

## Income Fund

Quarterly Report | Jun 2018

### About Income Fund

- Aims to generate a competitive income stream while minimising the risk of capital loss.
- Invests in a diversified portfolio of interest-bearing investments, generating income.
- Certified by the Responsible Investment Association Australasia.



### Performance Returns

%	3 months	6 months	1 year (pa)	3 years (pa)	5 years (pa)	Since Inception (pa)
<b>Income Fund (Retail)*</b>	0.3	0.6	1.3	1.5	2.0	4.0
<b>Australian 90 Day Bank Bill Rate</b>	0.5	1.0	1.8	1.9	2.2	4.5
<b>Relative Performance</b>	-0.2	-0.4	-0.5	-0.4	-0.2	-0.5
<b>Income Fund (Wholesale) ^</b>	0.5	0.9	2.0	2.1	n/a	2.1
<b>Australian 90 Day Bank Bill Rate</b>	0.5	1.0	1.8	1.9	n/a	1.9
<b>Relative Performance</b>	-	-0.1	+0.2	+0.2	n/a	+0.2

\* Inception Date (Retail): 26 November 1997

^ Inception Date (Wholesale): 30 June 2015

Past performance is not an indicator of future performance.

### 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.

### Investment Commentary

During the June quarter the elevated level of Australia's short-term money market rates seen earlier this year continued, with the benchmark three-month Bank Bill Swap Rate ending the quarter at 2.11%. This level is some 0.61% above the prevailing RBA cash rate, which remains anchored at 1.5%. Market pricing and commentary suggests no moves are now expected until well into 2019.

The elevated level of the key Bank Bill Swap Rate is the result of funding markets offshore continuing to prove unattractive for the banks, forcing them to return to the domestic market to replenish that funding. Unfortunately this coincides with a declining domestic savings rate. Weak wages growth and a broad shift away from Interest Only loans to Principal and Interest repayments are suggested contributors. There appears to be little relief ahead for the pressure that has been seen in short-term funding markets, and the fund has moved to add to bank holdings to take advantage of these levels.

CASH FUND

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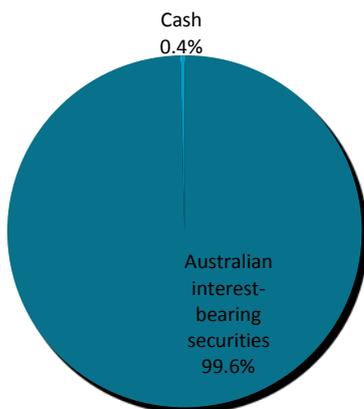
For fund holdings in floating rate securities, the increase in short-term rates will be reflected at future interest rate resets and in some rollovers on term deposits. With little reward for the extra duration, the fund has moved to limit up to 1-year fixed rate investments, particularly the more liquid State and Commonwealth Government names, as these have have seen a shift lower in price to reflect slightly increased yields to maturity.

Fund performance through the June quarter was below that of the benchmark rate after fees.

## Top Issuers

Top 10 issuers	%
Westpac Banking Corporation	9.4
National Australia Bank	9.1
West Australian Treasury Corp	7.8
Australian Government Bond	6.5
Treasury Corporation of Victoria	6.5
Bendigo and Adelaide Bank	5.8
Bank of Queensland	4.6
Suncorp	4.8
KfW	3.6
ME Bank	2.5

## 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:	AUG0003AU (retail) AUG0024AU (wholesale)
ARSN:	089 919 120
Contribution fee:	None
Establishment fee:	None
Withdrawal fee:	None
Termination fee:	None
Performance fee:	None
Indirect cost ratio:	1.00% (retail) 0.50% (wholesale)
Buy-sell spread:	None
Platforms:	Lifetrack, Spectrum (SMF)
Fund size:	\$142.3 Million
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.
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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