

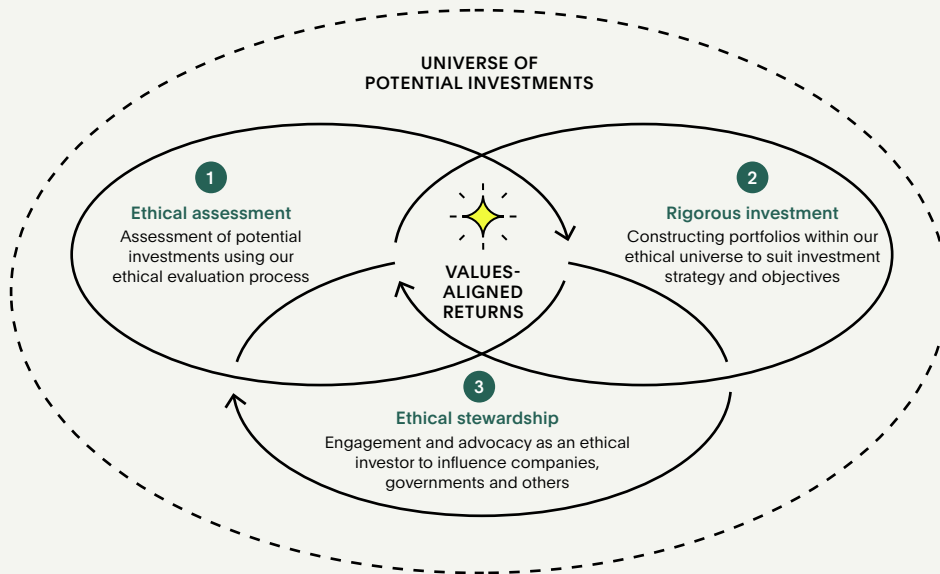
A vertical photograph on the left side of the page shows a rugged, rocky landscape under a soft, orange and pink sunset sky. The rocks are dark and layered, with some lighter patches. The overall mood is serene and natural.

# Ethical Australian shares funds

Australian Ethical has been investing ethically – and only ethically – since we began in 1986. We believe companies with a social and environmental purpose will thrive in a lower carbon, more equitable future. Our range of Australian shares funds are designed for the future- focused investor and aim to deliver long-term, risk-adjusted returns and positive change for people, planet and animals.

# 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 Once identified, our investment team uses fundamental analysis to determine whether those companies qualify as portfolio candidates for our active strategies
- 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<sup>1</sup> investments in:

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

To find out more, visit: [australianethical.com.au/why-ae/ethics](https://australianethical.com.au/why-ae/ethics)

# Our ethical Australian shares funds

Our actively-managed Australian equities portfolios offer investors the opportunity to help align their investments with their values. Our combination of ethical screening and fundamental investment analysis creates a different approach to most mainstream equity portfolios, with the companies we invest in selected on the basis of their social, environmental and financial credentials.



## Ethical approach

Our investment philosophy is centred around the 23 principles of our Ethical Charter that seeks out investments with positive impact while restricting<sup>1</sup> those that do harm. To find out more, visit: [australianethical.com.au/why-ae/ethical-charter](https://australianethical.com.au/why-ae/ethical-charter)



## Active management

With a 20+ year track-record, our experienced team uses a time-tested, bottom-up, research-driven process to tap into under-researched sectors with the aim of delivering the investment objectives of the Fund for investors.



## Investing for a planet

Our funds are suitable for investors looking for an ethically-screened, active investment approach. We restrict<sup>1</sup> investments in negative activities like fossil fuels, nuclear, tobacco, and support positive ones in renewables, healthcare, IT and more. Step by step, our expert in-house ethics team applies our Ethical Criteria to navigate complex ethical issues raised by investments across the economy.



## Benchmark unaware

The companies we invest in are chosen on merit rather than index inclusion, helping to mitigate concentration and other portfolio risks.



## 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.

## The range



### Emerging Companies Fund

A diversified portfolio of shares in small & micro-cap companies



### Australian Shares Fund

A true-to-label, diversified all-cap strategy



Managed Fund & ETF available

ETF available on CBOE (Ticker code: **AEAE**)

### High Conviction Fund

A concentrated portfolio of mid and large-cap companies



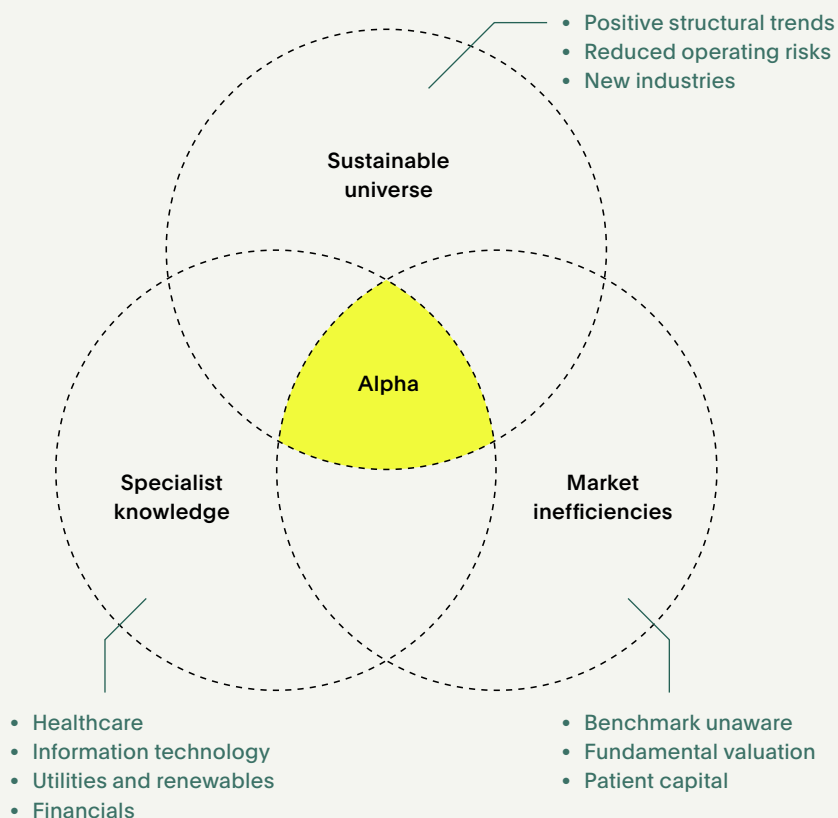
Available on HUB24, Praemium & Netwealth

### Australian Shares Portfolio (SMA)

A concentrated portfolio of companies with a large-cap bias

# A focus on fundamentals

We strive to deliver long-term risk-adjusted returns through patient allocation of capital based on fundamental valuations.



## Our investment philosophy

We seek to invest in companies that align with our Ethical Charter.

We look for companies with sustainable business models that will outperform over time.

We focus on segments of the market where we have expertise, like healthcare and information technology.

We see significant scope to outperform in the under-researched small-mid cap market using our expertise to exploit market inefficiencies.

We believe we can deliver long-term risk-adjusted returns, as demonstrated by our track-record.

# Performance track record

## Australian Shares Fund (Wholesale)

Returns (after fees) over 1, 3, 5 and 10 years p.a.

1 year	3 years	5 years	10 years
13.4%	10.3%	8.7%	11.7%

## Emerging Companies Fund (Wholesale)

Returns (after fees) over 1, 3 and 5 years p.a.

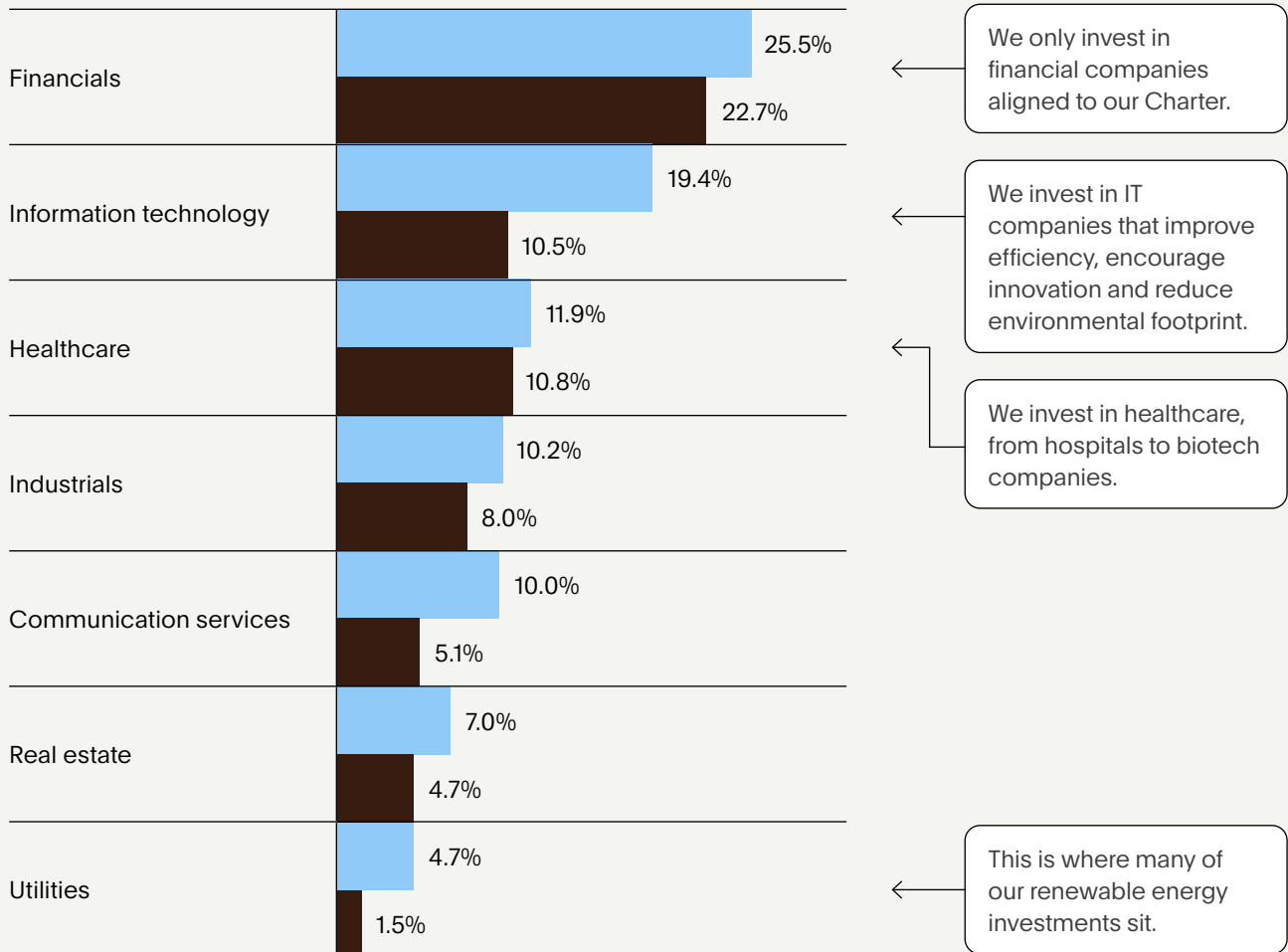
1 year	3 years	5 years
9.1%	8.4%	11.0%

# Investments by sector compared to the market

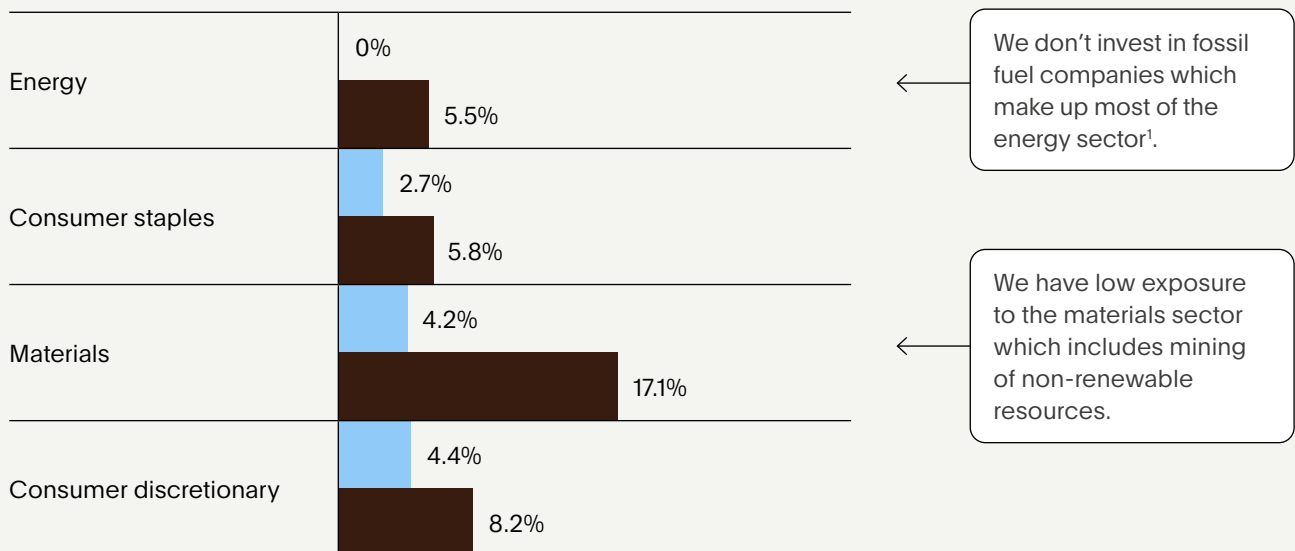
As at June 2023

■ Australian Ethical total equities portfolio  
■ S&P/ASX 200 & MSCI World ex. Australia

## Where we invest more compared to the market



## Where we invest less compared to the market





# A few of the companies we invest in



## Mercury Energy

Mercury Energy is a renewable energy generator and retailer of electricity based in New Zealand Aotearoa.

Some of the biggest social and economic risks that we face stem from climate change according to the latest Risk Report from the World Economic Forum<sup>2</sup>. It's a scary prospect and there's a lot of uncertainty about the direction businesses and governments will take. However, the world's climate emergency is equally an opportunity. An opportunity to decarbonise, create new industries and jobs that will be the bedrock of the global economy for decades to come.

Mercury Energy embodies this line of thought. Despite the world being in the early stages of the clean energy transition, it generates electricity from 100 per cent renewable sources, including hydro, geothermal and wind. As one of the largest energy retailers and generators in New Zealand, Mercury is looking to scale up as fast as possible to provide 'energy freedom' to the entire nation. This means being more economically self-sufficient and environmentally sustainable through cheap and reliable renewable energy.

### SDG contribution

- 7 Affordable and clean energy
- 13 Climate action

## Immutep

Immutep is a small Australian biotech company at the forefront of the emerging field of cancer immunotherapy. For years, 'fighting' cancer through chemotherapy has been common practice. Immunotherapy, pioneered by Immutep is changing this. Instead of killing the cancer cells, immunotherapy boosts the patient's immune system's natural ability to fight the cancer cells, providing long-term protection against cancer.

Immune checkpoints are proteins that live on cells to protect the immune system. Cancer cells target these checkpoints to prevent the cancer cells from being killed. Immune checkpoint inhibitors are drugs being developed by Immutep to block the checkpoints and enable the immune system to fight the cancer. Immutep is one amongst several companies finding agents that work with these new drugs. The company is a global leader in the development of therapeutics that relate to the Lymphocyte Activation Gene-3 or "LAG-3" which plays a vital role in regulating the immune system to fight cancer. It has several clinical stage products based on its research into LAG-3.

### SDG contribution

- 3 Good health and wellbeing
- 13 Climate action



# Rubicon Water

Rubicon Water aims to increase global food and fibre production through the development of technology to improve water use efficiency. Irrigated agriculture consumes 70 per cent of the world's water resources, as many agricultural areas aren't water efficient. Water losses occur due to a lack of measurement and poor control<sup>3</sup>. In a nation like Australia where drought and flood are common occurrences, it's increasingly important that farmers get the best bang for their buck.

Rubicon's technologies improve large scale, gravity-fed irrigation systems by reducing spills and waste. The company enables irrigation scheduling which creates water savings by helping farmers know when to irrigate their crops and how much water to apply. In Australia, major irrigation districts have adopted Rubicon's technology. The largest of which is 3000km of automated canal and saves 429 gigalitres per year to boost agriculture productivity – the equivalent of the annual water consumption of the city of Melbourne in one year<sup>4</sup>!

## SDG contribution

- 6 Clean water and sanitation
- 13 Climate action





# At a glance

Increasing market capitalisation →

	Emerging Companies Fund (Wholesale)	Australian Shares Fund (Wholesale)	High Conviction Fund (Managed Fund + ETF)	Australian Shares Portfolio (SMA)
Asset allocation <sup>5</sup>	<ul style="list-style-type: none"> <li>ASX ex-100 73%</li> <li>NZ 19%</li> <li>Cash 8%</li> </ul>	<ul style="list-style-type: none"> <li>ASX ex-100 40%</li> <li>ASX top 100 35%</li> <li>NZ 15%</li> <li>Cash 10%</li> </ul>	<ul style="list-style-type: none"> <li>ASX top 100 59%</li> <li>ASX ex-100 24%</li> <li>NZ 12%</li> <li>Cash 5%</li> </ul>	<ul style="list-style-type: none"> <li>ASX top 100 54%</li> <li>ASX ex-100 29%</li> <li>NZ 16%</li> <li>Cash 1%</li> </ul>
Management fees and costs <sup>6</sup>	1.20% pa + performance fee equal to 20% of performance above the hurdle <sup>7</sup>	1.10% pa	0.69% pa + performance fee equal to 15% of performance above the hurdle <sup>7</sup>	0.69% pa <sup>8</sup>
Risk level	Very high	Very high	Very high	Very high
Recommended minimum investment timeframe	7 years	7 years	7 years	7 years
Minimum initial investment	\$25,000	\$25,000 in the Australian Shares Fund, plus a \$500,000 Investment across Australian Ethical's Managed Funds	<b>Managed Fund:</b> \$25,000 <b>ETF:</b> No minimum for investors entering this fund through the ETF	\$25,000
Typical number of stocks	~60	~60-70	~20-35	~15-30
Primary universe	ASX ex100 and NZ	ASX all cap and NZ	ASX 300 and NZ	ASX 200
Active share allocation	~90%	~90%	~90%	~90%
Benchmark	S&P/ASX Small Industrials	<b>Blended:</b> 65% S&P/ASX100 and 35% S&P/ASX Small Ordinaries	S&P/ASX 300 Accumulation Index	S&P/ASX 200 Total Return Index
Max stock position	10% abs. weight	7.5% abs. weight	10% abs. weight	20% abs. weight
Max cash position	20%	15%	20%	10%
Min market cap	Unconstrained	Unconstrained	\$400m at entry	\$200m at entry
Dividend yield – FY24 <sup>9</sup>	1.6%	3.0%	3.7%	3.6%
Rating				

All four of our Australian shares strategies have been awarded a 'Recommended' rating by independent ratings house Lonsec Research.<sup>10</sup>



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

## Award-winning investment team



MONEY MANAGEMENT  
**FUND MANAGER  
OF THE YEAR 2021**

AUSTRALIA'S FIRST INDEPENDENT AND WHOLE OF MARKET AWARDS

**WINNER**  
Responsible Investments

## Ethical credentials<sup>11</sup>



2023 Morningstar ESG  
Commitment Leader



## Find us on your preferred platform

	Emerging Companies Fund (Wholesale)	Australian Shares Fund (Wholesale)	High Conviction Fund (Managed Fund)	Australian Shares Portfolio (SMA)
AMP	✓	✓		
ANZ		✓		
BT	✓	✓		
CFS		✓		
HUB24	✓	✓	✓	✓
IOOF	✓	✓		
Macquarie Wrap		✓		
Mason Stevens	✓	✓		
MLC		✓		
Netwealth		✓		✓
PowerWrap	✓	✓		
Praemium	✓	✓		✓
uXchange	✓	✓	↑	

<sup>11</sup>'Recommended' rating awarded by Lonsec Research in October 2022. Additional platform availability coming soon.

# Meet the team

Our investment team includes professionals with significant experience within investment markets.



**Ludovic Theau** MEng, GAICD  
Chief Investment Officer

Joined Australian Ethical in 2023.

Over 30 years experience in ESG investing, funds management, commercial and investment banking and financial advisory.

Prior to joining, Ludovic was the Chief Investment Officer for the Clean Energy Finance Corporation, Australia's Green Bank. He also had previous roles at Hastings Funds Management, Westpac, ABN AMRO, Macquarie Bank, UBS and BNP Paribas.



**John Woods** CFA  
Deputy Chief Investment Officer & Head of Multi-Asset

Joined Australian Ethical in 2021.

Responsible for designing and implementing investment strategies across our range of Multi-Asset portfolios.

John graduated from The University of New South Wales with a Master of Commerce and Bachelor of Engineering (Honours). He also holds the Chartered Financial Analyst (CFA) designation.



**Andy Gracey**  
Portfolio Manager

Joined Australian Ethical in 2004.

Portfolio Manager for the Australian Shares Fund since April 2008 and founding Portfolio Manager of the Emerging Companies Fund.

Over 20 years of experience in investment management.

Graduated from Massey University with a Bachelor of Business Studies (Economics and Finance with an honours degree in Finance) in 1991.



**Mark Williams**  
Portfolio Manager

Joined Australian Ethical in 2016.

Over 15 of years experience as an equity analyst.

Responsible for media, telecommunications, transport, infrastructure & utilities, industrials and materials sectors.

Completed a full-time MBA at the AGSM in 2006 and also holds a Bachelor of Business Administration from Baylor University, Texas, USA.



**Deana Mitchell CFA**  
Portfolio Manager

Joined Australian Ethical in 2018.

20 years of experience in equity markets.

Responsible for technology, diversified financials and education sectors.

Deana holds the Chartered Financial Analyst (CFA) designation and a Bachelor of Commerce from UNSW.



**Michelle Wigglesworth CFA**  
Senior Equities Analyst

Joined Australian Ethical in 2023.

Over 17 years of experience in equity markets.

Responsible for bank, insurance and real estate stocks.

Michelle is a CFA Charterholder, CPA qualified and a graduate member of the Australian Institute of Company Directors.



**Jason Korchinski**  
Equities Analyst

Joined Australian Ethical in 2021.

Over 9 years of financial services experience.

Responsible for small-cap healthcare, agriculture and travel & leisure sectors.

Jason holds a Bachelor of Business with a Double Major in Accounting and Finance from UTS.

## Find out more

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**Email:** [advisers@australianethical.com.au](mailto:advisers@australianethical.com.au)

**Website:** [australianethical.com.au](http://australianethical.com.au)

1. 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/ethical-criteria](http://australianethical.com.au/why-ae/ethics/ethical-criteria).
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](https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf) [Accessed 21 July 2022].
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4. Rubicon Water - Improving Water Availability from Source to Crop. 2021. [video] Melbourne: Rubicon Water.
5. Asset allocation as at 30 June 2023.
6. Current as at 30 September 2023. Complete fees and costs information available at [australianethical.com.au/managed-funds/fees](http://australianethical.com.au/managed-funds/fees).
7. Please see the relevant Product Disclosure Statement for further information regarding performance fees.
8. Based on Praemium shadow portfolio.
9. Forward-looking 12-month estimate. Gross of management fees and costs.
10. The ratings issued 10/2023 Australian Ethical Australian Shares Fund (Wholesale), 10/2023 Australian Ethical Australian Shares Fund (Wholesale) (Sustainability Report), 10/2022 Australian Ethical Emerging Companies Fund (Wholesale), 10/2023 Australian Ethical Emerging Companies Fund (Sustainability Report), 10/2023 Australian Ethical Australian Shares Portfolio, 11/2023 Australian Ethical Australian Shares Portfolio (Sustainability Report) & 10/2023 Australian Ethical High Conviction Fund (Managed Fund) are published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit [lonsec.com.au](http://lonsec.com.au) for ratings information and to access the full report. © 2023 Lonsec. All rights reserved.
11. Responsible Investment Association of Australasia; 2023 Responsible Investment Benchmark Report Australia.

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