



Ethical Investment Fixed Income Portfolio

A diversified multi-asset portfolio of environmental and socially responsible Australian and international fixed income assets.

Quarterly Performance Update

30 September 2023

Bond markets were moderately lower over the past three months as resilient global economic growth reduced market expectations for rate cuts in the foreseeable future. US bond yields soared to 16-year highs and Australian government bond yields ending the quarter above 4%.

This was despite the Reserve Bank of Australia keeping 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. Boosting the case for this pause, job vacancies tumbled nearly 9% in three months while retail sales and consumer sentiment are weak. 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.

Higher bond yields led to Australian bonds (as measured by the Bloomberg AusBond Composite Index) falling 0.28% for the quarter, while Global bonds (Bloomberg Global Aggregate Index) fell 2.14%.

These negative returns led to performance of -0.97% for the **Ethical Investment Fixed Income Portfolio** for the September 2023 quarter. Pleasingly, this return was 0.24% above the combined Australian and global bond market index returns (being 50% Bloomberg AusBond Composite Index and 50% Bloomberg Global Aggregate Index), and the portfolio has now outperformed this combined bond index by more than 1% over the past six months.

On an investment level, Australian bond funds including the *Regnan Credit Impact Trust* (+1.65%) and the *Artesian Green and Sustainable Bond Fund* (+1.46%) performed quite well, while the worst performing investments included the *PIMCO ESG Global Bond Fund* (-2.05%) and the *BetaShares Global Sustainability Leaders Fund* (-2.29%).

The overall performance of the portfolio compared with various benchmarks is outlined below:

Periods to 30 September 2023	Since Inception	3 years	1 year	6 months	3 months
Ethical Investment Fixed Income Portfolio	-2.44%	-4.16%	+1.20%	-1.79%	-0.97%
Benchmark (CPI +1%)	+3.87%	+4.23%	+7.08%	+3.79%	+1.85%
Relative Performance	-6.31%	-8.39%	-5.88%	-5.58%	-2.82%
Alternative Benchmark*	-2.16%	-4.23%	+1.07%	-2.83%	-1.21%
Relative Performance	-0.28%	+0.07%	+0.13%	+1.04%	+0.24%

*Alternative Benchmark used is 50% Bloomberg AusBond Composite 0+ Year Index AUD, 50% Bloomberg Global Aggregate TR Index (AUD Hedged)
Inception date: 11 November 2019. Returns greater than one year are annualised returns.



Portfolio Changes

No major changes were made to the portfolio during the quarter. Many slight adjustments made to gradually increase the duration of the fund over the past few months, and to also increase the allocation to Australian bonds.

The portfolio remains quite defensively positioned and very well diversified across a range of high-quality assets.

With interest rates at current levels, fixed income is in a good position to provide investors with high levels of income while also offering diversification benefits against other asset classes.

Managers we Invest in

PIMCO



Key Facts

Platform Availability

Hub24 (Super & IDPS, Core & Choice)
Dash (Super & IDPS)

Portfolio Fee

0.308% pa GST Inclusive

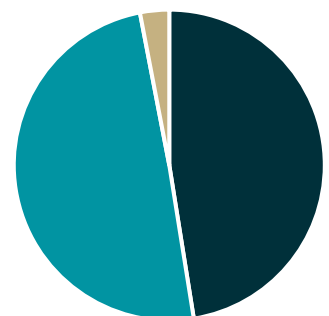
Estimated Costs of Underlying Investments

0.59% pa GST Inclusive

Investment Objective

The fund aims to provide a well-diversified exposure to fixed income assets with a low-cost, low-risk investment strategy that aims to exceed the benchmark of CPI plus 1% per annum.

Asset Allocation



- AUSTRALIAN FIXED INCOME 47%
- INTERNATIONAL FIXED INCOME 49%
- CASH 3%



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 11 November 2019.

Investment in securities and other financial products involves risk. Information, opinions, historical performance, calculations, or assessments of performance of financial products or markets rely on assumptions about tax, reinvestment, market performance, liquidity and other factors that will be important and may fluctuate over time.

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.

An investment in a financial product may have the potential for capital growth and income, but may also carry the risk that the total return on the investment may be less than the amount contributed directly by the investor. Past performance information is for illustrative purposes only and is not indicative of future performance. Ethical Investment Advisers do not assure or guarantee the performance of any financial products offered. This document is not a recommendation to purchase, sell or hold Ethical Investment Funds Management product(s), and you should seek independent financial advice before investing in this product(s).

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