

Ethical Investment Large-Cap Portfolio

A portfolio of the largest and most environmental and socially responsible Australian listed companies.

Quarterly Performance Update

30 September 2023

The Ethical Investment Large-Cap Portfolio fell 3.83% during the past quarter through a particularly volatile period. Strong performance in July was followed by the market falling more than 3.5% in August and September, erasing all of the previous gains.

The market performance was largely due to stubbornly high inflation figures, rising oil prices, and soft economic growth and property woes in China. Bond yields also soared with US treasury yields jumping to 16-year highs and Australian government bond yields ending the quarter above 4%, putting further pressure on growth assets.

While inflation levels in Australia are still too high at 5.2%, it is much lower than the peak of around 8% earlier in the year, and the Reserve Bank of Australia (RBA) has now kept rates on hold for the past four months. Markets are now expecting an 'extended pause' by the RBA due to policy lag concerns, but 'higher for longer' interest rates.

Detracting to performance were the large allocations to Technology, Telecommunications and Healthcare companies in the portfolio which were among the worst performing sectors of the market, falling 4.85%, 6.91% and 8.96% respectively. The Energy (fossil fuels) sector, which this portfolio has no allocation to, was the top performing sector, gaining 11.63% for the quarter thanks to the 28.52% rise in the price of oil.

At a company level, the main detractors to performance included healthcare companies, **Polynovo** (-15%), **Sonic Healthcare** (-14%), **Fisher & Paykel Healthcare** (-11%) and **CSL** (-9%), as well as the lithium mining companies **Allkem** (+26%) and **Pilbara Minerals** (-9%).

The top performing investments for the quarter included the wealth technology platforms, **Hub24** (+30%) and **Netwealth** (+10%), Australia's leading grower of fresh fruit & vegetables **Costa Group** (+15%), and banks including **Bendigo Bank** (+8%) and **Bank of Queensland** (+5%).

The overall performance of the portfolio compared with the S&P/ASX 200 Index is outlined below:

| Periods to 30 September 2023 | Since Inception | 3 years | 1 year | 6 months | 3 months |
|--|-----------------|---------|---------|----------|----------|
| Ethical Investment Large-Cap Portfolio | +2.79% | +6.12% | +9.39% | -0.48% | -3.83% |
| S&P/ASX 200 Index | +5.27% | +11.01% | +13.46% | +0.24% | -0.77% |
| Relative Performance | -2.48% | -4.89% | -4.07% | -0.72% | -3.06% |

Inception date: 13 June 2018. Returns greater than one year are annualised.

Portfolio Changes

During the quarter, four new companies were added to the Large-Cap portfolio, while **Link Administration** and **Blackmores** were removed, the latter due to a takeover by a Japanese beverage company, Kirin Holdings.

The four new companies included **Data#3**, **Neuren Pharmaceuticals**, **Weebit Nano** and **IGO Limited**.

Data#3 is an Australian information technology company which has been in operation for more than 45 years and has offices across Australia and in Fiji. The company provides services and solutions in fields such as cloud, modern workplace, security, data & analytics and connectivity.

Neuren Pharmaceuticals is a biopharmaceutical company developing new therapies for highly debilitating brain injury, neurodevelopmental and neurodegenerative disorders that emerge in early childhood and are characterised by impaired connections and signalling between brain cells.

Weebit Nano is a memory and semiconductor technology company. The company is engaged in developing and commercializing extremely fast, low-power and cost-effective technology including silicon oxide (SiOx) and Resistive Random-Access Memory (ReRAM) technology based on fabrication factory-friendly materials.

IGO Limited is a mineral exploration company focusing on discovering, developing, and delivering products critical to clean energy and the transition to a net carbon zero world. Through its upstream mining and downstream processing assets, IGO is enabling future-facing technologies including the electrification of transport, energy storage and renewable energy generation. IGO has a strong focus on sustainability and has operations in critical minerals including nickel, copper, cobalt and battery grade lithium hydroxide.

Key Facts

Platform Availability

Hub24 (Super & IDPS)

Dash (Super & IDPS)

Portfolio Fee

0.44% pa GST Inclusive

Investment Objective

The fund aims to outperform the S&P/ASX 200 Index over rolling five-year periods, while providing access to companies which meet strict environmental and socially responsible standards

Top 10 Holdings

Brambles

NextDC

Bendigo and Adelaide Bank

CSL Limited

Sonic Healthcare

Telstra

Xero

Challenger Group

Cochlear

Computershare

Disclaimers

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The performance table sets out the investment performance returns (AFTER investment management fees, but BEFORE administration fees, performance based fees and taxes) for the Portfolio. The performance returns have been calculated on a daily basis taking into account brokerage costs, and are accumulated for the period shown. Returns are shown as annualised if the period is over 1 year, or as total returns otherwise. Inception date is 13 June 2018.

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The Investment Management Fee shown includes GST and is net of any Reduced Input Tax Credits (RITC). Please also refer to the IDPS Guide/Super PDS and the relevant disclosure document for the managed portfolio for more information on the fees and other costs.

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