

# Australian Ethical Fixed Interest Fund (Wholesale)

Fund Profile - 31 December 2023

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 provide exposure to primarily Australian fixed interest securities that meet our Ethical Criteria, generating income with some capital growth potential over the medium to long term. The Fund aims to track the return of the Bloomberg AusBond Composite 0+ years Index before taking into account management costs over a 3 year period.

## Price information

Pricing frequency: Daily

Buy/Sell spread: 0.00%/0.00%

## Fund facts

Fund size: \$31.03m

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%

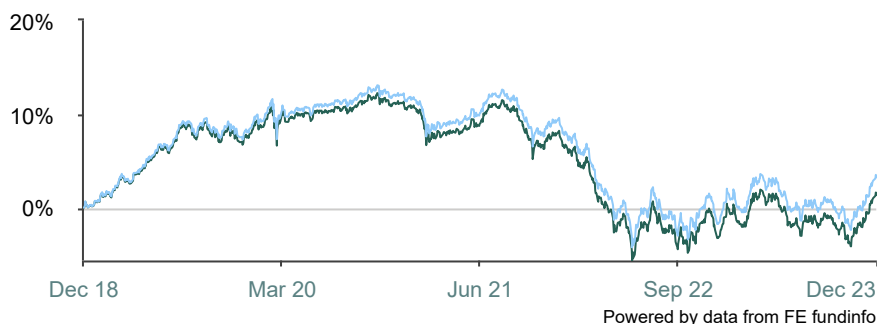
A full explanation of all the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Product Disclosure Statements available from our website [australianethical.com.au](http://australianethical.com.au)

\*(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 31/12/2023)



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

## Performance (as at 31/12/2023)

	1m	3m	6m	1y	3y	5y	10y	Since inception (ann.)
Fund	2.6%	3.7%	3.3%	4.7%	-3.0%	0.3%	-	2.2%
Bloomberg AusBond Composite Bond Index (0+Y)	2.7%	3.8%	3.5%	5.1%	-2.7%	0.6%	-	2.6%

## Calendar Performance (as at end 2023)

	CY2023	CY2022	CY2021	CY2020	CY2019
Fund	4.7%	-10.0%	-3.3%	4.2%	6.7%
Bloomberg AusBond Composite Bond Index (0+Y)	5.1%	-9.7%	-2.9%	4.5%	7.3%

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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Ethical



## Top 10

Government of Australia	44.2%
Treasury Corporation of Victoria	9.1%
New South Wales Treasury Corp.	9.0%
Queensland Treasury Corp.	7.5%
Western Australian Treasury Corp.	2.3%
South Australian Government Financing Authority	1.6%
KfW	1.4%
European Investment Bank	1.4%
Westpac Banking Corporation	1.3%
ETSA Utilities Finance Pty Ltd.	1.2%

## Ratings and awards

RIAA

Certification:



## 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](mailto:investors@australianethical.com.au)

W [australianethical.com.au](http://australianethical.com.au)

Australian Ethical Investment Ltd

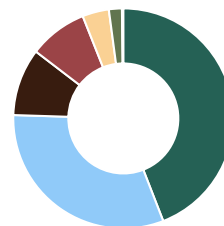
c/o Boardroom Pty Ltd

GPO Box 3993

Sydney NSW 2001

## Sector allocation

Government	44.1%
State Government	31.4%
Corporate Credit	9.9%
SSA	8.6%
Bank Senior Debt	3.9%
Bank Covered	1.9%
Cash	0.2%



## Asset allocation

Australian Fixed Interest	99.8%
Cash	0.2%



## Commentary

The December quarter was once again punctuated by volatile bond yields, with yields rising through October to see the 10 year yield peak around 5%, before reclining over both November and December and finishing the year some 1% lower.

In this environment, the fund performance for the quarter was positive, with the gross return for the quarter 3.76%, 0.03% behind the Bloomberg Ausbond Composite Bond Index at 3.79%. After fees, retail units rose +3.63% and wholesale 3.68%.

What was a narrative of central banks remaining “higher for longer” at the start of the quarter gave way in November as inflation continued to moderate, with the decline in yields kicked along after the US Fed confirmed in their December decision and forecasts that they would be looking to cut the Fed Funds rate in 2024. By the end of the year, as many as 6 or 7 rate cuts had been priced for the US over 2024.

The end to central bank tightening cycles is welcome, and there is evidence that the tightening to date has seen a moderation in inflation. The fund has a neutral duration position at year end, but remains wary of markets overpricing expectations of a rapid succession of rate cuts both domestically and abroad. Despite the moderation to date, inflation remains above the target.

Through September, as a narrative of central banks remaining “higher for longer” took hold, the 10y yield rose some 50bps to just below 4.50%, and September returns were negative as a result, down 1.54% overall and dragging the outcome for the quarter negative as well.

As yields rose in the last weeks of the quarter, the fund has added a small long duration position in 10y government bonds, believing there is little room for yields to continue to move persistently higher without creating other strains across the economy. We have also taken an overweight position (~5%) in shorter dated credit at the expense of government holdings in order to capture some rolldown as the bonds move toward maturity.

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