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.

Price information

Pricing frequency: Daily
Buy/Sell spread: 0.20%/0.20%

Fund facts

Fund size: $4.83m
Benchmark: S&P ASX Small Industrials
Asset class: Equity
Inception date: 30/06/2015
Minimum investment timeframe: 7 Years
Risk level: Very high

Identifiers

APIR code: AUG0026AU

Distributions

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

Fees

Management fees - PDS: 1.99%
Performance fee: 20%

Minimum initial investment: $1,000

Additional transactional and operational costs: 0.00%

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 31/12/2018)

<table>
<thead>
<tr>
<th></th>
<th>1m</th>
<th>3m</th>
<th>6m</th>
<th>1y</th>
<th>3y</th>
<th>5y</th>
<th>10y</th>
<th>Since inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund</td>
<td>-3.3%</td>
<td>-7.9%</td>
<td>-5.4%</td>
<td>-2.4%</td>
<td>6.2%</td>
<td>-</td>
<td>-</td>
<td>10.0%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>-3.9%</td>
<td>-13.4%</td>
<td>-10.4%</td>
<td>-6.5%</td>
<td>4.7%</td>
<td>-</td>
<td>-</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

Calendar Performance (as at end 2018)

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Fund</td>
<td>-2.4%</td>
<td>11.4%</td>
<td>10.1%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Benchmark</td>
<td>-6.5%</td>
<td>15.7%</td>
<td>6.2%</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: FE.

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.

*after tax, before bonus expense
Top 10
Rhipe Limited 3.8%
EQT Holdings Ltd. 3.7%
Contact Energy Limited 3.6%
Macquarie Telecom Group Limited 3.5%
Healius Limited 3.0%
Auswide Bank Ltd. 2.9%
Cyclopharm Limited 2.9%
Australian Finance Group Ltd. 2.9%
3P Learning Ltd. 2.7%
Bigtincan Holdings Ltd 2.6%

Ratings and awards
RIAA rating:
UNPRI signatory:

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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Australian Ethical Investment Ltd
c/o Boardroom Pty Ltd
GPO Box 3993
Sydney NSW 2001

Sector allocation
- Information Technology 26.3%
- Health Care 19.8%
- Financials 16.5%
- Utilities 8.5%
- Consumer Discretionary 7.9%
- Telecommunication Services 4.1%
- Industrials 3.2%
- Consumer Staples 3.2%
- Materials 2.7%
- Other 7.8%

Asset allocation
- Australian & NZ Small Cap 94.4%
- Unlisted Equity 0.8%
- Cash 4.8%

Commentary
The Fund outperformed falling 8% versus the 13.4% decline of the S&P/ASX Small Industrials benchmark over the quarter.
At the sector level the Fund’s low weighting in the poorly performing Consumer Discretionary sector (8.1% versus 24.4% of the portfolio) was the largest contributor to investment performance, with this sector falling 19.8%. Other strong contributing sectors included Financials, Healthcare and Utilities while the Fund’s underweight in Property was a drag on performance.
At the stock level the strongest individual contributor over the quarter was childcare operator G8 Education (+41.5%) which benefited from signs of business stabilisation and an expanded Federal Government funding regime. Other strong performers included cloud software company Urbanise which appreciated 38%. We were pleased with the performance of telecommunications company Inabox (+68%) which received a takeover offer from MNF Group. The laggards included cloud software company Class which fell on a dampened outlook in the SMSF market, Shriro which downgraded its 2019 earnings and IT services company Empired which fell on weak market sentiment.