

INVESTMENT OBJECTIVE

To achieve long-term capital appreciation, while reducing risk and preserving capital, through investments in securities within the ASX 100 Index that exhibit relatively high levels of governance, social and environmental performance.

PORTFOLIO UPDATE

2018 ended on a note of increased volatility, with the Fund returning 0.3% on a net asset value basis, in line with the broader S&P/ASX 100 Index. Positive contributors to relative performance included the exclusions of IOOF Holdings (-25%), Adelaide Brighton Limited (-18%) and Domino's Pizza (-12%). Most notably, IOOF fell sharply after APRA brought unprecedented enforcement action against the company for failing to act in the best interests of superannuation members, with disqualification proceedings brought against the Chairman, CEO, CFO and legal counsel.

Assessing a company's treatment of customers and other stakeholders remains a key area of focus in our company evaluation process – and is something we believe will increasingly impact shareholder value given the current backdrop of escalating regulatory oversight and intervention. While financial services and power generation companies were heavily scrutinised in 2018, there are signs that both insurance and aged care may be a focus in 2019 – although we would not be surprised to see this regulatory trend extend to other parts of the economy.

PORTFOLIO MANAGER



Will Hart
Portfolio Manager

NTA per unit \$1.66	Unit price \$1.65	Gross assets \$40.0 MILLION	12-month distribution yield (target) 5.0%	Performance since inception (10 July 2018) ¹ -6.5%
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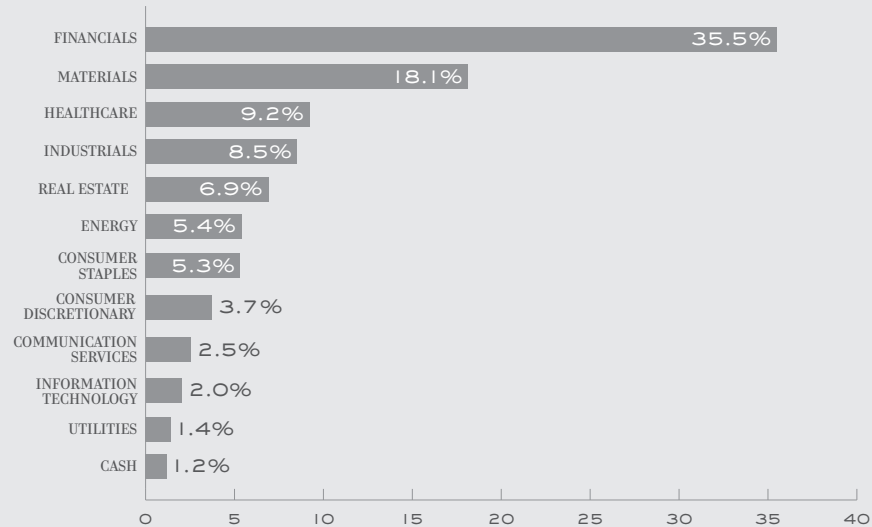
FUND PERFORMANCE¹

	1 MONTH	3 MONTH	6 MONTH	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
NTA (%)	0.3%	-7.3%	-	-	-	-	-6.5%
S&P/ASX 100 Index	0.3%	-7.7%	-	-	-	-	-7.8%
Excess Return	0.0%	0.4%	-	-	-	-	1.3%

TOP 10 PORTFOLIO HOLDINGS

ANZ Banking Group	FINANCIALS	National Australia Bank Ltd	FINANCIALS
BHP Group Ltd	MATERIALS	Wesfarmers Ltd	CONSUMER STAPLES
Commonwealth Bank of Australia	FINANCIALS	Westpac Banking Corp	FINANCIALS
CSL Ltd	HEALTHCARE	Woodside Petroleum Ltd	ENERGY
Macquarie Group Ltd	FINANCIALS	Woolworths Group Ltd	CONSUMER STAPLES

SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

Notes: Data at 31 December 2018 unless stated. Numbers may not sum due to rounding. 1. All returns are total returns, inclusive of reinvested distributions. NTA returns are net of fees and costs. Past performance is not a reliable indicator of future performance. Inception 10 July 2018.



TOP 10 EXCLUSIONS

The following are the largest companies excluded from the investment portfolio due to relative governance, social and environmental performance.

AGL Energy Ltd	UTILITIES	Fortescue Metals Group Ltd	MATERIALS
Ancor Ltd	MATERIALS	Goodman Group	REAL ESTATE
AMP Ltd	FINANCIALS	Ramsay Health Care Ltd	HEALTHCARE
Aristocrat Leisure Ltd	CONSUMER DISCRETIONARY	Tabcorp Holdings Ltd	CONSUMER DISCRETIONARY
CIMIC Group Ltd	INDUSTRIALS	Treasury Wine Estates	CONSUMER STAPLES



PORTFOLIO HOLDINGS

COMPANY	WEIGHT (%)	COMPANY	WEIGHT (%)	COMPANY	WEIGHT (%)
Commonwealth Bank of Australia	9.43%	Suncorp Group Ltd	1.20%	Sonic Healthcare Ltd	0.69%
BHP Billiton Ltd	7.88%	Insurance Australia Group Ltd	1.17%	Oil Search Ltd	0.69%
CSL Limited	6.61%	APA Group	1.16%	James Hardie Industries	0.68%
Westpac Banking Corporation	6.27%	Computershare Ltd	1.14%	Xero Limited	0.63%
ANZ Banking Group Ltd	5.16%	Coles Group	1.13%	Aurizon Holdings Ltd	0.62%
National Australia Bank Ltd	4.79%	QBE Insurance	1.01%	Mirvac Group	0.61%
Woolworths Group Ltd	3.35%	Resmed Inc	1.00%	Vicinity Centres	0.61%
Wesfarmers Limited	3.10%	a2 Milk Company Ltd	0.96%	Alumina Ltd	0.59%
Macquarie Group Ltd	2.76%	ASX Ltd	0.85%	Bluescope Steel	0.58%
Woodside Petroleum Ltd	2.58%	Stockland	0.84%	Reliance Worldwide Corporation	0.57%
Telstra Corporation Ltd	2.47%	Origin Energy Ltd	0.83%	Caltex Australia Ltd	0.50%
Rio Tinto Ltd	2.36%	Unibail-Rodamco-Westfield	0.82%	Lendlease Group	0.50%
Transurban Group Ltd	2.21%	Dexus	0.79%	Orica Ltd	0.47%
Scentre Group	1.82%	Medibank Private Ltd	0.75%	Outside Top 50	8.07%
Newcrest Mining Ltd	1.65%	Cochlear Ltd	0.73%	Cash	1.24%
Brambles Ltd	1.45%	Qantas Airways Ltd	0.72%		
Sydney Airport	1.27%	Santos Limited	0.71%		
South32 Ltd	1.26%	GPT Group	0.71%		

Notes: Data as at 31 December 2018 unless stated. Numbers may not sum due to rounding.





ABOUT WALSH & COMPANY

Walsh & Company, part of the Evans Dixon Group, is a multibillion-dollar global funds management firm founded in 2007, with assets under management across global equities, residential and commercial property, private equity, fixed income, and sustainable and social investments. It provides access to unique investment strategies not readily accessible to investors and focuses on building high-quality, diversified portfolios.

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IMPORTANT INFORMATION

This report has been prepared by Walsh & Company Asset Management Pty Limited (**Investment Manager**) (ACN 159 902 708, AFSL 450 257) as investment manager for the Australian Governance & Ethical Index Fund (**Fund**) (ARSN 625 826 646).

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