

## Advocacy Fund

Quarterly Report | March 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.



### Performance Returns

	3 month (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	7 years (% p.a.)	Since Inception (% p.a.)
<b>Fund (Retail)*</b>	-2.4	5.0	6.6	4.0	9.7	9.4	9.2
<b>Melded Benchmark~</b>	-2.6	3.2	3.0	4.0	9.5	8.5	8.5
<b>Relative Performance</b>	+0.2	+1.8	+3.6	+0.0	+0.2	+0.9	+0.7
<b>Fund (Wholesale)^</b>	-2.1	5.5	7.9	5.3	11.1	n/a	13.4
<b>Melded Benchmark~</b>	-2.6	3.2	3.0	4.0	9.5	n/a	12.2
<b>Relative Performance</b>	+0.5	+2.3	+4.9	+1.3	+1.6	n/a	+1.2
<i>Alternative benchmarks</i>							
<b>ASX 200 Industrials</b>	-3.8	2.0	-0.4	2.9	8.8	10.8	
<b>ASX 200</b>	-3.9	3.5	2.5	3.8	7.7	7.2	
<b>MSCI World ex Au</b>	0.8	6.6	13.3	8.0	17.0	13.6	

\* 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 March 2018 report for commentary regarding performance and asset allocation.

## Top Holdings

National Australia Bank Limited	1.9%
CSL Limited	1.8%
Westpac Banking Corporation	1.7%
Telstra Corporation Limited	1.6%
Sirtex Medical Limited	1.6%
Brambles Limited	1.5%
Suncorp Group Limited	1.4%
Insurance Australia Group Limited	1.4%
AMP Limited	1.3%
Resmed Inc	1.3%

## 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
<b>Banking, super and financial services industry</b>	Fraudulent and negligent charging, advice and sales practices	<p>Each day the Banking Royal Commission is raising deep questions about the integrity of many of Australia’s largest financial institutions. We invest in some of the companies, others we have never invested in under our Ethical Charter. We’re expecting powerful findings and recommendations from the Commission, in the meantime we’re pushing for:</p> <ul style="list-style-type: none"> <li>• investment in automated digital surveillance of key details of loans, advice and insurance given to customers, to help identify cases, staff and business areas which need closer scrutiny to ensure customers’ interests are protected</li> <li>• review of sanctions for misconduct, including civil and criminal penalties, but also more meaningful internal consequences including pay reduction and dismissal</li> <li>• stronger mechanisms to ensure senior executives and boards are made aware of misconduct and made accountable for ensuring it is remedied and that there are safeguards to prevent it continuing.</li> </ul>	The Royal Commission evidence is incorporated into our periodic company reviews and our advocacy priorities. Consideration of exclusion of companies will take account of hearing disclosures and further discussions with the companies as well as with organisations which are supporting customers harmed.

Influence target	Broad theme(s)	Issues and action	Outcome / next steps
<b>Climate disclosure &amp; targets:</b>  <b>Companies across the economy</b>	Australia's and the world's biggest emitters across the energy, transport, agriculture and building sectors	<p>If we are to limit global warming to well below 2 degrees, companies need to disclose what their targets and action to support the massive economic transition needed. The momentum for this is growing. During the quarter:</p> <ul style="list-style-type: none"> <li>• We supported the CDP 2018 'Non-Discloser campaign' targeting about 400 companies to start reporting to the CDP. The international CDP climate reporting database is a crucial resource for investors, activists and others to assess who is taking climate action and who is not.</li> <li>• We joined the Climate Action 100+ initiative led by investors to engage with the world's largest corporate greenhouse gas emitters to reduce emissions and strengthen climate-related financial disclosures: <a href="http://www.climateaction100.org/">http://www.climateaction100.org/</a>.</li> </ul> <p>We're also supporting the Market Forces climate shareholder resolutions lodged for the QBE and Santos annual general meetings – more on that next quarter.</p>	<p>The Santos and QBE annual general meetings will be held on 3 May 2018.</p> <p>Following on from last year's BHP climate resolution, BHP has completed its exit of the World Coal Association. Its membership of the Minerals Council remains under review. In March the Minerals Council issued a position statement which acknowledges the need for energy policy to allow Australia to meet its emissions reduction commitments.</p>
<b>Australian government:</b> <b>Clean energy investment</b>	Clean Energy Finance Corporation (CEFC)  Investment in the 2 degree transition	<p>Climate action requires huge investment in clean energy and other emissions reduction technology and infrastructure. Australia's CEFC (Clean Energy Finance Corporation) has a crucial role to play in catalysing this investment. We lodged a submission to the government's review of CEFC, calling for:</p> <ul style="list-style-type: none"> <li>• a continuing focus on emissions reduction</li> <li>• support for green bond investment which genuinely drives additional clean energy investment and innovation</li> <li>• attention to international as well as Australian climate investment.</li> </ul>	<p>A date has not been announced for completion of the CEFC review report.</p> <p><a href="http://www.environment.gov.au/climate-change/government/renewable-energy/cefc-statutory-review-consultation">www.environment.gov.au/climate-change/government/renewable-energy/cefc-statutory-review-consultation</a></p>
<b>Australian government:</b> <b>Animal welfare</b>	Poultry standards	<p>We don't invest in the poultry sector, but we lodged a submission for better protection for chickens, turkeys and ducks including calls for:</p> <ul style="list-style-type: none"> <li>• a ban on battery cages</li> <li>• elimination of use of key antibiotics which enable excessive crowding of animals and pose great risk to animal and human health</li> <li>• phasing out fast-growth, excessive weight chicken breeds which compromise animal well-being.</li> <li>• free range conditions which allow natural animal behaviours.</li> </ul>	<p>The Animal Health Australia report and will be available in June 2018</p> <p><a href="http://www.animalwelfarestandards.net.au/poultry/poultry-public-consultation/">www.animalwelfarestandards.net.au/poultry/poultry-public-consultation/</a></p>

## Key Information

### 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.

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:	\$ 123.7 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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