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 generate an income stream consistent with prevailing short-term interest rates while minimising the risk of capital loss and supporting the Australian Ethical Charter.

**Price information**

<table>
<thead>
<tr>
<th>Pricing frequency:</th>
<th>Daily</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy/Sell spread:</td>
<td>0.00%/0.00%</td>
</tr>
</tbody>
</table>

**Fund facts**

| Fund size: | $1.35m |
| Benchmark: | RBA Bank Accepted Bills Negotiable Certificates of Deposit 90 Days |
| Asset class: | Money Market |
| Inception date: | 26/11/1997 |
| Minimum investment timeframe: | 1 year |
| Risk level: | Very low |

**Identifiers**

| ISIN code: | AU60AUG00036 |
| APIR code: | AUG0003AU |

**Distributions**

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

**Fees**

| Management costs - PDS: | 0.50% |
| Minimum initial investment: | $1,000 |
| Additional transactional and operational costs: | 0.00% |

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 interest-bearing investments generating income. The Fund is invested in short-dated deposits, high grade mortgage-backed securities, State and Commonwealth Government Bonds, and bank and other corporate bonds. As such, the returns of the Fund tend to move in line with the general level of interest rates.

**Cumulative performance (as at 31/03/2019)**

<table>
<thead>
<tr>
<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>0.2%</td>
<td>0.7%</td>
<td>1.0%</td>
<td>1.8%</td>
<td>1.7%</td>
<td>1.8%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>0.2%</td>
<td>0.5%</td>
<td>1.0%</td>
<td>2.0%</td>
<td>1.9%</td>
<td>2.1%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

**Performance (as at 31/03/2019)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund</td>
<td>1.3%</td>
<td>1.6%</td>
<td>1.7%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>1.9%</td>
<td>1.7%</td>
<td>2.0%</td>
<td>2.3%</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.
Top 10
Queensland Treasury Corporation 9.9%
Australian Government Bond 9.0%
National Australia Bank Limited 8.5%
Westpac Banking Corporation 8.2%
Western Australia Treasury Corporation 7.3%
Suncorp Metway Ltd 5.7%
South Australian Financing Authority 5.0%
Bendigo and Adelaide Bank Limited 4.3%
Bank of Queensland 3.8%
Inter American Development Bank 3.6%

Ratings and awards

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.

Commentary

The gross performance of the Australian Ethical Income Fund for the March quarter was 0.29% ahead of its benchmark, the 90 Day Bank Bill rate. The benchmark rate has seen a substantial decline over the March quarter, falling from 2.09% to 1.78%. The spread between the bank bill swap rate (BBSW) cash rate has narrowed substantially over the quarter, reflecting a banking system with little demand for deposits and short-term funding. This is a sharp contrast with previous quarters, and is likely to be a consequence of slowing activity in housing markets and subsequent loan growth.

Short-term interest rate markets are increasingly assigning a greater probability of rate cuts ahead from the Reserve Bank of Australia, with housing markets in Sydney and Melbourne a key concern. Another worry is the extent to which declines in house prices seen to date will weigh on household consumption and economic growth. The labour market remains supportive, with the unemployment rate continuing to tighten and sitting at 4.9%, but this is not feeding through to wages growth and inflation.

The fund continues to allow the mortgage-backed security portfolio to amortise down its allocation within the fund. The concern is that tighter lending standards will limit the capacity of some borrowers to refinance away, thereby lowering prepayments in residential mortgage-backed security (RMBS) pools and extending their weighted average lives. The fund has instead favoured short-term money market investments, term deposits, and bonds with less than 1 year to maturity from various state governments, supranational entities and the Federal Government.

Need Help?

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e investors@australianethical.com.au
w australianethical.com.au
Australian Ethical Investment Ltd
c/o Boardroom Pty Ltd
GPO Box 3993
Sydney NSW 2001

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**Investment objective**
To generate an income stream consistent with prevailing short-term interest rates while minimising the risk of capital loss and supporting the Australian Ethical Charter.

**Price information**
- **Pricing frequency:** Daily
- **Buy/Sell spread:** 0.00%/0.00%

**Fund facts**
- **Fund size:** $6.35m
- **Benchmark:** RBA Bank Accepted Bills Negotiable Certificates of Deposit 90 Days
- **Asset class:** Money Market
- **Inception date:** 01/07/2015
- **Minimum investment timeframe:** 1 year
- **Risk level:** Very low

**Identifiers**
- **ISIN code:** AU60AUG00242
- **APIR code:** AUG0024AU

**Distributions**
- **Frequency:** 2
- **Dates:** 30/06, 31/12

**Fees**
- **Management costs - PDS:** 0.35%
- **Minimum initial investment:** $25,000
- **Additional transactional and operational costs:** 0.00%

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**Cumulative performance (as at 31/03/2019)**

**Performance (as at 31/03/2019)**

<table>
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<tr>
<th></th>
<th>1m</th>
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<td>2.2%</td>
<td>2.2%</td>
<td>-</td>
<td>-</td>
<td>2.1%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>0.2%</td>
<td>0.5%</td>
<td>1.0%</td>
<td>2.0%</td>
<td>1.9%</td>
<td>-</td>
<td>-</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

**Calendar Performance (as at end 2018)**

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund</td>
<td>1.9%</td>
<td>2.2%</td>
<td>2.2%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Benchmark</td>
<td>1.9%</td>
<td>1.7%</td>
<td>2.0%</td>
<td>-</td>
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Ratings and awards

RIAA rating:

CERTIFIED BY RIAA

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.

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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.

Sector allocation

- Government, SSA, State Government 45.6%
- Bank Senior Debt 21.9%
- Term Deposit 6.6%
- ABS, RMBS 6.4%
- Bank Covered Bonds 4.7%
- Corporate Credit 4.3%
- Commercial Paper/Bank Bills, Cash 10.5%

Asset allocation

- Australian Interest Bearing Investments 99.9%
- Cash 0.1%

Commentary

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