Australian Ethical Infrastructure Debt AUD

Fund Profile - 30/06/2025

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:	$30.79m
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:	15
Risk level:	Medium

Identifiers

ISIN code:	AU60AUG49611
APIR code:	AUG4961AU

Fees

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

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

*(after tax, before bonus expense)

Performance (as at 30/06/2025)

	1m	3m	6m	1y	Since Inception (ann.)
Fund	0.6%	1.8%	3.8%	7.3%	7.2%
RBA Cashrate	0.3%	1.0%	2.0%	4.2%	4.2%
Excess Returns	0.3%	0.9%	1.7%	3.1%	3.0%

Top 10 Portfolio holdings

Loan	Weight
Yarranlea Solar Farm	15.0%
AE Income Fund	11.0%
Bright Energy Investments Portfolio	11.0%
Green Square Energy Trust Portfolio	9.0%
Sentient Solar Asset Fund Portfolio	9.0%
Bouldercombe Battery	7.0%
GTL Renewables	7.0%
RELA	7.0%
GGP Solar Hybrid Portfolio	6.0%
Fulham Solar Hybrid	5.0%

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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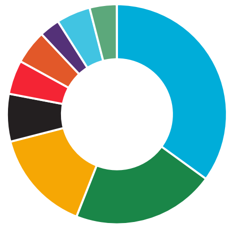
Platform availability

- Hub 24
- Netwealth

Investment Statistics	Portfolio Loans	Duration (yrs)	Effective Maturity (yrs)
Current Portfolio	15	0.4 years	3.0 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%
Storage	3.0%
Other	5.0%
Cash	4.0%



Fund and Market Commentary

The Australian Ethical Infrastructure Debt Fund (the Fund) returned 7.3% net of fees for the financial year, compared to the benchmark return of 4.2%, resulting in an outperformance of +3.1%. Performance was driven predominantly by income from underlying loans and securities, while the Fund's RBA Cash Rate Target benchmark remained steady for the first half of the year, before falling by 50bps towards the end the year to 3.85%.

The Fund aims to support Australian projects that generate positive, measurable social and environmental outcomes alongside a financial return. Assets within the portfolio generated 1.9 million megawatt hours of clean energy and helped avoid 1.1 million tons of carbon emissions. This is the equivalent to powering more than 350,000 households over the period for the 12 months to March (Assuming the average residential customer consumes 5.5MWh of electricity a year).

Average spot electricity prices across the National Electricity Market (NEM) were 30% higher in FY2025, compared to the previous financial year. This was particularly notable in the first half of the year with extreme weather events and unexpected outages causing grid instability and supply tightness. Prices were more subdued in the back-half of the year thanks in part to record renewable energy generation. Overall, renewables accounted for a record 40% of supply to the NEM for the 12-month period during a warm but not extreme summer. Across the portfolio, all loans performed with no material credit issues. Investors may have seen news reports that new solar farms could be forced to switch off at least one-third of the power they generate by 2027 following a report released by Australian Energy Market Operator (AEMO) after the financial year end. It should be noted this is a well-known issue within the energy generation industry and is part of the ongoing energy transition challenge, as policy makers seek to manage the issue of energy reliability, cost, and social license. This scenario is already factored in when analysing investment opportunities, and is taken into account when loans are structured within the portfolio to provide protection. This includes conservative debt sizing, amortising repayment structures, seniority and term - all loans in the portfolio today are senior and the weighted average portfolio loan life is approximately 3.4 years).

We are continuing to evaluate a healthy pipeline of lending opportunities in line with our target mandate and the market continues to have a need for debt financing capital alongside equity commitments to support Australia's renewable energy transition.

Need Help?

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New Investments

No new investments during the June 2025 quarter.

Project Updates

The portfolio continues to perform within 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 Solar Hybrid portfolio.

Throughout the year, several loans were repaid, including: Neoen Capital Battery, Boco Rock Wind Farm, Energy Trade, Leeton and Fivebough Solar Farms. In the case of the Neoen Capital Battery, it resulted in an asset-level return of over 12%.

As more renewables enter the grid and negatively impact daytime electricity pricing, the Yarranlea Solar Farm and the SAF portfolio of solar farms have started retrofitting battery storage systems to store excess energy generated during the day and release at night. We suspect this will be a trend throughout the wider industry, and as such, expect exposure to merchant solar-only projects (without batteries) to diminish in the portfolio going forward.