

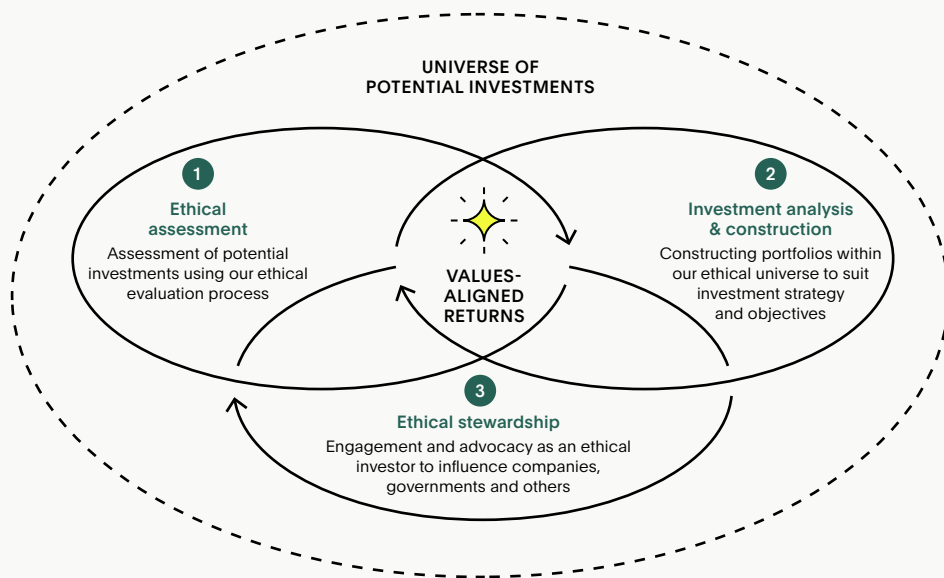
A vertical photograph on the left side of the page shows a modern building with a curved, metallic facade. The building is illuminated from the side, creating strong shadows and highlights on the panels. The sky is a clear, light blue.

# Conservative Fund

Australian Ethical has been investing ethically – and only ethically – since we began in 1986. Our Conservative Fund is designed for investors seeking an ethically and sustainably managed portfolio and who are investing for the medium term and have a low tolerance for risk.

# 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 Our investment team's strategic asset allocation process is used to identify suitable long-term asset allocations to meet the return and risk objectives of the Fund.
- 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>+</sup> investments in:

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

<sup>+</sup> 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](http://australianethical.com.au/why-ae/ethics).

# The Conservative Fund (Wholesale)

The Australian Ethical Conservative Fund (Wholesale) (the 'Fund') provides investors the opportunity to invest in a diversified portfolio of ethically-screened assets and markets with low to medium levels of risk. It is designed to achieve a return of 1.5% above inflation after management costs over a 10-year period.



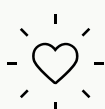
## Ethical approach

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



## A ready-made multi-asset solution

The Fund is designed to help investors achieve investment outcomes by providing access to a broad range of asset classes, sectors and markets, while carefully managing risk.



## Minimize volatility of returns

The Fund is suitable for investors seeking an ethically-screened investment. The Conservative Fund also suits investors aiming to reduce the volatility of returns by investing in a diversified portfolio with higher exposure to defensive assets.



## 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.

## At a glance

### Asset allocation

30% Growth  
70% Defensive

---

### Management fees and costs<sup>1</sup>

0.66% p.a.

---

### Risk level

Low – Medium

---

### Recommended minimum investment timeframe

4 years

---

### Minimum initial investment

\$25,000 minimum in the Fund

---

### Benchmark

SAA Weighted Index\*

\* The current benchmark may not have been the benchmark over all periods shown.

# Risk/return profiles of the Australian Ethical Managed Funds

Defensive investors with a short to medium-term investment timeframe are most likely to be interested in our conservative fund. The conservative fund has a 70% allocation to defensive assets and 30% allocation to growth assets that provide diversification to smooth out short term fluctuations while still delivering returns above inflation over the medium term.

## ■ Defensive investor

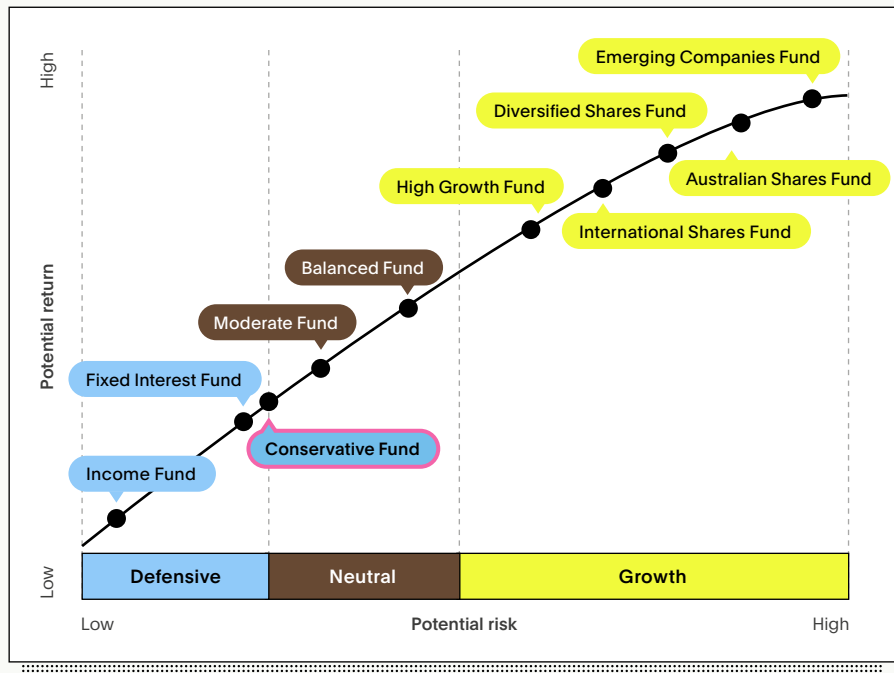
With a short-term investment timeframe you seek to conserve capital and ensure table income.

## ■ Neutral investor

With a medium-term investment timeframe, you seek lower volatility, but with some growth and income.

## ■ Growth investor

With a longer-term investment timeframe, you are able to accept higher risk. You seek growth and are not reliant on income produced by your investments.



This chart represents the potential risk and return characteristics of our various Funds. It is not a forecast of actual risk or returns. The scale is indicative only.

## Our investment approach

### A focus on the long-term

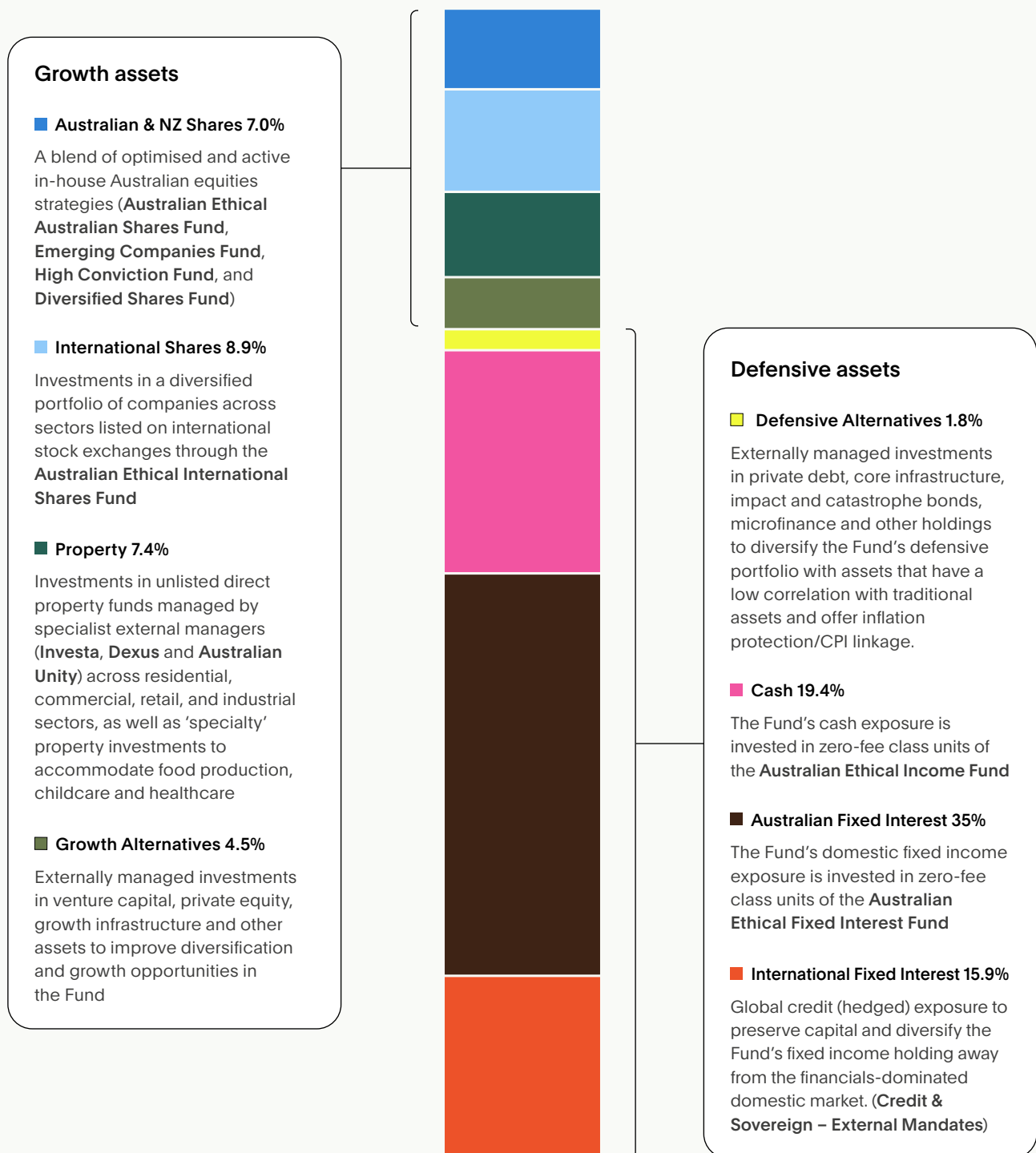
1. We apply our Ethical Charter to all asset classes and underlying holdings that we invest in.
2. Our ethical approach leads us to consider what ought to happen in the world around us and compels us to consider the long-term. We take advantage of our long-term investment horizon and liquidity.
3. We take a systemised and evidence-led approach to understanding opportunities and risks across asset classes and portfolio holdings.
4. We tailor our understanding of the distributions of returns relevant to achieving the goals of ethical portfolios.
5. We improve portfolio resilience by identifying diversifying exposures, and exposures targeted at managing meaningful risks.

# How the Fund invests

The Conservative Fund is a multi-asset fund which provides investors with the opportunity to invest in a diversified portfolio with exposure of around 30% growth and 70% defensive assets. Asset classes include but are not limited to Australian and international shares, unlisted property, alternative assets and fixed income securities.

## Asset allocation

Target asset allocation as at  
8 November 2023





# Case studies

A few examples of what the Fund invests in via its underlying assets.



## Veolia Environment SA

Veolia designs and provides water, waste and energy management solutions that contribute to the sustainable development of communities and industries. The company has a stated commitment to environmental stewardship and promotion of circular economy principles. Waste management reduces pollution, water treatment improves clean water access, and energy efficiency lowers resource consumption. Collectively these activities are vital for environmental preservation, public health, and resource conservation in a sustainable future.

Veolia's business includes some energy generation, from fossil fuels as well as from low carbon sources like capture of landfill methane, biomass and energy from waste. Its fossil fuel revenue is assessed as below 5%, which is less than our exclusion threshold. Veolia is involved in various controversies and claims related to worker safety, pollution and unsafe drinking water. At our periodic reviews we assess the company's action to safeguard against harm from its operations, taking into account the risk inherent in its business lines. As a pioneer in the circular economy, Veolia is actively promoting resource efficiency and recycling. Through its water and waste management and recycling activities the company is significantly contributing to the conservation of natural resources.

### SDG contribution

- 6 Clean water and sanitation
- 11 Sustainable cities and communities
- 13 Climate action

## Berkeley Group

The Berkeley Group is a UK-based property developer specialising in residential projects, known for high-quality, sustainable developments primarily in London and the South of England.

Berkley Group has strong environmental credentials. It takes action to limit waste and enhance energy efficiency during construction. It has set Science Based Targets to reduce emissions including the 'embodied emissions' of the building materials used in its developments. The company specialises in brownfield regeneration, including reviving underused land to create unique, sustainable and nature-rich places.

Berkley Group's has set a goal to deliver a minimum 10% biodiversity net gain for its new developments, including through green spaces and wildlife habitats. The company also engages with communities, to help developments meet localised needs such as enabling access to infrastructure like schools and healthcare facilities.

### SDG contribution

- 11 Sustainable cities and communities





## Teachers Mutual Bank

Teachers Mutual Bank (TMB) is a recognised financial institution dedicated to serving the educational community. It provides tailored financial services to educators, fostering financial well-being and community growth.

TMB has a stated commitment to ethical banking practices through its member-centric approach, prioritising financial well-being over profit maximisation. TMB reports strong customer satisfaction levels, and has deposit and loans certified by the Responsible Investment Association of Australasia.

TMB also contributes to members' well-being and development through scholarships, grants, charitable donations and development programs.

### Positive contribution

Sustainable financial services

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

## Award-winning team



Winner for Responsible Investments 2021



Winner for Responsible Investments (ESG) 2022

## Ethical credentials



Responsible Investment Leader 2023



Top 5 for Financial Services



Best for the World for Customer Service and for Governance



## Find out more

**Phone:** 0415 035 950

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

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

Investing ethically and sustainably means that the investment universe will generally be more limited than non-ethical, non-sustainable portfolios in similar asset classes. This means that the Fund may not have exposure to specific assets which over or underperform over the investment cycle, and so the returns and volatility of the Fund may be higher or lower than non-ethical, non-sustainable portfolios over all investment time frames.

The content of this document is correct as at the date of publication. It has not been subject to auditor review. This document may contain material provided by third parties derived from sources believed to be accurate at its issue date. While such material is published with necessary permission, the Australian Ethical accepts no responsibility for the accuracy or completeness of, nor does it endorse any such third party material. To the maximum extent permitted by law, we intend by this notice to exclude liability for this third party material.

1. Current as at 8 November 2023. Complete fees and costs information available at [australianethical.com.au/managed-funds/fees](http://australianethical.com.au/managed-funds/fees)
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].
3. morganstanley.com. 2022. A Deep Dive On the Water Crisis. [online] Available at: <https://www.morganstanley.com/ideas/water-scarcitycauses-and-solutions> [Accessed 21 July 2022].
4. Clean Energy Finance Corporation, 2020. Healthcare Fund sets new clean energy standards. Canberra: Clean Energy Finance Corporation. [online] Sydney, Available at: <https://www.cefc.com.au/where-we-invest/casestudies/healthcare-fund-sets-new-clean-energy-standards> [Accessed 21 July 2022].
5. Clean Energy Finance Corporation, 2021. Australian buildings and infrastructure: Opportunities for cutting embodied carbon. [online] Sydney, p.8. Available at: <https://www.cefc.com.au/media/ovrk5l3/australianbuildings-and-infrastructure-opportunities-for-cuttingembodied-carbon.pdf> [Accessed 21 July 2022].

© November 2023 Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 22994)

This information is of a general nature and is not intended to provide you (or your clients) with financial advice or take into account your (or your clients') personal objectives, financial situation or needs.

This information is a guide only and is provided to assist you. We have not taken either your or your clients' circumstances into account when preparing this information so it may not be applicable to the particular situation you are considering. Australian Ethical does not guarantee the performance of any fund or the return of an investor's capital; past performance is not a reliable indicator of future performance. Your use of any of this information is entirely at your own risk and Australian Ethical Investment Ltd. accepts no liabilities for any errors or omissions.

This document provides an overview or summary only and it should not be considered a comprehensive statement on any matter or relied upon as such. You and your client should consider our Financial Services Guide (FSG), relevant Product Disclosure Statement (PDS) and Target Market Determinations (TMD) available at [australianethical.com.au](http://australianethical.com.au).

This information is provided by Australian Ethical Investment Ltd ABN 47 003 188 930, AFSL 229949 as Responsible Entity for the Australian Ethical Managed Funds.

