

# Balanced Fund

Interim Financial Report  
as at 31 December 2021



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# Directors' Report

# Directors' Report

For the half-year ended 31 December 2021

The Directors of Australian Ethical Investment Limited, the "Responsible Entity" of the Australian Ethical Balanced Fund ("the Scheme") present the Directors' report together with the financial statements of the Scheme for the half-year ended 31 December 2021 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:

- John McMurdo, Managing Director and CEO
- Kate Greenhill
- Stephen Gibbs
- Mara Bun
- Michael Monaghan
- Julie Orr

## PRINCIPAL ACTIVITIES AND STATE OF AFFAIRS

The principal activity of the Scheme is to pool investors' savings to invest in a diversified portfolio of asset types, 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 Constitution of the Scheme authorises investments in a range of assets which may include cash, property, alternative assets, fixed interest securities and both domestic and international equities. 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.

There were no 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

In many ways, 2021 was like a sequel to 2020 as Covid continued to dominate our daily lives, with extended lockdowns and closed borders hurting people and businesses alike. While the shadow of the pandemic loomed over the Australian economy for a second consecutive year, federal and state government support helped mitigate the worst impacts with the focus on getting the nation vaccinated leading to a gradual easing of restrictions.

But despite signs that we are transitioning to living with Covid as vaccines and treatments get the upper hand, the sweeping impact of Omicron shows that sentiment around the pandemic can still shift quickly.

Around the world, companies are reconfiguring their operations in response to Covid. That the pandemic continues to test many companies is an important reminder of having a robust business to be able to manage through unpredictable circumstances. Australian Ethical has remained strong throughout thanks to our resilient business structure and thorough business continuity plan.

The knock-on effects of reduced employee availability during the most recent Omicron wave have not radically impacted Australian Ethical, where our pre-pandemic flexible work policy and existing bench strength in key areas have helped us continue relatively unaffected.

While we now have a far greater understanding of Covid than we did in 2020 or even early 2021, it's clear that people and businesses continue to be affected by the pandemic. Even with restrictions easing, many of the longer-

term impacts are still uncertain. As such, the board and senior leadership team remain alert to the situation as it evolves and continue to monitor any strategic risks and horizon threats, as well as the principal risks more directly associated with our business activities.

Despite continuing economic uncertainty and market volatility, the economy has shown resilience to the pandemic and lockdowns thanks to fiscal support. Management continue to review the ongoing impact of COVID-19 and the Scheme's fair value management principles applied to the asset valuations include impacts from the pandemic.

The Scheme's liquid assets are valued daily at fair value based on a market price where the security is traded on a properly regulated market. The liquid asset classes (e.g. units in unlisted trusts and cash) are the primary source of liquidity to meet the redemption, distribution, and expense obligations of the Scheme. At all times during the period, requests for redemptions have been met through available cash or via the sale of liquid investments at fair value. The Investment Managers of the illiquid assets held by the Scheme continue to actively monitor the impacts of COVID-19. These assets have been subject to more frequent valuations to ensure they are recorded at fair value for both unit pricing and financial reporting.

## Overview

The investments of the Scheme are consistent with those set out in the Scheme's Product Disclosure Statement dated 1 October 2021.

## 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 Standard 6 Product Performance - Calculation of Returns. The Scheme achieved the following total returns for the period:

- Retail class 5.25% (December 2020: 10.03%); and
- Wholesale class 5.60% (December 2020: 10.53%).

## 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 \$19,243,405 interim distributions (December 2020: \$17,220,591) paid by the classes were as follows:

- Retail class of 0.21 (December 2020: Nil) cents per unit;
- Wholesale class of 0.73 (December 2020: 0.98) cents per unit; and
- Zero class of 1.34 (December 2020: 1.52) cents per unit.

The prior year final distribution of \$102,846,368 was paid in July 2021.

## Net assets

The value of the Scheme's net assets attributable to unitholders as at 31 December 2021 was \$3,257,986,898 (30 June 2021: \$2,764,633,432).

## Fees

Responsible Entity fees per annum charged for the period were as follows:

- 1.42% for the retail class (December 2020: 1.75%);
- 0.76% for the wholesale class (December 2020: 0.85%); and
- Nil for the zero class (December 2020: Nil). Institutional investors are included in this class and are subject to separate fee arrangements.

Management costs as reported in the Scheme's Product Disclosure Statement include 0.10% (retail class) and 0.10% (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.

## Climate change

2021 saw increasing momentum around consensus on reducing emissions, which was highlighted on a global stage at the COP26 conference in Glasgow. We're hopeful that this public demand and bottom-up pressure from the broader investor community will help accelerate Australia's green transition, together with the expectation that all ASX-listed corporates will soon commit to net zero.

At our AGM in October 2021, we announced our own more ambitious 2040 net zero target for our investment portfolio, bringing forward the 2050 target we set in 2015. Our net zero target is for our investment in the private sector, not for our investment in government bonds and other public sector investments.

For global emissions to reach net zero by 2050, the world will need diverse successful zero emissions businesses operating across the economy by 2040. These businesses which are leading in the management of climate risk and opportunity are the businesses we want to invest in, so that by 2040 we can offer our investors high performing, zero emissions portfolios.

Setting a net zero 2040 target helps drive capacity and innovation to make this a reality. We also continue to enhance our interim targets to ensure we are on path.

## INDEMNITIES AND INSURANCE PREMIUMS FOR THE RESPONSIBLE ENTITY AND AUDITOR

No insurance premiums are paid 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.

## AUDITOR'S DECLARATION

The auditor's independence declaration is included on page 8 of the interim financial report and forms part of the Directors' report for the period ended 31 December 2021.

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



John McMurdo  
Managing Director  
Australian Ethical Investment Limited  
22 February 2022

# Lead Auditor's Independence Declaration



# 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 Balanced Fund

I declare that, to the best of my knowledge and belief, in relation to the review of Australian Ethical  
Balanced Fund for the half-year ended 31 December 2021 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  
22 February 2022

# Financial Statements

# Financial Statements

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

	Note	Dec-21 \$'000	Dec-20 \$'000
<b>Investment income</b>			
Interest		-	6
Dividends		23,484	21,229
Net change in fair value of financial assets		163,609	203,128
Other income		123	45
<b>Net investment income</b>		<b>187,216</b>	<b>224,408</b>
<b>Operating expenses</b>			
Management fees		1,538	1,290
<b>Operating expenses before finance costs</b>		<b>1,538</b>	<b>1,290</b>
<b>Profit from operating activities</b>		<b>185,678</b>	<b>223,118</b>
<b>Finance costs</b>			
Distributions paid and payable to unitholders of the Scheme	2	(19,243)	(17,221)
<b>Change in net assets attributable to unitholders (total comprehensive income)</b>	<b>4</b>	<b>166,435</b>	<b>205,897</b>

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	Dec-21 \$'000	Jun-21 \$'000
<b>Assets</b>			
Cash and cash equivalents		13,246	30,817
Receivables		20,748	94,341
Financial assets held at fair value through profit or loss	5	3,243,333	2,742,369
<b>Total assets</b>		<b>3,277,327</b>	<b>2,867,527</b>
<b>Liabilities</b>			
Payables		97	48
Distribution payable	2	19,243	102,846
<b>Total liabilities</b>		<b>19,340</b>	<b>102,894</b>
<b>Net assets attributable to unitholders</b>	<b>4</b>	<b>3,257,987</b>	<b>2,764,633</b>
<b>Represented by:</b>			
Net assets attributable to unitholders at net asset value price		3,278,478	2,868,497
Distribution payable to unitholders of the Scheme	2	(19,243)	(102,846)
Adjustments arising from different unit pricing and accounting valuation		(1,248)	(1,018)
<b>Total net assets attributable to unitholders</b>	<b>4</b>	<b>3,257,987</b>	<b>2,764,633</b>

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## STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2021

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.

## STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2021

	Dec-21 \$'000	Dec-20 \$'000
<b>Cash flows from operating activities</b>		
Interest received	-	6
Dividends received	3,486	2,052
Other income received	123	45
Management fees paid	(1,494)	(1,231)
<b>Net cash provided by operating activities</b>	<b>2,115</b>	<b>872</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	103,916	25,130
Purchase of investments	(347,676)	(232,018)
<b>Net cash used in investing activities</b>	<b>(243,760)</b>	<b>(206,888)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	300,912	246,554
Payments for redemption of units	(73,863)	(17,760)
Distributions paid to unitholders	(2,975)	(115)
<b>Net cash provided by financing activities</b>	<b>224,074</b>	<b>228,679</b>
Net (decrease)/increase in cash and cash equivalents	(17,571)	22,663
Cash and cash equivalents at 1 July	30,817	3,147
<b>Cash and cash equivalents at 31 December</b>	<b>13,246</b>	<b>25,810</b>

# Notes to the Financial Statements

# Notes to the Financial Statements

For the half-year ended 31 December 2021

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

### REPORTING ENTITY

The Australian Ethical Balanced Fund ("the Scheme"), a for-profit entity, is a registered managed investment scheme under the Corporations Act 2001. The Scheme was constituted on 2 November 1999 and will terminate on 1 November 2079 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 2021.

### 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

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 Balanced 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, Grosvenor Place, Level 12, 225 George Street, Sydney, NSW, 2000. The interim financial report is presented in Australian dollars, which is the Scheme's functional currency.

Investment administration of the Scheme is conducted by National Australia Bank Limited Asset Servicing (NAS). All of the assets of the Scheme are held by external custodian, NAS. The Responsible Entity conducts oversight on the investment administration services provided by NAS and monitors the credit ratings and capital adequacy of the custodian.

Selected explanatory notes are included to explain events and transactions that are significant 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 2021. 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 2021 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.

The financial statements were authorised for issue by the Directors of the Responsible Entity on 22 February 2022.

The accounting policies adopted are consistent with those of the previous financial year. There have been no significant changes in the risk management policies and procedures of the Scheme since previous year end.

### CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF UNCERTAINTY

The preparation of this interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management in applying

the Scheme's accounting policies and key sources of estimation were the same as those that applied to the financial statements as at and for the financial year ended 30 June 2021.

Management continue to monitor the impact of the ongoing COVID-19 pandemic in Australia and its impact on the financial statements. The Scheme's net assets continue to record strong growth through positive investment performance and net inflows during the period. The fair value management principles applied to the asset valuations include impacts from the pandemic and are consistent with the 30 June 2021 annual financial report. The Scheme has not been over-exposed to the industries worst affected by COVID-19 and as a result management have not made any additional adjustments to any estimates or valuations.

## **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 property, fixed interest securities, unit trusts, and both domestic and international equities. 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 'bid' prices on securities; and
- redemption prices published by the relevant Responsible Entity, for investments 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 through the use of 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.

## **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**

Subsequent to 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.

## NOTE 2 – DISTRIBUTIONS PAID AND PAYABLE

	<b>Dec-21</b> <b>\$'000</b>	Dec-20 \$'000
Distributions payable	19,243	17,221

The Scheme's interim distributions for the 6 months from the classes were as follows:

- Retail class of 0.21 (December 2020: Nil) cents per unit;
- Wholesale class of 0.73 (December 2020: 0.98) cents per unit; and
- Zero class of 1.34 (December 2020: 1.52) cents per unit.

The prior year final distribution of \$102,846,368 was paid in July 2021.

## NOTE 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, the Australian Ethical Retail Superannuation Fund (AERSF), and institutional investors. Institutional investors are not charged a direct fee through the Scheme but are subject to separate fee arrangements. All other rights attached to zero class units are the same as those of the other classes.

	<b>Dec-21</b> <b>Units</b>	Dec-20 Units
<b>Retail class</b>		
On issue at beginning of period	44,893,008	62,924,248
Issued	19,353,109	7,475,277
Transferred to other classes	(14,264,731)	(24,731,201)
Redeemed	(2,113,963)	(2,619,193)
<b>On issue at period end</b>	<b>47,867,423</b>	<b>43,049,131</b>

	<b>Dec-21 Units</b>	Dec-20 Units
<b>Wholesale class</b>		
On issue at beginning of period	<b>90,039,040</b>	42,919,344
Issued	<b>17,678,112</b>	4,986,766
Transferred from other classes	<b>14,320,286</b>	24,684,819
Redeemed	<b>(6,906,233)</b>	(2,525,560)
<b>On issue at period end</b>	<b>115,131,205</b>	70,065,369
<b>Zero class</b>		
On issue at beginning of period	<b>1,231,471,376</b>	965,974,490
Issued	<b>156,088,569</b>	128,898,013
Redeemed	<b>(26,043,223)</b>	(4,614,647)
<b>On issue at period end</b>	<b>1,361,516,722</b>	1,090,257,856

## NOTE 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 on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders. Daily 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 provide investors with a balance between capital growth and a moderate level of income through a diversified portfolio of assets. The Scheme is not subject to any externally imposed capital requirements.

	<b>Dec-21 \$'000</b>	Dec-20 \$'000
Opening balance	<b>2,764,633</b>	1,882,769
Issued	<b>300,912</b>	246,554
Distributions reinvested	<b>99,870</b>	14,967
Redeemed	<b>(73,863)</b>	(17,760)
Change in net assets attributable to unitholders	<b>166,435</b>	205,897
<b>Net assets attributable to unitholders</b>	<b>3,257,987</b>	2,332,427

## NOTE 5 – FAIR VALUES

The following table provides an analysis of financial instruments that are measured subsequent to 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); and

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.

	<b>Dec-21</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Designated at fair value through profit or loss</b>				
<b>Unit trusts</b>				
Unlisted Australian Ethical trusts	-	2,864,114	25,314	2,889,428
Unlisted property trusts	-	334,016	-	334,016
Unlisted infrastructure	-	-	-	-
Limited partnership interests	-	-	19,889	19,889
<b>Financial assets at fair value through profit or loss</b>	-	<b>3,198,130</b>	<b>45,203</b>	<b>3,243,333</b>
		<b>Jun-21</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Designated at fair value through profit or loss</b>				
<b>Unit trusts</b>				
Unlisted Australian Ethical trusts	-	2,441,540	-	2,441,540
Unlisted property trust	-	260,184	-	260,184
Unlisted infrastructure	-	-	23,005	23,005
Limited partnership interests	-	-	17,640	17,640
<b>Financial assets at fair value through profit or loss</b>	-	<b>2,701,724</b>	<b>40,645</b>	<b>2,742,369</b>

The Scheme does not hold any Level 1 assets. During the period there were no transfers between levels.

During the period, investments held directly in the Morrison & Co. Growth Infrastructure Fund and the CSIRO Innovation 2 LP Fund were transferred to the Australian Ethical Alternatives Fund (a related party). In exchange for these assets the Scheme received units held in the Australian Ethical Alternatives Fund which is also disclosed as a Level 3 Asset. The transfers were effective 30 September 2021.

The limited partnership interests represents investments in two separate diversified portfolios of early-stage venture capital assets held at fair value. The assets held by the Level 3 Unlisted Australian Ethical trust include investments in unlisted infrastructure held at fair value. The Directors have determined fair value by internal valuation methodology (referencing specialist asset manager valuation techniques) which has regard to the original transaction price, subsequent follow on investments, and other underlying assets and liabilities of the partnerships.

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 balances held throughout the financial year. No other flow on effects or fluctuations in fair value have been taken into account.

For Level 3 assets, the internal valuation has been adjusted by 10% (2020: 10%). At balance date, the effect on net assets attributable to unitholders as a result of changes defined above with all other variables remaining constant would be as follows:

	<b>Dec-21</b>	Jun-21
	<b>\$'000</b>	\$'000
Increase in alternative assets by 10%	<b>4,520</b>	4,064
Decrease in alternative assets by 10%	<b>(4,520)</b>	(4,064)

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

	<b>Dec-21</b>	Jun-21
	<b>\$'000</b>	\$'000
Opening balance at 1 July	<b>40,645</b>	22,618
Capital call on existing Level 3 asset	<b>2,036</b>	16,494
Transactions with Level 3 unlisted Australian Ethical trusts	<b>24,914</b>	-
Disposals	<b>(24,914)</b>	(129)
Net fair value profit	<b>2,522</b>	1,662
<b>Total Level 3 assets held at fair value</b>	<b>45,203</b>	40,645

#### CARRYING AMOUNTS VERSUS FAIR VALUE

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

#### NOTE 6 – COMMITMENTS

As at 31 December 2021 the Scheme has outstanding unpaid commitments to two early stage venture capital funds being Right Click Capital of \$1,313,290 (June 2021: \$2,302,165) and Artesian Clean Energy of \$885,000 (June 2021: \$1,475,000). The investment period within which the commitments may be called is within 1-2 years from reporting date.

#### NOTE 7 – CONTINGENCIES

There are no contingent assets or liabilities as at 31 December 2021 (June 2021: Nil).

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## NOTE 8 – EVENTS SUBSEQUENT TO THE REPORTING DATE

As the investments in the Scheme are measured at their 31 December 2021 fair values in the interim financial report, any volatility in values subsequent to 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.

Management continue to monitor the impact of the ongoing COVID-19 pandemic in Australia and have assessed that there are no changes required to the financial statements subsequent to the end of the period.

Other than disclosed in Note 6, during the period from 31 December 2021 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

# Directors' Declaration

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

- a) The financial statements and notes that are set out on pages 10 to 21 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 2021 and of its performance for the six month period ended on that date; and
  - ii. Complying with Australian Accounting Standards (AASB 134 Interim Financial Reporting) 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 2021 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  
22 February 2022

# Independent Auditor's Report



# Independent Auditor's Review Report

To the unitholders of Australian Ethical Balanced Fund

## Conclusion

We have reviewed the accompanying **Interim Financial Report** of Australian Ethical Balanced 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 Balanced 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 2021 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 2021;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity and Statement of cash flows for the Interim Period ended on that date;
- Notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

## 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 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

## Responsibilities of the Directors for the Interim Financial Report

The Directors of Australian Ethical Investment Limited (the Responsible Entity) 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 the 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 20221 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*.

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

Sydney  
22 February 2022