

High Growth Fund

Interim Financial Report
for the period ended 31 December 2024



High Growth Fund

ARSN 140 444 211

Interim Financial Report

For the half-year ended 31 December 2024

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Directors' Report

The Directors of Australian Ethical Investment Limited, the "Responsible Entity" of the Australian Ethical High Growth Fund (the Scheme) present the directors' report together with the financial statements and notes to the financial statements of the Scheme for the half-year ended 31 December 2024 and the accompanying independent auditor's report.

RESPONSIBLE ENTITY

Australian Ethical Investment Limited (ABN 47 003 188 930) serves as the Responsible Entity for the Scheme.

The following persons were Directors of Australian Ethical Investment Limited (AEIL) during the period under review and up to the date of this report unless otherwise indicated:

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

PRINCIPAL ACTIVITIES AND STATE OF AFFAIRS

The principal activity of the Scheme is to pool investors' savings to invest in accordance with the investment objectives and guidelines as set out in the current Product Disclosure Statement and within the provisions of the Scheme's Constitution. The Scheme invests in a portfolio of Australian and New Zealand shares, international shares, unlisted property, alternative assets, interest-bearing securities and cash. Investments are sought to pursue the goal of a just and sustainable society and the protection of the natural environment as well as providing unitholders (the Scheme's investors) with a competitive financial return.

During the period, the Scheme transacted with related party entities for restructuring purposes. The Scheme sold \$66m units from related party entities that were fully offset by purchases of \$66m units into separate related party entities. The purchases and sales were processed via in-specie transfers and are not reflected in the Statement of Cashflows.

With effect from 1 November 2024 custody of the Schemes assets and provision of administration services was transitioned from NAB Asset Servicing (NAS) to State Street Australia Limited (SSAL). This change was made due to NAS' decision to exit the custody business with SSAL appointed as custodian by the Responsible Entity following a thorough selection process and extensive due diligence.

There were no other significant changes in the nature of the Scheme's principal activities during the period and there were no significant changes in the Scheme's state of affairs, except those highlighted in the review of operations.

REVIEW OF OPERATIONS

For the six months ending December 2024, growth asset markets delivered strong performance, particularly in the US, despite ongoing macroeconomic and geopolitical uncertainties. Equity markets closed the year near all-time highs, supported by monetary policy easing, optimism around AI-driven themes, and expectations of regulatory and tax reforms under US President Trump's administration.

Inflation moderated from pandemic-induced peaks but remained above central bank targets in both the US and Australia. The US Federal Reserve initiated an easing cycle in September, boosting rate-sensitive sectors such as financials and technology and pushing equity indices closer to record levels by year-end.

Australian equities also performed well but trailed international benchmarks. The resource sector faced continued headwinds from China's economic slowdown, despite aggressive policy measures aimed at bolstering liquidity and providing direct equity support. While the sector rebounded from its yearly lows, it still underperformed the broader market, contributing to relative outperformance.

Directors' Report

REVIEW OF OPERATIONS

Globally, many central banks, including those in the US, Europe, and China, began easing cycles to transition away from restrictive monetary policies or aid weakening growth. However, persistent inflation and strong US GDP growth dampened initial optimism for significant US rate cuts. By year-end, the Reserve Bank of Australia (RBA) which had remained on hold, was expected to initiate rate cuts in early 2025, following Australia's slowest GDP growth readings in decades.

The Federal Reserve's September rate cut resulted in the un-inversion of the US yield curve, with long-term rates rising due to inflation and fiscal concerns. US 10-year Treasury yields ended the year near one-year highs, underscoring a key risk for 2025: the challenge central banks face in managing long-term rates amid elevated sovereign debt levels and growing fiscal deficits.

Overview

The investments of the Scheme are consistent with those set out in the Scheme's Product Disclosure Statement dated 1 October 2024.

Results

Total return is the percentage change of a unitholder's financial interest in the Scheme assuming all distributions are reinvested in the Scheme. These returns are calculated in accordance with FSC Guidance Note 46 Product Performance - Calculation of Returns. The Scheme achieved the following total returns for the half year:

- Retail class 9.38% (December 2023: 2.85%); and
- Wholesale class 9.65% (December 2023: 3.10%).

The wholesale class generated a return of 9.65% compared to the benchmark which returned 8.41% in the six months ended 31 December 2024.

All asset classes, except property, positively contributed to the Scheme's absolute performance. International equities led returns over the six-month period ending December 2024, with the broader MSCI World ex Australia Index rising 14.7%. This was due to a strong US dollar, loosening monetary policy by the Federal Open Market Committee (FOMC), and US exceptionalism, which saw US equities outperform other developed markets.

In Australia, the broader domestic equities market lagged most other markets due to concerns around slowing global growth, negatively impacting the domestic Materials and Energy sectors. However, the Scheme's underweight to those sectors meant its domestic equity holdings outperformed the domestic market. Fixed income markets saw significant movement as the market continually revised expectations around the US Federal Reserve's rate cutting cycle, which began with a larger than expected 0.50% rate cut in September 2024. Global fixed income provided positive performance over the period as continued credit spread tightening benefited the Scheme's overweight to corporate bonds.

The Scheme benefited from the addition of active international equities to the portfolio. The Scheme also added to its private capital capability - making recent investments in data centres that focus on sourcing renewable energy in the US, as well as affordable housing and recycling domestically.

The Scheme seeks to provide capital growth through an exposure to growth assets such as Australian and international shares, unlisted property and alternative assets that meet the Australian Ethical Charter. The recommended minimum investment timeframe is 10 years.

Directors' Report

Distributions paid and/or payable

Distributions paid and/or payable by the Scheme during the period are shown in the accompanying Statement of Profit or Loss and Other Comprehensive Income.

As per Note 2 the interim distributions of \$9,662,242 (December 2023: \$8,768,279) were as follows:

- Retail class of 0.96 (December 2023: 1.24) cents per unit;
- Wholesale class of 1.59 (December 2023: 1.79) cents per unit; and
- Zero class of 2.69 (December 2023: 2.75) cents per unit.

The prior year final distribution of \$18,166,951 was paid in July 2024.

Net assets

The value of the Scheme's net assets attributable to unitholders as at 31 December 2024 was \$931m (30 June 2024: \$816m).

Fees

Responsible Entity fees charged during the period were as follows:

- 1.39% p.a. for the retail class (December 2023: 1.39%);
- 0.90% p.a. for the wholesale class (December 2023: 0.90%); and
- Nil for the zero class (December 2023: Nil).

Management costs as reported in the Scheme's Product Disclosure Statement dated 1 October 2024 include 0.11% (retail class) and 0.11% (wholesale class) indirect costs attributable to fees and costs of specialist asset managers in unlisted property trusts and alternative assets. These additional costs form part of the net performance of the Scheme however are not payable to the Responsible Entity.

INDEMNITIES AND INSURANCE PREMIUMS FOR THE RESPONSIBLE ENTITY AND AUDITOR

No insurance premiums are paid for out of the assets of the Scheme for insurance cover provided to the Responsible Entity, its officers or auditor of the Scheme. Where the Responsible Entity acts in accordance with the Scheme's Constitution and the law, it is generally entitled to an indemnity out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditor of the Scheme is not indemnified out of the assets of the Scheme.

ROUNDING OF AMOUNTS

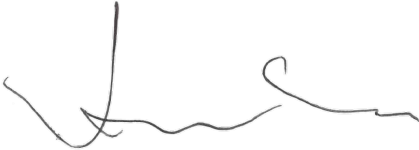
The Scheme is of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Corporations' Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Directors' Report

AUDITOR'S DECLARATION

The auditor's independence declaration is included in this report and forms part of the directors' report for the half-year ended 31 December 2024.

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 Australian Ethical High Growth Fund

I declare that, to the best of my knowledge and belief, in relation to the review of Australian Ethical High Growth 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 Profit or Loss and Other Comprehensive Income

	Note	31 December 2024 \$'000	31 December 2023 \$'000
Investment income			
Interest		99	120
Dividends		10,478	9,076
Net change in fair value of financial assets		<u>75,412</u>	<u>15,676</u>
Net investment income/(loss)		<u>85,989</u>	<u>24,872</u>
Operating expenses			
Management fees		447	360
Transaction costs		<u>12</u>	<u>153</u>
Operating expenses before finance costs		<u>459</u>	<u>513</u>
Profit/(loss) from operating activities		<u>85,530</u>	<u>24,359</u>
Finance costs			
Distributions paid and payable to unitholders of the Scheme	2	<u>(9,662)</u>	<u>(8,768)</u>
Change in net assets attributable to unitholders (total comprehensive income)	4	<u>75,868</u>	<u>15,591</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

	31 December 2024	30 June 2024
Note	\$'000	\$'000
Assets		
Cash and cash equivalents	3,964	5,464
Margin accounts	900	2,050
Receivables	10,265	15,756
Financial assets held at fair value through profit or loss	5 <u>925,152</u>	<u>811,183</u>
Total assets	<u>940,281</u>	<u>834,453</u>
Liabilities		
Payables	34	22
Distributions payable	2 <u>9,662</u>	<u>18,167</u>
Total liabilities	<u>9,696</u>	<u>18,189</u>
Net assets attributable to unitholders	4 <u>930,585</u>	<u>816,264</u>

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

Statement of Changes in Equity

The Scheme's net assets attributable to unitholders are classified as a liability under AASB 132 'Financial Instruments: Presentation'. As such the Scheme has no equity and no items of changes in equity at the start and end of the period.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

	31 December 2024 \$'000	31 December 2023 \$'000
Cash flows from operating activities		
Interest received	99	120
Dividends received	417	435
Management fees paid	(435)	(355)
Transaction costs paid	(11)	(168)
Net cash provided by operating activities	<u>70</u>	<u>32</u>
Cash flows from investing activities		
Proceeds from sale of investments	143,305	74,998
Purchase of investments	(166,311)	(115,620)
Amount received from/(paid to) brokers for margin	1,150	(1,646)
Net cash used in investing activities	<u>(21,856)</u>	<u>(42,268)</u>
Cash flows from financing activities		
Proceeds from issue of units	53,260	58,430
Payments for redemption of units	(32,610)	(11,726)
Distributions paid to unitholders	(364)	(221)
Net cash provided by financing activities	<u>20,286</u>	<u>46,483</u>
Net increase/(decrease) in cash and cash equivalents	(1,500)	4,247
Effect of exchange rate changes on the balances of foreign currencies	-	(2)
Cash and cash equivalents at 1 July	<u>5,464</u>	<u>3,097</u>
Cash and cash equivalent at 31 December	<u>3,964</u>	<u>7,342</u>

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

1 MATERIAL ACCOUNTING POLICIES

REPORTING ENTITY

The Australian Ethical High Growth Fund (the Scheme), a for-profit entity, is a registered managed investment scheme under the Corporations Act 2001. The Scheme was constituted on 18 November 2009 and will terminate on 17 November 2089 unless terminated earlier in accordance with the provisions of the Scheme's Constitution. The Scheme is domiciled in Australia. The financial statements of the Scheme are for the half-year ended 31 December 2024.

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements of the Scheme comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

BASIS OF PREPARATION

These financial statements are presented in Australian dollars which is the functional currency and are prepared on a fair value basis with financial assets designated at fair value through profit or loss and derivatives which are measured at fair value, except for receivables and payables which are measured at cost.

The material accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The Statement of Financial Position is prepared on a liquidity basis. All balances including financial assets held at fair value are readily converted to cash, except for investments in the Australian Ethical Alternatives Fund, Australian Ethical Defensive Alternatives Fund, Australian Ethical Unlisted Property Fund and direct unlisted property assets..

This interim financial report is a general-purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The interim financial report covers Australian Ethical High Growth Fund (the Scheme) as an individual entity. The Responsible Entity of the Scheme is Australian Ethical Investment Limited (the Responsible Entity). The registered office is Boardroom Pty Limited, Level 8, 210 George Street, Sydney, NSW, 2000. The interim financial report is presented in Australian dollars, which is the Scheme's functional currency.

Selected explanatory notes are included to explain events and transactions that are material to an understanding of the changes in financial position and performance of the Scheme since the last annual financial statements as at and for the year ended 30 June 2024. The interim financial report does not include all of the information required for full annual financial reports and should be read in conjunction with the annual financial report of the Scheme as at and for the year ended 30 June 2024, and any public announcements made in respect of the Scheme during the reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001.

ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Scheme's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that may have a financial impact on the Scheme and are believed to be reasonable under the circumstances.

1 MATERIAL ACCOUNTING POLICIES

DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with the investment mandate, the Scheme may invest in derivative financial instruments to gain or hedge exposure to equities, interest rates or foreign currencies. Derivative financial instruments are recognised initially at cost. After initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income. At balance date, the Scheme held exchange traded equity futures and options and a forward foreign exchange contract.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value. Cash and cash equivalents are used by the Scheme in the management of short-term commitments.

MARGIN ACCOUNTS

Margin accounts comprise of cash held or owned as collateral for derivative transactions. The cash is held by or owed to the broker and is only available for margin calls. It is not included as a component of cash and cash equivalents. Movements to and from the margin accounts are presented under investing activities in the Statement of Cash Flows.

FAIR VALUE MEASUREMENT PRINCIPLES

Financial instruments comprise financial assets held at fair value through profit or loss, receivables, cash and cash equivalents, payables, and distributions payable.

The Scheme can invest into a variety of assets including Australian and New Zealand shares, international shares, property, alternative assets, interest-bearing securities and cash. Generally, valuation information is obtained from third-party industry standard service providers to ensure that the most recent security prices are obtained. The prices used to value investments include, but are not limited to:

- independent prices obtained for each security;
- quoted market prices on securities; and
- redemption prices published by the relevant Responsible Entity, for investment into unlisted unit trusts.

For certain investments, prices cannot be obtained from the above sources. In these instances, valuations obtained from service providers are estimated using valuation models which are consistent with accepted industry practice and incorporate the best available information regarding assumptions that market participants would use when pricing the assets or liabilities. Irrespective of the method used by third-party industry standard service providers to obtain valuations, prices achieved in actual transactions may be different.

The Scheme uses derivative instruments in the form of futures, options and forward foreign exchange contracts. Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivatives are measured at fair value and changes are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they occur.

The Scheme's assets are measured at fair value in accordance with AASB 13 Fair Value Measurement. The fair value of financial assets traded in active markets is based on quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market prices used for the fair value measurement are last traded prices and is the same price used in the unit pricing process.

The fair value measurement of financial assets for the comparative period was previously based on quoted market bid prices, being the price a market participant would pay to buy the asset and is different to the price used in the unit pricing process which is the last sale price.

1 MATERIAL ACCOUNTING POLICIES

FAIR VALUE MEASUREMENT PRINCIPLES

Accordingly, the Scheme has elected to re-present the applicable comparative period values. The restatement is to ensure comparability to the current period.

The reclassification allocates the adjustment arising from different unit pricing and accounting valuations to Financial assets held at fair value through profit and loss and Net change in fair value of financial assets. The reclassification has also been captured within Note 4 and Note 5.

Classification

On initial recognition a financial asset is classified as measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income. Financial liabilities are classified as measured at amortised cost or fair value through profit or loss.

Recognition and initial measurement

A financial instrument is recognised when the Scheme becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are accounted for at trade date (i.e. the date the Scheme commits itself to purchase or sell the asset).

Measurement

After initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income. All other financial instruments are carried at amortised cost using the effective interest rate method less any recognised impairment.

Financial liabilities arising from redeemable units issued by the Scheme are carried at the redemption amount representing the unitholders' rights to the residual interest in the Scheme's assets, effectively the fair value at the reporting date.

Derecognition

The Scheme derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Scheme neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Scheme is recognised as a separate asset or liability. The Scheme derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Impairment of financial assets held at amortised cost

AASB 9 requires an 'expected credit loss' model to apply to financial assets measured at amortised cost, contract assets and debt instruments, but not equity instruments held at fair value through profit or loss. The financial assets at amortised cost consists of trade receivables and cash and cash equivalents.

STANDARDS AND INTERPRETATIONS ON ISSUE NOT YET ADOPTED

Management have assessed there are no new accounting standards, interpretations or amendments to existing standards that are effective for the period beginning 1 July 2024 that would be expected to have a material impact on the Scheme.

2 DISTRIBUTIONS PAID AND PAYABLE

	31 December 2024 \$'000	31 December 2023 \$'000
Distributions payable	9,662	8,768

The Scheme's interim distributions for the period were as follows:

- Retail class of 0.96 (December 2023: 1.24) cents per unit;
- Wholesale class of 1.59 (December 2023: 1.79) cents per unit; and
- Zero class of 2.69 (December 2023: 2.75) cents per unit.

The prior year final distribution of \$18,166,951 was paid in July 2024.

3 ISSUED UNITS

Each unit represents a right to an individual share in the Scheme per the Constitution. Zero class units are issued to other schemes managed by the Responsible Entity and the Australian Ethical Retail Superannuation Fund (AERSF) and are not charged a Responsible Entity fee. All rights attached to zero class units are the same as those of the other classes.

	31 December 2024 Units	31 December 2023 Units
Retail class		
On issue at beginning of period	2,955,430	3,069,114
Issued	424,437	725,316
Reclassified to wholesale class	(418,900)	(565,750)
Redeemed	(178,298)	(187,608)
On issue at period end	2,782,669	3,041,072
Wholesale class		
On issue at beginning of period	34,881,817	32,776,718
Issued	2,899,961	2,269,682
Reclassified from retail class	418,633	565,282
Redeemed	(1,930,196)	(1,710,705)
On issue at period end	36,270,215	33,900,977
Zero class		
On issue at beginning of period	322,579,625	269,196,023
Issued	26,561,967	29,829,242
Redeemed	(11,740,807)	(3,641,486)
On issue at period end	337,400,785	295,383,779

4 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The Scheme manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly daily as the Scheme is subject to daily applications and redemptions at the discretion of unitholders. Applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Scheme's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer a redemption of units if the exercise of such discretion is in the best interest of the unitholders.

The objective of the Scheme is to provide unitholders with returns in accordance with the Product Disclosure Statement. The Scheme aims to deliver capital growth through an exposure to growth assets such as Australian and international shares, unlisted property and alternative assets.

	31 December 2024	31 December 2023
	\$'000	\$'000
Opening balance	816,264	644,330
Issued	53,260	58,430
Distributions reinvested	17,803	11,047
Redeemed	(32,610)	(11,726)
Change in net assets attributable to unitholders	<u>75,868</u>	<u>15,591</u>
Net assets attributable to unitholders	<u>930,585</u>	<u>717,672</u>

5 FAIR VALUES

The following table provides an analysis of financial instruments that are measured after initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: Using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Derived from valuation techniques that include inputs for the asset or liability that is not based on observable market data (unobservable inputs). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques.

31 December 2024	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Designated at fair value through profit or loss				
Derivatives	66	(247)	-	(181)
Equity securities	2,414	-	-	2,414
Unlisted unit trusts	-	845,595	77,324	922,919
Total	<u>2,480</u>	<u>845,348</u>	<u>77,324</u>	<u>925,152</u>

5 FAIR VALUES

30 June 2024	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Designated at fair value through profit or loss				
Derivatives	55	-	-	55
Equity securities	21,950	-	-	21,950
Unlisted unit trusts	-	733,504	55,674	789,178
Total	<u>22,005</u>	<u>733,504</u>	<u>55,674</u>	<u>811,183</u>

During the period there were no transfers between levels.

In the analysis it is assumed that the amount of financial assets exposed to fluctuations in unobservable inputs as at the balance sheet date is representative of the balances held throughout the financial year. No other flow-on effects or fluctuations in fair value have been taken into account.

5 FAIR VALUES

The table below describes the valuation techniques used in the measurement of fair value for assets categorised as Level 2 and 3. Exposure to early-stage venture capital partnerships and unlisted infrastructure is through the investment in the Australian Ethical trusts.

Asset type	Valuation technique	Interest held by the Scheme
Unlisted Australian Ethical trusts (Level 2 & Level 3)	The prices used to value the underlying investments include but is not limited to independent prices obtained for each security, quoted 'bid' prices on securities and for investments into unlisted unit trusts, redemption prices published by the Responsible Entity.	Direct investment in units issued by the Australian Ethical trusts
Unlisted property trust (Level 2)	The valuation measurement is market value as defined by the International Valuation Standards Council and adopted by the Australian Property Institute. The fair value of direct property assets is based on independent external valuations. A variety of established valuation techniques are used by valuers in determining the value of direct property investments. These include, discounted cashflows, capitalisation of rental income and analysis of comparable recent sale transactions.	Direct investment in units issued by the trusts and indirectly held through the Australian Ethical trusts
Early-stage venture capital partnerships (Level 3)	Valuation techniques are in accordance with International Private Equity and Venture Capital (IPEV) valuation principles endorsed by the Australian Investment Council (AIC). In estimating Fair Value of investments, the valuation techniques that are appropriate in light of the nature, facts and circumstances of the investment are applied. Consistent valuation techniques for investment with similar characteristics, industries and/or geographies is considered and used. There are a number of different techniques applied, including 'Price of Recent Investment', 'Multiples', 'Net Assets', 'Discounted Cash Flows or Earnings'.	Limited partnership interest indirectly held through the Australian Ethical trusts
Debt instruments unsecured (Loans) (Level 3)	Discounted cash flow (DCF) is the primary valuation approach adopted for infrastructure debt investments where cash flow forecasts can be made with a reasonable degree of certainty. Under the DCF approach, the expected future cash flows from the debt investments are discounted at a risk adjusted discount rate to convert all future cash flows to their present value equivalent. For debt investments greater than 5% of the portfolio, third-party experts are engaged to provide an annual assessment of the appropriate risk adjusted discount rate specific to each debt investment.	Direct investment in units issued by the Australian Ethical trusts
Unlisted infrastructure & unlisted infrastructure trusts (Level 3)	Third-party experts apply valuation techniques to determine fair value. Valuers use accepted valuation methodologies that are most appropriate for each asset, considering factors such as asset size, characteristics, and domicile. The assumptions within the valuation techniques applied to infrastructure assets can include income capitalisation, discounted cash flow, trading and transaction earnings multiples or direct sales comparison. The assumptions are determined by the valuer and adjusted to reflect the current consensus view of economic conditions and asset specific drivers.	Investment is held through the Australian Ethical trusts

5 FAIR VALUES

At balance date, the effect on net assets attributable to unitholders as a result of a change in the internal valuation of Level 3 assets, with all other variables remaining constant would be as follows:

	31 December 2024	30 June 2024
	\$'000	\$'000
Increase in alternative assets by 10% (June 2024: 10%)	7,732	5,567
Decrease in alternative assets by 10% (June 2024: 10%)	(7,732)	(5,567)

The following table shows a reconciliation from beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	31 December 2024	30 June 2024
	\$'000	\$'000
Opening balance at 1 July	55,674	56,825
Acquisition of units in unlisted Australian Ethical trusts	29,663	10,433
Disposal of units in unlisted Australian Ethical trusts	(10,560)	(11,063)
Net fair value profit/(loss)	<u>2,547</u>	<u>(521)</u>
Total level 3 assets held at fair value	<u>77,324</u>	<u>55,674</u>

Carrying amounts versus fair value

The fair values of financial assets and liabilities approximates their carrying amounts in the Statement of Financial Position.

6 CONTINGENCIES

There are no contingent assets or liabilities as at 31 December 2024 (30 June 2024: Nil).

7 EVENTS OCCURRING AFTER THE REPORTING DATE

As the investments in the Scheme are measured at their 31 December 2024 fair values in the financial report, any volatility in values after the balance date is not reflected in the Statement of Profit or Loss and Other Comprehensive Income or the Statement of Financial Position. However, the current value of investments is reflected in the current unit price.

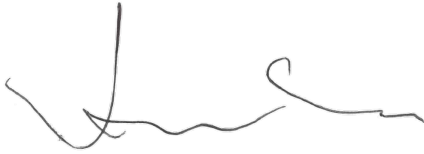
During the period between 31 December 2024 and the date of this report, there were no items, transactions, or events of a material and unusual nature likely in the opinion of the Responsible Entity, to significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in future financial periods.

Directors' Declaration

In the opinion of the Directors of Australian Ethical Investment Limited, the Responsible Entity of the Australian Ethical High Growth Fund (the Scheme):

- (a) The financial statements and notes to the financial statements that are set out in this report 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 for the six-month period ended on that date; and
 - (ii) Complying with Australian Accounting Standards and Corporations Regulations 2001;
- (b) There are reasonable grounds to believe that the Scheme will be able to pay its debts when they become due and payable; and
- (c) The Scheme has operated during the half-year ended 31 December 2024 in accordance with the provisions of the Scheme's Constitution.

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



Independent Auditor's Review Report

To the unitholders of Australian Ethical High Growth Fund

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Australian Ethical High Growth 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 Australian Ethical High Growth 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 7 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 Australian Ethical High Growth 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