

Altius Sustainable Bond Fund

Interim Financial Report
for the period ended 31 December 2024



Altius Sustainable Bond Fund

ARSN 601 618 179

Interim report for the half-year ended 31 December 2024

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Directors' report

The directors of Australian Ethical Investment Limited (ABN 47 003 188 930), the "Responsible Entity" of Altius Sustainable Bond Fund ("the Scheme"), present their report together with the financial statements of the Scheme for the half-year ended 31 December 2024, and the report of the auditor thereon.

Directors

The following persons were directors of the Responsible Entity, Australian Ethical Investment Limited, during the half-year from 16th December and up to the date of this report (unless otherwise stated):

Steve Gibbs	Chairman
John McMurdo	Managing Director and CEO
Julie Orr	
Kate Greenhill	
Mara Bun	(resigned 31 October 2024)
Richard Brandweiner	(appointed 1 September 2024)
Sandra McCullagh	

The following persons were directors of the previous Responsible Entity, Australian Unity Funds Management Limited, during the half-year and up to the date 15 December 2024:

Rohan Mead	Chairman and Group Managing Director
Esther Kerr	Group Executive, Wealth & Capital Markets
Darren Mann	Group Executive Finance & Strategy and Chief Financial Officer

Principal activities

The Scheme invests in accordance with the investment policy of the Scheme as set out in its Product Disclosure Statement (PDS) and in accordance with the Scheme's Constitution.

Review and results of operations

For the half-years ended 31 December 2024 and 31 December 2023, the Scheme posted total returns as follows:

	2024			2023		
	Total Return	Distribution Return	Growth Return	Total Return	Distribution Return	Growth Return
	%	%	%	%	%	%
Wholesale class	2.98	1.06	1.92	3.10	0.72	2.38

Unit prices (ex distribution) as at 31 December 2024 (31 December 2023) are as follows:

Wholesale units \$0.9666 (\$0.9424)*

* The reported performance numbers and reported unit prices (which are not audited) have been derived based on the declared unit prices calculated in accordance with the Responsible Entity's unit pricing policy and are not based on the net assets of these IFRS compliant financial statements.

The performance of the Scheme, as represented by the results of its operations, was as follows:

	Half-year	
	2024 \$'000	2023 \$'000
Profit before finance costs attributable to unitholders	<u>4,806</u>	<u>5,556</u>
<i>Distributions</i>		
Distributions paid	852	633
Distributions payable	<u>848</u>	<u>649</u>
Distributions paid and payable	<u>1,700</u>	<u>1,282</u>

Significant changes in the state of affairs

With effect from 16 December 2024, the Responsible Entity of the Scheme changed from Australian Unity Funds Management Limited (ABN 60 071 497 115) to Australian Ethical Investment Limited (ABN 47 003 188 930) following the carrying of an extraordinary resolution to this effect during a unitholder meeting on 16 December 2024.

Directors' report (continued)

Events occurring after end of the half-year

The directors of the Responsible Entity are not aware of any other matters or circumstance arising since 31 December 2024 which have significantly affected or may significantly affect the financial position of the Scheme disclosed in the statement of financial position as at 31 December 2024 or on the results and cash flows of the Scheme for the half-year ended on that date.

Likely developments and expected results of operations

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Australian Ethical Investment Limited or the auditors of the Scheme. So long as the officers of Australian Ethical Investment Limited act in accordance with the Scheme's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

Environmental regulation

The Scheme operations are not subject to any material environmental regulations under Australian law.

Rounding of amounts

The Scheme is an entity of the kind referred to in *ASIC Corporations Instrument 2016/191* issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars, where indicated.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Signed in accordance with a resolution of the directors of Australian Ethical Investment Limited.



John McMurdo
Managing Director

Australian Ethical Investment Limited

24 February 2025



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Australian Ethical Investment Limited, the Responsible Entity
for the Altius Sustainable Bond Fund

I declare that, to the best of my knowledge and belief, in relation to the review of Altius Sustainable
Bond Fund for the half-year ended 31 December 2024 there have been:

- i. no contraventions of the auditor independence requirements as set out in the
Corporations Act 2001 in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.


KPMG


Andrew Reeves
Partner

Sydney
24 February 2025

Statement of comprehensive income

	Half-year	
	2024 \$'000	2023 \$'000
Investment income		
Interest income from financial assets at amortised cost	64	87
Interest income from financial assets at fair value through profit or loss	2,679	2,138
Distribution income	644	477
Net gains on financial instruments at fair value through profit or loss	1,748	3,910
Other income	<u>101</u>	<u>96</u>
Total investment income	<u>5,236</u>	<u>6,708</u>
Expenses		
Management costs	410	463
Interest expense	-	655
Transaction costs and operating expenses	<u>20</u>	<u>34</u>
Total expenses	<u>430</u>	<u>1,152</u>
Profit before finance costs attributable to unitholders	<u>4,806</u>	<u>5,556</u>
Finance costs attributable to unitholders		
Distributions to unitholders	4 (1,700)	(1,282)
Increase in net assets attributable to unitholders	3 <u>(3,106)</u>	<u>(4,274)</u>
Total comprehensive income attributable to unitholders	<u>-</u>	<u>-</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

		31 December 2024 \$'000	30 June 2024 \$'000
	Notes		
Assets			
Cash and cash equivalents		2,240	2,026
Receivables		444	422
Financial assets at fair value through profit or loss	5	162,002	164,083
Total assets		164,686	166,531
Liabilities			
Distributions payable	4	848	699
Payables		23	88
Financial liabilities at fair value through profit or loss	6	20	43
Total liabilities (excluding net assets attributable to unitholders)		891	830
Net assets attributable to unitholders - liability	3	163,795	165,701

The above statement of financial position should be read in conjunction with the accompanying notes.

Altius Sustainable Bond Fund
Statement of changes in net assets attributable to unitholders - liability
For the half-year ended 31 December 2024

Statement of changes in net assets attributable to unitholders - liability

The Scheme's net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*.

	2024	Half-year
	\$'000	2023
		\$'000
Balance at the beginning of the half-year	165,701	191,614
Profit before finance costs attributable to unitholders	4,806	5,556
Distributions to unitholders	(1,700)	(1,282)
Applications	8,889	34,010
Redemptions	(14,434)	(55,700)
Units issued upon reinvestment of distributions	533	375
	163,795	174,573
Balance at the end of the half-year	163,795	174,573

The above statement of changes in net assets attributable to unitholders - liability should be read in conjunction with the accompanying notes.

Statement of cash flows

	2024	Half-year
	\$'000	2023
		\$'000
<i>Cash flows from operating activities</i>		
Proceeds from sale of financial instruments at fair value through profit or loss	24,077	53,915
Payments for purchase of financial instruments at fair value through profit or loss	(19,666)	(32,121)
Interest received	2,733	2,198
Distributions received	-	1
Interest expense paid	-	(655)
GST received	22	22
Other income received	145	98
Management costs paid	(471)	(484)
Transaction and operating costs paid	(20)	(34)
Net cash inflows from operating activities	<u>6,820</u>	<u>22,940</u>
<i>Cash flows from financing activities</i>		
Proceeds from applications by unitholders	8,871	33,920
Payments for redemptions by unitholders	(14,459)	(55,676)
Distributions paid to unitholders	(1,018)	(987)
Net cash outflows from financing activities	<u>(6,606)</u>	<u>(22,743)</u>
Net increase in cash and cash equivalents	214	197
Cash and cash equivalents at the beginning of the half-year	<u>2,026</u>	<u>4,852</u>
Cash and cash equivalents at the end of the half-year	<u>2,240</u>	<u>5,049</u>
Non-cash operating and financing activities	<u>1,138</u>	<u>857</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

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1 General information

These condensed interim financial statements ("interim financial statements") cover Altius Sustainable Bond Fund ("the Scheme") as an individual entity. The Scheme was constituted on 2 September 2014 and will terminate on the 80th anniversary or earlier in accordance with the Scheme's Constitution.

The Responsible Entity of the Scheme is Australian Ethical Investment Limited (ABN 47 003 188 930) (the "Responsible Entity"). The Responsible Entity's registered office is Level 8, 130 Pitt Street, Sydney, NSW 2000.

The Responsible Entity is incorporated and domiciled in Australia.

With effect from 16 December 2024, the Responsible Entity of the Scheme changed from Australian Unity Funds Management Limited (ABN 60 071 497 115) to Australian Ethical Investment Limited (ABN 47 003 188 930) following the carrying of an extraordinary resolution to this effect during a unitholder meeting on 16 December 2024.

These interim financial statements are for the period from 1 July 2024 to 31 December 2024.

These interim financial statements were authorised for issue by the directors of the Responsible Entity on 26 February 2025. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Basis of preparation

These interim financial statements for the half-year ended 31 December 2024 have been prepared in accordance with *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made in respect of the Scheme during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These interim financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders.

The Scheme manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date.

The accounting policies and financial risk management policies applied are the same as those applied for the year ended 30 June 2024.

(i) Compliance with International Financial Reporting Standards

As a for-profit entity, compliance with AASB 134 ensures that the interim report of the Scheme, comprising the financial statements and notes thereto, complies with the International Accounting Standard IAS 34 *Interim Financial Reporting*.

(ii) New accounting standards and amendments adopted by the Scheme

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial half-year beginning 1 July 2024 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

(iii) New accounting standards, amendments and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 31 December 2024 reporting period and have not yet been applied in the financial statements. None of these are expected to have a material effect on the financial statements of the Scheme.

Rounding of amounts

The Scheme is an entity of the kind referred to in *ASIC Corporations Instrument 2016/191* issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, where indicated.

3 Net assets attributable to unitholders - liability

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right in the underlying assets of the Scheme. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the Scheme.

Movements in the number of units and net assets attributable to unitholders - liability during the half-year were as follows:

	2024		2023	
	No. '000	No. '000	\$'000	\$'000
Opening balance	174,844	208,337	165,701	191,614
Applications	9,245	36,650	8,889	34,010
Redemptions	(15,042)	(60,036)	(14,434)	(55,700)
Units issued upon reinvestment of distributions	556	407	533	375
Increase in net assets attributable to unitholders	-	-	3,106	4,274
Closing Balance	169,603	185,358	163,795	174,573

4 Distributions to unitholders

The distributions for the half-year were as follows:

	2024		2023	
	\$'000	CPU	\$'000	CPU
Distributions				
30 September	852	0.5000	633	0.3000
31 December (payable)	848	0.5000	649	0.3500
Total distributions	1,700		1,282	

5 Financial assets at fair value through profit or loss

	31 December 2024	30 June 2024
	\$'000	\$'000
Derivatives	4,123	4,304
Unlisted managed investment schemes	65,289	63,374
Fixed interest bonds	45,884	47,962
Mortgage backed securities	11,853	14,413
Asset backed securities	625	950
Floating rate notes	34,228	33,080
Total financial assets at fair value through profit or loss	162,002	164,083

6 Financial liabilities at fair value through profit or loss

	31 December 2024	30 June 2024
	\$'000	\$'000
Derivatives	20	43
Total financial liabilities at fair value through profit or loss	20	43

7 Fair value hierarchy

The Scheme is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

31 December 2024	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Futures	118	-	-	118
Swaps	-	4,000	-	4,000
Forward foreign exchange contracts	-	5	-	5
Unlisted managed investment schemes	-	65,289	-	65,289
Fixed interest bonds	-	45,884	-	45,884
Mortgage backed securities	-	11,853	-	11,853
Asset backed securities	-	625	-	625
Floating rate notes	-	34,228	-	34,228
Total financial assets	118	161,884	-	162,002
Financial liabilities				
Swaps	-	(20)	-	(20)
Total financial liabilities	-	(20)	-	(20)
	Level 1	Level 2	Level 3	Total
30 June 2024	\$'000	\$'000	\$'000	\$'000
Financial assets				
Futures	97	-	-	97
Swaps	-	4,207	-	4,207
Unlisted managed investment schemes	-	63,374	-	63,374
Fixed interest bonds	-	47,962	-	47,962
Mortgage backed securities	-	14,413	-	14,413
Asset backed securities	-	950	-	950
Floating rate notes	-	33,080	-	33,080
Total financial assets	97	163,986	-	164,083
Financial liabilities				
Swaps	-	(43)	-	(43)
Total financial liabilities	-	(43)	-	(43)

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, e.g. recognised stock exchanges and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include but are not limited to investment grade corporate bonds and over the counter derivatives.

7 Fair value hierarchy (continued)

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the half-year. There were no transfers between levels 1, 2 and 3 of the fair value hierarchy during the half-year (30 June 2024: Nil).

8 Events occurring after end of half-year

The directors of the Responsible Entity are not aware of any matter or circumstance arising since the end of the half-year which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 31 December 2024 or on the results and cash flows of the Scheme for the half-year ended on that date.

9 Contingent assets and liabilities and commitments

There are no contingent assets, liabilities or commitments as at 31 December 2024 and 30 June 2024.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Scheme's financial position as at 31 December 2024 and of its performance, as represented by the results of its operations and cash flows, for the half-year ended on that date.
 - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements and
- (b) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable, and
- (c) The financial statements are in accordance with the Scheme's Constitution.

This declaration is made in accordance with a resolution of the directors of the Responsible Entity.



John McMurdo

Managing Director

24 February 2025



Independent Auditor's Review Report

To the unitholders of Altius Sustainable Bond Fund

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Altius Sustainable Bond Fund (the Scheme).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Altius Sustainable Bond Fund does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Scheme's financial position as at 31 December 2024 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Statement of financial position as at 31 December 2024;
- Statement of profit or loss and other comprehensive income for the Interim Period ended on that date;
- Statement of changes in equity and Statement of cash flows for the Interim Period ended on that date;
- Notes 1 to 9 comprising material accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Interim Period** is the 6 months ended on 31 December 2024.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Scheme and Australian Ethical Investment Limited, the Responsible Entity of the Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



Responsibilities of the Directors for the Interim Financial Report

The Directors of Australian Ethical Investment Limited are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. *ASRE 2410* requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Scheme's financial position as at 31 December 2024 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Altius Sustainable Bond Fund, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Andrew Reeves
Partner
KPMG Sydney
24 February 2025