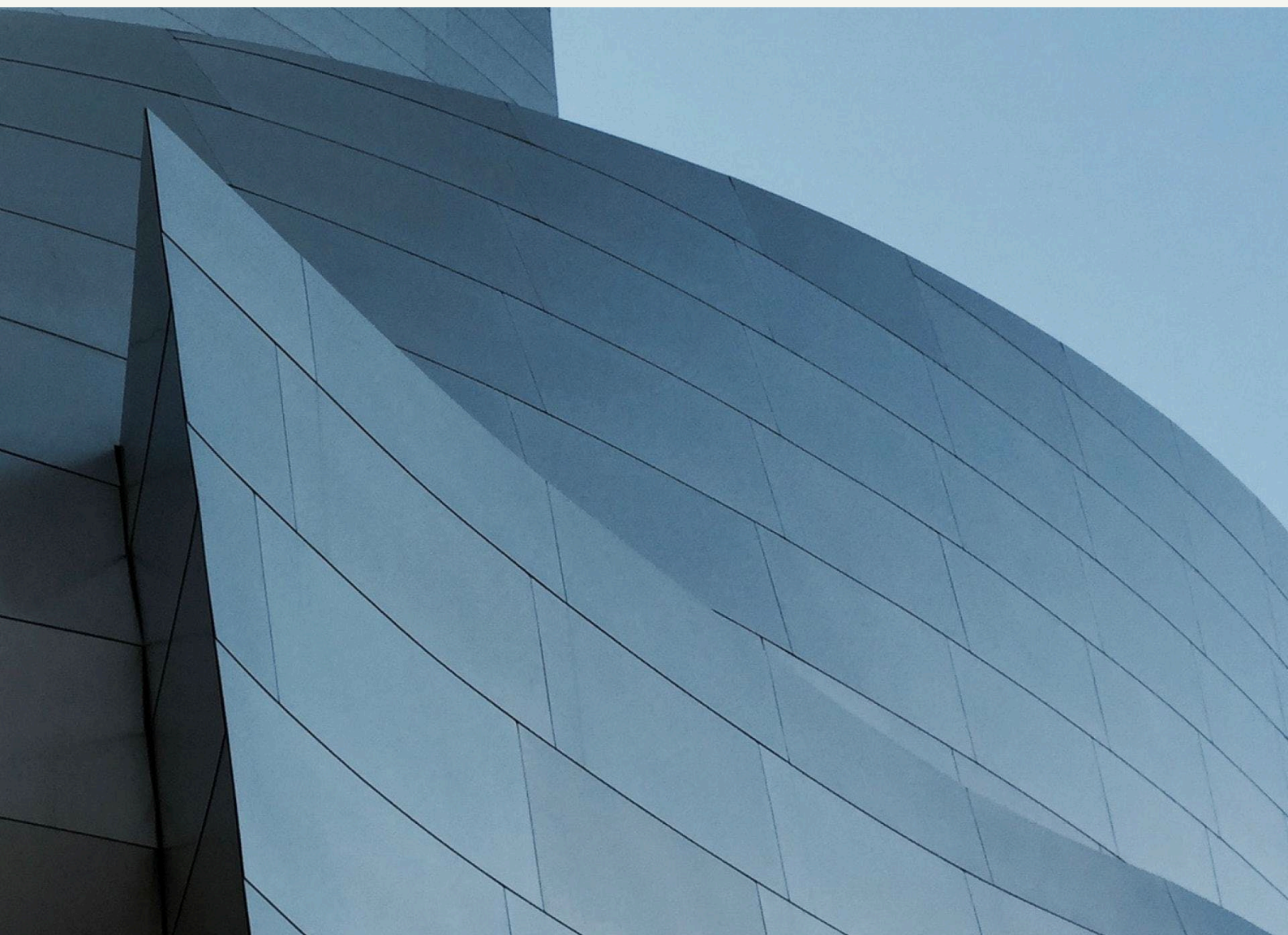


Conservative Fund

Annual Financial Report
for the year ended 30 June 2025



Conservative Fund

ARSN 672 051 795

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Directors' Report

The Directors of Australian Ethical Investment Limited, the "Responsible Entity" of the Australian Ethical Conservative Fund (the Scheme) present the directors' report together with the financial statements and notes to the financial statements of the Scheme for the year ended 30 June 2025 and the accompanying independent auditor's report. The comparative period is from the Scheme's inception date of 8 November 2023 to 30 June 2024.

RESPONSIBLE ENTITY

Australian Ethical Investment Limited (ABN 47 003 188 930) serves as the Responsible Entity for the Scheme. The registered office and principal place of business for the Responsible Entity is:

Registered office:

Boardroom Pty Limited
Level 8, 210 George Street
Sydney NSW 2000

Principal place of business is:

Level 8, 124 - 130 Pitt Street
Sydney, NSW 2000

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

Steve Gibbs (Chair)
John McMurdo (Managing Director and CEO)
Julie Orr
Kate Greenhill
Sandra McCullagh
Richard Brandweiner (appointed 1 September 2024)
Brian Bissaker (appointed 15 April 2025)
Mara Bun (retired 31 October 2024)

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 diversified portfolio of asset types which may include 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 year, the Scheme transacted with related party entities for restructuring purposes. The Scheme sold a total of \$26.6m units from related party entities and purchased a total of \$26.6m units into related party entities. All of these transactions were processed via in-specie transfers to effect asset allocation requirements and are not reflected in the Cash flows from investing activities.

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 year and there were no significant changes in the Scheme's state of affairs, except those highlighted in the review of operations.

Directors' Report (continued)

REVIEW OF OPERATIONS

Year in Review

It was a challenging year for investors as polarisation in the lead up to the US election and the escalating conflict in the Middle East and Eastern Europe fuelled volatility in investment markets. The new US Administration stoked further volatility with seesawing tariffs and other geopolitical plays. The ensuing uncertainty has impacted consumer confidence and hampered many companies' abilities to execute on their growth plans.

Even the technology sector was buffeted, with the "Magnificent 7" getting caught up in the April 2025 "Liberation Day" sell-off. Share prices of the world's largest listed technology companies have since rebounded, with NVIDIA's strong results despite trade restrictions a proof point that the Artificial Intelligence theme and associated capital spending boom is still alive and well.

We are all too aware that planetary boundaries continue to be breached while short-termism and performative politics dominate the headlines. Multiple global climate monitoring agencies¹ agree that 2024 was the hottest on record. In Australia, this played out as severe drought in Victoria and South Australia contrasted with rainfall volumes breaking previous records and repeated, devastating flooding on the mid-north coast of NSW.

A global 'anti-woke' backlash saw many US-based global financial leaders abandoning their previously stated commitments to climate, and to the principles of diversity, equity and inclusion (DEI)². In fact, our investment and ethics teams had to step in to ensure our continued consideration of board diversity in investee companies when our proxy advisor deleted this criterion for the US market.

In Australia, media and regulatory scrutiny of ESG-related claims led many investors to either water down or remain silent on their previous commitments to responsible investing for fear of being named and shamed. But as others have stepped back, we continue to press forward. We remain laser-focussed on the challenges and opportunities represented by the transition to a low-carbon future, technological advancements and equity.

It is estimated that a "massive mobilisation" of capital – more than US\$6 trillion each year by 2030 – is needed to meet the Paris target³. Meanwhile Australia is on track to be the second largest super (pension) market in the world by 2030⁴. With this trajectory and its deep financial expertise, we believe Australia well positioned to leverage this opportunity.

As ethical investors we are determined to play a leading role in this mobilisation. To that end we continued to build out the depth and breadth of our low-carbon, ethically screened product suite; advocate for policy clarity and certainty; and amplify our influence on Australian companies through our stewardship activities.

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 to 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 Investment Option Performance - Calculation of Returns. The Scheme achieved the following total returns for the year/period:

- Wholesale class 7.60% (2024: 4.75%).

¹ NASA; NOAA; World Meteorological Organisation (WMO)

² <https://sustainability-news.net/climate-nature/climate-alliance-exodus-banks-abandon-net-zero-pledges/>;
<https://esgnews.com/major-banks-reduce-public-dei-commitments>

³ <https://www.unsw.edu.au/news/2025/05/can-sharper-financial-tools-give-australia-an-edge-in-the-global-greenrace?>;
<https://www.lse.ac.uk/granthaminstitute/publication/raising-ambition-and-accelerating-delivery-of-climate-finance/>

⁴ www.theactuary.com/news/2025/02/20/global-pension-assets-climb-record-high

Directors' Report (continued)

Results (continued)

The wholesale class generated a return of 7.60% compared to the benchmark which returned 7.20% in the year ended 30 June 2025.

The Multi-Asset Scheme performed well during the financial year ended 30 June 2025, outperforming their respective benchmarks across the board. The period was a strong one for equity markets, with developed and some emerging markets performing well also. The strength of equities could have been surprising given the relative historically high valuation starting point, combined with the number of risk events in the last 12-months, particularly regarding the ongoing round of tariff disputes and heightened conflict in the Middle East.

However, markets are proving to be more resilient in the post-pandemic world than in the past. Shocks from sources as diverse as US regional banks to wars in the Middle East have tended not to propagate into wider asset markets over the last few years. It is notable that even the sharp equity market drawdown in early 2025, with the S&P 500 falling more than 20% from prior highs, had largely reversed within a month, and the market subsequently went on to make new highs in June. Equity markets drove the majority of the Funds' gains, and our systematic equities Diversified Shares Fund (Wholesale) performed particularly well +18.1% net. In a year marked by significant volatility, this serves to demonstrate that an ethical approach, focused on investments that reduce harm and benefit stakeholders in areas other than financial returns, can also deliver strong performance.

Our domestic and global fixed income allocations both outperformed their own respective benchmarks. A combination of a more hesitant US Federal Reserve and concerns about the US fiscal situation led Australian bonds to deliver stronger overall returns than the global benchmark, and active duration management combined with an overweight credit position added value. Over the course of the year, we tactically managed our duration overweights, pivoting between Australian and global bonds depending on which offered better defensive characteristics at different points in time. Our defensive alternative exposures, including private credit, proved resilient during this turbulent period and continue to provide useful diversification to the overall portfolio.

Net assets

The value of the Scheme's net assets attributable to unitholders as at 30 June 2025 was \$375m (30 June 2024: \$311m).

LIKELY DEVELOPMENTS

The Responsible Entity continually reviews the Scheme and depending on that review may, during the financial year, make decisions to change the offerings of products to investors. The Responsible Entity plans to continue to invest in line with the strategy set out in the Product Disclosure Statement.

EVENTS OCCURRING AFTER THE REPORTING DATE

As the investments in the Scheme are measured at their 30 June 2025 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 the end of the financial year 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.

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.

Directors' Report (continued)

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.

RELATED PARTY DISCLOSURES

Fees paid to the Responsible Entity and its associates out of Scheme assets are shown in Note 15 of the attached financial statements.

ENVIRONMENTAL REGULATION

The operations of the Scheme are not subject to any particular or significant environmental regulations under Commonwealth, state, or territory legislation.

AUDITOR'S DECLARATION

The auditor's independence declaration is included in this report and forms part of the directors' report for the financial year ended 30 June 2025.

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

A handwritten signature in black ink, appearing to read 'S. P. Gibbs' with a stylized flourish at the end.

Steve Gibbs
Director
Australian Ethical Investment Limited
23 September 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 Conservative Fund:

I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Ethical
Conservative Fund for the financial year ended 30 June 2025 there have been:

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

KPMG

Andrew Reeves

Partner

Sydney

23 September 2025

Statement of Profit or Loss and Other Comprehensive Income

		30 June 2025 \$'000	Period from 8 November 2023 to 30 June 2024 \$'000
	Note		
Investment income			
Interest	2	99	49
Dividends	3	17,833	9,276
Net change in fair value of financial assets	4	<u>10,266</u>	<u>8,656</u>
Net investment income/(loss)		<u>28,198</u>	<u>17,981</u>
Operating expenses			
Management fees	15	4	-
Transaction costs		<u>10</u>	<u>2</u>
Operating expenses before finance costs		<u>14</u>	<u>2</u>
Profit/(loss) from operating activities		<u>28,184</u>	<u>17,979</u>
Finance costs			
Distributions paid and payable to unitholders of the Scheme	12	<u>(24,433)</u>	<u>(10,450)</u>
Change in net assets attributable to unitholders (total comprehensive income)	6	<u>3,751</u>	<u>7,529</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

	Note	30 June 2025 \$'000	30 June 2024 \$'000
Assets			
Cash and cash equivalents	7	3,812	2,806
Margin accounts	8	412	234
Receivables	9	14,847	5,886
Financial assets held at fair value through profit or loss	10	<u>377,432</u>	<u>309,039</u>
Total assets		<u>396,503</u>	<u>317,965</u>
Liabilities			
Payables	11	1	-
Distributions payable	12	<u>21,480</u>	<u>7,060</u>
Total liabilities		<u>21,481</u>	<u>7,060</u>
Net assets attributable to unitholders	6	<u>375,022</u>	<u>310,905</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 year.

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

Statement of Cash Flows

		30 June 2025 \$'000	Period from 8 November 2023 to 30 June 2024 \$'000
	Note		
Cash flows from operating activities			
Interest received		99	49
Dividends received		59	9
Management fees paid		(3)	-
Transaction costs paid		(9)	(2)
Net cash provided by operating activities	14	<u>146</u>	<u>56</u>
Cash flows from investing activities			
Proceeds from sale of investments		87,541	31,366
Purchase of investments		(136,856)	(24,268)
Amount paid to brokers for margin		(178)	(234)
Net cash used in investing activities		<u>(49,493)</u>	<u>6,864</u>
Cash flows from financing activities			
Proceeds from issue of units		101,415	31,057
Payments for redemption of units		(51,061)	(35,171)
Distributions paid to unitholders		(1)	-
Net cash provided by financing activities		<u>50,353</u>	<u>(4,114)</u>
Net increase/(decrease) in cash and cash equivalents		1,006	2,806
Cash and cash equivalents at the beginning of the year/period		<u>2,806</u>	<u>-</u>
Cash and cash equivalent at 30 June	7	<u>3,812</u>	<u>2,806</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 Conservative Fund (the Scheme), a for-profit entity, is a registered managed investment scheme under the Corporations Act 2001. The Scheme was constituted on 20 September 2023 and will terminate on 20 September 2103 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 year ended 30 June 2025 with the comparative period being from the Scheme's inception date of 8 November 2023 to 30 June 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, 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 other Australian Ethical trusts and direct unlisted property assets.

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.

Refer to Note 16(g) - Financial risk management and financial instruments - fair values, which contains information about estimation of fair values of financial instruments.

Refer to Note 17 - Investment in unconsolidated subsidiaries which contains information about judgements made in relation to whether the Scheme meets the definition of an investment entity.

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.

1 MATERIAL ACCOUNTING POLICIES (continued)

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.

Where prices cannot be obtained from the above sources, valuations 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 and options. 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 to this financial report.

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.

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 where applicable.

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.

1 MATERIAL ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT PRINCIPLES (continued)

Measurement (continued)

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 Financial Instruments 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.

Offsetting

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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 futures and options and a forward foreign exchange contract.

RECEIVABLES

Receivables are carried at amortised cost and may include accrued income and other receivables such as Reduced Input Tax Credits (RITC). Unsettled sales are amounts due from brokers for securities sold that have not been received at reporting date. Trades are recorded on trade date and normally settle within two business days.

Expected credit losses on trade and other receivables are estimated to be nil as there are currently no past due receivables as at 30 June 2025 and management have not identified any additional concerns regarding collection of the receivables.

PAYABLES

Payables are carried at amortised cost and may include amounts for unsettled purchases, accrued expenses and other payables such as GST and redemption monies owing by the Scheme. Unsettled purchases are amounts due to brokers for securities purchased that have not been paid at reporting date. Trades are recorded on trade date and normally settle within two business days. Accrued expenses include management fees payable.

1 MATERIAL ACCOUNTING POLICIES (continued)

DISTRIBUTIONS PAID AND PAYABLES

In accordance with the Constitution, the Scheme fully distributes its net income to unitholders. The distributions are determined by reference to the net taxable income of the Scheme. Distributable income includes capital gains arising from the disposal of investments. Unrealised gains and losses are transferred to net assets attributable to unitholders and are not assessable or distributable until realised. Realised capital losses are not distributed to unitholders but are retained to be offset against any future realised capital gains. Distributions paid and payable to unitholders are recognised in the Statement of Profit or Loss and Other Comprehensive Income as 'finance costs'.

Responsible Entities of eligible managed investment trusts who elect into the attribution managed investment trust (AMIT) regime are required to calculate the income entitlements of unitholders on an 'attribution' basis, which will be reflected in the AMIT member annual (AMMA) statement. The AMMA statement is provided to each person or entity who received a distribution from the Scheme during the income year. This event has no impact on the classification of net assets attributable to unitholders as liabilities in the financial statements.

CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Change in net assets attributable to unitholders may consist of realised net capital gains or losses and unrealised increments and decrements arising from fluctuations in the value of investments. They are included in the determination of distributable income when assessable for taxation purposes.

REVENUE

Interest income

Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income as it accrues, on a gross basis including withholding tax. Interest is measured using the effective interest rate method.

Dividend income

Dividend and distribution income relating to exchange-traded equity investments is recognised as dividend income in the Statement of Profit or Loss and Other Comprehensive Income on the ex-dividend date. Income distributions from other managed investment schemes are recognised in the Statement of Profit or Loss and Other Comprehensive Income as dividend income in accordance with the declaration set out in their Constitutions.

In some cases, the Scheme may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases, the Scheme recognises the dividend income with a corresponding increase in investments.

INCOME TAX

Under current income tax legislation, the Scheme is not liable to pay income tax as the net income of the Scheme is assessable in the hands of the beneficiaries (the unitholders). The income of the Scheme is to be attributed to unitholders in accordance with the Scheme's Constitution which requires the distribution of the net accounting income for the year.

Deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax cost bases, including taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that taxable gains are realised by the Scheme, these gains would be included in the taxable income that is assessable in the hands of the unitholders as noted above.

Realised capital losses are not distributed to unitholders but are retained within the Scheme to be offset against any realised capital gains. The benefit of any carried forward capital losses are also not recognised in the financial statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income that is assessable in the hands of unitholders in that period and is distributed to unitholders in accordance with the requirements of the Scheme's Constitution.

1 MATERIAL ACCOUNTING POLICIES (continued)

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

In accordance with AASB 132, unitholders' funds are classified as a financial liability and disclosed as such in the Statement of Financial Position, being referred to as 'net assets attributable to unitholders'. The units can be put back to the Scheme at any time for cash equal to the proportionate share of the Scheme's net asset values. The value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the Statement of Financial Position date if unitholders exercised their right to put the units back to the Scheme. Changes in the value of this financial liability are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

EXPENSES

All expenses, including management fees, are recognised in the profit or loss on an accrual basis.

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. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2 INTEREST INCOME

	30 June 2025 \$'000	Period from 8 November 2023 to 30 June 2024 \$'000
Bank interest	99	49
Total interest income	99	49

3 DIVIDEND INCOME

	30 June 2025 \$'000	Period from 8 November 2023 to 30 June 2024 \$'000
Dividend income from securities designated at fair value through profit or loss	17,833	9,276
Total dividend income	17,833	9,276

4 NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS

	30 June 2025 \$'000	Period from 8 November 2023 to 30 June 2024 \$'000
Unrealised gain/(loss) arising on financial assets designated at fair value through profit or loss	3,906	7,464
Realised gain/(loss) arising on the disposal of investments	6,336	1,192
Effects of changes in foreign exchange rates	<u>24</u>	<u>-</u>
Net change in fair value of financial assets	<u>10,266</u>	<u>8,656</u>

5 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.

	30 June 2025 Units	Period from 8 November 2023 to 30 June 2024 Units
Wholesale class		
On issue at beginning of period	235,954	-
Issued	1,711,613	235,954
Redeemed	<u>(32,405)</u>	<u>-</u>
On issue at period end	<u>1,915,162</u>	<u>235,954</u>
Zero class		
On issue at beginning of period	303,002,765	-
Issued	103,119,606	337,121,802
Redeemed	<u>(47,940,250)</u>	<u>(34,119,037)</u>
On issue at period end	<u>358,182,121</u>	<u>303,002,765</u>

6 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.

6 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

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.

	30 June 2025 \$'000	Period from 8 November 2023 to 30 June 2024 \$'000
Opening balance	310,905	-
Issued	101,415	335,157
Distributions reinvested	10,012	3,390
Redeemed	(51,061)	(35,171)
Change in net assets attributable to unitholders	<u>3,751</u>	<u>7,529</u>
Net assets attributable to unitholders	<u>375,022</u>	<u>310,905</u>

7 CASH AND CASH EQUIVALENTS

	30 June 2025 \$'000	30 June 2024 \$'000
Cash at bank	<u>3,812</u>	<u>2,806</u>
Total cash and cash equivalents	<u>3,812</u>	<u>2,806</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash includes cash at bank and cash on deposit.

8 MARGIN ACCOUNTS

	30 June 2025 \$'000	30 June 2024 \$'000
Cash in margin accounts	<u>412</u>	<u>234</u>
Total cash in margin accounts	<u>412</u>	<u>234</u>

Cash held in the margin accounts at Macquarie Bank is restricted to funding initial and variation margins on open derivative positions.

9 RECEIVABLES

	30 June 2025 \$'000	30 June 2024 \$'000
Dividends and distributions	14,847	5,885
GST	-	1
Total receivables	<u>14,847</u>	<u>5,886</u>

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2025 \$'000	30 June 2024 \$'000
Derivatives	25	32
Equity securities	3,043	1,491
Unlisted unit trusts	374,364	307,516
Total financial assets at fair value through profit or loss	<u>377,432</u>	<u>309,039</u>

The Scheme's accounting policy on fair value measurements is disclosed in Note 1.

11 PAYABLES

	30 June 2025 \$'000	30 June 2024 \$'000
Management fees	1	-
Total payables	<u>1</u>	<u>-</u>

12 DISTRIBUTIONS PAID AND PAYABLE

	Year ended 30 June 2025 \$'000	Period from 8 November 2023 to 30 June 2024 \$'000
Interim distribution paid	2,953	3,390
Distributions payable	<u>21,480</u>	<u>7,060</u>
Total distributions paid and payable	<u>24,433</u>	<u>10,450</u>

The Scheme paid interim distributions to the classes as follows:

- Wholesale class of 0.62 (December 2023: Nil) cents per unit; and
- Zero class of 0.91 (December 2023: 1.13) cents per unit.

The year-end distributions payable were as follows:

- Wholesale class of 4.13 (June 2024: 2.17) cents per unit; and
- Zero class of 5.97 (June 2024: 2.33) cents per unit.

The prior year final distribution of \$7,059,633 was paid in July 2024.

13 AUDITOR'S REMUNERATION

Audit and tax fees in relation to the Scheme are paid directly by the Responsible Entity. During the year/period, the following fees were paid or payable by the Responsible Entity for services in relation to the audit of the Scheme.

	30 June 2025 \$	Period from 8 November 2023 to 30 June 2024 \$
Financial statements audit	16,115	15,375
Custodian transition audit	1,455	-
Compliance plan audit	5,243	5,002
Tax compliance service	<u>5,436</u>	<u>5,448</u>
Total auditor's remuneration	<u>28,249</u>	<u>25,825</u>

14 RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	30 June 2025 \$'000	Period from 8 November 2023 to 30 June 2024 \$'000
Net profit/(loss) from operating activities	28,184	17,979
Adjustments for:		
Net realised (gain)/loss on disposal of investments	(6,336)	(1,192)
Net unrealised (gain)/loss on revaluation of investments	(3,906)	(7,464)
Effects of changes in foreign exchange rates	(24)	-
Dividends and distributions reinvested	(8,812)	(3,381)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(8,961)	(5,886)
Increase/(decrease) in payables	1	-
Net cash provided by operating activities	146	56

Non-cash financing and investing activities

During the year/period, dividends and distributions received totalling \$8,811,706 (2024: \$3,380,620) were reinvested for additional shares and units. Income distributions totalling \$10,011,855 (2024: \$3,389,623) were reinvested by unitholders for additional units in the Scheme.

During the year, the Scheme transacted with related party entities for restructuring purposes. The Scheme sold a total of \$26.6m units from related party entities and purchased a total of \$26.6m units into related party entities. All of these transactions were processed via in-specie transfers to effect asset allocation requirements and are not reflected in the Cash flows from investing activities.

15 RELATED PARTY DISCLOSURES

Australian Ethical Investment Limited (AEIL), as Responsible Entity of each Scheme, provides investment services for the Scheme in accordance with each Scheme's Constitution. Transactions with the Responsible Entity are undertaken on commercial terms and conditions.

The Scheme does not employ personnel in its own right, however it is required to have an incorporated Responsible Entity to manage the activities of the Scheme, and this is considered the key management personnel.

The following persons were Directors of Australian Ethical Investment Limited during the whole of the financial year and up to the date of this report unless otherwise indicated:

Steve Gibbs (Chair)
John McMurdo (Managing Director and CEO)
Julie Orr
Kate Greenhill
Sandra McCullagh
Richard Brandweiner (appointed 1 September 2024)
Brian Bissaker (appointed 15 April 2025)
Mara Bun (retired 31 October 2024)

Some of the Directors indirectly hold units in the Scheme through a superannuation fund.

15 RELATED PARTY DISCLOSURES (continued)

There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly and indirectly during the year or since the end of the financial year.

Management costs as reported in the Scheme's Product Disclosure Statement dated 1 October 2024 include 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.

The Responsible Entity earns fees for the management and administration of the Scheme. Responsible Entity fees charged for the year/period were as follows:

- 0.55% p.a. for the wholesale class (2024: 0.55%); and
- Nil for the zero class (2024: Nil).

	30 June 2025 \$'000	Period from 8 November 2023 to 30 June 2024 \$'000
Management fees	4	-

Fees earned by the Responsible Entity are net of any non-reclaimable GST. Fees payable to the Responsible Entity at 30 June 2025 were \$720 (2024: \$36).

Australian Ethical Superannuation Pty Ltd (ABN 43 079 259 733), a subsidiary of AEIL, is the Trustee of the Australian Ethical Retail Superannuation Fund (AERSF). Transactions with the AERSF are undertaken on commercial terms and conditions.

Parties related to the Scheme held units in the Scheme (zero class) as follows:

30 June 2025

	Value of units held opening \$	Value of units held closing \$	Interest held %	Value of units acquired/ (disposed) \$	Distributions paid/payable by the Scheme \$
Australian Ethical Retail Superannuation Fund	310,850,536	372,997,250	99.47	58,554,456	24,351,263

30 June 2024

	Value of units held opening \$	Value of units held closing \$	Interest held %	Value of units acquired/ (disposed) \$	Distributions paid/payable by the Scheme \$
Australian Ethical Retail Superannuation Fund	-	310,850,536	99.92	303,129,322	10,444,146

Distributions paid/payable to related parties represent those distributions that accrued during the current financial year.

15 RELATED PARTY DISCLOSURES (continued)

The Scheme held investments in the following related parties:

30 June 2025

	Value of units held opening \$	Value of units held closing \$	Interest held %	Value of units acquired/ (disposed) \$	Distributions paid/payable by the Scheme \$
Australian Ethical Growth Alternatives Fund	10,068,515	15,685,189	4.51	5,195,667	1,418,389
Australian Ethical Australian Shares Fund	5,608,636	6,110,280	0.30	146,392	453,326
Australian Ethical Defensive Alternatives Fund	6,826,322	17,300,471	4.52	11,095,492	1,241,590
Australian Ethical Diversified Shares Fund	22,631,968	20,800,895	0.99	(2,889,183)	3,069,204
Australian Ethical Emerging Companies Fund	726,921	821,632	0.25	105,117	90,744
Australian Ethical Fixed Interest Fund	113,827,296	112,405,903	12.20	(5,818,787)	3,492,412
Australian Ethical Global Fixed Interest Fund	65,342,284	76,377,564	11.77	9,961,816	3,030,768
Australian Ethical High Conviction Fund	2,819,023	4,569,039	0.70	1,559,949	300,213
Australian Ethical Income Fund	44,379,049	60,368,383	8.74	15,738,993	2,417,727
Australian Ethical International Shares Fund	25,908,116	20,480,361	0.96	(7,933,227)	1,891,832
Australian Ethical Multi-Manager International Shares Fund	-	10,048,971	1.17	9,540,887	370,669
Australian Ethical Property Fund	9,344,422	29,395,559	6.44	20,224,769	-

15 RELATED PARTY DISCLOSURES (continued)

30 June 2024

	Value of units held opening \$	Value of units held closing \$	Interest held %	Value of units acquired/ (disposed) \$	Distributions paid/payable by the Scheme \$
Australian Ethical Growth Alternatives Fund	-	10,068,515	4.01	10,257,425	251,957
Australian Ethical Australian Shares Fund	-	5,608,636	0.31	5,049,443	251,360
Australian Ethical Defensive Alternatives Fund	-	6,826,322	4.16	6,833,564	304,494
Australian Ethical Diversified Shares Fund	-	22,631,968	0.94	20,259,577	672,043
Australian Ethical Emerging Companies Fund	-	726,921	0.23	634,614	14,131
Australian Ethical Fixed Interest Fund	-	113,827,296	10.62	109,637,465	1,021,213
Australian Ethical Global Fixed Interest Fund	-	65,342,284	8.91	65,868,985	3,722,104
Australian Ethical High Conviction Fund	-	2,819,023	0.54	2,600,781	81,944
Australian Ethical Income Fund	-	44,379,049	12.51	44,676,384	1,731,304
Australian Ethical International Shares Fund	-	25,908,116	1.06	22,512,002	832,480
Australian Ethical Property Fund	-	9,344,422	8.24	10,664,763	379,041

Distributions paid/payable to the Scheme represent those distributions that accrued during the current financial year.

16 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Responsible Entity recognises that risk is part of doing business and that the ongoing management of risk is critical to its success. The approach to managing risk is articulated in the Risk Management Strategy and the Risk Appetite Statement. The Chief Risk Officer is responsible for the design and maintenance of the risk and compliance framework, establishing and maintaining group wide risk management policies, and providing regular risk reporting to the Audit, Risk & Compliance Committee (ARC). The Board regularly monitors the overall risk profile of the Responsible Entity and sets the risk appetite, usually in conjunction with the annual planning process.

The Board is responsible for ensuring that management has appropriate processes in place for managing all types of risk. To assist in providing ongoing assurance and comfort to the Board, responsibility for risk management oversight has been delegated to the ARC. The main functions of the ARC are to identify emerging risks, determine treatment and monitor current and emerging risks. In addition, the ARC is responsible for seeking assurances from management that:

- the systems and policies in place to assist the Responsible Entity to meet and monitor its risk management responsibilities contain appropriate, up-to-date content and are being maintained;
- the Responsible Entity is complying with its licences, and the regulatory requirements relevant to its role as fund manager; and
- there is a structure, methodology and timetable in place for monitoring material service providers.

The Scheme is exposed to a variety of financial risks from investments in financial instruments, including operational risk, market risk, credit risk and liquidity risk. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies, and processes for measuring and managing risks and the management of unitholder funds.

16 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(a) Categories of financial instruments

	30 June 2025 \$'000	Period from 8 November 2023 to 30 June 2024 \$'000
Financial assets		
Cash and cash equivalents	3,812	2,806
Margin accounts	412	234
Receivables	14,847	5,886
Financial assets held at fair value through profit or loss	<u>377,432</u>	<u>309,039</u>
Total assets	<u>396,503</u>	<u>317,965</u>
Financial liabilities		
Payables	1	-
Distributions payable	21,480	7,060
Net assets attributable to unitholders	<u>375,022</u>	<u>310,905</u>
Total liabilities	<u>396,503</u>	<u>317,965</u>

(b) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Scheme's activities, either internally within the Scheme or externally at the Scheme's service providers.

The Scheme's objective is to manage operational risk to balance the limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for:
 - appropriate segregation of duties between various functions, roles, and responsibilities;
 - reconciliation and monitoring of transactions; and
 - periodic assessment of operational risk faced;
- documentation of controls and procedures;
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance.

16 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(b) Operational risk (continued)

Assessment of the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions and review of monthly/quarterly KPI's, incident reporting, monitoring visits and a review of the service providers' Controls Reports (GS007) on internal controls.

Investment administration of the Scheme is conducted by State Street Australia Limited (SSAL). All the assets of the Scheme are held by external custodian, SSAL. The Responsible Entity conducts oversight on the investment administration services provided by SSAL and monitors the credit ratings and capital adequacy of its custodian.

(c) Financial risk management objectives

The Scheme is exposed to a number of risks due to the nature of its activities as further set out in its Product Disclosure Statement. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, and liquidity risk. The Scheme's objective in managing these risks is the protection and enhancement of unitholder value.

The Scheme's risk management policies are approved by the Responsible Entity and seek to minimise the potential adverse effects of these risks on the Scheme's financial performance. The risk management system is an ongoing process of identification, measurement, monitoring and controlling risk.

The Board of the Responsible Entity oversees the processes which govern the investment of money of the Scheme for which Australian Ethical Investment Limited is the Responsible Entity. The Board bears primary responsibility for the oversight of processes for the management of the above financial risks. It meets on a regular basis to analyse financial risk exposure and to evaluate management strategies in the context of the most recent economic conditions and forecasts.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, and this will affect the Scheme's income or the fair value of its holdings of financial instruments. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The portfolio manager manages the financial risks relating to the operations of the Scheme in accordance with an investment mandate set out in accordance with the Scheme's Constitution and Product Disclosure Statement. The Scheme's investment mandate is to invest in a range of assets, which may include cash, property, alternative assets, fixed interest securities and both domestic and international equities. There has been no change to the Scheme's exposure to market risks or the way it manages and measures the risk.

(i) Interest rate risk

Interest rate risk represents the risk that the Scheme's financial performance will be adversely affected by fluctuations in interest rates.

The Scheme's interest rate risk is managed daily by the portfolio managers in accordance with the defined investment process and within the guidelines and restrictions outlined in the Scheme's investment mandate. The Scheme is monitored for mandate compliance. Where the interest rate risk exposure moves outside the Scheme's mandate restrictions or guidelines, the portfolio managers will rebalance the portfolios.

16 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

The Scheme's exposures to interest rates on financial assets and financial liabilities would be as follows:

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2025				
Financial assets				
Cash and cash equivalents	3,812	-	-	3,812
Margin accounts	412	-	-	412
Receivables	-	-	14,847	14,847
Financial assets held at fair value through profit and loss	-	12	377,420	377,432
Total financial assets	4,224	12	392,267	396,503
Financial liabilities				
Payables	-	-	1	1
Distribution payable	-	-	21,480	21,480
Amounts payable to unitholders	-	-	375,022	375,022
Total financial liabilities	-	-	396,503	396,503
30 June 2024				
Financial assets				
Cash and cash equivalents	2,806	-	-	2,806
Margin accounts	234	-	-	234
Receivables	-	-	5,886	5,886
Financial assets held at fair value through profit and loss	-	-	309,039	309,039
Total financial assets	3,040	-	314,925	317,965
Financial liabilities				
Distribution payable	-	-	7,060	7,060
Amounts payable to unitholders	-	-	310,905	310,905
Total financial liabilities	-	-	317,965	317,965

Management has performed a sensitivity analysis relating to the Scheme's exposure to interest rate risk at balance sheet date. This sensitivity analysis demonstrates the effect on the current year results and net assets attributable to unitholders which could result from a change in interest rates. In the analysis it is assumed that the amount of financial assets exposed to fluctuations in interest rates as at balance sheet date is representative of balances held throughout the financial year. No other flow on effects of fluctuations in interest rates have been taken into account.

16 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

At balance date, the effect on profit and net assets attributable to unitholders, as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	30 June 2025 \$'000	30 June 2024 \$'000
Increase in interest rates by 2.5% (2024: 2.5%)	106	76
Decrease in interest rates by 2.5% (2024: 2.5%)	(106)	(76)

(ii) Price risk

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Scheme has investments in unlisted schemes which exposes it to indirect price risk. The portfolio manager manages the Scheme's market price risk daily in accordance with the Scheme's investment objectives and policies.

The Scheme's portfolio managers aim to manage the impact of market price risk using consistent and carefully considered investment guidelines. Risk management techniques are used in the selection of investments. Investments (including derivatives) are only purchased when they meet investment criteria.

Derivatives may be used in the Scheme to manage risk, including foreign currency exposure risk, or gain exposure to markets. Changes in the value of a derivative may not correlate with the underlying asset. The use of derivatives may expose the Scheme to the potential for the value of a derivative to fail to move in line with the underlying asset. As a result, the use of derivatives may have the effect of magnifying both gains and losses to the Scheme.

The use of derivative financial instruments is subject to policies and parameters set out in the Responsible Entity's Derivatives Risk Statement and Trust Investment Parameters. The Board is responsible for monitoring adherence to the Derivatives Risk Statement and the Trust Investment Parameters. At balance date, the Scheme held exchange traded futures, options and a forward foreign exchange contract.

As most of the Scheme's financial instruments are carried at fair value with changes in fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income, all changes in market conditions will directly affect investment income.

Management has performed a sensitivity analysis relating to the Scheme's exposure to price risk at the balance sheet date. This sensitivity analysis demonstrates the effect on current year results and net assets attributable to unitholders which could result from a change in redemption prices. In the analysis it is assumed that the amount of financial assets exposed to fluctuations in redemption prices 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.

At balance date, the effect on net assets attributable to unitholders and the change in net assets attributable to unitholders as a result of changes in redemption prices with all other variables remaining constant would be as follows:

	30 June 2025 \$'000	30 June 2024 \$'000
Increase in interest rates by 10% (2024: 10%)	37,743	30,904
Decrease in interest rates by 10% (2024: 10%)	(37,743)	(30,904)

16 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(e) Credit risk

Credit risk is the risk of financial loss from a counterparty failing to meet its contractual commitments. The Scheme is exposed to credit risk through its interest-bearing securities, deposits at banks and trades and other receivables.

The Scheme's policy over credit risk is to minimise its exposure to counterparties, holding cash and cash equivalents at financial institutions with a credit rating of 'A' or higher and settling trades within two business days, and other receivables monthly.

At the balance sheet date, all cash was held with State Street Australia Limited, which carries an S&P rating of AA- at 30 June 2025. At 30 June 2024, all cash was held with National Australia Bank, which carried an S&P rating of AA- and margin account cash held with Macquarie Bank which carries an S&P rating of A+ at 30 June 2025 (30 June 2024: A+).

No financial assets carried at amortised cost were past due or impaired at 30 June 2025 (2024: Nil).

The maximum credit risk exposure is represented by the respective carrying amounts of the relevant financial asset in the Statement of Financial Position.

The table below details the maximum exposure to credit risk for the assets held by the Scheme.

	30 June 2025 \$'000	Period from 8 November 2023 to 30 June 2024 \$'000
Cash and cash equivalents	3,812	2,806
Margin accounts	412	234
Receivables	<u>14,847</u>	<u>5,886</u>
Total credit risk	<u>19,071</u>	<u>8,926</u>

(f) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting its financial obligations as they fall due.

The Scheme is exposed to daily cash redemptions of redeemable units. Therefore, the approach to managing liquidity is for the Scheme to invest a significant portion of their funds in financial instruments which under normal market conditions are readily convertible into cash (for example, the Scheme's unlisted unit trusts). There is a risk that the Scheme may not be able to liquidate all of these investments at their fair value in order to meet its liquidity requirements. In the event of significant redemptions, the Scheme has the ability to suspend redemptions until it can realise investments to meet the redemptions.

All payables of the Scheme are classified as normal operating obligations and are to be paid within one month of balance date.

16 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(f) Liquidity risk (continued)

The table below summarise the contractual maturities of financial liabilities:

30 June 2025	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000
Payables	1	-	-	-
Distributions payable	21,480	-	-	-
Amounts payable to unitholders	375,022	-	-	-
Total	396,503	-	-	-

30 June 2024	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000
Distributions payable	7,060	-	-	-
Amounts payable to unitholders	310,905	-	-	-
Total	317,965	-	-	-

(g) 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.

30 June 2025	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Designated at fair value through profit or loss				
Derivatives	(61)	86	-	25
Equity securities	3,043	-	-	3,043
Unlisted unit trusts	-	341,379	32,985	374,364
Total	2,982	341,465	32,985	377,432

16 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(g) Fair values (continued)

30 June 2024	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Designated at fair value through profit or loss				
Derivatives	32	-	-	32
Equity securities	1,491	-	-	1,491
Unlisted unit trusts	-	290,621	16,895	307,516
Total	<u>1,523</u>	<u>290,621</u>	<u>16,895</u>	<u>309,039</u>

During the year/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.

16 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(g) Fair values (continued)

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 investments 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

16 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(g) Fair values (continued)

At balance date, the effect on net assets attributable to unitholders as a result of a 10% change in the internal valuation of Level 3 assets, with all other variables remaining constant would be as follows:

	30 June 2025 \$'000	30 June 2024 \$'000
Increase in alternative assets by 10% (June 2024: 10%)	3,298	1,689
Decrease in alternative assets by 10% (June 2024: 10%)	(3,298)	(1,689)

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.

	30 June 2025 \$'000	30 June 2024 \$'000
Opening balance at 1 July	16,895	-
Acquisition of units in unlisted Australian Ethical trusts	28,375	19,497
Disposal of units in unlisted Australian Ethical trusts	(11,878)	(2,406)
Net fair value profit/(loss)	(407)	(196)
Total level 3 assets held at fair value	32,985	16,895

Carrying amounts versus fair value

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

17 INVESTMENT IN UNCONSOLIDATED STRUCTURED ENTITIES

The table below describes the types of unconsolidated structured entities that the Scheme does not consolidate but in which it holds an interest. The Scheme has concluded that the unlisted investment schemes and limited partnerships below meets the definition of structured entities because:

- The voting rights in the entities are not dominant rights in deciding who controls them as they relate to administrative tasks only;
- Each entity's activities are restricted by its Constitution, Product Disclosure Statement and/or Partnership Agreement; and
- The entities have narrow and well-defined objectives to provide investment opportunities.

Type of structured entity	Nature and purpose	Interest held by the Scheme
Investment schemes	To pool investors' savings and invest in a diversified portfolio of securities.	Investments in units issued by the scheme

17 INVESTMENT IN UNCONSOLIDATED STRUCTURED ENTITIES (continued)

	Fair value as at		Ownership interest	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
	\$	\$	%	%
Investment schemes				
Australian Ethical Growth Alternatives Fund	15,685,189	10,068,515	4.51	4.01
Australian Ethical Australian Shares Fund	6,110,280	5,608,636	0.30	0.31
Australian Ethical Defensive Alternatives Fund	17,300,471	6,826,322	4.52	4.16
Australian Ethical Diversified Shares Fund	20,800,895	22,631,968	0.99	0.94
Australian Ethical Emerging Companies Fund	821,632	726,921	0.25	0.23
Australian Ethical Fixed Interest Fund	112,405,903	113,827,296	12.20	10.62
Australian Ethical Global Fixed Interest Fund	76,377,564	65,342,284	11.77	8.91
Australian Ethical High Conviction Fund	4,569,039	2,819,023	0.70	0.54
Australian Ethical Income Fund	60,368,383	44,379,049	8.74	12.51
Australian Ethical International Shares Fund	20,480,361	25,908,116	0.96	1.06
Australian Ethical Multi-Manager International Shares Fund	10,048,971	-	1.17	-
Australian Ethical Property Fund	29,395,559	9,344,422	6.44	8.24

Each of above structured entities is incorporated in Australia.

The maximum exposure or loss is limited to the total fair value of the investment as at the reporting date. The fair value of the exposure will change daily throughout the period and in the subsequent periods will cease once the investments are disposed.

The unconsolidated structured entities are managed in accordance with the investment strategy of the respective underlying investment managers. The investment decisions of the structured entities are based on the analysis conducted by the investment manager. The return of the structured entities is exposed to the variability of the performance of the underlying investment strategies. The investment managers may receive a management fee for undertaking the management of these investments. Income is received from non-related structured entities in accordance with Constitutions.

The Scheme does not have current commitments or intentions or a contractual obligation to provide financial or other support to the unconsolidated structured entities and has no intention of providing financial or other support.

18 CONTINGENCIES

There are no contingent assets or liabilities as at 30 June 2025 (2024: Nil).

19 EVENTS OCCURRING AFTER THE REPORTING DATE

As the investments in the Scheme are measured at their 30 June 2025 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 the end of the financial year 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 Conservative 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 30 June 2025 and of its performance for the financial year 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 year ended 30 June 2025 in accordance with the provisions of the Scheme's Constitution.

The Directors draw attention to Note 1 of the financial statements which contains a statement of compliance with International Financial Reporting Standards.

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



Steve Gibbs
Director
Australian Ethical Investment Limited
23 September 2025



Independent Auditor's Report

To the unitholders of Australian Ethical Conservative Fund

Opinion

We have audited the **Financial Report** of Australian Ethical Conservative Fund (the Scheme).

In our opinion, the accompanying **Financial Report** of Australian Ethical Conservative Fund gives a true and fair view, including of the Scheme's financial position as at 30 June 2025 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Statement of financial position as at 30 June 2025
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes, including material accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

Other Information

Other Information is financial and non-financial information in the Australian Ethical Conservative Fund's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Australian Ethical Investment Limited (the Responsible Entity) are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors of Australian Ethical Investment Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Scheme, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Scheme, and that is free from material misstatement, whether due to fraud or error
- assessing the Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.


KPMG


Andrew Reeves

Partner

Sydney

23 September 2025