

Australian Ethical Balanced Fund

FUND PROFILE - 30 SEPTEMBER 2018

Australian Ethical is one of Australia's leading ethical fund managers. By investing responsibly in well-managed ethical companies, we deliver competitive financial performance to our clients and positive change to society and the environment. Since our inception in 1986, our Ethical Charter has guided all investment decisions and underpinned our business practices. Every year 10 per cent of our profits* are distributed to charitable organisations and social impact initiatives through The Australian Ethical Foundation.

Investment objective

To provide investors with a balance between capital growth and a moderate level of income through a diversified portfolio of assets that supports the Australian Ethical Charter.

Price information

Pricing frequency: Daily

Buy/Sell spread: 0.15%/0.15%

Fund facts

Fund size: \$96.16m

Benchmark: Australian Ethical Balanced Composite

Asset class: Mixed Asset

Inception date: 16/10/1989

Minimum investment timeframe: 5 years

Risk level: Medium-High

Identifiers

ISIN code: AU60AUG00010

APIR code: AUG0001AU

Distributions

Frequency: 2

Dates: 30/06, 31/12

Fees

Management fees - PDS: 2.42%

Minimum initial investment: \$1,000
\$500 with a Regular investor plan

Additional transactional and operational costs: 0.01%

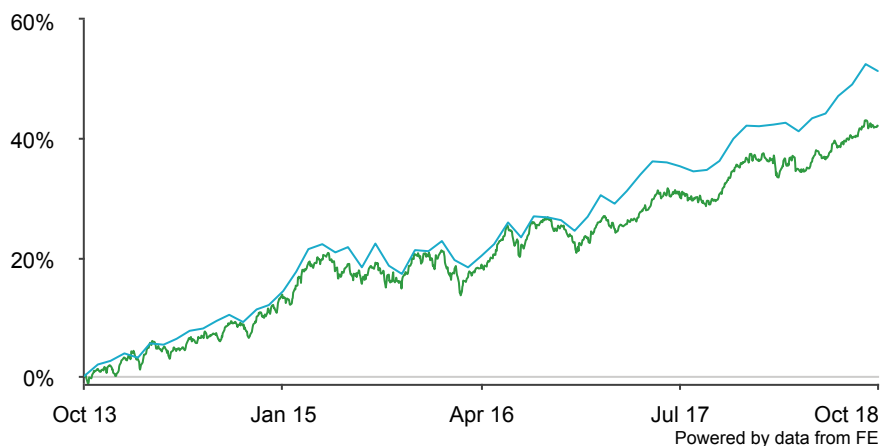
A full explanation of all the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Product Disclosure Statements available from our website australianethical.com.au

*(after tax, before bonus expense)

Investment strategy

The opportunity to invest in a diversified portfolio of asset types and markets to reduce the volatility of returns. Asset classes include Australian and international shares, property and fixed income securities.

Cumulative performance (as at 30/09/2018)



■ Australian Ethical Balanced
■ Benchmark

Performance (as at 30/09/2018)

	1m	3m	6m	1y	3y	5y	10y	Since inception
Fund	-0.7%	2.6%	5.4%	8.8%	7.1%	7.3%	5.7%	6.7%
Benchmark	-0.8%	2.9%	7.2%	11.1%	8.9%	8.6%	7.8%	7.5%

Calendar Performance (as at end 2017)

	CY2017	CY2016	CY2015	CY2014	CY2013
Fund	8.1%	4.2%	6.9%	9.7%	17.3%
Benchmark	8.9%	6.3%	7.4%	10.1%	21.6%

Source: FE.

Total returns are calculated using the sell (exit) price, net of management fees and gross of tax as if distributions of income have been reinvested at the actual distribution reinvestment price. The actual returns received by an investor will depend on the timing, buy and exit prices of individual transactions. Return of capital and the performance of your investment in the fund are not guaranteed. Past performance is not a reliable indicator of future performance. Figures showing a period of less than one year have not been adjusted to show an annual total return. Figures for periods of greater than one year are on a per annum compound basis. The current benchmark may not have been the benchmark over all periods shown in the above chart and tables. The calculation of the benchmark performance links the performance of previous benchmarks and the current benchmark over the relevant time periods.

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Top 10

Investa Commercial Property Fund	5.2%
Healthcare Wholesale Property Trust	3.8%
Microsoft Corporation	1.0%
Westpac Banking Corporation	1.0%
National Australia Bank Limited	1.0%
Alphabet Inc. Class A	0.8%
Government Of Australia 4.25% 21-apr-2026	0.8%
Government Of Australia 4.75% 21-apr-2027	0.8%
Resmed Inc CHESSE Depository Interests on a ratio of 10 CDIs per ord.sh	0.7%
Government Of Australia 5.75% 15-may-2021	0.7%

Ratings and awards

RIAA rating:



CERTIFIED BY RIAA

UNPRI signatory:

Signatory of:



Why invest ethically?

Portfolio diversification: Diversify your portfolio by investing in companies and sectors not well covered by other fund managers and brokers.

Help build a better world: Invest in the new, low-carbon economy, fund medical and technology breakthroughs, efficient transport and more.

Promote human rights: We strive to avoid any investment in companies involved in the poor treatment of asylum seekers or the exploitation of workers through poor working conditions.

Need Help?

Contact us between 9:00am-5:00pm

AEST Monday-Friday on:

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Asset allocation

	Australian Shares	34.0%
	International Shares	26.3%
	Australian Fixed Interest	25.9%
	Property	9.1%
	Alternative Assets	0.4%
	Cash	4.3%



Commentary

The Australian and global equities markets performed strongly over the September quarter, returning 1.5% and 7.4%, respectively. The fund also performed strongly in this environment and outperformed its benchmark on a before fees basis due to the performance of the domestic equities portfolio, which outperformed the S&P/ASX 200 Industrials index by 2.4%.

The strong performance of domestic equities relative to the benchmark index was mainly due to sector allocations, with overweight positions in the telecommunications sector (which appreciated on news of industry restructuring) and the IT and healthcare sectors (which performed strongly over the quarter). An underweight position in the poor-performing financials sector also contributed positively. Other positives were stock selection in the industrials sector (with holdings in IPH, Brambles and QUBE Holdings all appreciating strongly) and the banks (with the regional banks outperforming the 'big four').

On the negative side of the ledger, our holdings in the health care sector underperformed due to industry restructuring in pharmaceuticals and the negative publicity from the announcement of a Royal Commission into aged care.

The international equities portfolio underperformed its benchmark by 1.6%. While the portfolio benefited from its non-investment in energy and materials, this was offset by the market's outperformance in consumer discretionary, industrials and IT. The portfolio is underweight consumer discretionary and does not hold Amazon (+20%), and is overweight the IT sector but it does not hold Apple (+25%), with both stocks not meeting our ethical criteria.

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