

Australian Ethical Fixed Interest Fund

FUND PROFILE - 31 DECEMBER 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 exposure to primarily Australian fixed interest securities that support the Australian Ethical Charter, generating income with some capital growth potential over the medium to long term.

Price information

Pricing frequency:	Daily
Buy/Sell spread:	0.00%/0.00%

Fund facts

Fund size:	\$0.50m
Benchmark:	Bloomberg AusBond Composite 0+ Years
Asset class:	Fixed Interest
Inception date:	14/06/2012
Minimum investment timeframe:	3 years
Risk level:	Low-Medium

Identifiers

ISIN code:	AU60AUG00218
APIR code:	AUG0021AU

Distributions

Frequency:	2
Dates:	30/06, 31/12

Fees

Management fees - PDS:	1.00%
Minimum initial investment:	\$1,000 \$500 with a Regular investor plan
Additional transactional and operational costs:	0.00%

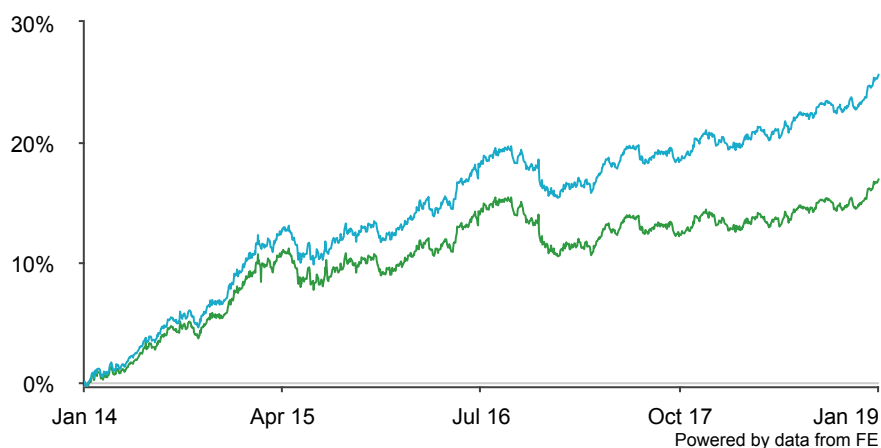
A full explanation of all the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Product Disclosure Statements available from our website australianethical.com.au

*(after tax, before bonus expense)

Investment strategy

The opportunity to invest in a diversified portfolio of interest-bearing investments generating income. The Fund is invested in primarily fixed rate bonds, from issuers such as the Commonwealth and State Governments, banks and other corporate issuers that meet the Australian Ethical Charter.

Cumulative performance (as at 31/12/2018)



■ Australian Ethical Fixed Interest
■ Benchmark

Performance (as at 31/12/2018)

	1m	3m	6m	1y	3y	5y	10y	Since inception
Fund	1.4%	1.9%	2.1%	3.0%	2.2%	3.2%	-	3.4%
Benchmark	1.5%	2.2%	2.8%	4.5%	3.7%	4.7%	-	4.2%

Calendar Performance (as at end 2018)

	CY2018	CY2017	CY2016	CY2015	CY2014
Fund	3.0%	2.2%	1.3%	1.1%	8.4%
Benchmark	4.5%	3.7%	2.9%	2.6%	9.8%

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

Australian Government Bond	50.6%
Queensland Treasury Corporation	9.3%
New South Wales Treasury Corporation	4.9%
Western Australia Treasury Corporation	4.0%
Treasury Corporation of Victoria	3.6%
Kreditanstalt Fuer Wier	2.7%
National Australia Bank Limited	2.0%
European Investment Bank	2.0%
South Australian Financing Authority	1.8%
Landwirtschaftliche Rentenbank	1.5%

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

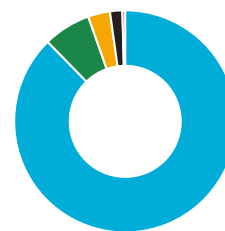
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GPO Box 3993

Sydney NSW 2001

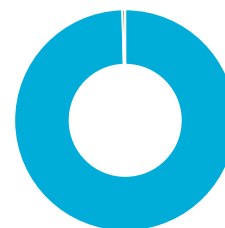
Sector allocation

Government, SSA, State Government	87.8%
Corporate Credit	6.9%
Bank Senior Debt	3.2%
Bank Covered	1.8%
Cash	0.4%



Asset allocation

Australian Fixed Interest	99.6%
Cash	0.4%



Commentary

The Australian Ethical Fixed Interest Fund was short duration through the December quarter relative to the Bloomberg Ausbond Composite Bond Index 0+. As yields declined, particularly in December, this position detracted from gross fund performance, ending the quarter 0.04% below the index (which was up 2.24%). After fees the retail fund was 0.30% behind the index at +1.94%, and the wholesale fund was 0.15% behind at +2.09%. Risk-off sentiment was particularly evident in US equities markets which drove demand for the safety of bonds. US 10-year yields fell 0.55% to 2.67% by year end. Financial markets were concerned that the Federal Reserve was headed for a 'policy error' (ie, tightening monetary policy too much and triggering a slowdown) despite Federal Reserve Chair Jerome Powell indicating they would monitor conditions as they neared the range at which the Fed Funds rate could be considered to be 'neutral'.

Domestically, yields followed offshore moves lower, with the 10 year yield ending the quarter 35bps lower at 2.32%. The Australian labour market remains strong, with unemployment sitting at 5.1% by year end, and it will be closely watched as continued strong employment underpins consumer spending and mortgage servicing. Uncertainty around the extent of the impact of an ongoing decline in house prices, particularly in Sydney and Melbourne, remains a concern.

The Australian Ethical Fixed Interest Fund retains its small short duration position against the index, expecting to see yields drift higher as the negativity that dominated the end of 2018 eases.

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