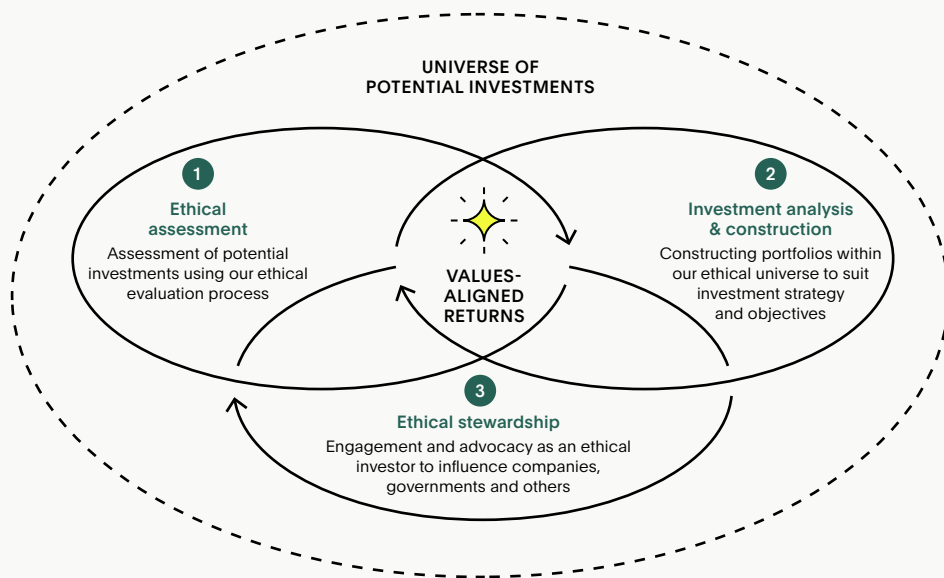


Moderate Fund

Australian Ethical has been investing ethically – and only ethically – since we began in 1986. Our Moderate Fund is designed for investors seeking an ethically and sustainably managed portfolio and who are investing for the medium to long term and have some tolerance for risk.

Our ethical investment approach

Every investment we make across our entire \$9.2 billion portfolio must meet the requirements of our Ethical Charter. It guides us to parts of the economy that are good for the planet, people and animals and away from harmful sectors. We believe companies with a social and environmental purpose as part of their competitive strategy, will thrive in and help create a lower carbon and more equitable future.



- 1 Our Ethical Charter establishes the foundation for how we invest and how we've always invested. It guides us in seeking out investments to support, and those to avoid.
- 2 Our investment team's strategic asset allocation process is used to identify suitable long-term asset allocations to meet the return and risk objectives of the Fund.
- 3 We don't just set and forget, monitoring and active engagement of investee companies is an important part of our process.

We seek investments assessed to support:

- ✓ Clean energy
- ✓ Sustainable products
- ✓ Medical solutions
- ✓ Innovative technology
- ✓ Responsible banking
- ✓ Healthcare
- ✓ Recycling
- ✓ Energy efficiency
- ✓ Education
- ✓ Aged care

We restrict⁺ investments in:

- ✗ Coal
- ✗ Coal seam gas
- ✗ Oil
- ✗ Weapons
- ✗ Tobacco
- ✗ Old growth forest logging
- ✗ Exploitation
- ✗ Gambling
- ✗ Human rights abuses
- ✗ Harmful products

⁺ Our investment restrictions include some thresholds. Thresholds may be in the form of an amount of revenue that a business derives from a particular activity, but there are other tolerance thresholds we can use depending on the nature of the investment. We apply a range of qualitative and quantitative analysis to the way we apply thresholds. For example, we may make an investment where we assess that the positive aspects of the investment outweigh its negative aspects. For information on how we make these assessments for a range of investment sectors and issues such as fossil fuels, nuclear power, gambling, tobacco, human rights, and many others, please read our Ethical Criteria at australianethical.com.au/why-ae/ethics.

The Moderate Fund (Wholesale)

The Australian Ethical Moderate Fund (Wholesale) (the 'Fund') provides a diversified portfolio that has an appropriate balance between income and capital growth investments with medium levels of risk. It is designed to deliver medium to long term returns of 2.5% above inflation after management costs over a 10-year period.



Ethical approach

Our investment philosophy is centred around the 23 principles of our Ethical Charter that seeks out investments with positive impact while restricting* those that do harm. To find out more, visit: australianethical.com.au/why-ae/ethical-charter



A ready-made multi-asset solution

The Fund is designed to help investors achieve investment outcomes by providing access to a broad range of asset classes, sectors and markets, while carefully managing risk.



Minimise risks with diversification

The Fund is suitable for investors seeking an ethically-screened investment. The Moderate Fund also helps investors aiming to minimize the risks and market volatility to their portfolio by diversifying into funds with higher exposure to defensive assets.



Ahead of the curve

We incorporate ethics into our investment process to help identify risks and opportunities earlier than most other funds. For example, we've been assessing exposure to climate change risk for decades.

At a glance

Asset allocation

50% Growth
50% Defensive

Management fees and costs¹

0.72% p.a.

Risk level

Medium

Recommended minimum investment timeframe

6 years

Minimum initial investment

\$25,000 minimum in the Fund

Benchmark

SAA Weighted Index*

* The current benchmark may not have been the benchmark over all periods shown.

Risk/return profiles of the Australian Ethical Managed Funds

Defensive investors with a medium-term investment timeframe are most likely to be interested in our moderate fund and balanced fund. The moderate fund has a balanced approach to growth and defensive assets that provide diversification to smooth out short term fluctuations while still delivering returns above inflation over the medium term.

■ Defensive investor

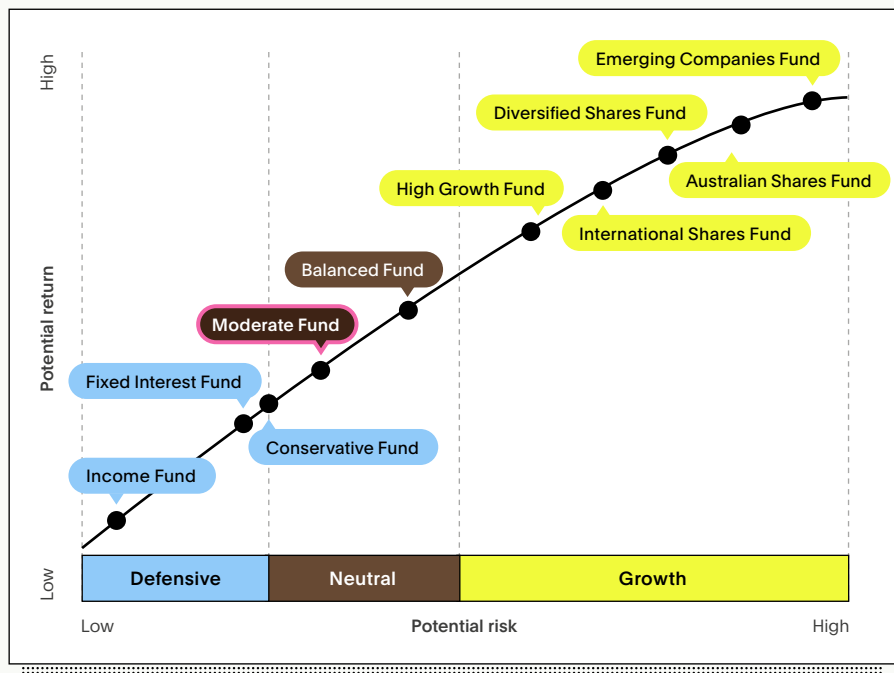
With a short-term investment timeframe you seek to conserve capital and ensure table income.

■ Neutral investor

With a medium-term investment timeframe, you seek lower volatility, but with some growth and income.

■ Growth investor

With a longer-term investment timeframe, you are able to accept higher risk. You seek growth and are not reliant on income produced by your investments.



This chart represents the potential risk and return characteristics of our various Funds. It is not a forecast of actual risk or returns. The scale is indicative only.

Our investment approach

A focus on the long-term

1. We apply our Ethical Charter to all asset classes and underlying holdings that we invest in.
2. Our ethical approach leads us to consider what ought to happen in the world around us and compels us to consider the long-term. We take advantage of our long-term investment horizon and liquidity.
3. We take a systemised and evidence-led approach to understanding opportunities and risks across asset classes and portfolio holdings.
4. We tailor our understanding of the distributions of returns relevant to achieving the goals of ethical portfolios.
5. We improve portfolio resilience by identifying diversifying exposures, and exposures targeted at managing meaningful risks.

How the Fund invests

The Moderate Fund is a multi-asset fund which provides investors with the opportunity to invest in a diversified portfolio with exposure of around 50% growth and 50% defensive assets. Asset classes include but are not limited to Australian and international shares, unlisted property, alternative assets and fixed income securities.

Asset allocation

Target asset allocation as at
15 September 2023

Growth assets

■ Australian & NZ Shares 23.0%

A blend of optimised and active in-house Australian equities strategies (**Australian Ethical Australian Shares Fund**, **Emerging Companies Fund**, **High Conviction Fund**, and **Diversified Shares Fund**)

■ International Shares 20.9%

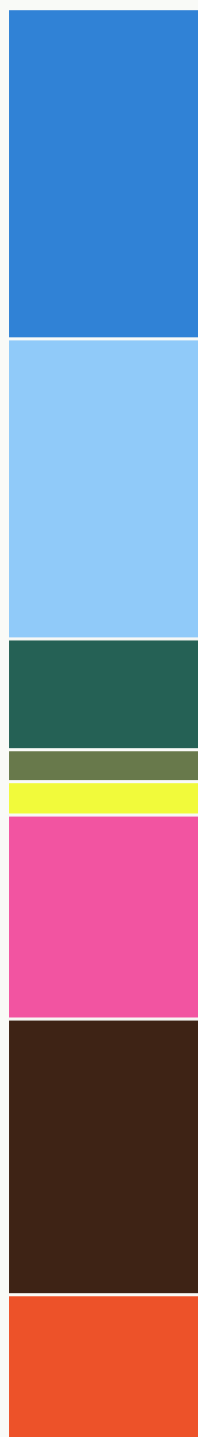
Investments in a diversified portfolio of companies across sectors listed on international stock exchanges through the **Australian Ethical International Shares Fund**

■ Property 7.7%

Investments in unlisted direct property funds managed by specialist external managers (**Investa**, **Dexus** and **Australian Unity**) across residential, commercial, retail, and industrial sectors, as well as 'specialty' property investments to accommodate food production, childcare and healthcare

■ Growth Alternatives 2.2%

Externally managed investments in venture capital, private equity, growth infrastructure and other assets to improve diversification and growth opportunities in the Fund



Defensive assets

■ Defensive Alternatives 2.3%

Externally managed investments in private debt, core infrastructure, impact and catastrophe bonds, microfinance and other holdings to diversify the Fund's defensive portfolio with assets that have a low correlation with traditional assets and offer inflation protection/CPI linkage

■ Cash 14.2%

The Fund's cash exposure is invested in zero-fee class units of the **Australian Ethical Income Fund**

■ Australian Fixed Interest 19.2%

The Fund's domestic fixed income exposure is invested in zero-fee class units of the **Australian Ethical Fixed Interest Fund**

■ International Fixed Interest 10.4%

Global credit (hedged) exposure to preserve capital and diversify the Fund's fixed income holding away from the financials-dominated domestic market. (**Credit & Sovereign – External Mandates**)

Case studies

A few examples of what the Fund invests in via its underlying assets.



Veolia Environment SA

Veolia designs and provides water, waste and energy management solutions that contribute to the sustainable development of communities and industries. The company has a stated commitment to environmental stewardship and promotion of circular economy principles. Waste management reduces pollution, water treatment improves clean water access, and energy efficiency lowers resource consumption. Collectively these activities are vital for environmental preservation, public health, and resource conservation in a sustainable future.

Veolia's business includes some energy generation, from fossil fuels as well as from low carbon sources like capture of landfill methane, biomass and energy from waste. Its fossil fuel revenue is assessed as below 5%, which is less than our exclusion threshold. Veolia is involved in various controversies and claims related to worker safety, pollution and unsafe drinking water. At our periodic reviews we assess the company's action to safeguard against harm from its operations, taking into account the risk inherent in its business lines. As a pioneer in the circular economy, Veolia is actively promoting resource efficiency and recycling. Through its water and waste management and recycling activities the company is significantly contributing to the conservation of natural resources.

SDG contribution

- 6 Clean water and sanitation
- 11 Sustainable cities and communities
- 13 Climate action

Berkeley Group

The Berkeley Group is a UK-based property developer specialising in residential projects, known for high-quality, sustainable developments primarily in London and the South of England.

Berkley Group has strong environmental credentials. It takes action to limit waste and enhance energy efficiency during construction. It has set Science Based Targets to reduce emissions including the 'embodied emissions' of the building materials used in its developments. The company specialises in brownfield regeneration, including reviving underused land to create unique, sustainable and nature-rich places.

Berkley Group's has set a goal to deliver a minimum 10% biodiversity net gain for its new developments, including through green spaces and wildlife habitats. The company also engages with communities, to help developments meet localised needs such as enabling access to infrastructure like schools and healthcare facilities.

SDG contribution

- 11 Sustainable cities and communities





Teachers Mutual Bank

Teachers Mutual Bank (TMB) is a recognised financial institution dedicated to serving the educational community. It provides tailored financial services to educators, fostering financial well-being and community growth.

TMB has a stated commitment to ethical banking practices through its member-centric approach, prioritising financial well-being over profit maximisation. TMB reports strong customer satisfaction levels, and has deposit and loans certified by the Responsible Investment Association of Australasia.

TMB also contributes to members' well-being and development through scholarships, grants, charitable donations and development programs.

Positive contribution

Sustainable financial services

Australian Ethical continues to be recognised among leading in responsible investment managers

Ratings



The Fund has achieved a 4-STAR SUPERIOR rating from SQM Research and is deemed to be of a 'High investment grade' and suitable for inclusion on most APLs.⁶

Award-winning team



Ethical credentials



Responsible Investment Leader 2023



Top 5 for Financial Services



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Find out more

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Email: kmcneill@australianethical.com.au

Website: australianethical.com.au

Investing ethically and sustainably means that the investment universe will generally be more limited than non-ethical, non-sustainable portfolios in similar asset classes. This means that the Fund may not have exposure to specific assets which over or underperform over the investment cycle, and so the returns and volatility of the Fund may be higher or lower than non-ethical, non-sustainable portfolios over all investment time frames.

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1. Current as at 15 September 2023. Complete fees and costs information available at australianethical.com.au/managed-funds/fees
2. World Economic Forum, 2022. The Global Risks report 2022 17th Edition. [online] Switzerland: World Economic Forum, pp.30-41. Available at: https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf [Accessed 21 July 2022].
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4. Clean Energy Finance Corporation, 2020. Healthcare Fund sets new clean energy standards. Canberra: Clean Energy Finance Corporation. [online] Sydney, Available at: <https://www.cefc.com.au/where-we-invest/casestudies/healthcare-fund-sets-new-clean-energy-standards> [Accessed 21 July 2022].
5. Clean Energy Finance Corporation, 2021. Australian buildings and infrastructure: Opportunities for cutting embodied carbon. [online] Sydney, p.8. Available at: <https://www.cefc.com.au/media/ovrkk513/australianbuildings-and-infrastructure-opportunities-for-cuttingembodied-carbon.pdf> [Accessed 21 July 2022].
6. The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

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