

## Fixed Interest Fund

Quarterly Report | March 2018

### About Fixed Interest Fund

- Recommended by Aims to provide exposure to Australian fixed interest securities that support the Australian Ethical Charter and generate income with some capital growth potential over the medium to long term.
- Invests in a diversified portfolio of medium term duration interest-bearing investments.
- Only consists of companies that have passed Australian Ethical's positive and negative screens, based on the Ethical Charter.
- Certified by the Responsible Investment Association Australasia



CERTIFIED BY RIAA

### Performance Returns

	3 month (%)	6 months (%)	1 year (% p.a.)	2 year (% p.a.)	3 year (% p.a.)	Since Inception (% p.a.)
<b>Fixed Interest Fund (Retail)*</b>	0.5	1.6	1.8	1.1	0.9	3.4
<b>Bloomberg AusBond Composite ~</b>	0.9	2.3	3.3	2.7	2.4	4.1
<b>Relative Performance</b>	-0.4	-0.7	-1.5	-1.6	-1.5	-0.7
<b>Fixed Interest Fund (Wholesale)^</b>	0.8	2.1	2.8	2.1	1.9	4.1
<b>Bloomberg AusBond Composite ~</b>	0.9	2.3	3.3	2.7	2.4	4.7
<b>Relative Performance</b>	-0.1	-0.2	-0.5	-0.6	-0.5	-0.6

\* Inception Date (Retail): 14 June 2012

^ Inception Date (Wholesale): 15 January 2014

~ Prior to 29 September 2014 called the UBS Composite Bond Index.

Past performance is not an indicator of future performance.

### Investment Commentary

The March Quarter saw the Australian 10y bond yield finish the quarter relatively flat, but not without first spiking mid-quarter after monthly inflation data in the US gave the market some cause for concern that the Federal Open Market Committee might need to accelerate the pace of tightening of monetary policy for the US. These concerns saw the US 10y rate some 0.45% higher, with Australian 10y bond yields moving 0.30% higher in response, driving negative returns for fixed income investors through January, before concerns about a US trade war with China drove yields lower across March driving gains for fixed income. With a neutral duration position relative to the index, the fund performance for the quarter was positive and broadly in line with that of the index.

As highlighted last quarter, moves in yields globally are being driven by transitions in central bank policy, shifting from the exceptionally accommodative policies in the years that followed the global financial crisis to a more neutral or normal settings. The US in particular is moving to "normalise" the Federal Funds rate and gradually unwind the balance sheet of the Fed that was run up through Quantitative Easing. The Reserve Bank of Australia meanwhile continues to grapple with below-target inflation and subdued wages growth, even as they see reasonably strong employment outcomes and a continued trend lower for unemployment ahead.

This disconnect between the policies of the US and Australian central banks, as well as concerns about global trade, continue to feed uncertainty about where domestic yields are headed. The Australian Ethical Fixed Interest Fund remains positioned with duration neutral against the index.

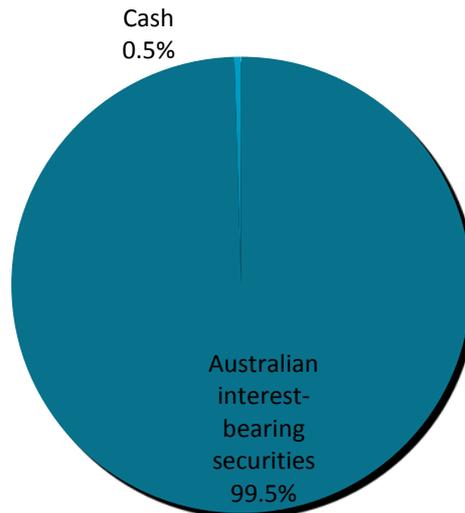
## Top Holdings

Top 10 Holdings (by issuer)	%
Commonwealth Government of Australia	50.8
Queensland Treasury Corporation	8.3
New South Wales Treasury Corporation	4.9
Western Australia Treasury Corporation	4.3
Treasury Corporation of Victoria	3.3
KfW	2.6
Westpac Banking Corporation	2.3
National Australia Bank	2.3
European Investment Bank	2.2
South Australian Financing Authority	1.5

### Our Ethical Approach

Australian Ethical is a specialist ethical fund manager. By investing responsibly in well-managed ethical companies, we believe we can deliver competitive financial performance to our clients and positive change to society and the environment.

## Asset Allocation



## Key Information



### Portfolio Manager Tim Kelly

Tim has over 15 years investment experience and currently manages the Cash and Fixed Interest funds.

Responsible entity:	Australian Ethical Investment Ltd
Minimum initial investment:	\$1,000 (retail) \$25,000 (wholesale)
Distribution:	Half yearly
APIR:	AUG0021AU (retail) AUG0023AU (wholesale)
ARSN:	166 048 184
Contribution fee:	None
Establishment fee:	None
Withdrawal fee:	None
Termination fee:	None
Performance fee:	None
Management fee:	1.50% (retail) 0.45% (wholesale)
Buy-sell spread:	0.00 – 0.00%
Platforms:	Netwealth
Fund size:	\$347.2 Million
Objective:	To provide exposure to primarily Australian fixed interest securities that support the Australian Ethical Charter, generating income with some capital growth potential over the medium to long term.
Structure:	The Fund is an open-ended public unit trust.

A full explanation of all of 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.

## Why invest ethically?

### Aligning values with investments

You probably already understand the importance of having a portfolio that matches your appetite for risk, but equally, if not more important, is holding a portfolio that reflects your values. For example, if you value the provision of fair working conditions (and no child labour) then it's important to invest in funds that negatively screen out stocks on this basis.

### Portfolio diversification

Ethical funds in particular, often invest in stocks that are not covered by many fund managers and brokers.

### Good for the world

Your investments can help build a new low-carbon economy, fund medical and technology breakthroughs, efficient transport and more.

## For more information

- t** 1800 021 227
- e** [enquiries@australianethical.com.au](mailto:enquiries@australianethical.com.au)
- w** [australianethical.com.au](http://australianethical.com.au)

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