Australian Ethical Infrastructure Debt AUD

Fund Profile - 31/03/2025

Australian Ethical

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

Investment objective

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

Investment strategy

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

Fund facts

Fund size:	$30.49m
Benchmark:	RBA Cash Rate
Asset class:	Infrastructure Debt
Inception date:	01/02/2024
Minimum investment timeframe:	5 years
Distribution frequency:	Quaterly
Typical number of loans:	14
Risk level:	Medium

Identifiers

ISIN code:	AU60AUG49611
APIR code:	AUG4961AU

Fees

Management costs:	0.85%
Minimum initial investment:	$100,000

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

*(after tax, before bonus expense)

Performance (as at 31/03/2025)

	1m	3m	6m	1y	Since Inception (ann.)
Fund	0.6%	1.7%	5.3%	7.3%	7.2%
RBA Cashrate	0.3%	1.0%	3.2%	4.3%	4.0%
Excess Returns	0.3%	0.7%	2.1%	3.0%	2.8%

Top 10 Portfolio holdings

Loan	Weight
AE Income Fund	21.0%
Yarranlea Solar Farm	15.0%
Bright Energy Investments Portfolio	11.0%
Sentient Solar Asset Fund Portfolio	9.0%
Green Square Energy Trust Portfolio	8.0%
RELA	7.0%
GTL Renewables	5.0%
Ark Energy NT Solar Portfolio	4.0%
Dulacca Wind Farm	4.0%
GGP Solar Hybrid Portfolio	4.0%

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

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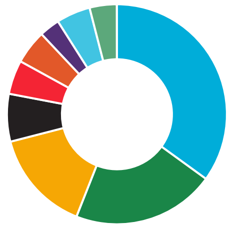
Platform availability

- Hub 24
- Netwealth

Investment Statistics	Portfolio Loans	Duration (yrs)	Effective Maturity (yrs)
Current Portfolio	14	0.3 years	2.7 years

Sector allocation

Solar (utility)	35.0%
AE Income Fund	21.0%
Wind	15.0%
Property	7.0%
Embedded Networks and Distributed PV	5.0%
Social Infrastructure	5.0%
Hybrid Projects	4.0%
Cash	4.0%
Storage	3.0%



Fund and Market Commentary

The Australian Ethical Infrastructure Debt Fund (the Fund) returned 1.7% net of fees this quarter, compared to the benchmark return of 1.0%, meaning an outperformance of +0.7% (or c. + 2.8% on an annualised basis). Performance was driven predominantly by income from underlying loans and securities, while the Fund's RBA's Cash Rate Target benchmark fell by 25bps to 4.1%. The Fund also saw several loans repay early, such as the Capital Battery, and Boco Rock Wind Farm, leading to elevated cash holdings at quarter end.

The Fund aims to support Australian projects that generate positive, measurable social and environmental impact alongside a financial return. Over the last 12 months to December 2024, assets within the portfolio generated 1.9 million gigawatt hours of clean energy and helped avoid 1.1 million tonnes of carbon emissions. This is the equivalent to powering more than 350,000 households over the period.[1]

Average electricity prices for the quarter were $84/MWh. Electricity prices were volatile over the quarter with prices the highest in February. Day time negative prices are becoming increasingly common, with pressures felt by merchant solar generators. Large scale Generation Certificate (LGC) prices also continue to face headwinds as new renewable supply comes online. Spot LGC prices continue to trade below $30/LGC and closed the quarter at $24/LGC, putting further pressure on merchant generators. However, across the existing portfolio, all loans continue to perform with no material credit issues, although coverage ratios have tightened amongst merchant renewable projects. It is worth remembering that merchant renewable loans have been sized conservatively at low loan-to-value ratios, designed with rapid deleveraging to ensure senior debt position is sufficiently protected during downturns.

Following quarter-end, global equity markets have been subject to significant volatility. However, the Fund's infrastructure-focus means there has been no material change to underlying cashflows of the projects in the portfolio. A sustained widening in credit spreads may result in adverse mark-to-market movements across underlying loans. However, the portfolio (i) is well diversified, (ii) consists of individual loans that each have strong equity/cash flow buffers and (iii) has a low weighted average loan life (loans are maturing/refinancing consistently as the March quarter demonstrated). Credit spread widening would also represent an opportunity to deploy additional capital at higher yields and spreads on future loan opportunities.

The Fund has recently celebrated its one-year anniversary, with performance and deployment in line with its stated objectives. Given volatile equity markets and additional uncertainty across parts of the private credit sector, we continue to firmly believe that infrastructure debt plays an increasingly relevant role in portfolio construction – and the Fund's resilience through the past year is a testament to this. We thank you for your continued support and shared values as we seek to support Australia's transition towards Net Zero.

Need Help?

Contact us Monday-Friday on:
T 1800 021 227
F 02 9252 1987
E investors@australianethical.com.au
W australianethical.com.au
Australian Ethical Investment Ltd
c/o Boardroom Pty Ltd
GPO Box 3993
Sydney NSW 2001

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New Investments

During the quarter, the Fund committed to providing a senior debt facility to support the construction of the Fulham Solar Hybrid Project. The project consists of a hybrid 107MW solar farm coupled with a 78MW two-hour battery energy storage system located in Fulham, Victoria, and is being developed by Octopus Australia, a specialist renewable energy developer and fund manager. It will be one of the first large DC-coupled hybrid battery/solar projects to join the National Electricity Market. The project has a unique revenue structure as it benefits from a Victorian Government 10-year VRET2 Support Agreement, which is effectively a fixed price-variable volume power purchase agreement. This will allow the project to sell a portion of solar generation (60% of the solar farm's capacity) at a fixed price to give the project revenue certainty. The Fund's senior debt facility will be a bridge facility, funding a portion of the construction costs alongside the equity contribution from funds managed by Octopus.

Project Updates

The portfolio continues to perform within the manager's expectations, with no credit downgrades or breaches of covenants to report. All projects within the portfolio are in the operating phase, except for the recently closed Fulham Solar Hybrid project and a sub-5 MW hybrid solar farm in the GGP portfolio.
The portfolio also saw the refinancing of its existing senior debt facility for the Yarranlea Solar Farm. Operational since 2021, Yarranlea Solar Farm is a 34MW solar project located approximately 100km west of Brisbane and has an approximate yield of 273 GWh per annum. The refinancing sees us extend the term of an existing loan, allowing us to continue to lend against a project we have been involved with since 2021.

[1] Assuming the average residential customer consumes 5.5MWh of electricity a year.

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c/o Boardroom Pty Ltd
GPO Box 3993
Sydney NSW 2001