Australian Ethical Advocacy Fund

FUND PROFILE - 30 SEPTEMBER 2019

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 through investment in listed companies on Australian and international stock exchanges that meet the Australian Ethical Charter. A small number of shares which fail to meet the charter may be purchased from time to time to allow advocacy activities to progress. These additional shares will not materially affect the Fund's investment returns.

**Investment strategy**

The opportunity to invest in a diversified share portfolio of Australian and international companies, which meet the Australian Ethical Charter. Generally, all Australian and New Zealand investments will have a market capitalisation greater than the 200th ranked stock listed on the ASX. As an advocacy fund, one of the main purposes of the Fund is to engage directly with companies to pursue improved corporate behaviours in line with the Australian Ethical Charter.

**Cumulative performance (as at 30/09/2019)**

![Cumulative performance chart](chart-image)

**Performance (as at 30/09/2019)**

<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>0.5%</td>
<td>1.9%</td>
<td>8.6%</td>
<td>11.0%</td>
<td>9.9%</td>
<td>9.7%</td>
<td>-</td>
<td>9.9%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>1.9%</td>
<td>4.0%</td>
<td>12.1%</td>
<td>11.8%</td>
<td>11.5%</td>
<td>10.3%</td>
<td>-</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund</td>
<td>-3.1%</td>
<td>12.0%</td>
<td>5.9%</td>
<td>6.2%</td>
<td>15.4%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>-2.8%</td>
<td>10.2%</td>
<td>7.1%</td>
<td>9.0%</td>
<td>11.1%</td>
</tr>
</tbody>
</table>

**Identifiers**

- ISIN code: AU60AUG00085
- APIR code: AUG0008AU

**Fund facts**

- Fund size: $3.62m
- Benchmark: Australian Ethical Advocacy Composite
- Asset class: Equity
- Inception date: 18/02/2010
- Minimum investment timeframe: 7 Years
- Risk level: High

**Pricing**

- Pricing frequency: Daily
- Buy/Sell spread: 0.05%/0.05%

**Distributions**

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

**Fees**

- Management costs - PDS: 1.90%
- Minimum initial investment: $1,000
- $500 with a Regular investor plan
- 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)

**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

<table>
<thead>
<tr>
<th>Company</th>
<th>%</th>
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<tbody>
<tr>
<td>Westpac Banking Corporation</td>
<td>2.1%</td>
</tr>
<tr>
<td>CSL Limited</td>
<td>2.0%</td>
</tr>
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</tr>
<tr>
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<td>1.6%</td>
</tr>
<tr>
<td>Resmed Inc CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh</td>
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</tr>
<tr>
<td>Goodman Group</td>
<td>1.4%</td>
</tr>
<tr>
<td>QBE Insurance Group Limited</td>
<td>1.4%</td>
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<tr>
<td>Lendlease Group</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.

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?

Contact us between 9:00am-5:00pm AEST Monday-Friday on:
t 1800 021 227
f 02 9252 1987
e investors@australianethical.com.au
w australianethical.com.au
Australian Ethical Investment Ltd
c/o Boardroom Pty Ltd
GPO Box 3993
Sydney NSW 2001

Asset allocation

- Australian & NZ Shares: 72.3%
- International Shares: 25.4%
- Cash: 2.3%

Commentary

The Advocacy Fund returned 1.9% (2.1% for the wholesale fund) over the September quarter, underperforming its benchmark (75% ASX200, 25% MSCI World ex Au) which returned 4.0%. The ASX200 (+2.4%) and global equities markets (+4.7%) appreciated over the September quarter, following a very strong June quarter. In Australia the re-election of the government boosted the overall market, particularly the housing market which started to recover and flowed onto better performance from the banks. The ASX200 was also boosted by the spike in the oil price due to the bombing incident in Saudi Arabia.

While overall global market performance was strong, there was significant volatility, particularly through August. Markets continued to be sensitive to political developments, in particular Brexit, as well as trade tensions between the US and China. Markets were also rocked significantly in July by the inversion of the yield curve, which is believed by some to be a leading indicator of an economic slowdown or recession.

Despite these concerns, the international equities component of the fund returned positive performance across all sectors over the quarter. The biggest contributors to performance were utilities, which increased 13.1% over the quarter, and real estate, up 8.3%, as investors continue to chase yield and stability in a low-interest-rate and volatile environment. Consumer discretionary (which increased 6%), and consumer staples (which increased 5.4%) were also strong contributors as consumer sentiment in the US continued to show positive signs.

The largest contributor to performance in the domestic equities portfolio was stock selection in the communication services sector. While the sector overall declined by -3.2%, the fund’s holdings in the sector appreciated 5.3%, driven in part by REA Group which returned 13.4% over the quarter as sentiment around the housing market improved. The fund’s relative underperformance compared to its benchmark was driven largely by the domestic equities portfolio, which underperformed its benchmark by 1.8%.

The largest detractor was the information technology sector largely due to an overweight position in Neemarx, which declined 31.8%, and Appen, which declined 24.3%.

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Sector allocation

- Financials: 22.3%
- Information Technology: 14.8%
- Health Care: 13.5%
- Real Estate: 12.1%
- Industrials: 11.2%
- Communication Services: 11.1%
- Utilities: 4.6%
- Materials: 3.7%
- Consumer Discretional: 2.8%
- Other: 3.9%

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