

Australian Ethical is one of Australia's leading ethical fund managers. By investing responsibly in well-managed ethical companies, we deliver competitive financial performance to our clients and positive change to society and the environment. Since our inception in 1986, our Ethical Charter has guided all investment decisions and underpinned our business practices. Every year 10 per cent of our profits* are distributed to charitable organisations and social impact initiatives through The Australian Ethical Foundation.

Investment objective

The Fund aims to deliver returns of 2-3% above the RBA cash rate per annum (after fees and expenses) over 5-year periods.

Investment strategy

To provide exposure to a diversified range of loans to renewable energy projects (such as solar, wind, and battery assets), as well as loans for social infrastructure (such as schools and hospitals) and property projects with a social or environmental benefit (such as social housing). The Fund invests predominately in Australia but may also invest in foreign assets over time. These loans are typically privately originated and illiquid in nature.

Fund facts

Fund size: \$57.39m

Benchmark: RBA Cash Rate

Asset class: Infrastructure Debt

Inception date: 01/02/2024

Minimum investment timeframe: 5 years

Distribution frequency: Quarterly

Typical number of loans: 13

Risk level: Medium

Identifiers

ISIN code: AU60AUG49611

APIR code: AUG4961AU

Fees

Management costs: 0.85%

Minimum initial investment: \$100,000

A full explanation of all the fees and costs that you may be charged for investing in the Fund is provided in the Fund's Information Memorandum available from our website <https://www.australianethical.com.au/managed-funds/investment-options/infrastructure-debt-fund>

*(after tax, before bonus expense)

Performance (as at 30/06/2024)

	1m	3m	6m	1y	Since Inception (ann.)
Fund	0.6%	1.8%	-	-	2.9%
RBA Cashrate	0.4%	1.1%	-	-	1.8%
Excess Returns	0.3%	0.8%	-	-	1.1%

Top 10 Portfolio holdings

Loan	Weight
Bright Energy Investment Portfolio	16.0%
Yarranlea Solar Farm	12.9%
Sentient Solar Asset Fund Portfolio	11.7%
RELA	9.7%
Energy Trade	8.5%
Dulacca Wind Farm	6.9%
AE Income Fund	6.6%
Ark Energy NT Solar Portfolio	6.2%
Cash	6.2%
Royal Women's Hospital	5.6%

Total returns are calculated using the sell (exit) price, net of management fees and gross of tax as if distributions of income have been reinvested at the actual distribution reinvestment price. The actual returns received by an investor will depend on the timing, buy and exit prices of individual transactions. Return of capital and the performance of your investment in the fund are not guaranteed. Past performance is not a reliable indicator of future performance. Figures showing a period of less than one year have not been adjusted to show an annual total return. Figures for periods of greater than one year are on a per annum compound basis. The current benchmark may not have been the benchmark over all periods shown in the above chart and tables. The calculation of the benchmark performance links the performance of previous benchmarks and the current benchmark over the relevant time periods.

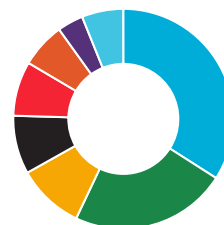
Platform availability

- Hub 24
- Netwealth

Investment Statistics	Portfolio Loans	Duration (yrs)	Effective Maturity (yrs)
Current Portfolio	13	0.3 years	2.8 years

Sector allocation

Solar	34.0%
Wind	23.0%
Property	9.8%
Embedded Networks	8.6%
Social Infrastructure	8.0%
AE Income Fund	6.6%
Storage	3.8%
Cash	6.1%



Fund and Market Commentary

In the first full quarter since its February 2024 inception, the wholesale class of the Australian Ethical Infrastructure Debt Fund (the Fund) returned 1.8% net of fees for the quarter, compared to the benchmark return of 1.1%, an outperformance of 0.8%. On an annualized basis this represents 3.2% outperformance. Performance was driven predominantly by income from underlying loans and securities, while the RBA's Cash Rate Target remained constant over the quarter. Credit margins have remained reasonably steady over this quarter, with the credit position of all loans remaining strong. Cash holdings were elevated at the quarter-end reporting date due to receipt of underlying loan interest payments, with the majority of this cash invested following the reporting date.

The Fund has a specific objective of supporting Australian projects that generate positive, measurable social and environmental impact alongside a financial return. During the quarter, assets within the portfolio generated 373,629 megawatt hours of clean energy and helped avoid 224,124 tonnes of carbon emissions.

There has been a significant rebound of electricity prices during the quarter across the five states in the National Electricity Market (NEM), except Queensland. Prices rose 44% last quarter to \$149/MWh, reflecting record low wind resources. The pain is most pronounced in Victoria and South Australia, the states that have the highest reliance on wind dispatch, where prices have increased 99% and 77% respectively quarter on quarter. This has been to the benefit of merchant projects in the portfolio, such as the Leeton and Fivebough solar farms in the Photon Energy Portfolio, allowing for stronger balance sheets from which to pay out loan interest to the Fund.

The Fund is currently assessing several potential transactions including a wind farm project, a hybrid solar and battery project, a sub-5MW solar portfolio and multiple Battery Energy Storage System (BESS) projects. The wind farm project is currently under detailed due diligence with a target close date in late August.

New Investments

During the quarter, Sentient's Solar Asset Fund portfolio facility (financing the Chinchilla, Swan Hill and Brigalow solar farms) was refinanced, extending the maturity of the loan by five years to 31 March 2030. The debt facility continues to deliver attractive risk-adjusted returns.

Post-quarter, in early July, the Fund provided senior debt financing for Green Tech Limited's (GTL Renewables) residential power purchase agreement (PPA) portfolio. GTL's portfolio contains 2,000+ residential solar and battery PPAs systems located across the east coast of Australia. Under GTL's PPA arrangements, GTL provides solar and battery equipment to households for a fixed monthly fee over 10 years, creating significant net cost savings on electricity for residential customers. Customers can also opt to participate in GTL's Virtual Power Plant (VPP) program, allowing their home batteries to be used for load balancing and grid stabilisation services. The PPA program contributes to Australia's grid decarbonisation at a household level.

Need Help?

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Australian Ethical Infrastructure Debt AUD

Fund Profile - 30/06/2024

Project Updates

All projects in the portfolio continue to perform within expectations of the manager. One battery project is now in the final stages of commissioning. The project had a delay in commencing commissioning, but is now expected to be fully through commissioning in the next few months.

The Dulacca Wind Farm has now formally entered the operations phase as it is fully operational. Revenue remained very strong as the project continued to dispatch into strong evening peak prices in Queensland. The project is operating well with no material issues to report.

Finally, one of the solar farms in the portfolio experienced a small grass fire which caused some damage to cabling. It will result in one inverter being down reducing the operational capacity of the project by about 4% whilst repairs are undertaken. The project is insured. From a credit standpoint the manager has no concerns as the lost generation is small relative overall project revenues.

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