

Australian Ethical Balanced Fund

FUND PROFILE - 30 JUNE 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 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:	0.10%/0.10%

Fund facts

Fund size:	\$104.89m
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 costs - PDS:	1.81%
Minimum initial investment:	\$1,000 \$500 with a Regular investor plan
Additional transactional and operational costs:	0.04%

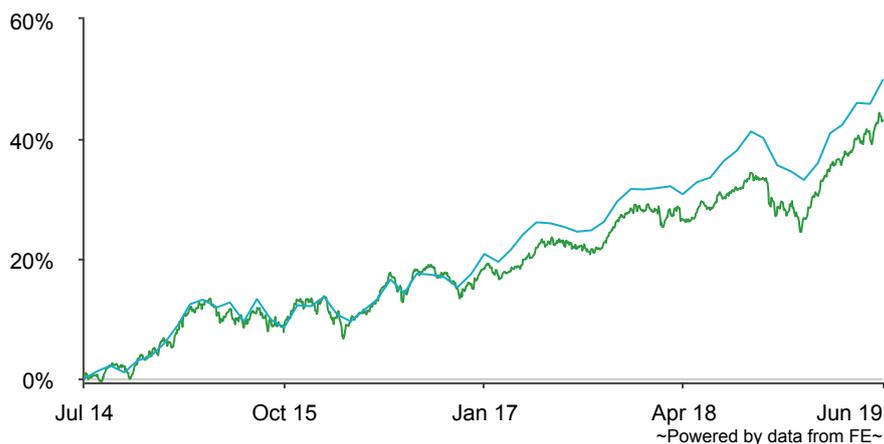
A full explanation of all the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Product Disclosure Statements available from our website australianethical.com.au

*(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 30/06/2019)



■ Australian Ethical Balanced
■ Benchmark

Performance (as at 30/06/2019)

	1m	3m	6m	1y	3y	5y	10y	Since inception
Fund	2.3%	4.7%	12.9%	10.0%	7.7%	7.4%	7.2%	6.8%
Benchmark	2.7%	5.2%	12.5%	10.0%	9.5%	8.4%	9.4%	7.5%

Calendar Performance (as at end 2018)

	CY2018	CY2017	CY2016	CY2015	CY2014
Fund	-0.8%	8.1%	4.2%	6.9%	9.7%
Benchmark	1.2%	8.9%	6.3%	7.4%	10.1%

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 Balanced Fund

FUND PROFILE - 30 JUNE 2019

Top 10

Investa Commercial Property Fund	4.6%
Healthcare Wholesale Property Trust	3.2%
Morrison & Co Growth Infrastructure Fund	1.0%
Westpac Banking Corporation	1.0%
Microsoft Corporation	0.9%
National Australia Bank Limited	0.9%
Government Of Australia 4.25% 21-apr-2026	0.8%
Government Of Australia 4.75% 21-apr-2027	0.8%
Government Of Australia 2.75% 21-oct-2019	0.7%
Government Of Australia 4.5% 15-apr-2020	0.7%

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:

t 1800 021 227

f 02 9252 1987

e investors@australianethical.com.au

w australianethical.com.au

Australian Ethical Investment Ltd

c/o Boardroom Pty Ltd

GPO Box 3993

Sydney NSW 2001

Asset allocation

	Australian & NZ Shares	33.3%
	International Shares	26.4%
	Australian Fixed Interest	23.2%
	Property	7.9%
	Alternative Assets	1.5%
	Cash, FRN's and short duration fixed interest	7.7%



Commentary

Following the strong performance in both equities, and fixed income, our Balanced Fund returned 4.7% (4.9% Wholesale Fund) over the quarter, slightly underperforming its' benchmark which returned 5.2%.

Global Equity markets continued their upwards run over the June quarter, with the MSCI world index up 5.3%. At home, the ASX fared considerably better, with the ASX 200 up 6.5% over the period, despite concerns around a slowing domestic and global economy, and the ongoing political and trade tensions between US and China and the prospect of a no-deal Brexit. Driving the slight underperformance was the Fund's Domestic Equities component, which underperformed its benchmark over the quarter (8.06% v 8.7%), while the International Equities Portfolio outperformed, returning 6% compared to its benchmark of 5.19%.

The Domestic Equities market was boosted by the Government's unanticipated re-election. The sectors driving the gains were IT, REITS (Real Estate Investment Trusts) and Utilities. In IT the strongest performing stocks were Nearmap (+35%), Appen (+26%) and Xero (+23%). REITS continued to appreciate as investors chased yield, but the outperformance was due to a decline in the retail REITS segment which the Fund does not hold due to ethical screening.

The sectors which declined were Financials and Materials. Financials underperformed due to the banks recovering strongly, as investors bought fully franked yields but as the Fund is underweight in this sector, it resulted in underperformance. The underperformance in the Materials sector was due to stock selection.

The international equities portfolio outperformed its benchmark by 0.7% with the Fund appreciating 5.9% versus the MSCI ex Australia of 5.2%. The main markets where the Fund invests (US and Europe) all rebounded strongly in the month of June, offsetting the poor performance in the early part of the quarter due to the US-China trade war tensions. The Financial, Industrial and IT sectors were the top performers with the Fund overweight in these sectors. The detractors were Consumer Discretionary, Consumer Staples and Health Care.

While stock markets seemed unmoved by the changing economic picture, it was a different story in Global Bond Markets. Bond yields have continued to come down, with the RBA having cut rates twice over the last two months, and anticipation of the US Federal Reserve potentially cutting rates for the first time in 11 years.

The fixed interest component of the Fund performed in line with its benchmark, posting a 3.06% return over the quarter as the prospect of lower interest rates lowered yields globally.

Australian Ethical Balanced Fund (Wholesale)



FUND PROFILE - 30 JUNE 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 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: 0.10%/0.10%

Fund facts

Fund size: \$51.76m

Benchmark: Australian Ethical Balanced Composite

Asset class: Mixed Asset

Inception date: 28/03/2018

Minimum investment timeframe: 5 years

Risk level: Medium-High

Identifiers

ISIN code: AU60AUG00176

APIR code: AUG0017AU

Distributions

Frequency: 2

Dates: 30/06, 31/12

Fees

Management costs - PDS: 0.91%

Minimum initial investment: \$25,000 minimum in the Fund and \$500,000 investment across Australian Ethical's managed funds.

Additional transactional and operational costs: 0.04%

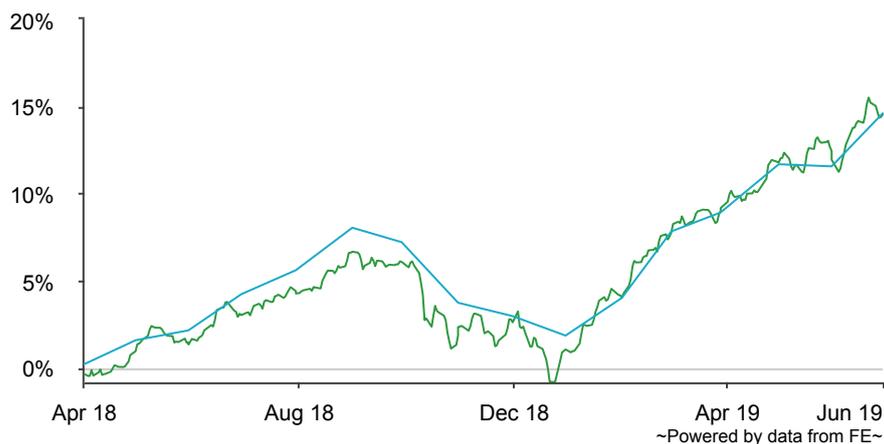
A full explanation of all the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Product Disclosure Statements available from our website australianethical.com.au

*(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 30/06/2019)



- Australian Ethical Balanced
- Benchmark

Performance (as at 30/06/2019)

	1m	3m	6m	1y	3y	5y	10y	Since inception
Fund	2.3%	4.9%	13.4%	11.2%	-	-	-	11.4%
Benchmark	2.7%	5.2%	12.5%	10.0%	-	-	-	11.5%

Calendar Performance (as at end 2018)

	CY2018	CY2017	CY2016	CY2015	CY2014
Fund	-	-	-	-	-
Benchmark	-	-	-	-	-

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 Balanced Fund (Wholesale)

FUND PROFILE - 30 JUNE 2019

Top 10

Investa Commercial Property Fund	4.6%
Healthcare Wholesale Property Trust	3.2%
Morrison & Co Growth Infrastructure Fund	1.0%
Westpac Banking Corporation	1.0%
Microsoft Corporation	0.9%
National Australia Bank Limited	0.9%
Government Of Australia 4.25% 21-apr-2026	0.8%
Government Of Australia 4.75% 21-apr-2027	0.8%
Government Of Australia 2.75% 21-oct-2019	0.7%
Government Of Australia 4.5% 15-apr-2020	0.7%

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:

t 1800 021 227

f 02 9252 1987

e investors@australianethical.com.au

w australianethical.com.au

Australian Ethical Investment Ltd

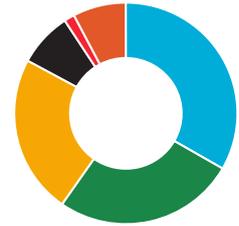
c/o Boardroom Pty Ltd

GPO Box 3993

Sydney NSW 2001

Asset allocation

 Australian & NZ Shares	33.3%
 International Shares	26.4%
 Australian Fixed Interest	23.2%
 Property	7.9%
 Alternative Assets	1.5%
 Cash, FRN's and short duration fixed interest	7.7%



Commentary

Following the strong performance in both equities, and fixed income, our Balanced Fund returned 4.7% (4.9% Wholesale Fund) over the quarter, slightly underperforming its' benchmark which returned 5.2%.

Global Equity markets continued their upwards run over the June quarter, with the MSCI world index up 5.3%. At home, the ASX fared considerably better, with the ASX 200 up 6.5% over the period, despite concerns around a slowing domestic and global economy, and the ongoing political and trade tensions between US and China and the prospect of a no-deal Brexit. Driving the slight underperformance was the Fund's Domestic Equities component, which underperformed its benchmark over the quarter (8.06% v 8.7%), while the International Equities Portfolio outperformed, returning 6% compared to its benchmark of 5.19%.

The Domestic Equities market was boosted by the Government's unanticipated re-election. The sectors driving the gains were IT, REITS (Real Estate Investment Trusts) and Utilities. In IT the strongest performing stocks were Nearmap (+35%), Appen (+26%) and Xero (+23%). REITS continued to appreciate as investors chased yield, but the outperformance was due to a decline in the retail REITS segment which the Fund does not hold due to ethical screening.

The sectors which declined were Financials and Materials. Financials underperformed due to the banks recovering strongly, as investors bought fully franked yields but as the Fund is underweight in this sector, it resulted in underperformance. The underperformance in the Materials sector was due to stock selection.

The international equities portfolio outperformed its benchmark by 0.7% with the Fund appreciating 5.9% versus the MSCI ex Australia of 5.2%. The main markets where the Fund invests (US and Europe) all rebounded strongly in the month of June, offsetting the poor performance in the early part of the quarter due to the US-China trade war tensions. The Financial, Industrial and IT sectors were the top performers with the Fund overweight in these sectors. The detractors were Consumer Discretionary, Consumer Staples and Health Care.

While stock markets seemed unmoved by the changing economic picture, it was a different story in Global Bond Markets. Bond yields have continued to come down, with the RBA having cut rates twice over the last two months, and anticipation of the US Federal Reserve potentially cutting rates for the first time in 11 years.

The fixed interest component of the Fund performed in line with its benchmark, posting a 3.06% return over the quarter as the prospect of lower interest rates lowered yields globally.

Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949) is the Responsible Entity of the Australian Ethical managed funds. This information is of a general nature and is not intended to provide you with financial advice or take into account your personal objectives, financial situation or needs. Before acting on the information, consider its appropriateness to your circumstances and read the Financial Services Guide (FSG) and relevant product disclosure statement (PDS) available at www.australianethical.com.au/managedfunds/pds. You may wish to seek independent financial advice from a licensed financial adviser before making an investment decision. The performance of your investment in the Australian Ethical is not guaranteed; past performance is not a reliable indicator of future performance. The information contained in this document is believed to be accurate at the time of compilation.

Where MSCI data is used, data is the property of MSCI. No use or distribution without written consent. Data provided "as is" without any warranties. MSCI assumes no liability for or in connection with the data. For full MSCI and RIAA disclaimer, please see <https://www.australianethical.com.au/sources/>