



ETHICAL INVESTMENT FIXED INCOME PORTFOLIO

A diversified portfolio of fixed income assets, obtained through investments in Lonsec approved funds which include environmental and socially responsible investments in Australian and international fixed income assets and cash.

Quarterly Performance Update – July 2020

Fixed income markets rebounded quite well over the past three months after a poor start to the year during the Covid-19 crisis. The Ethical Investment Fixed Income Portfolio has returned 1.68% for the quarter and 2.28% over the past six months.

Within the Fixed Income portfolio, the most notable performing managed funds for the quarter included the **PIMCO ESG Global Bond Fund** which gained 3.72%, as well as the **Affirmative Global Bond Fund** which rose 2.49%. The lowest return came from the **Australian Ethical Fixed Interest Fund** which returned 0.12%.

The overall performance of the portfolio compared with the benchmark, inflation (CPI) plus 1%, is outlined below:

Periods to 30 June 2020	Since Inception	6 months	3 months	1 month
Ethical Investment Fixed Income Portfolio	+2.33%	+2.28%	+1.68%	+0.56%
CPI +1%	+1.64%	+1.27%	+0.63%	+0.21%
Relative Performance	+0.69%	+1.01%	+1.05%	+0.35%

Portfolio Changes

During the quarter the position in the **Australian Ethical Fixed Interest Fund** was trimmed, and a new investment, the **BetaShares Sustainability Leaders Diversified Bond ETF (GBND)** was added to the portfolio.

This fund provides a very well-diversified exposure to fixed income investments, both Australian and international. The fund has a large exposure to green bonds, which directly fund projects that have positive environmental and/or climate benefits, such as those designed to prevent or reduce pollution, improve the sustainable use of natural resources, or help in the transition to non-fossil fuel-based technologies. Other bonds in the portfolio must meet the strict ethical screen which excludes all fossil fuel investment and investment in other areas including tobacco, gambling, uranium and animal cruelty.

A couple of examples of the bonds included in the portfolio include the *Government of France Green Bond* which is the largest green bond in the world which addresses issues such as climate change, adapting to climate change, protecting biodiversity and fighting pollution. The *Dutch Sovereign Green Bond* funds projects in solar energy, marine renewable energy, water infrastructure, low carbon buildings and low carbon transport.

Managers we Invest in

PIMCO

ALTIUS

BetaShares

AIM Affirmative Investment Management

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Manager Updates

This section highlights the positive ethical and sustainable impacts generated within the portfolio.

A recent update from **PIMCO** highlighted that the Social Bond market has rapidly evolved to a position now where they were able to pivot quickly in March and April this year to issue Covid-19 response and recovery bonds. The market is able to offer flexibility in times of market dislocation and provides positive impacts and aligns with the UN Sustainable Development Goals.

PIMCO is committed to deepening their analysis of material social factors into fundamental research, while engaging companies on issues of equality, diversity, and human capital management. Moreover, PIMCO are active in building and driving greater social bond issuance, particularly social bonds seeking to address near-term COVID-19 response and recovery efforts for disadvantaged groups.

PIMCO's credit research team is tracking major social themes that have emerged with the outbreak of COVID-19. In many cases, these themes affect creditworthiness and drive new social bond issuance. The emerging themes include health and well-being, reallocated work, cybersecurity, and de-risking supply chains

Bond markets have responded to financing needs of issuers for COVID-19 response and recovery via social bond issuance. Social bonds raise funds for new or existing projects targeting positive social outcomes. Companies, sovereigns, and development finance institutions (DFIs) are among issuers coming to market now with innovative social bonds aimed specifically at supporting economic and health recovery.

Well structured, credible social bonds are a unique market opportunity for investors to finance critically needed health and economic solutions. Find out more in PIMCO's ESG Investing Report at www.pimco.com/esg-annual-report

At the recent ESG Investing Awards 2020, **Affirmative Investment Management** won the award for 'Best ESG Investment Fund: Green Bonds' and was a runner-up for 'Most Innovative ESG Initiative' for its work in assessing the physical risk of green bonds. ESG Investing Awards 2020 celebrate the best in Environmental, Social and Governance research, ratings, products and sustainability. The fund was also rated as the "Most Ethical" managed fund in Australia, by the Ethical Advisers Co-operative.

Key Facts

Platform Availability

Hub24 (Super & IDPS, Core & Choice)

Portfolio Fee

0.33% pa GST Inclusive

Estimated Costs of Underlying Investments

0.77% pa GST Inclusive

Avoided Investments



Oil



Tobacco



Weapons



Heavy
Polluters



Gambling



Coal

Targeted investments



Healthcare



Recycling



Education



Sustainable
Technologies



Clean Energy

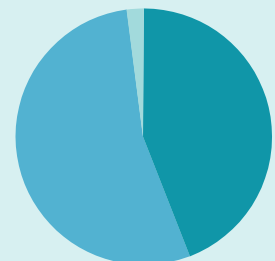


Aged Care

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 49%
- INTERNATIONAL FIXED INCOME 49%
- CASH 2%

Investment Strategy

The portfolio invests across a diversified range of fixed income investments, including a mix of managed funds, exchange traded funds and cash, with the underlying managers selected specifically to ensure an optimal blend of investment styles and approaches.

Ethical Advisers Funds Management screen and select the investments based on their financial performance as well as their environmental and social performance. The preferred funds are those which actively seek out companies involved in positive environmental activities or which provide benefits to society.

This portfolio is ideal for conservative investors looking for capital preservation in assets which suit their ethical values.

Why Invest in the Ethical Investment Fixed Income Portfolio?

Specialists – Ethical Advisers Funds Management are highly qualified to construct portfolios designed to meet ethical needs while generating a strong return, and have been doing so since 2004. All underlying investment managers are specialists in sustainable or ethical investing, are all approved by Lonsec, and many are also highly rated by the *Ethical Adviser's Co-Operative*.

Unique Offering – This is a first of its kind managed portfolio, providing access to investments which are actively making a positive contribution to a sustainable future.

Future Proof Investments - Excluding investments in areas such as oil and coal, and targeting investments in emerging areas in sustainable technology, healthcare and renewable energy, may help future proof your portfolio.

Bonds We Invest In

Among the fixed income assets are investments in Green bonds and Social bonds which directly help fund environmental or socially positive projects. A few of these are outlined below.



Queensland Treasury Green Bond

Queensland's first Green Bond which is used to finance Gold Coast and Brisbane Rail, a Sunshine Coast Solar Farm that will provide energy to Sunshine Coast Council, and Brisbane Bikeways.



International Finance Corporation Social Bond

The Lebanese Association for Development project will help Al Majmoua, a leading microfinance institution, expand its outreach. In a country where female entrepreneurs have low access to bank loans, the project directly aims to reach Lebanon's vulnerable & refugee community, particularly those from Syria, seeking to promote financial inclusion & support growth of women-owned businesses.



Asian Development Bank Green Bond

This bond funds the Jaipur Metro Rail Project, which is an underground metro line set to improve the mass rapid transit system in Rajasthan's capital, Jaipur. The project serves the growing population while reducing emissions, providing an efficient public transport option for citizens. The metro lines are mainly elevated along the major arterial roads and underground, beneath the city's busy central zone. The project also supports local employment by providing additional job opportunities, including for women.



Anglian Water UK Bond

Anglian Water is working on innovative, emerging technologies to tackle challenges across the whole industrial water cycle, including; state-of-the-art sewer robots & drones with thermal imaging cameras to locate hidden water leaks; smart meters installed at nearly 6,000 properties to help customers save water and money; and 3D models & virtual reality technology which have been instrumental in the planning of large-scale engineering schemes.

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