs - PDS:	0.69%
Performance fee:	0.00%
Minimum initial investment:	$25,000 No minimum applies for the AEAE ETF
Additional transactional and operational costs:	0.09%

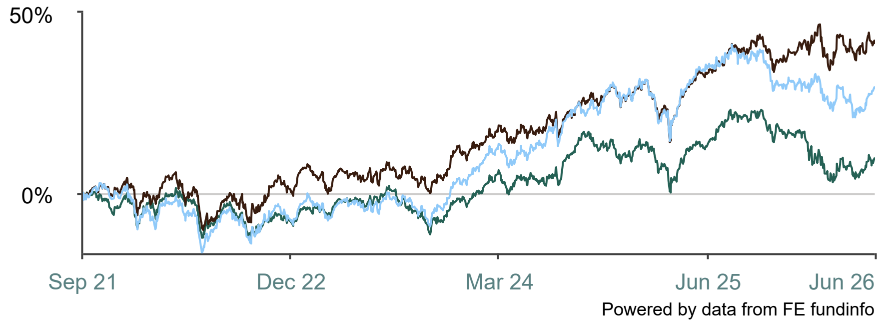
A full explanation of all the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Product Disclosure Statements available from our website australianethical.com.au

*(after tax, before bonus expense)

Investment strategy

An actively-managed, focused share portfolio leveraging our ethical investing philosophy & capability. Invested in 20-35 select shares, predominantly from the S&P ASX300, on the basis of their social, environmental and financial credentials. Benchmark unaware, with a concentration on larger capitalisation stocks.

Cumulative performance (as at 30/06/2026)



- Australian Ethical High Conviction
- S&P/ASX 300 Acc.
- S&P/ASX 300 Indust.s Acc.

Performance (as at 30/06/2026)

	1m	3m	6m	1y	3y	5y	10y	Since inception (ann.)
Fund	3.4%	5.2%	-5.8%	-3.9%	3.4%	-	-	1.9%
S&P/ASX 300 Acc.	0.6%	4.1%	2.0%	6.2%	10.6%	-	-	7.6%
S&P/ASX 300 Indust.s Acc.	4.3%	4.8%	-1.3%	-4.5%	10.2%	-	-	5.5%

Calendar Performance (as at end 2025)

	CY2025	CY2024	CY2023	CY2022	CY2021
Fund	5.7%	11.7%	7.0%	-6.5%	-
S&P/ASX 300 Acc.	10.7%	11.4%	12.1%	-1.8%	-
S&P/ASX 300 Indust.s Acc.	4.1%	21.2%	12.2%	-8.0%	-

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

GOODMAN GROUP	6.3%
MACQUARIE GROUP LTD	5.9%
CAR GROUP LIMITED	5.2%
RESMED INC	5.2%
XERO LTD	5.1%
CONTACT ENERGY LTD	5.0%
CSL LIMITED	4.4%
RELIANCE WORLDWIDE CORP LTD	4.2%
QBE INSURANCE GROUP LIMITED	4.1%
WESTPAC BANKING CORPORATION ORD F/PD SHARES	4.0%

Ratings and awards

RIAA Certification:

SUSTAINABLE PLUS
CERTIFIED BY RIAA

Lonsec rating:

Recommended
Lonsec Research

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?

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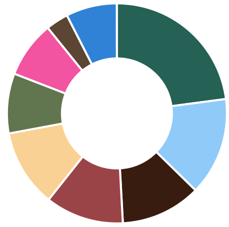
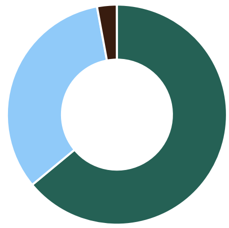
Sector allocation

Financials	22.9%
Information Technology	14.4%
Health Care	11.8%
Real Estate	11.5%
Industrials	11.4%
Communication Services	8.8%
Utilities	8.3%
Consumer Staples	3.3%
Other	7.5%



Asset allocation

Australian & NZ Large Cap	64.0%
Australian & NZ Small Cap	33.1%
Cash	2.9%



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.