

Australian Ethical Fixed Interest Fund (Wholesale)

Australian
Ethical



Fund Profile - 31 March 2023

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: \$31.15m

Benchmark: Bloomberg AusBond Composite 0+ Years

Asset class: Fixed Interest

Inception date: 15/01/2014

Minimum investment timeframe: 3 years

Risk level: Low-Medium

Identifiers

ISIN code: AU60AUG00234

APIR code: AUG0023AU

Distributions

Frequency: 2

Dates: 30/06, 31/12

Fees

Management costs - PDS: 0.30%

Minimum initial investment: \$25,000

Additional transactional and operational costs: 0.00%

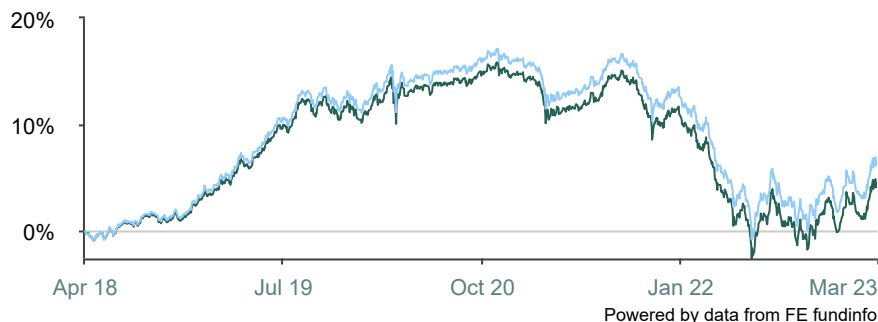
A full explanation of all the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Product Disclosure Statements available from our website australianethical.com.au

*(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 31/03/2023)



■ Australian Ethical Fixed Interest
■ Bloomberg AusBond Composite Bond Index (0+Y)

Performance (as at 31/03/2023)

	1m	3m	6m	1y	3y	5y	10y	Since inception (ann.)
Fund	3.1%	4.5%	4.9%	0.1%	-2.7%	0.9%	-	2.3%
Bloomberg AusBond Composite Bond Index (0+Y)	3.2%	4.6%	5.0%	0.3%	-2.4%	1.3%	-	2.8%

Calendar Performance (as at end 2022)

	CY2022	CY2021	CY2020	CY2019	CY2018
Fund	-10.0%	-3.3%	4.2%	6.7%	4.0%
Bloomberg AusBond Composite Bond Index (0+Y)	-9.7%	-2.9%	4.5%	7.3%	4.5%

Source: FE fundinfo.

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

Government of Australia	50.9%
Treasury Corporation of Victoria	7.8%
New South Wales Treasury Corp.	7.4%
Queensland Treasury Corp.	7.2%
Western Australian Treasury Corp.	2.6%
South Australian Government Financing Authority	1.8%
European Investment Bank	1.3%
Westpac Banking Corporation	1.2%
KfW	1.0%
International Bank for Reconstruction & Development	1.0%

Ratings and awards

RIAA

Certification:



CERTIFIED BY RIAA

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 Monday-Friday on:

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Australian Ethical Investment Ltd

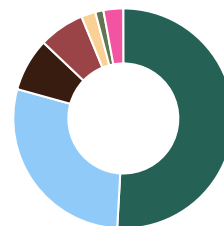
c/o Boardroom Pty Ltd

GPO Box 3993

Sydney NSW 2001

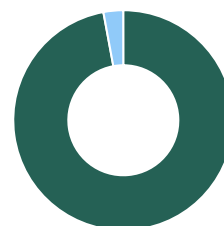
Sector allocation

Government	50.9%
State Government	28.4%
SSA	7.8%
Corporate Credit	6.7%
Bank Senior Debt	2.1%
Bank Covered	1.2%
Cash	2.9%



Asset allocation

Australian Fixed Interest	97.1%
Cash	2.9%



Commentary

The net return of the Australian Ethical Fixed Interest Fund (Retail) for the quarter ended March 2022 was +4.48%, 0.12% behind the +4.60% return for the benchmark Bloomberg Ausbond Composite Bond Index 0+. The gross return for the fund was +4.61%.

Bond markets have continued the recent theme of volatility. The Australian 10y yield closed 2022 at 4.05% in the wake of moves by the Bank of Japan to loosen the tolerance bank on their ongoing Yield Curve Control measures that saw global bond yields rise. Over January, it fell to a low of 3.4% (where it had been in early December before the Bank of Japan move) before US Fed Chair Jerome Powell warned markets in early February that "extraordinarily strong" jobs numbers in the US indicated the tightening cycle there would "take a significant period of time" and getting inflation back to target would take leaving rates at a restrictive level "for a period of time". US yields responded sharply, with the 2y yield moving from 4.1% to 5.07% through February and into early March, with the US 10y moving from 3.4% to just under 4%. Similar moves were seen in the long end of the Australian Curve, rising from 3.4% to 3.92%.

These moves were themselves reversed, as yields changed direction in March after the collapse of three US Banks (Signature, Silicon Valley Bank, Silvergate) and the takeover of Credit Suisse by UBS was hastily arranged. Seemingly believing these events and the resulting tightening of credit conditions would be sufficient to end, or at least curtail, central bank appetites to continue raising cash rates to fight inflation, market pricing to the end of 2023 now appears to anticipate rate cuts in the US and a pause from the RBA through 2023 with cuts to follow in 2024. The US 2y fell from a peak of 5.1% to 4%, and the 10y fell 0.5% to 3.5%. The Australian 10y yield sat at 3.3% at the end of the quarter, and all government bonds from 1-15 years are now trading at yields below the current cash rate of 3.6%.

With significant yield declines for the quarter, bond prices rose, driving the strong return for the quarter. The fund has taken a small short duration position vs the index in 2y & 3y bonds, believing pricing for rate cuts in the near term is premature, but remains broadly in line with the remainder of the index.

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