

Australian Ethical Emerging Companies

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 long-term growth by investing in small capitalisation companies that meet the Australian Ethical Charter.

Price information

Pricing frequency: Daily

Buy/Sell spread: 0.20%/0.20%

Fund facts

Fund size: \$4.82m

Benchmark: S&P ASX Small Industrials

Asset class: Equity

Inception date: 30/06/2015

Minimum investment timeframe: 7 Years

Risk level: Very high

Identifiers

APIR code: AUG0026AU

Distributions

Frequency: 2

Dates: 30/06, 31/12

Fees

Management fees - PDS: 2.20%

Performance fee: 20%

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

Additional transactional and operational costs: 0.01%

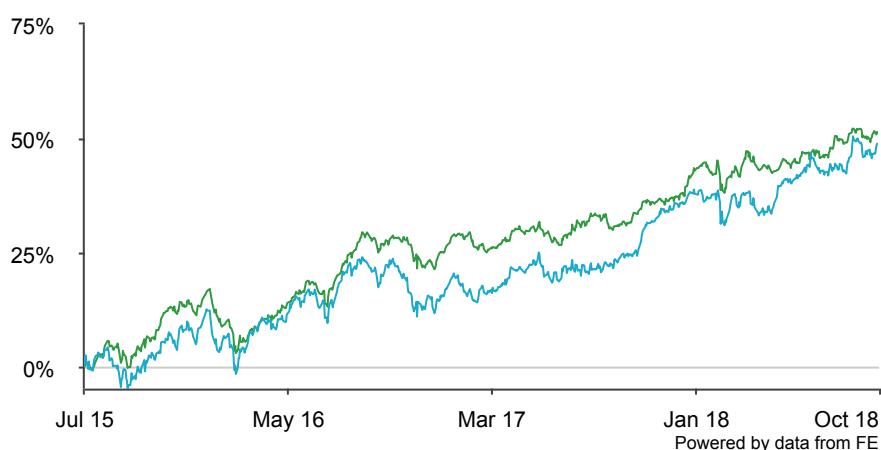
A full explanation of all the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Product Disclosure Statements available from our website australianethical.com.au

*(after tax, before bonus expense)

Investment strategy

The opportunity to invest in a diversified portfolio of shares in small capitalisation companies on the basis of their social, environmental and financial credentials. The Fund utilises an active stock-picking management style with stocks selected for growth rather than income. All stocks are chosen on the basis of relative value where we deem the risks are being adequately priced.

Cumulative performance (as at 30/09/2018)



■ Australian Ethical Emerging Companies
■ Benchmark

Performance (as at 30/09/2018)

	1m	3m	6m	1y	3y	5y	10y	Since inception
Fund	-0.3%	2.7%	4.8%	13.3%	13.0%	-	-	13.6%
Benchmark	-0.4%	3.4%	10.4%	19.4%	14.1%	-	-	13.0%

Calendar Performance (as at end 2017)

	CY2017	CY2016	CY2015	CY2014	CY2013
Fund	11.4%	10.1%	-	-	-
Benchmark	15.7%	6.2%	-	-	-

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

Macquarie Telecom Group Limited	3.8%
Contact Energy Limited	3.7%
Rhipe Limited	3.7%
EQT Holdings Ltd.	3.6%
Bigtican Holdings Ltd	3.4%
Australian Finance Group Ltd.	3.2%
Auswide Bank Ltd.	3.1%
Capitol Health Limited	3.0%
3P Learning Ltd.	2.9%
Cyclopharm Limited	2.8%

Ratings and awards

RIAA rating:



UNPRI signatory:



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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Australian Ethical Investment Ltd

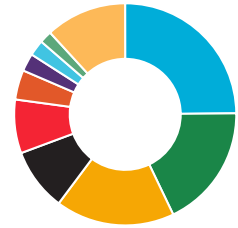
c/o Boardroom Pty Ltd

GPO Box 3993

Sydney NSW 2001

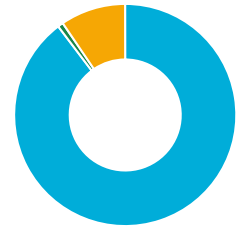
Sector allocation

Information Technology	24.8%
Health Care	18.0%
Financials	17.3%
Consumer Discretionary	9.1%
Utilities	7.8%
Telecommunication Services	4.3%
Real Estate	2.6%
Industrials	2.3%
Consumer Staples	1.8%
Other	11.8%



Asset allocation

Australian & NZ Small Cap	89.7%
Unlisted Equity	0.8%
Cash	9.5%



Commentary

The fund modestly underperformed its S&P/ASX Small Industrials benchmark in the September quarter, appreciating 2.8% vs 3.4% for the index. While the fund is overweight IT, it was impacted by not owning several individual stocks which continued to re-rate upwards during the quarter. On the positive side, the fund's underweight position in consumer staples added value during the period as several of these stocks retreated. At the stock level, the strongest individual contributors were Nearmap (which experienced positive earnings revisions during the quarter) and Bravura Solutions (which had positive result commentary and client wins). Macquarie Telecom was also a strong positive contributor on the back of continued positive sentiment relating to its data centres business. One of the fund's recent biotech investments, Immutep, increased by 52% over the quarter on the back of excitement about recent collaboration news with global players Merck and Pfizer.

Underperformers held in the portfolio included Capitol Heath which retreated 10% on limited news and G8 Education which continues to deal with an oversupply of childcare facilities. Several small IT related stocks not held had a detrimental impact on relative performance given their continual rerating higher, namely Afterpay, Wisetech and Altium. The fund continues to actively target new positions.

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