

Australian Ethical Income Fund

Fund Profile - 30 September 2022

Australian Ethical



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: \$1.56m

Benchmark: Bloomberg AusBond Bank Bill

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: 0.20%

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

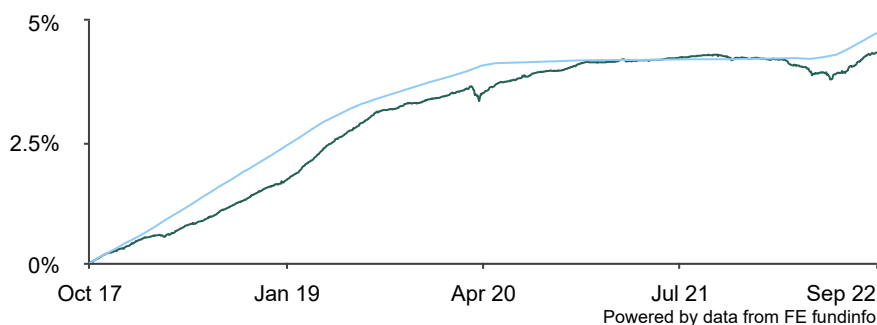
*(after tax, before bonus expense)

**The Benchmark was the Australian 90 Day Bank Bill from inception to 13 Aug 2019 and is the Bloomberg AusBond Bank Bill Index thereafter.

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 30/09/2022)



■ Australian Ethical Income
■ Composite Benchmark**

Performance (as at 30/09/2022)

	1m	3m	6m	1y	3y	5y	10y	Since inception
Fund	0.1%	0.4%	0.3%	0.1%	0.4%	0.9%	1.7%	3.4%
Composite Benchmark**	0.1%	0.4%	0.5%	0.5%	0.4%	0.9%	1.7%	3.9%

Calendar Performance (as at end 2021)

	CY2021	CY2020	CY2019	CY2018	CY2017
Fund	0.1%	0.7%	1.7%	1.3%	1.6%
Composite Benchmark**	0.0%	0.4%	1.4%	2.0%	1.8%

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.

Top 10

Government of Australia	36.5%
Bank of Queensland Limited	4.8%
New South Wales Treasury Corp.	4.1%
National Australia Bank Limited	3.6%
Queensland Treasury Corp.	3.1%
Westpac Banking Corporation	2.9%
International Finance Corp.	2.7%
Bendigo and Adelaide Bank Limited	2.6%
Western Australian Treasury Corp.	2.5%
Suncorp-Metway Ltd.	2.4%

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.

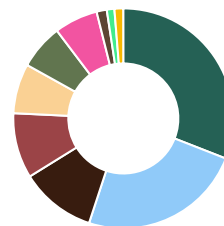
Promote human rights: We strive to avoid any investment in companies involved in the poor treatment of asylum seekers or the exploitation of workers through poor working conditions.

Need Help?

Contact us Monday-Friday on:
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

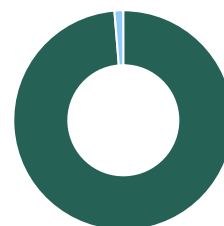
Sector allocation

Government	30.9%
Bank Senior Debt	24.1%
State Government	11.1%
Corporate Credit	9.6%
Term Deposit	7.3%
SSA	6.6%
Bank Covered Bonds	6.4%
ABS	1.5%
RMBS	1.1%
Cash	1.3%



Asset allocation

Australian Interest Bearing Investments	98.7%
Cash	1.3%



Commentary

The net return of the Australian Ethical Income Fund for the September Quarter was +0.41%, slightly behind the 0.42% of the Bloomberg Ausbond Bank Bills Index. The gross return of the fund for the quarter was 0.46%. Over the September quarter, the Reserve Bank of Australia was actively trying to counter inflation through a succession of hikes in the official cash rate. Following hikes in May and June, at each of the three meetings across the quarter the cash rate was hiked by a further 0.5% as inflation outcomes ran ahead of expectations and the unemployment rate suggested ongoing tightness in the labour market.

In response, short-dated yields continued to push higher, albeit at a slower pace than had been seen in the first half of the year. The 1-year government bond rate increased from 2.37% yield to 3.20%, providing an ongoing mark-to-market drag from the funds high quality liquid asset holdings, although with yields starting the quarter well above the near zero rate of late 2022, in contrast to the first half of the year the total contribution from these holdings remained positive.

Floating rate notes and asset backed securities adjust their coupon paid at each interest reset and have followed or will shortly follow the 3month BBSW as it has increased through the year, rising to 3.06% by the end of September from 1.81%. The Australian Ethical Income Fund continues to hold a mix of short-dated fixed rate securities, term deposits, mortgage and other asset backed securities, and floating rate notes in order to meet its return objectives.

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