

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

The Fund aims to provide long term capital growth and income from focusing on a relatively concentrated portfolio of Australian and NZ companies that meet the Australian Ethical Charter.

Price information

Pricing frequency: Daily

Buy/Sell spread: 0.20%/0.20%

Fund facts

Fund size: \$0.93m

Benchmark: S&P/ASX 300 Accumulation

Asset class: Equity

Inception date: 01/10/2021

Minimum investment timeframe: 7 to 10 Years

Risk level: Very High

Identifiers

ISIN code: AU60AUG79196

APIR code: AUG7919AU

Distributions

Frequency: 2

Dates: 30/06, 30/12

Fees

Management costs - PDS: 0.80%

Performance fee: 15% max.

Minimum initial investment: \$25,000

Additional transactional and operational costs: 0.05%

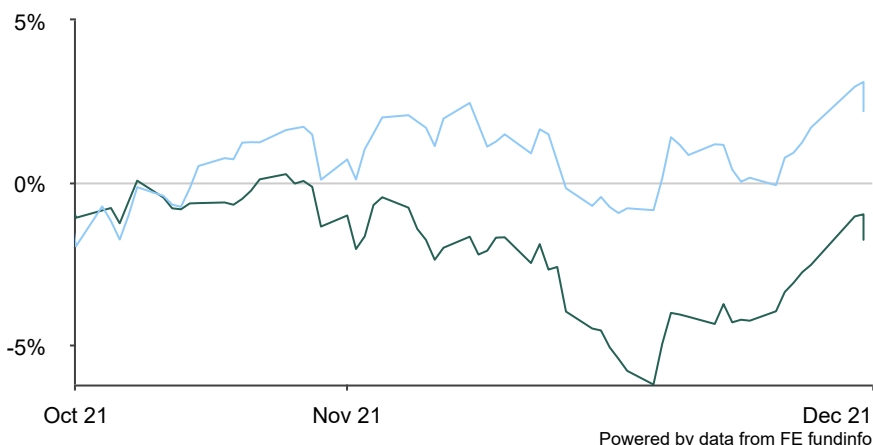
A full explanation of all the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Product Disclosure Statements available from our website australianethical.com.au

*(after tax, before bonus expense)

Investment strategy

The Fund primarily invests in a relatively concentrated share portfolio of companies predominately drawn from the S&P ASX 300 and selected on the basis of their social, environmental and financial credentials. The Fund utilises an active bottom up stock-picking and benchmark unaware management approach.

Cumulative performance (as at 31/12/2021)



■ Australian Ethical High Conviction
■ Benchmark

Performance (as at 31/12/2021)

| | 1m | 3m | 6m | 1y | 3y | 5y | 10y | Since inception |
|-----------|------|-------|----|----|----|----|-----|-----------------|
| Fund | 2.9% | -1.8% | - | - | - | - | - | -1.8% |
| Benchmark | 2.7% | 2.2% | - | - | - | - | - | 2.2% |

Calendar Performance (as at end 2021)

| | CY2021 | CY2020 | CY2019 | CY2018 | CY2017 |
|-----------|--------|--------|--------|--------|--------|
| Fund | - | - | - | - | - |
| Benchmark | - | - | - | - | - |

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.

Australian Ethical High Conviction Fund

Fund Profile - 31 December 2021

Australian
Ethical



Top 10

| | |
|-------------------------------------------------------------|------|
| BANK OF QUEENSLAND LIMITED | 6.6% |
| COLES GROUP LTD | 5.9% |
| SUNCORP GROUP LIMITED | 5.9% |
| WESTPAC BANKING CORPORATION ORD F/PD SHARES | 5.7% |
| TELSTRA CORPORATION LTD | 5.2% |
| FLETCHER BUILDING LIMITED | 5.1% |
| TPG TELECOM LTD TPM-VHA MERGED COMPANY DEFERRED DELIVERY | 4.8% |
| HEALIUS LTD | 4.7% |
| ORORA LTD | 4.3% |
| BENDIGO AND ADELAIDE BANK LIMITED | 4.1% |

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

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Australian Ethical Investment Ltd

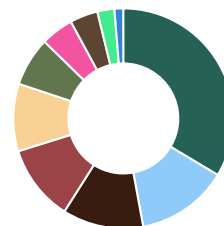
c/o Boardroom Pty Ltd

GPO Box 3993

Sydney NSW 2001

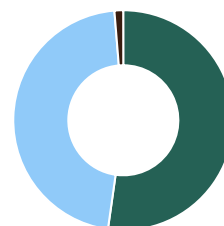
Sector allocation

| | |
|------------------------|-------|
| Financials | 33.6% |
| Consumer Staples | 13.5% |
| Materials | 11.9% |
| Health Care | 11.2% |
| Communication Services | 9.9% |
| Information Technology | 7.2% |
| Industrials | 4.8% |
| Utilities | 4.1% |
| Consumer Discretionary | 2.5% |
| Other | 1.3% |



Asset allocation

| | |
|---------------------------|-------|
| Australian & NZ Large Cap | 52.3% |
| Australian & NZ Small Cap | 46.5% |
| Cash | 1.3% |



Commentary

The number one issue global investors are grappling with is the emergence of supply chain driven inflation. This inflation is driving future interest rate expectations up. Soft and hard commodity owners are beneficiaries in an inflationary environment as commodity prices tend to keep pace with inflation while high growth companies, particularly those in the earlier stage of commercialisation, are getting penalised by investors through the discounting of their earnings by a higher rate and through the fact significant earnings are still several years off.

The High Conviction Fund returned -1.8% for the December quarter relative to its benchmark, the S&P/ASX 300, which increased 2.2%, resulting in underperformance of 4.0%. A driver of relative performance was the lack of mining exposure with resources strongly outperforming industrials over the period. Stock selection in financials was also a drag on performance, with general insurers impacted by weather events and highly competitive mortgage markets impacting on retail banks – we see these as shorter-term concerns and continue to like the attractive valuations on offer. Another laggard was TPG, whose stock was pressured with the sell-down of a major shareholder – we added to our position given positive industry fundamentals. Notable positive stock contributions were Graincorp (positive grain volumes), Pexa (corporate interest in part-owner Link) and Healius (benefited from ongoing COVID testing). Overall portfolio positioning is oriented towards established industrial companies with strong balance sheets.

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