

# AE Fixed Income Funds

Interim Financial Reports  
for the period ended 31 December 2025



# **AEI Fixed Income Funds Interim Financial Reports For the half-year ended 31 December 2025**

## **Australian Ethical Income Fund**

ARSN 089 919 120

## **Australian Ethical Altius Short Duration Bond Fund**

ARSN 601 618 179

## **Australian Ethical Altius Bond Fund**

ARSN 166 048 184

# **AEI Fixed Income Funds Interim Financial Reports For the half-year ended 31 December 2025**

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## Directors' Report

The Directors of Australian Ethical Investment Limited, the "Responsible Entity" of the AEI Fixed Income Funds (the Schemes) present the directors' report together with the financial statements and notes to the financial statements of the Schemes for the half-year ended 31 December 2025 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 Schemes.

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

Steve Gibbs (Chair)  
John McMurdo (Managing Director and CEO)  
Julie Orr  
Sandra McCullagh  
Richard Brandweiner  
Brian Bissaker  
Kate Greenhill (retired 31 October 2025)

### PRINCIPAL ACTIVITIES AND STATE OF AFFAIRS

The principal activity of the Schemes is to pool investors' savings to invest in accordance with the investment objectives and guidelines as set out in their respective current Product Disclosure Statement and within the provisions of the Schemes' Constitutions. The Schemes invest in a diversified portfolio of interest-bearing investments generating income. 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 Schemes' investors) with a competitive financial return.

To reflect the acquisition of the Altius business in September 2024 and to more accurately represent the Schemes' underlying investment strategies, the following Scheme names changed with effect from 26 September 2025:

Old Name	New Name
Altius Sustainable Bond Fund	Australian Ethical Altius Short Duration Bond Fund
Australian Ethical Fixed Interest Fund	Australian Ethical Altius Bond Fund

During the period, the Australian Ethical Altius Short Duration Bond Fund switched its investment in the Australian Ethical Altius Green and Sustainable Bond Fund from the Ordinary unit class to the Zero unit class. This \$68.5m investment reallocation is therefore not reflected in the Cash Flows from investing activities.

Also, during the period, the Australian Ethical Altius Bond Fund and the Australian Ethical Income Fund received \$37m and \$271m redemption requests respectively from related party entities which were funded by way of in-specie transfer of investment assets to other related party entities and are therefore not reflected in the Cash Flows from financing activities. These transactions were made within the Schemes to meet the asset (re)allocation requirements of the related party entities.

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

### REVIEW OF OPERATIONS

#### Overview

The investments of the Schemes are consistent with those set out in the Schemes' Product Disclosure Statements, each dated 1 October 2025.

## Directors' Report (continued)

### REVIEW OF OPERATIONS (continued)

#### Results

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

	Australian Ethical Income Fund		Australian Ethical Altius Short Duration Bond Fund		Australian Ethical Altius Bond Fund	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024	31 December 2025	31 December 2024
	%	%	%	%	%	%
Retail class	<b>1.94</b>	2.53	<b>Nil</b>	Nil	<b>-1.01</b>	2.53
Wholesale class	<b>1.94</b>	2.53	<b>1.16</b>	2.98	<b>-0.90</b>	2.63

Both the 3 year and 10 year rates reversed course and finished calendar year 2025 higher than they started the year, closing at 4.13% & 4.74% respectively. As a result of the move higher in yields, the composite bond index fell 1.15% in the December quarter, blunting an otherwise positive year for fixed income. In the December quarter, Australian inflation outcomes once again moved above the RBA's target band and the prospect of further rate cuts gave way to the market pricing for rate hikes.

The 3 month bank bill swap rate, against which the Income Fund's floating rate notes and certificates of deposits are set, rose from 3.6% to 3.74% over the 6 months to the end December. 1 year government yields, where the Income Fund holds some exposure for liquidity purposes, rose 0.6% from 3.35% to 3.95%.

Through much of calendar year 2025 the RBA characterised current monetary settings as restrictive, allowing a loosening of policy (interest rate cuts) as inflation moved back toward target. At the latter meetings for the year the RBA began to express uncertainty in that view and guided that risks to inflation have tilted to the upside. Australia's inflation pulse has been lagging the US by circa 6 months and is clouded by policy changes impacting electricity prices. This pulse showed inflation above the RBA target band, and the RBA forecasts indicate trimmed mean inflation is expected to remain so through the first half of 2026.

A cut to the RBA Cash Rate of 3.6% can likely be ruled out while the risk of higher or ongoing inflation overruns persists. We expect that rates will remain on hold in the first half of 2026 as the RBA waits for further data to inform their forecast. 2025 saw a number of policy shifts from major economies that drove headline news cycles, such as US trade policy, which saw widening of term risk premiums. We continue to look for a reduction in term risk premiums and slightly lower longer bond yields as a result. We anticipate the yield on 10-year Australian government bonds will trade around 4.6% over the medium term, however further declines would depend on inflation showing signs of following a path consistent with the RBA forecast.

While some of the steepness of the Australian yield curve has decreased over the last three months as expectations of near-term rate cuts were unwound, state government bond curves still demonstrate a greater level of steepness, rendering them attractive, given the potential for capital gains as yields roll down towards the cash rate. We are cautious going into 2026 as there is limited room for credit tightening given current levels.

## Directors' Report (continued)

### Net assets

The value of the Schemes' net assets attributable to unitholders was as follows:

<b>Scheme name</b>	<b>31 December 2025</b>	<b>30 June 2025</b>
Australian Ethical Income Fund	\$142m	\$691m
Australian Ethical Altius Short Duration Bond Fund	\$168m	\$165m
Australian Ethical Altius Bond Fund	\$761m	\$921m

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

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

### ROUNDING OF AMOUNTS

The Schemes are 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 in this report and forms part of the directors' report for the half-year ended 31 December 2025.

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



John McMurdo  
Managing Director  
Australian Ethical Investment Limited  
10 March 2026



# 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 following Schemes:

- Australian Ethical Income Fund
- Australian Ethical Altius Short Duration Bond Fund
- Australian Ethical Altius Bond Fund

I declare that, to the best of my knowledge and belief, in relation to the review of the interim financial reports of the Schemes for the half-year ended 31 December 2025 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

  
Nic Buchanan  
Partner

Sydney  
10 March 2026

## Statements of Profit or Loss and Other Comprehensive Income

	Australian Ethical Income Fund		Australian Ethical Altius Short Duration Bond Fund	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024
Note	\$'000	\$'000	\$'000	\$'000
<b>Investment income</b>				
Interest	3,685	10,495	2,475	2,743
Dividends	-	-	1,002	644
Net change in fair value of financial assets	2,581	2,781	(1,148)	1,748
Other income	-	-	-	101
<b>Net investment income/(loss)</b>	<u>6,266</u>	<u>13,276</u>	<u>2,329</u>	<u>5,236</u>
<b>Operating expenses</b>				
Management fees	12	12	403	410
Transaction costs	-	-	8	20
<b>Operating expenses before finance costs</b>	<u>12</u>	<u>12</u>	<u>411</u>	<u>430</u>
<b>Profit/(loss) from operating activities</b>	<u>6,254</u>	<u>13,264</u>	<u>1,918</u>	<u>4,806</u>
<b>Finance costs</b>				
Distributions paid and payable to unitholders of the Schemes	2	(3,765)	(12,507)	(2,697)
<b>Change in net assets attributable to unitholders (total comprehensive income)</b>	4	<u>2,489</u>	<u>757</u>	<u>(779)</u>
				<u>3,106</u>
<b>Australian Ethical Altius Bond Fund</b>				
			31 December 2025	31 December 2024
			\$'000	\$'000
	Note			
<b>Investment income</b>				
Interest			14,464	15,543
Net change in fair value of financial assets			(19,085)	16,391
<b>Net investment income/(loss)</b>			<u>(4,621)</u>	<u>31,934</u>
<b>Operating expenses</b>				
Management fees			108	48
Transaction costs			72	4
<b>Operating expenses before finance costs</b>			<u>180</u>	<u>52</u>
<b>Profit/(loss) from operating activities</b>			<u>(4,801)</u>	<u>31,882</u>
<b>Finance costs</b>				
Distributions payable to unitholders of the Schemes	2		(14,191)	-
<b>Change in net assets attributable to unitholders (total comprehensive income)</b>	4		<u>(18,992)</u>	<u>31,882</u>

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

## Statements of Financial Position

	Australian Ethical Income Fund		Australian Ethical Altius Short Duration Bond Fund	
	31 December 2025	30 June 2025	31 December 2025	30 June 2025
Note	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Cash and cash equivalents	33,674	47,677	1,852	2,286
Margin accounts	-	-	2,394	1,172
Receivables	966	2,720	1,627	1,294
Financial assets held at fair value through profit or loss	5	655,567	164,278	162,917
<b>Total assets</b>	<b>145,836</b>	<b>705,964</b>	<b>170,151</b>	<b>167,669</b>
<b>Liabilities</b>				
Payables	2	2	267	268
Distributions payable	2	15,347	1,547	2,545
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>3,767</b>	<b>15,349</b>	<b>1,814</b>	<b>2,813</b>
<b>Net assets attributable to unitholders</b>	<b>4</b>	<b>690,615</b>	<b>168,337</b>	<b>164,856</b>

	Australian Ethical Altius Bond Fund	
	31 December 2025	30 June 2025
Note	\$'000	\$'000
<b>Assets</b>		
Cash and cash equivalents	6,235	3,810
Margin accounts	603	1,208
Receivables	5,747	6,541
Financial assets held at fair value through profit or loss	5	937,816
<b>Total assets</b>	<b>774,932</b>	<b>949,375</b>
<b>Liabilities</b>		
Payables	20	11
Distributions payable	2	28,578
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>14,211</b>	<b>28,589</b>
<b>Net assets attributable to unitholders</b>	<b>4</b>	<b>920,786</b>

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

## Statements of Changes in Equity

The Schemes' net assets attributable to unitholders are classified as liabilities under AASB 132 'Financial Instruments: Presentation'. As such the Schemes have no equities and no items of changes in equity at the start and end of the period.

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

## Statements of Cash Flows

	Australian Ethical Income Fund		Australian Ethical Altius Short Duration Bond Fund	
	31 December 2025 \$'000	31 December 2024 \$'000	31 December 2025 \$'000	31 December 2024 \$'000
<b>Cash flows from operating activities</b>				
Interest received	3,278	8,723	2,433	2,733
Other income received	-	-	-	167
Management fees paid	(12)	(12)	(363)	(471)
Transaction costs paid	-	-	(36)	(20)
<b>Net cash from operating activities</b>	<b>3,266</b>	<b>8,711</b>	<b>2,034</b>	<b>2,409</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of investments	341,684	215,232	22,454	24,077
Purchase of investments	(63,571)	(467,659)	(24,263)	(19,666)
Amount received from/(paid to) brokers for margin	-	-	(1,222)	-
<b>Net cash from investing activities</b>	<b>278,113</b>	<b>(252,427)</b>	<b>(3,031)</b>	<b>4,411</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of units	204,565	446,033	12,415	8,871
Payments for redemption of units	(499,833)	(195,028)	(9,598)	(14,459)
Distributions paid to unitholders	(114)	(67)	(2,254)	(1,018)
<b>Net cash from financing activities</b>	<b>(295,382)</b>	<b>250,938</b>	<b>563</b>	<b>(6,606)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(14,003)</b>	<b>7,222</b>	<b>(434)</b>	<b>214</b>
Cash and cash equivalents at 1 July	47,677	6,017	2,286	2,026
<b>Cash and cash equivalent at 31 December</b>	<b>33,674</b>	<b>13,239</b>	<b>1,852</b>	<b>2,240</b>

**Statements of Cash Flows (continued)**

	<b>Australian Ethical Altius Bond Fund</b>	
	<b>31 December 2025</b>	<b>31 December 2024</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Interest received	13,311	17,067
Management fees paid	(99)	(47)
Transaction costs paid	(75)	(4)
<b>Net cash from operating activities</b>	<u>13,137</u>	<u>17,016</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	284,769	484,015
Purchase of investments	(163,435)	(308,140)
Amount received from/(paid to) brokers for margin	605	(536)
<b>Net cash from investing activities</b>	<u>121,939</u>	<u>175,339</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	81,072	112,922
Payments for redemption of units	(212,999)	(312,850)
Distributions paid to unitholders	(724)	(118)
<b>Net cash from financing activities</b>	<u>(132,651)</u>	<u>(200,046)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,425</b>	<b>(7,691)</b>
Cash and cash equivalents at 1 July	<u>3,810</u>	<u>13,499</u>
<b>Cash and cash equivalent at 31 December</b>	<u>6,235</u>	<u>5,808</u>

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

## 1 MATERIAL ACCOUNTING POLICIES

### REPORTING ENTITIES

The AEI Fixed Income Funds (the Schemes), for-profit entities, are registered managed investment schemes under the Corporations Act 2001. The Schemes are domiciled in Australia. The financial statements of the Schemes are for the half-year ended 31 December 2025. The Schemes will terminate on below dates unless terminated earlier in accordance with the provisions of the Schemes' Constitution:

Scheme name	Constitution date	Termination date
Australian Ethical Income Fund	2 November 1999	1 November 2079
Australian Ethical Altius Short Duration Bond Fund	2 September 2014	2 September 2094
Australian Ethical Altius Bond Fund	25 May 2012	24 May 2092

### 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 Schemes comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

### BASIS OF PREPARATION

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

The material accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The Statements of Financial Position are prepared on a liquidity basis.

This interim financial reports are general-purpose financial reports which have 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 reports cover the Australian Ethical Altius Bond Fund, the Australian Ethical Income Fund and the Australian Ethical Altius Short Duration Bond Fund as individual entities. The Responsible Entity of the Schemes is Australian Ethical Investment Limited (the Responsible Entity). The registered office is Level 8, 124-130 Pitt Street, Sydney, NSW 2000.

Selected explanatory notes are included to explain events and transactions that are material to an understanding of the changes in financial positions and performance of the Schemes since the last annual financial statements as at and for the year ended 30 June 2025. The interim financial reports do not include all of the information required for full annual financial reports and should be read in conjunction with the annual financial reports of the Schemes as at and for the year ended 30 June 2025, and any public announcements made in respect of the Schemes during the reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001.

### ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Schemes' 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 Schemes and are believed to be reasonable under the circumstances.

## 1 MATERIAL ACCOUNTING POLICIES (continued)

### DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with the respective investment mandates, the Schemes 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 Statements of Profit or Loss and Other Comprehensive Income. At balance date, the Australian Ethical Altius Bond Fund held exchange traded bond futures and the Australian Ethical Short Duration Bond Fund held exchange traded bond futures and interest rate swaps.

### 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 Schemes 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 Statements of Cash Flows.

### FAIR VALUE MEASUREMENT PRINCIPLES

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

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; and
- quoted market prices on securities.

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

The Schemes' 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.

#### 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

Financial instruments are recognised when the Schemes become parties to the contractual provisions of the instruments. Purchases and sales of financial assets are accounted for at trade date (i.e. the date the Schemes commit themselves to purchase or sell the assets).

## 1 MATERIAL ACCOUNTING POLICIES (continued)

### FAIR VALUE MEASUREMENT PRINCIPLES (continued)

#### 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 Statements 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 Schemes are carried at the redemption amount representing the unitholders' rights to the residual interest in the Schemes' assets, effectively the fair value at the reporting date.

#### Derecognition

The Schemes derecognise financial assets when the contractual rights to the cash flows from the assets expire, or they transfer 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 assets are transferred, or in which the Schemes neither transfer nor retain substantially all of the risks and rewards of ownership and do not retain control of the financial assets.

On derecognition of financial assets, the differences between the carrying amount of the assets (or the carrying amount allocated to the portions of the assets that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) are recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Schemes are recognised as a separate asset or liability. The Schemes derecognise financial liabilities when their 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.

### 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 2025 that would be expected to have a material impact on the Schemes.

## 2 DISTRIBUTIONS PAID AND PAYABLE

	<b>Australian Ethical Income Fund</b>			
	<b>31 December 2025 \$'000</b>	<b>31 December 2025 CPU</b>	<b>31 December 2024 \$'000</b>	<b>31 December 2024 CPU</b>
<b>Retail class</b>				
Distributions payable	<u>31</u>	<u>2.48</u>	<u>27</u>	<u>1.98</u>
<b>Wholesale class</b>				
Distributions payable	<u>285</u>	<u>2.56</u>	<u>216</u>	<u>2.08</u>
<b>Zero class</b>				
Distributions payable	<u>3,449</u>	<u>2.62</u>	<u>12,264</u>	<u>2.01</u>
<b>Total Distributions</b>	<u>3,765</u>		<u>12,507</u>	

The prior year final distribution total of \$15,347,217 was paid in July 2025.

	<b>Australian Ethical Altius Short Duration Bond Fund</b>			
	<b>31 December 2025 \$'000</b>	<b>31 December 2025 CPU</b>	<b>31 December 2024 \$'000</b>	<b>31 December 2024 CPU</b>
<b>Wholesale class</b>				
Distributions paid	1,150	0.67	852	0.50
Distributions payable	<u>1,547</u>	<u>0.89</u>	<u>848</u>	<u>0.50</u>
	<u>2,697</u>		<u>1,700</u>	
<b>Zero class</b>				
Distributions paid	-	0.75	-	-
Distributions payable	<u>-</u>	<u>1.02</u>	<u>-</u>	<u>-</u>
	<u>-</u>		<u>-</u>	
<b>Total Distributions</b>	<u>2,697</u>		<u>1,700</u>	

The prior year final distribution total of \$2,544,755 was paid in July 2025.

## 2 DISTRIBUTIONS PAID AND PAYABLE (continued)

	<b>Australian Ethical Altius Bond Fund</b>			
	<b>31 December 2025 \$'000</b>	<b>31 December 2025 CPU</b>	<b>31 December 2024 \$'000</b>	<b>31 December 2024 CPU</b>
<b>Retail class</b>				
Distributions payable	<u>13</u>	<u>1.62</u>	-	-
			-	
<b>Wholesale class</b>				
Distributions payable	<u>1,232</u>	<u>1.75</u>	-	-
			-	
<b>Zero class</b>				
Distributions payable	<u>12,946</u>	<u>1.91</u>	-	-
			-	
<b>Total Distributions</b>	<u>14,191</u>		-	

The prior year final distribution total of \$28,578,067 was paid in July 2025.

### 3 ISSUED UNITS

Each units represent rights to individual shares in the Schemes per their respective 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.

	Australian Ethical Income Fund		Australian Ethical Altius Short Duration Bond Fund		Australian Ethical Altius Bond Fund	
	31 December 2025 Units	31 December 2024 Units	31 December 2025 Units	31 December 2024 Units	31 December 2025 Units	31 December 2024 Units
<b>Retail class</b>						
On issue at beginning of period	1,342,739	1,378,859	-	-	776,273	908,278
Issued	184,641	353,265	-	-	43,006	85,452
Reclassified to wholesale class	(174,275)	(291,624)	-	-	-	(72,188)
Redeemed	(106,448)	(54,139)	-	-	(45,078)	(93,568)
<b>On issue at period end</b>	<b>1,246,657</b>	<b>1,386,361</b>	<b>-</b>	<b>-</b>	<b>774,201</b>	<b>827,974</b>
<b>Wholesale class</b>						
On issue at beginning of period	12,105,851	9,764,346	168,668,529	174,843,930	41,528,329	29,437,149
Issued	1,791,901	979,362	14,088,000	9,801,409	38,178,442	1,655,650
Reclassified from retail class	174,275	291,508	-	-	-	72,186
Redeemed	(2,931,007)	(639,425)	(9,762,785)	(15,041,855)	(9,314,241)	(1,937,861)
<b>On issue at period end</b>	<b>11,141,020</b>	<b>10,395,791</b>	<b>172,993,744</b>	<b>169,603,484</b>	<b>70,392,530</b>	<b>29,227,124</b>
<b>Zero class</b>						
On issue at beginning of period	681,757,410	348,689,803	-	-	841,455,078	1,037,523,414
Issued	216,683,626	734,659,442	806	-	66,717,422	118,242,551
Redeemed	(766,904,155)	(474,618,170)	-	-	(229,497,867)	(300,397,397)
<b>On issue at period end</b>	<b>131,536,881</b>	<b>608,731,075</b>	<b>806</b>	<b>-</b>	<b>678,674,633</b>	<b>855,368,568</b>

### 4 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The Schemes manage their net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as liabilities. The amount of net assets attributable to unitholders can change significantly daily as the Schemes are subject to daily applications and redemptions at the discretion of unitholders. Applications and redemptions are reviewed relative to the liquidity of each Schemes' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Schemes' 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 Schemes is to provide unitholders with returns in accordance with their respective Product Disclosure Statement.

#### 4 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

	Australian Ethical Income Fund		Australian Ethical Altius Short Duration Bond Fund		Australian Ethical Altius Bond Fund	
	31 December 2025 \$'000	31 December 2024 \$'000	31 December 2025 \$'000	31 December 2024 \$'000	31 December 2025 \$'000	31 December 2024 \$'000
Opening balance	690,615	354,778	164,856	165,701	920,786	1,071,928
Issued	204,565	726,033	12,417	8,889	81,072	112,922
Distributions reinvested	15,233	8,732	1,441	533	27,854	9,400
Redeemed	(770,833)	(475,028)	(9,598)	(14,434)	(249,999)	(312,850)
Change in net assets attributable to unitholders	2,489	757	(779)	3,106	(18,992)	31,882
<b>Net assets attributable to unitholders</b>	<b>142,069</b>	<b>615,272</b>	<b>168,337</b>	<b>163,795</b>	<b>760,721</b>	<b>913,282</b>

#### 5 FAIR VALUES

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

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

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

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

##### Australian Ethical Income Fund

31 December 2025	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Designated at fair value through profit or loss</b>				
Debt securities	39,080	72,116	-	111,196
Unlisted unit trusts	-	-	-	-
Total	39,080	72,116	-	111,196

30 June 2025	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Designated at fair value through profit or loss</b>				
Debt securities	168,627	486,940	-	655,567
Unlisted unit trusts	-	-	-	-
Total	168,627	486,940	-	655,567

## 5 FAIR VALUES (continued)

### Australian Ethical Altius Short Duration Bond Fund

31 December 2025	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Designated at fair value through profit or loss</b>				
Derivatives	(65)	3,184	-	3,119
Debt securities	23,351	70,242	-	93,593
Unlisted unit trusts	-	67,566	-	67,566
Total	<u>23,286</u>	<u>140,992</u>	-	<u>164,278</u>

30 June 2025	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Designated at fair value through profit or loss</b>				
Derivatives	(133)	3,588	-	3,455
Debt securities	31,970	59,437	-	91,407
Unlisted unit trusts	-	68,055	-	68,055
Total	<u>31,837</u>	<u>131,080</u>	-	<u>162,917</u>

### Australian Ethical Altius Bond Fund

31 December 2025	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Designated at fair value through profit or loss</b>				
Derivatives	37	-	-	37
Debt securities	622,575	139,735	-	762,310
Total	<u>622,612</u>	<u>139,735</u>	-	<u>762,347</u>

30 June 2025	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Designated at fair value through profit or loss</b>				
Debt securities	758,304	179,512	-	937,816
Total	<u>758,304</u>	<u>179,512</u>	-	<u>937,816</u>

The Schemes do not hold any Level 3 assets. During the period, there were no transfers between levels.

#### *Carrying amounts versus fair value*

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

## 6 CONTINGENCIES

There are no contingent assets or liabilities as at 31 December 2025 (30 June 2025: Nil).

## **7 EVENTS OCCURRING AFTER THE REPORTING DATE**

As the investments in the Schemes are measured at their 31 December 2025 fair values in the financial reports, any volatility in values after the balance date is not reflected in the Statements of Profit or Loss and Other Comprehensive Income or the Statements of Financial Position. However, the current value of investments is reflected in the current unit price.

During the period between 31 December 2025 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 Schemes, the results of those operations, or the state of affairs of the Schemes in future financial periods.

## **Directors' Declaration**

In the opinion of the Directors of Australian Ethical Investment Limited, the Responsible Entity of the AEI Fixed Income Funds (the Schemes):

- (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 true and fair views of the Schemes' financial positions as at 31 December 2025 and of their performance for the six-month period ended on that date; and
  - (ii) Complying with Australian Accounting Standards and Corporations Regulations 2001;
- (b) There are reasonable grounds to believe that the Schemes will be able to pay their debts when they become due and payable; and
- (c) The Schemes have operated during the half-year ended 31 December 2025 in accordance with the provisions of the Schemes' Constitution.

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



John McMurdo  
Managing Director  
Australian Ethical Investment Limited  
10 March 2026

## **Independent Auditor's Report**



# Independent Auditor's Review Report

To the respective unitholders of the following Schemes:

- Australian Ethical Income Fund
- Australian Ethical Altius Short Duration Bond Fund
- Australian Ethical Altius Bond Fund

For the purpose of this report, the term Scheme and Schemes denote the individual and distinct entity for which the financial information is prepared and upon which our review is performed. Each is to be read as a singular subject matter.

## Conclusion

We have reviewed the accompanying **Interim Financial Reports** of the Schemes.

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 each Scheme 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 2025 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 Reports** of the individual Schemes comprise:

- Statements of financial position as at 31 December 2025;
- Statements of profit or loss and other comprehensive income for the Interim Period ended on that date;
- Statements of changes in equity and Statement of cash flows for the Interim Period ended on that date;
- Notes 1 to 7 comprising material accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Interim Period** is the 6 months ended on 31 December 2025.

## 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 Reports* section of our report.

We are independent of the Schemes and Australian Ethical Investment Limited, the Responsible Entity of the Schemes, in accordance with the auditor independence requirements of the



*Corporations Act 2001* and the ethical requirements of the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code) that are relevant to audits of annual financial reports of public interest entities in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

### Responsibilities of the Directors for the Interim Financial Reports

The Directors of Australian Ethical Investment Limited are responsible for:


- the preparation of the Interim Financial Reports 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 Reports that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for the Review of the Interim Financial Reports

Our responsibility is to express a conclusion on the Interim Financial Reports 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 of each Scheme 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 2025 and its performance for the Interim ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of the Schemes, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Period Financial Reports 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

  
Nic Buchanan

*Partner*

KPMG Sydney

10 March 2026