

1 July 2025

Product Changes – Australian Ethical Australian Shares SMA Portfolio

Australian Ethical is implementing the following updates to its Australian Shares SMA Portfolio:

1. **Portfolio Strategy Alignment:** A change in the portfolio construction process to align more closely with our High Conviction Fund rather than our Australian Shares Fund
2. **Name change:** The portfolio will be renamed from "Australian Ethical Australian Shares SMA Portfolio" to "Australian Ethical High Conviction SMA Portfolio."
3. **Benchmark update:** The performance benchmark will change from the S&P/ASX200 Total Return Index to the S&P/ASX300 Total Return Index

Portfolio Strategy Alignment

Since its launch in April 2020, our SMA Portfolio has utilised a portfolio construction process with inputs from the Australian Ethical Australian Shares Fund. In October 2021 we launched our Australian Ethical High Conviction Fund as a larger cap concentrated portfolio. Following a comprehensive review, we've determined that transitioning the SMA Portfolio's construction methodology to align with our High Conviction Fund's focused strategy on mid to large-cap companies within our ethical investment universe is likely to enhance potential returns.

The SMA Portfolio will continue to employ its established active, fundamental investment approach and will continue to leverage the expertise and experience of our award-winning investment team that underpin our broader equities capability. Mark Williams remains as the portfolio manager, a role he has held since the portfolio's inception in 2000. He also manages the High Conviction Fund, ensuring consistency in investment strategy across both portfolios.

Approximately seven stocks will be divested and a similar number added to the SMA Portfolio during the transition. To manage capital gains tax implications for investors, these changes will be implemented gradually over June and July, spanning two financial years. Following the transition, the portfolio's turnover rate is expected to remain low, below 30%.

The transition will adjust sector allocations within the SMA Portfolio. Notably, exposure to the Financials and Utilities (Renewables) sectors will decrease, though renewables will remain a significant overweight. Conversely, allocations to Technology and Communication Services will increase. The portfolio will continue to emphasise growth sectors such as Healthcare, Technology, and Renewables. Exposure to carbon-intensive sectors like Materials and Energy will remain low, around 5%, compared to the benchmark's approximate 25% weighting.

Name change

Subject to the approval of the relevant platforms that offer the SMA, Australian Ethical Australian Shares SMA Portfolio will be renamed to the Australian Ethical High Conviction SMA Portfolio. We believe this name change more accurately reflects the investment approach and aligns to the Australian Ethical High Conviction Managed Fund that we base the portfolio construction on.

Benchmark update

Subject to the approval of the relevant platforms that offer the SMA, a change in the benchmark from the S&P/ASX200 Total Return Index to the S&P/ASX300 Total Return Index to align with the benchmark of the Australian Ethical High Conviction Fund.

Implementation timeframes

The change in the portfolio construction approach will be implemented in a phased approach over June/July 2025 to minimise the potential capital gains tax impact across two financial years.

The change in the name and benchmark will be made across the 3 platforms that offer our SMA at the next available opportunity.

Find out more

If you have any questions about these changes, please contact your Australian Ethical [Business Development Manager](#).