Australian Ethical High Conviction SMA Portfolio

Portfolio Profile - 30/09/2026

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 30/09/2026)



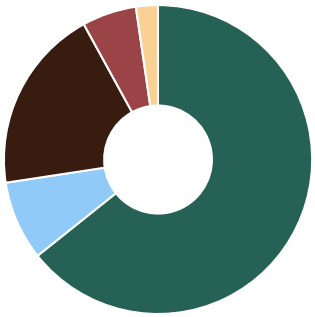
Performance [4] (as at 30/09/2026)

	1m	3m	6m	1y	3y	5y	10y	Since inception (ann.)
Portfolio[5]	-3.9%	-0.6%	4.0%	-9.6%	2.5%	0.1%	-	7.4%
Benchmark	-2.4%	1.3%	5.5%	2.4%	11.3%	7.5%	-	11.6%

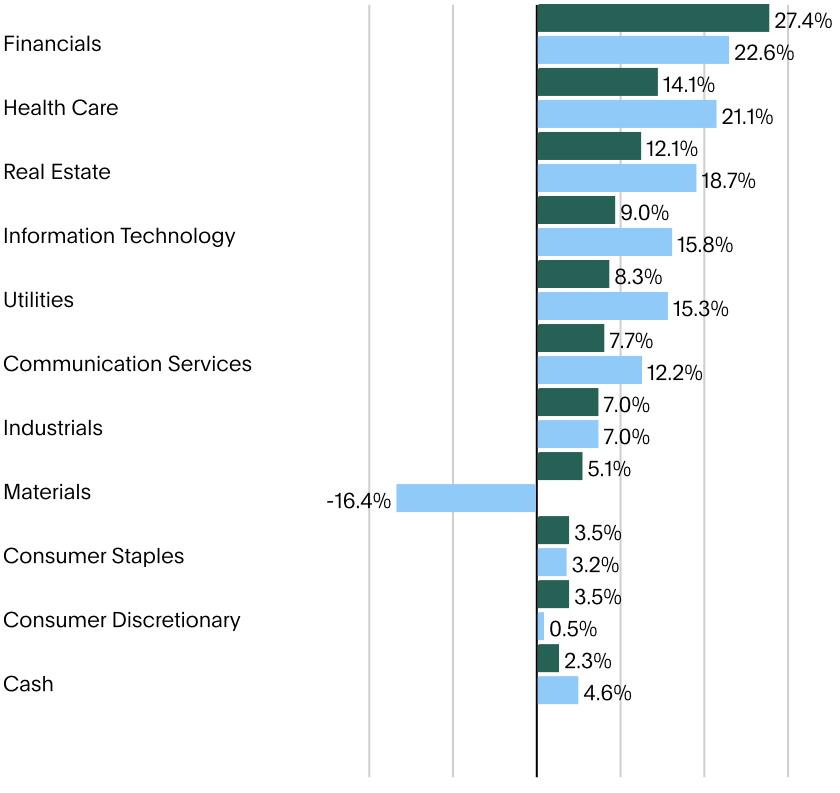
[4]Past performance is not a reliable indicator of future performance.
[5]Based on gross performance before management fees.

Asset allocation

ASX 100	64.3%
ASX 100 Equivalent	8.3%
ASX 200	19.4%
ASX 300	5.7%
Cash	2.3%



Sector Allocation



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Top 5 holdings

Goodman Group	6.4%
CSL Limited	6.3%
Macquarie Group, Ltd.	5.8%
ResMed Inc. CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh	5.4%
Contact Energy Limited	4.6%

Top 3 contributors to Portfolio return

CSL
0.088
Reliance Worldwide
13.1
QBE Insurance
4.9

Top 3 detractors from Portfolio return

Xero
-0.313
CAR Group
-0.176
PLS Group
-0.278

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 Portfolio (the 'Portfolio') declined marginally over the September quarter, returning -0.6% gross of fees for the three months, whilst the ASX300 index returned 1.3%. The short-term effects of geopolitical conflict and persistent inflationary pressures driving interest rates higher provided a near-term drag on the portfolio, given the tilt towards long duration, quality growth companies. Despite this, the portfolio performed strongly through the annual results season in August, highlighting the positive returns from our fundamental investment process that identifies undervalued quality businesses.

The Healthcare sector was the strongest contributor to portfolio returns in the quarter, with the portfolio's holdings in Resmed, Fisher & Paykel Healthcare, and CSL all performing well. CSL rebounded strongly, with the business stabilising under a temporary CEO, operating efficiencies being successfully pursued, and growth returning to its key plasma business. We believed the market had become overly pessimistic regarding the company's earnings outlook, providing an opportunity for patient investors with a longer investment time horizon. With a new CEO to be appointed soon, we think there remains opportunity for ongoing share price appreciation. The portfolio also benefited from the emergence of corporate activity, with Reliance Worldwide and Cleanaway receiving takeover approaches during the quarter. We view this heightened level of strategic interest as further evidence that a number of high-quality industrials continue to trade below their intrinsic value.

Offsetting the strong gains made in the Healthcare and Industrials sectors was weakness in the Information Technology sector. Higher bond yields and the re-emergence of concerns relating to AI disruption combined to put downward pressure on software and platform technology stocks over the quarter. Xero, SiteMinder, and CAR Group were all weaker, despite earnings updates released in August showing that underlying fundamentals remain strong. With valuations becoming increasingly attractive, we continue to invest in these names. Our research process continues to identify the technology companies we hold to be beneficiaries of AI.

Our underweight to the Materials and Energy sectors was a modest headwind. This positioning reflects our Ethical Charter, which prioritises companies aligned with the transition to a lower-carbon economy. During the quarter, we added Capstone Copper, Sims Limited and Netwealth to the portfolio. Sims is a strong example of how the circular economy can cut emissions at industrial scale. One of the world's largest metal recyclers, Sims supplies recycled steel, copper and aluminium to manufacturers, and its scrap is the key input for electric arc furnaces, which make steel with far lower emissions than coal-based blast furnaces. In FY26, Sims recycled 5.9 million tonnes of steel scrap, avoiding an estimated 9.6 million tonnes of CO_2e, more than 130 times the emissions from its own operations. Its Sims Lifecycle Services business also extends the life of data centre hardware, repurposing 16.8 million servers and memory units during the year and avoiding around 479,000 tonnes of CO_2e. The Fund re-entered Sims at an attractive valuation after the post-result sell-off. FY26 underlying EBIT rose 168% to $468m, ahead of guidance, as US tariffs and growing electric arc furnace demand lifted the metals businesses, while Lifecycle Services adds growing exposure to data centre recycling, with GPU repurposing the next opportunity. With a sound balance sheet, strong free cash flow and a share price of around 12–13x forecast earnings, Sims shows how our investment capital can support decarbonisation while delivering attractive returns.

The near-term macro backdrop is likely to create ongoing volatility on equity markets, which we think works to our advantage given our research driven, valuation oriented investment process. The portfolio's exposure to longer duration, quality growth companies positions it well to deliver superior returns over the long-term.

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