



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

The Australian Governance & Ethical Index Fund (Fund) returned -7.3% on an NTA basis for the 2020 financial year (FY20) – a year marred by the widespread economic challenges of COVID-19. While the absolute return for FY20 is disappointing, the Fund outperformed the S&P/ASX 100 Accumulation Index (Index), which declined 7.8%.

Significant contributors to relative performance included overweight positions in healthcare giant CSL (+35%) and retailers JB Hi-fi (+75%) and Wesfarmers (+29%) – beneficiaries of the COVID-19 pandemic, subsequent economic lockdowns and targeted stimulus measures. The Fund's position in Rio Tinto (+2%) also benefited performance, with iron ore prices benefitting from supply disruptions to key competitor Vale. While we have historically had a preference for Rio Tinto, due to its lack of fossil fuel exposure and lower-emissions aluminium business, recent revelations regarding its mining operations at Juukan Gorge have led us to review the position. Post balance date we elected to reduce the position materially, with an intention to further monitor developments and accountability practices. The exclusion of Westpac Group (-35%) also benefited performance, with the company attracting significant criticism following AUSTRAC proceedings for breaches of the Anti-Money Laundering and Counter Terrorism Financing Act.

Key detractors from performance included overweight positions in European exposed businesses Unibail-Rodamco-Westfield (-55%) and Virgin Money UK (-52%), with each business facing significant uncertainty amidst the economic consequences of deteriorating European economic activity. The exclusion of buy-now, pay-later operator Afterpay (+143%) and iron ore miner Fortescue Metals (+71%) also negatively impacted relative performance.

Throughout 2020 the Responsible Entity (RE) has maintained active buyback and capital management initiatives. As COVID-19 unfolds across global markets, the RE will continue to explore strategies to enhance the Fund's efficiency and liquidity. Further updates will be provided to investors as appropriate.

While COVID-19 dominated market rhetoric for the latter half of FY20, notable developments continue to be seen regarding government, investor and market led initiatives associated with broader sustainability, most notably in energy markets. Oil and gas majors continue to come under immense investor pressure regarding climate change targets and transparency. Similarly, as part of its stimulus package the European Union announced a ~AUD1.2 trillion economic recovery plan centred on renewable energy, clean transport, smart energy and emissions reductions. These developments should be relatively unsurprising; it is widely accepted that solar and wind are today cheaper sources of new generation than fossil fuels for the majority of the world's population. Increasing policy directives and investor scrutiny is speeding the transformation of energy markets and poses significant stranded asset risk for those businesses with longer dated fossil fuel revenue exposure.

NTA per unit
\$1.72

Unit price (AGM)
\$1.61

Gross assets
\$28.3 MILLION

12-month distribution yield (target: 5%)
5.5%

FUND PERFORMANCE¹

	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
NTA (%)	3.0%	15.1%	-10.9%	-7.3%	-	-	2.0%
S&P/ASX 100 Index	3.0%	16.0%	-10.7%	-7.8%	-	-	1.1%
Excess Return	0.0%	-0.8%	-0.2%	0.6%	-	-	0.9%

Note: Numbers may not sum due to rounding.

LARGEST ACTIVE POSITIONS

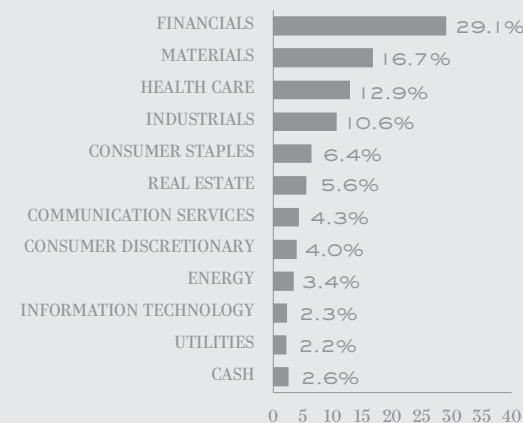
TOP 10 OVERWEIGHT²

ANZ Banking Group Ltd	Newcrest Mining Ltd
APA Group	Oz Minerals Ltd
CSL Limited	Qube Holdings Ltd
Macquarie Group Ltd	Rio Tinto Ltd
National Australia Bank	Virgin Money UK Plc

TOP 10 UNDERWEIGHT²

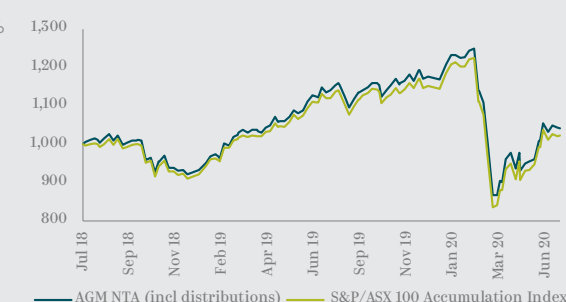
Afterpay Ltd	Fortescue Metals Group
AGL Energy Ltd	Goodman Group
Amcor Plc	Origin Energy Ltd
Aristocrat Leisure	Sonic Healthcare Ltd
BHP Group Ltd	Westpac Banking Corp

SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

PERFORMANCE CHART¹



Notes: Data at 30 June 2020 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. 2. Overweight and underweight positions are relative to S&P/ASX 100 Index weights. Inception 10 July 2018. Chart data range: 10 July 2018 to 30 June 2020. Initial index value 1,000. Index Source: Bloomberg.



PORTFOLIO HOLDINGS

COMPANY	WEIGHT (%)	COMPANY	WEIGHT (%)	COMPANY	WEIGHT (%)
CSL Limited	10.10%	Woodside Petroleum Ltd	1.41%	Aurizon Holdings Ltd	0.68%
Commonwealth Bank of Australia	8.48%	Qube Holdings Ltd	1.35%	Northern Star Resources Ltd	0.67%
Rio Tinto Ltd	6.12%	Mirvac Group	1.27%	Evolution Mining	0.66%
National Australia Bank Ltd	5.36%	ASX Ltd	1.14%	Santos Ltd	0.64%
ANZ Banking Group Ltd	4.57%	Atlas Arteria	1.11%	Magellan Financial Group Ltd	0.62%
Macquarie Group Ltd	4.20%	Virgin Money UK Plc	1.06%	Medibank Private	0.60%
Wesfarmers Ltd	3.52%	Cleanaway Waste Management Ltd	0.96%	Lendlease Group	0.59%
Woolworths Group Ltd	3.39%	Alumina Ltd	0.96%	Stockland	0.56%
Telstra Corporation Ltd	3.29%	Altium Ltd	0.94%	Ampol Ltd	0.56%
Newcrest Mining Ltd	3.00%	QBE Insurance	0.93%	SEEK Ltd	0.56%
Transurban Group Ltd	2.56%	Insurance Australia Group Ltd	0.92%	GPT Group	0.56%
Oz Minerals Ltd	1.94%	James Hardie Industries	0.84%	Orica Ltd	0.49%
Brambles Ltd	1.75%	Ramsay Health Care Ltd	0.84%	Unibail-Rodamco-Westfield	0.48%
APA Group	1.74%	Huka Resources	0.82%	Computershare Ltd	0.47%
Cochlear Ltd	1.66%	Suncorp Group Ltd	0.80%	Outside top 50	5.44%
Sydney Airport	1.63%	Scentre Group Ltd	0.80%	Cash	2.59%
A2 Milk Co Ltd	1.59%	Xero Ltd	0.70%		
Coles Group Ltd	1.43%	Dexus	0.69%		

Notes: Data as at 30 June 2020 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 authorised by Walsh & Company Asset Management Pty Limited (Walsh AM) (ACN 159 902 708, AFSL 450 257) as investment manager for the Australian Governance & Ethical Index Fund (AGM) (ARSN 625 826 646), together with Evans and Partners Investment Management Pty Limited (EaP IM) (ACN 619 080 045, CAR No. 1255264), as investment manager for the Evans & Partners Asia Fund (EAF) (ARSN 624 216 404), Evans & Partners Australian Flagship Fund (EFF) (ARSN 625 303 068), Evans & Partners Global Flagship Fund (EGF) (ARSN 158 717 072) and Evans & Partners Global Disruption Fund (EGD) (ARSN 619 350 042). EaP IM and Walsh AM are together referred to as 'Investment Manager'. AGM, EAF, EFF, EGF and EGD are together referred to as 'Funds'.

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