

Advocacy Fund

Quarterly Report | June 2018

About Advocacy Fund

- Seeks to actively engage directly with companies to pursue improved sustainability outcomes and corporate behaviour in line with the Australian Ethical Charter.
- Invests in the Australian Ethical Diversified Shares Fund.
- Certified by the Responsible Investment Association Australasia.



CERTIFIED BY RIAA

Performance Returns

	3 month (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	7 years (% p.a.)	Since Inception (% p.a.)
Fund (Retail)*	4.8	2.3	9.0	8.1	11.5	10.6	9.6
Melded Benchmark~	6.4	3.6	9.7	8.3	11.4	10.1	9.0
Relative Performance	-1.6	-1.3	-0.7	-0.2	+0.1	+0.5	+0.6
Fund (Wholesale)^	5.1	2.9	10.3	9.5	12.9	n/a	13.7
Melded Benchmark~	6.4	3.6	9.7	8.3	11.4	n/a	12.8
Relative Performance	-1.3	-0.7	+0.6	+1.2	+1.5	n/a	+0.9
<i>Alternative benchmarks</i>							
ASX 200 Industrials	6.7	2.6	7.8	7.7	10.3	12.3	
ASX 200	8.5	4.3	13.0	9.0	10.0	9.1	
MSCI World ex Au	5.5	6.4	15.4	10.0	14.9	15.0	

* Inception Date (Retail): 18 February 2010 ^ Inception Date (Wholesale): 13 January 2012

~ Benchmark is constructed based on strategic asset allocation. Current composition is 75% S&P/ASX 200 Industrials and 25% MSCI World ex Australia. Past performance is not an indicator of future performance.

Investment Commentary

Please refer to the Diversified Shares June 2018 report for commentary regarding performance and asset allocation.

Top Holdings

National Australia Bank Limited	2.1%
Westpac Banking Corporation	2.0%
CSL Limited	1.9%
Suncorp Group Limited	1.6%
Telstra Corporation Limited	1.5%
Insurance Australia Group Limited	1.5%
Lendlease Group	1.4%
Cochlear Limited	1.4%
Resmed Inc CHESSE Depository	1.4%
Brambles Limited	1.4%

Advocacy Commentary

We use our ethical investment voice and shareholder powers (privately and publicly) to advocate for positive change for people, animals and the environment.

Below is a summary of actions and outcomes for the quarter.

Influence target	Broad theme(s)	Issues and action	Outcome / next steps
Live export sector, policy and facilitators	Live export causes great and unnecessary suffering to over 2 million animals shipped live from Australia each year, including 1.8 million sheep shipped to the Middle East in 2017 alone.	<p>In April, 60 Minutes broadcast video filmed by a courageous whistle-blower showing animal cruelty on live sheep export ships, resulting in renewed calls to ban the live export trade.</p> <p>We sent one of our ethics analysts to work with Animals Australia and help with their court case challenging a live export permit granted by the Department of Agriculture.</p> <p>We engaged with banks (who finance exporters), insurance companies (who insure live export stock), and a port logistics provider, asking them to reassess their exposure to the live export trade.</p> <p>We spoke in the media and wrote to the Federal Minister for Agriculture calling for an end to the trade. We also promoted Animals Australia’s online petition on our social media.</p>	<p>Two companies we engaged with are stopping services to live exporters.</p> <p>An end to live export is now supported by the Greens, Labor and a number of independently minded Liberal MPs. The Coalition government is resisting, including withholding support for a key animal welfare recommendation from its own expert. If implemented, this recommendation may on its own make the trade unviable. The Government has suspended the licence of two live export companies.</p>
Influence target	Broad theme(s)	Issues and action	Outcome / next steps
Banking, insurance and financial advice	The Banking Royal Commission is raising deep questions about the integrity of many of Australia's largest financial institutions	<p>We are engaging with banks, insurers and advisors about the misconduct being reported.</p> <p>In May we divested from AMP. From the information revealed at the Royal Commission, we concluded that AMP committed serious breaches of duty to clients and misled the regulator, ASIC. These breaches (including failure to discipline bad planners and remediate clients) revealed systemic and cultural issues at the company. A key factor was the evidence that senior AMP executives in the advice business (a cornerstone of the AMP Group) decided to continue to incorrectly charge clients in the face of recommendations from staff to stop. We spoke about our concerns and decision in the media.</p>	<p>IAG, QBE, Suncorp and Allianz are withdrawing some of their ‘add-on’ insurance products which have been described by ASIC as ‘junk insurance’ (because they offer little or no value to customers).</p> <p>Banks and insurers are making some changes to the way they remunerate and incentivise staff, brokers, car dealers and others to encourage better outcomes for customers.</p> <p>The first recommendations from the Royal Commission are expected by the end of the year.</p>

Climate disclosure & targets from companies across the economy	Supporting the 2 degree transition	<p>There have been three significant shareholder resolutions on climate change this year: QBE (for better climate risk disclosure); Rio Tinto (review of their membership of the Minerals Council and other industry groups) and Santos (better methane emissions management and disclosure). We supported the Santos and QBE resolutions. For Santos, we used our nominal ‘advocacy’ holding of shares in the company. We didn’t acquire an advocacy holding of shares in Rio Tinto because the Rio resolution was already co-sponsored and supported by several major institutional investors.</p> <p>During the quarter we also supported the Oslo Climate Leadership Declaration and the G7 Investor Statement on climate change.</p>	<p>Although opposed by company boards, the resolutions received strong support:</p> <ul style="list-style-type: none"> • QBE - 18.8% • Rio Tinto - 18% • Santos - 9.8% <p>(Last year most Australian climate resolutions received approximately 10% support.)</p>
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Key Information

Responsible entity:	Australian Ethical Investment Ltd
Minimum initial investment:	\$1,000 (retail) \$25,000 (wholesale)^
Distribution:	Six-monthly
APIR:	AUG0008AU (retail) AUG0020AU (wholesale)
ARSN:	089 919 166
Contribution fee:	None
Establishment fee:	None
Withdrawal fee:	None
Termination fee:	None
Performance fee:	None
Management fee:	2.20% pa (retail) 0.95% pa (wholesale)
Buy-sell spread:	0.15%
Platforms:	AXA North , BT Wrap, Colonial FirstWrap, Emerald, Freedom of Choice, Macquarie, Netwealth, Oasis, Spectrum (SMF)
Fund size:	\$ 133.9 Million
Objective:	To provide long-term growth through investment in listed companies on Australian and international stock exchanges that meet 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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