

Fixed Interest Fund

Quarterly Report | Jun 2018

About Fixed Interest Fund

- 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 (pa)	2 year (pa)	3 year (pa)	Since Inception (pa)
Fixed Interest Fund (Retail)*	0.4	0.9	1.6	0.1	1.9	3.3
Bloomberg AusBond Composite ~	0.8	1.7	3.1	1.7	3.4	4.1
Relative Performance	-0.4	-0.8	-1.5	-1.6	-1.5	-0.8
Fixed Interest Fund (Wholesale)^	0.7	1.4	2.6	1.0	2.8	4.0
Bloomberg AusBond Composite ~	0.8	1.7	3.1	1.7	3.4	4.6
Relative Performance	-0.1	-0.3	-0.5	-0.7	-0.6	-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 June quarter saw the Australian 10-year bond yield only slightly higher than it started, up only 3bps to 2.63%. With the overall move in longer dated-yields steady, fixed income security returns for the quarter were positive, with the Bloomberg Ausbond Composite Bond Index 0+ moving ahead by 0.8%. 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. After fees, the retail fund was 0.4% behind this at +0.4%, and the wholesale fund was 0.1% behind at 0.7%.

The US Federal Open Market Committee have continued to point to ongoing normalisation of monetary policy in the United States, delivered through a series of increases to the Fed's Fund rate, which saw another increase in June. This gradual tightening of monetary policy provided some impetus to move global yields higher over the quarter, and these offshore moves continued to influence the domestic market with the Australian 10-year yield temporarily hitting 2.9% in mid May. These increases were erased over the latter part of the quarter as the US President's rhetoric around trade policy, particularly the imposition of tariffs against China, began to once again weigh on market sentiment.

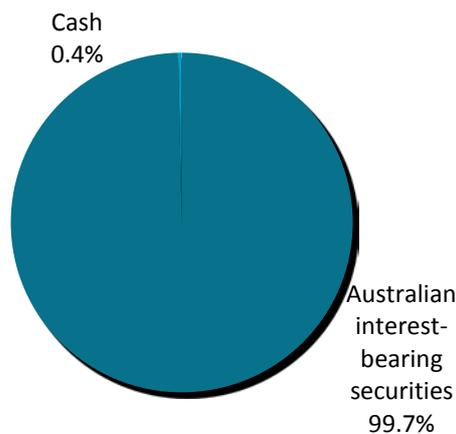
In domestic markets, the Reserve Bank of Australia meanwhile continues to grapple with just below-target inflation and subdued wages growth, and has repeatedly emphasised that they will be taking a gradual approach to adjusting monetary policy.

The 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	51.2
Queensland Treasury Corporation	8.2
New South Wales Treasury Corporation	4.6
Western Australia Treasury Corporation	4.2
Treasury Corporation of Victoria	3.4
KfW	2.6
National Australia Bank	2.1
European Investment Bank	2.1
International Bank for Reconstruction and Dev.	1.8
Westpac Banking Corporation	1.6

Asset Allocation



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.

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
Indirect cost ratio:	1.50% (retail) 0.65% (wholesale)
Buy-sell spread:	0.00 – 0.00%
Platforms:	Netwealth
Fund size:	\$368.6 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

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