

Australian Ethical Income Fund

FUND PROFILE - 31 MARCH 2019

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 generate an income stream consistent with prevailing short-term interest rates while minimising the risk of capital loss and supporting the Australian Ethical Charter.

Price information

Pricing frequency: Daily

Buy/Sell spread: 0.00%/0.00%

Fund facts

Fund size: \$1.35m

Benchmark: RBA Bank Accepted Bills
Negotiable Certificates of
Deposit 90 Days

Asset class: Money Market

Inception date: 26/11/1997

Minimum investment timeframe: 1 year

Risk level: Very low

Identifiers

ISIN code: AU60AUG00036

APIR code: AUG0003AU

Distributions

Frequency: 2

Dates: 30/06, 31/12

Fees

Management costs - PDS: 0.50%

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

Additional transactional and operational costs: 0.00%

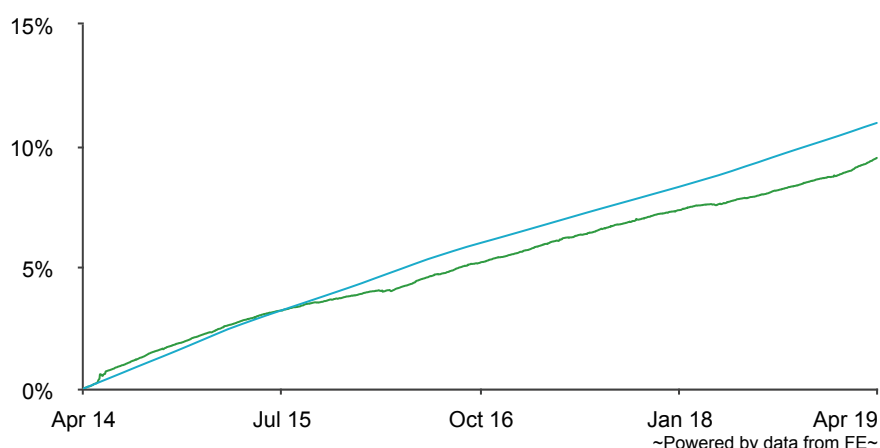
A full explanation of all the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Product Disclosure Statements available from our website australianethical.com.au

*(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 short-dated deposits, high grade mortgage-backed securities, State and Commonwealth Government Bonds, and bank and other corporate bonds. As such, the returns of the Fund tend to move in line with the general level of interest rates.

Cumulative performance (as at 31/03/2019)



■ Australian Ethical Income
■ Benchmark

Performance (as at 31/03/2019)

	1m	3m	6m	1y	3y	5y	10y	Since inception
Fund	0.2%	0.7%	1.0%	1.8%	1.7%	1.8%	3.3%	3.9%
Benchmark	0.2%	0.5%	1.0%	2.0%	1.9%	2.1%	3.0%	4.4%

Calendar Performance (as at end 2018)

	CY2018	CY2017	CY2016	CY2015	CY2014
Fund	1.3%	1.6%	1.7%	1.6%	2.8%
Benchmark	1.9%	1.7%	2.0%	2.3%	2.7%

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.

Australian Ethical Income Fund

FUND PROFILE - 31 MARCH 2019

Top 10

Queensland Treasury Corporation	9.9%
Australian Government Bond	9.0%
National Australia Bank Limited	8.5%
Westpac Banking Corporation	8.2%
Western Australia Treasury Corporation	7.3%
Suncorp Metway Ltd	5.7%
South Australian Financing Authority	5.0%
Bendigo and Adelaide Bank Limited	4.3%
Bank of Queensland	3.8%
Inter American Development Bank	3.6%

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?

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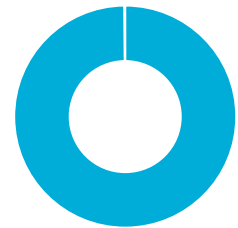
Sector allocation

Government, SSA, State Government	45.6%
Bank Senior Debt	21.9%
Term Deposit	6.6%
ABS, RMBS	6.4%
Bank Covered Bonds	4.7%
Corporate Credit	4.3%
Commercial Paper/Bank Bills, Cash	10.5%



Asset allocation

Australian Interest Bearing Investments	99.9%
Cash	0.1%



Commentary

The gross performance of the Australian Ethical Income Fund for the March quarter was 0.29% ahead of its benchmark, the 90 Day Bank Bill rate. The benchmark rate has seen a substantial decline over the March quarter, falling from 2.09% to 1.78%. The spread between the bank bill swap rate (BBSW) cash rate has narrowed substantially over the quarter, reflecting a banking system with little demand for deposits and short-term funding. This is a sharp contrast with previous quarters, and is likely to be a consequence of slowing activity in housing markets and subsequent loan growth.

Short-term interest rate markets are increasingly assigning a greater probability of rate cuts ahead from the Reserve Bank of Australia, with housing markets in Sydney and Melbourne a key concern. Another worry is the extent to which declines in house prices seen to date will weigh on household consumption and economic growth. The labour market remains supportive, with the unemployment rate continuing to tighten and sitting at 4.9%, but this is not feeding through to wages growth and inflation.

The fund continues to allow the mortgage-backed security portfolio amortise down its allocation within the fund. The concern is that tighter lending standards will limit the capacity of some borrowers to refinance away, thereby lowering prepayments in residential mortgage-backed security (RMBS) pools and extending their weighted average lives. The fund has instead favoured short-term money market investments, term deposits, and bonds with less than 1 year to maturity from various state governments, supranational entities and the Federal Government.

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Australian Ethical Income Fund (Wholesale)

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Price information

Pricing frequency: Daily

Buy/Sell spread: 0.00%/0.00%

Fund facts

Fund size: \$6.35m

Benchmark: RBA Bank Accepted Bills Negotiable Certificates of Deposit 90 Days

Asset class: Money Market

Inception date: 01/07/2015

Minimum investment timeframe: 1 year

Risk level: Very low

Identifiers

ISIN code: AU60AUG00242

APIR code: AUG0024AU

Distributions

Frequency: 2

Dates: 30/06, 31/12

Fees

Management costs - PDS: 0.35%

Minimum initial investment: \$25,000

Additional transactional and operational costs: 0.00%

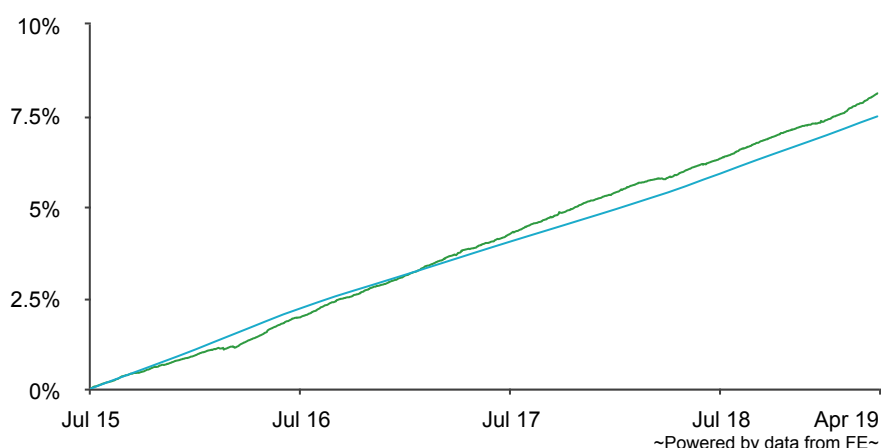
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Fund	0.3%	0.7%	1.1%	2.2%	2.2%	-	-	2.1%
Benchmark	0.2%	0.5%	1.0%	2.0%	1.9%	-	-	1.9%

Calendar Performance (as at end 2018)

	CY2018	CY2017	CY2016	CY2015	CY2014
Fund	1.9%	2.2%	2.2%	-	-
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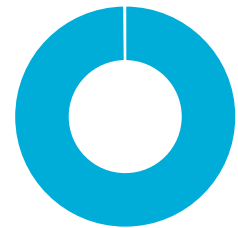
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