

Australian Ethical Balanced Fund

FUND PROFILE - 30 SEPTEMBER 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: 0.05%/0.05%

Fund facts

Fund size: \$105.48m

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%

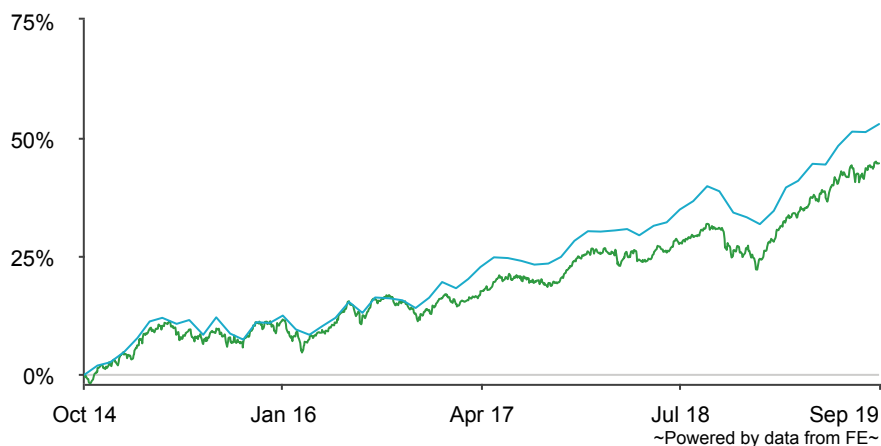
A full explanation of all the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Product Disclosure Statements available from our website australianethical.com.au

*(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 30/09/2019)



■ Australian Ethical Balanced
■ Benchmark

Performance (as at 30/09/2019)

| | 1m | 3m | 6m | 1y | 3y | 5y | 10y | Since inception |
|-----------|------|------|------|-------|------|------|------|-----------------|
| Fund | 0.7% | 2.9% | 7.8% | 10.4% | 7.8% | 7.7% | 6.9% | 6.8% |
| Benchmark | 1.1% | 3.1% | 8.5% | 10.2% | 9.7% | 8.9% | 8.6% | 7.6% |

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.

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Top 10

| | |
|---|------|
| Investa Commercial Property Fund | 4.5% |
| Healthcare Wholesale Property Trust | 4.2% |
| Morrison & Co Growth Infrastructure Fund | 1.4% |
| Westpac Banking Corporation | 1.0% |
| Microsoft Corporation | 1.0% |
| National Australia Bank Limited | 0.9% |
| Government Of Australia 4.5% 15-apr-2020 | 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 3.25% 21-apr-2029 | 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

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Asset allocation

| | |
|---|-------|
|  Australian & NZ Shares | 32.6% |
|  International Shares | 26.6% |
|  Australian Fixed Interest | 23.1% |
|  Property | 8.8% |
|  Alternative Assets | 1.9% |
|  Cash, FRN's and short duration fixed interest | 7.0% |



Commentary

The Balanced Fund returned 2.9% (3.2% for the wholesale fund) over the September quarter, underperforming the benchmark which returned 3.1%. The largest contributors to fund performance were the international and domestic equities portfolios which returned 4.3% and 3.9%, respectively. Globally equities markets performed well, with the US and Japan leading the way. In the US, the S&P 500 increased 5.8% while in Japan the Nikkei 225 increased by 6.9% over the quarter. Domestically the equities market was relatively subdued compared to other markets, with the S&P ASX 200 returning 2.4%, as concerns about Australia's slowing economy weighed on investor sentiment.

While overall global market performance was strong there was significant volatility, particularly during August. Markets continued to be sensitive to political developments with regards to Brexit and trade tensions between the US and China.

Despite these concerns, the international equities portfolio posted positive performance across all sectors over the quarter. The biggest contributors to performance were utilities, which increased 13.1% over the quarter, and real estate, which increased 8.3%, as investors continue to chase yield and stability in a low-interest-rate and volatile environment. Consumer discretionary (which increased 6%), and consumer staples (which increased 5.4%) were also strong contributors as consumer sentiment in the US continued to show positive signs.

Domestically, the largest contributor to performance was stock selection in the communication services sector. While overall the sector declined by 3.2%, the fund's holdings in the sector appreciated 5.3% driven in part by REA Group, which returned 13.4% over the quarter as sentiment around the housing market improved.

The fixed interest portfolio benefited from a further decline in bond yields, while the fund's commercial property exposure benefited from further capital appreciation as the sector continues to be attractive for investors due to strong tenant demand and a low-yield environment.

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