Income with Purpose

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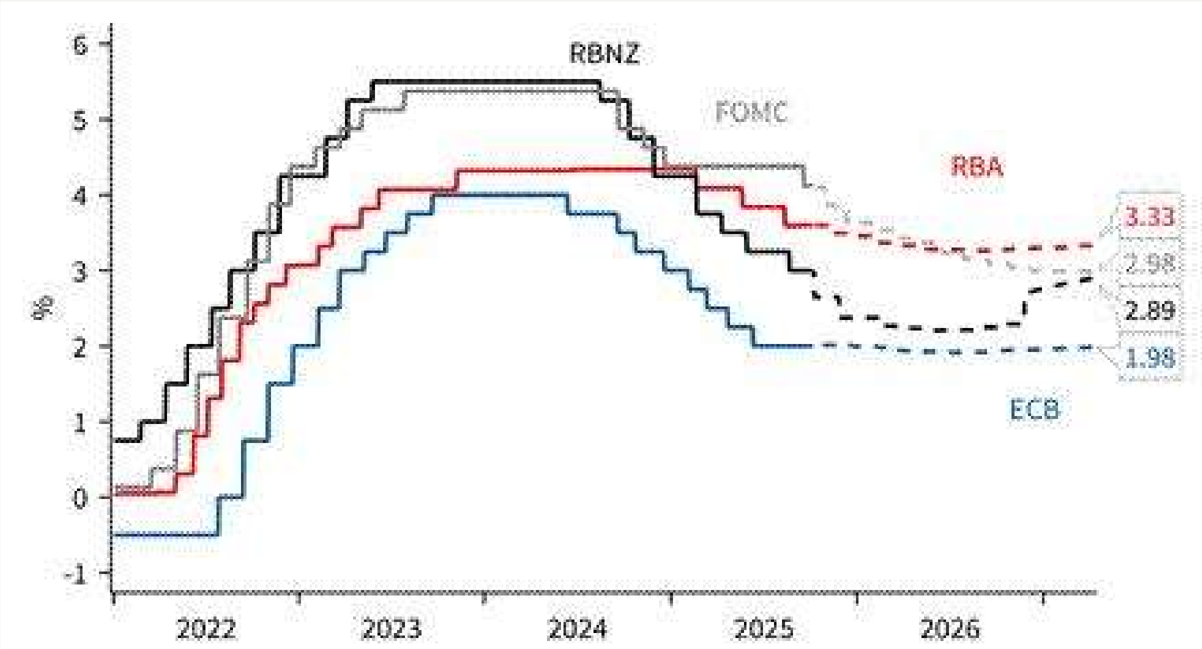
Investing ethically and sustainably means that the investment universe will generally be more limited than non-ethical, non-sustainable portfolios in similar asset classes. This means that the portfolio(s) may not have exposure to specific assets which over or underperform over the investment cycle, and so the returns and volatility of the portfolio(s) may be higher or lower than non-ethical, non-sustainable portfolios over all investment time frames.

Market Outlook – Cash and Bonds

Major economies still looking for lower cash rates

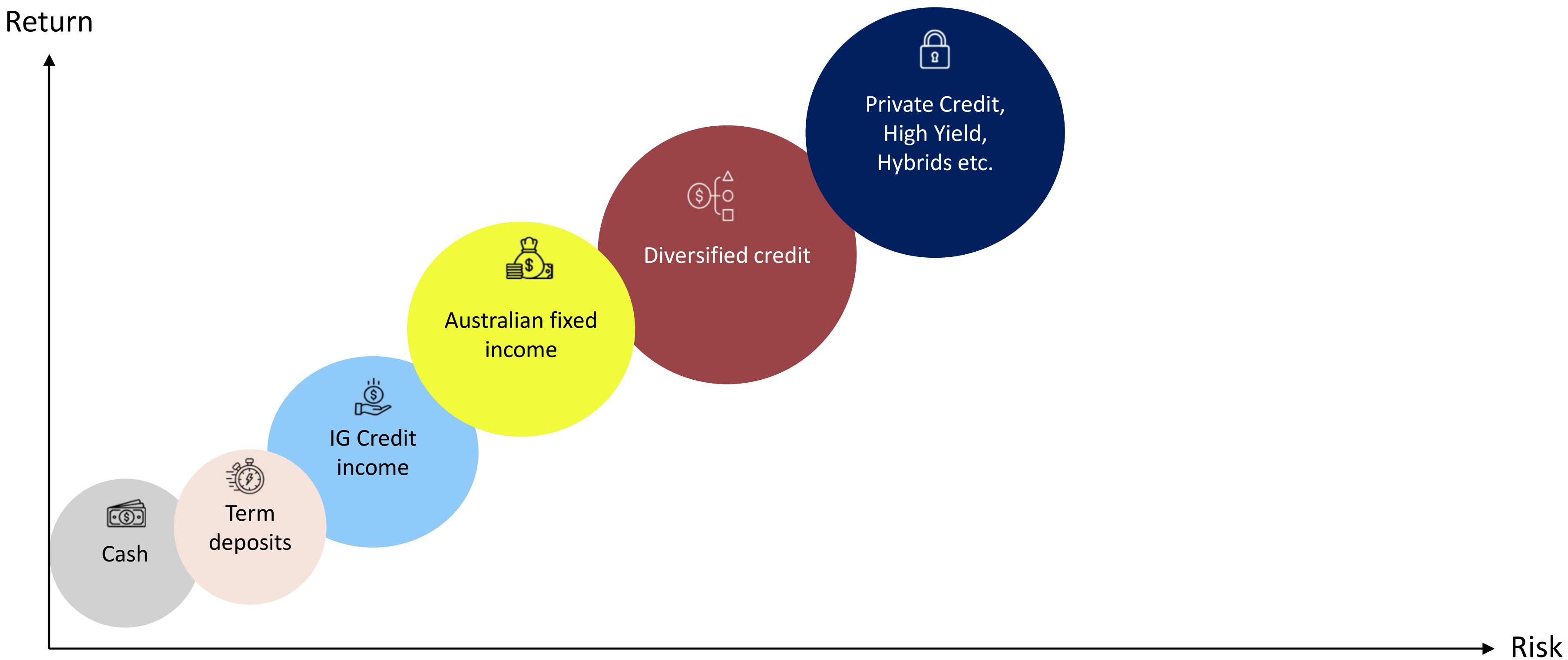


- Lower cash rates mildly positive for bonds
- Steep yield curves to persist as inflation risk remains.
- Credit spreads tight and sensitive to growth slowing and/or real asset volatility
- High grade spreads offer relative value, while steep curves create conditions for capital gains from rolldown

Source: National Australia Bank Reserve Bank of New Zealand, Federal Reserves, ECB (European Central Bank), Account in-house, Bloomberg, Macrobond

The Income Spectrum

Expected additional return for additional credit, mark to market and liquidity risk



Green and Sustainable Bonds

Australian Ethical

Key features

- A central pillar of the Global Sustainable Finance market with issuance > USD$6 trillion.
- Doesn't compromise on return.
- Ideal for Ethical Investing - Funds projects addressing global warming, food and energy security, clean water, bio-diversity loss etc.

Pre-requisites for success

- Integrity of the market (taxonomies, etc.).
- Due diligence by investors.
- Engagement (a new concept for bond investors).
- Can't be a passive investment approach.

Characteristics

- Use of proceeds structure with appropriate social and/or environmental objective.
- Transparent/accredited process for project selection (criteria).
- Appropriate verification of use of proceeds.
- Detailed regular reporting including quantified outcomes.

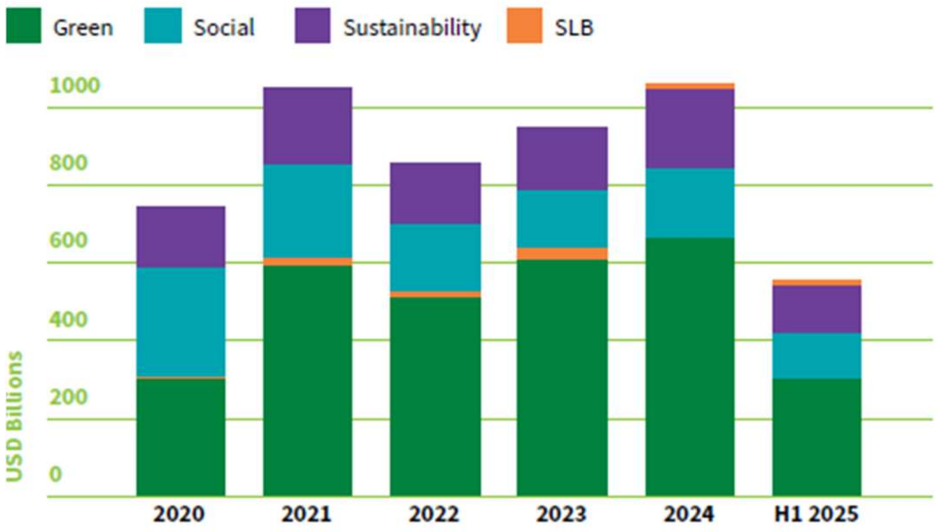
Nuts and bolts

- Still a conventional interest-bearing investments. (a fixed or floating coupon, principal at maturity, guaranteed by the issuing entity (such as Govt, or Corporate)
- The way the proceeds are used that is the innovation
- Capital with a proviso – must be applied to pre-agreed purpose

Australian Ethical

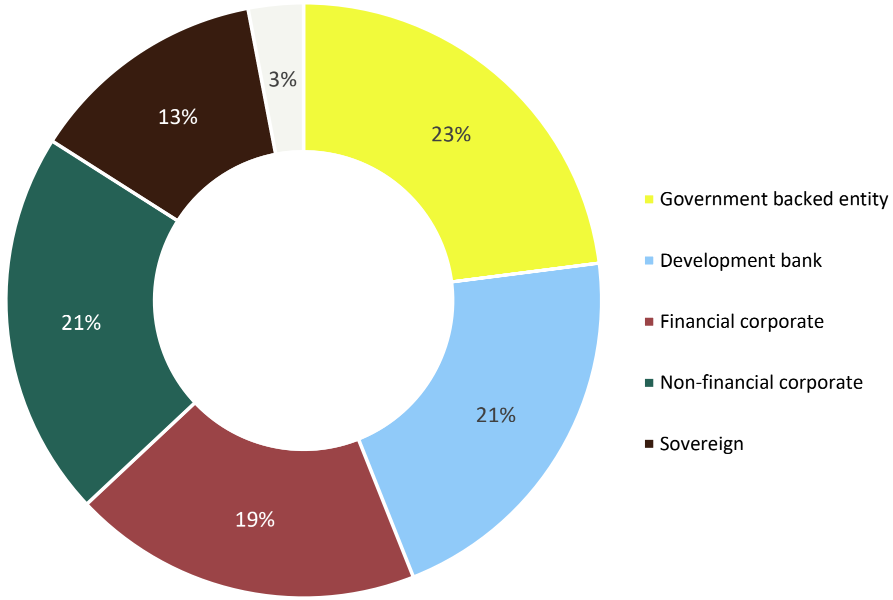
Global and Australian market snapshots

Cumulative aligned GSS+ issuance since 2020



Source: Climate Bonds Initiative

Type of Issuer



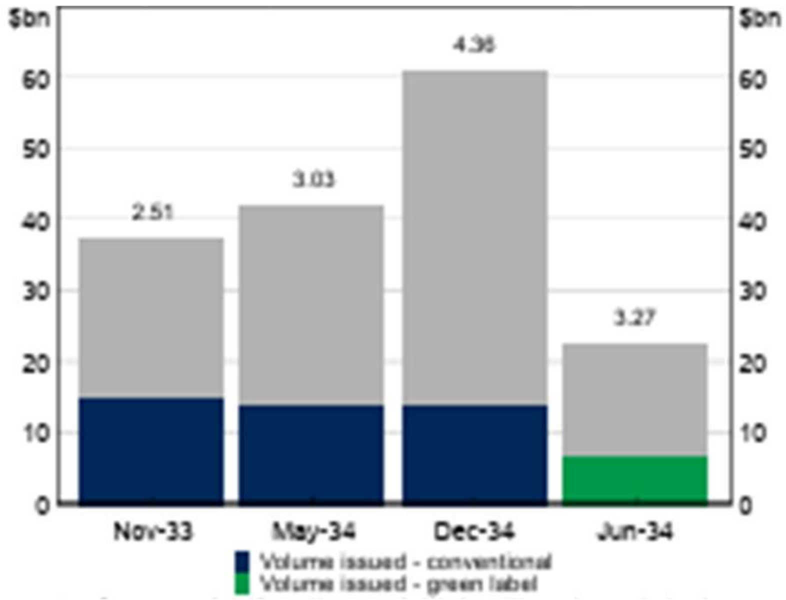
Source: Climate Bonds Initiative

Global and Australian market snapshots

Over $40b Outstanding, a record $19.5b issued in 2024

AOFM Bond Issuance

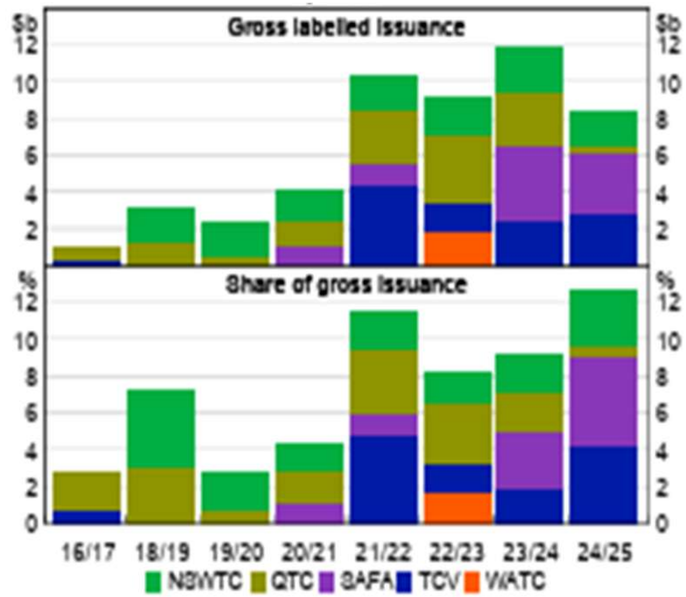
By book size, volume issues and coverage ratio



Source: RBA

Labelled issuance of Semis

By issuer



Source: Bloomberg, RBA

TCorp's Sustainability Bond Programme

Provides the mechanism for investors to specifically provide capital for sustainability initiatives in NSW

- Aligns with UN SDGs
- Underpinned by governance framework and external verification (CBI)

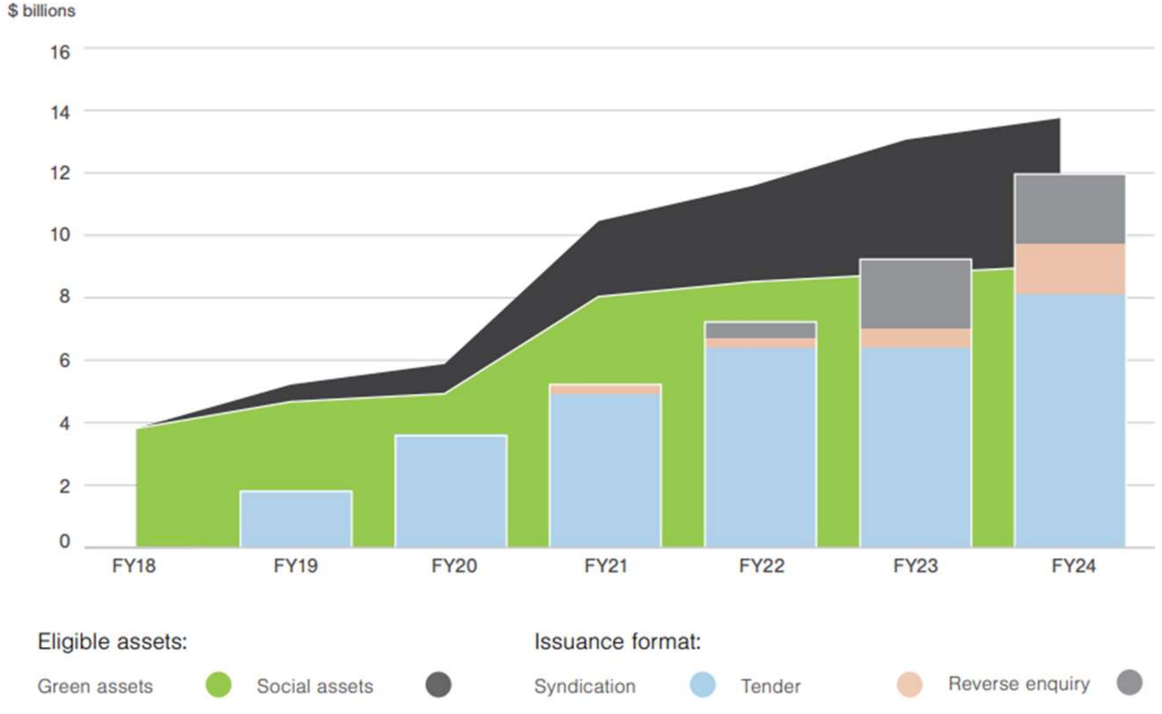
A framework for ongoing engagement

- Aims for best practice in impact reporting
- Multiple touchpoints over the life of the investment

Tangible assets and solutions

- Cross-government solutions to pressing environmental and social problems

NSW Sustainability Bond Programme asset pool and issuance as at 30 June 2024



Source: TCorp

T Corp’s Sustainability Bond Programme

Asset pool examples

Sydney Metro Northwest

First stage of Sydney Metro - Australia’s biggest public transport project. The project is the first fully automated electrified metro rail system in Australia.

Indicators

- 24.2mn total passenger trips.[1]
- 100% of grid electricity required for operations (87.3 GWh) is offset by renewable energy through the voluntary surrender or transfer of LGCs, offsetting emissions of 54,999 tCO2-e.[2]

SDG

CBD and SouthEast Light Rail

The 12km route is designed to service major transport hubs within Sydney and connect commuters to buses, trains, ferries, and other light rail services.

Indicators

- 37.1mn total passenger trips.
- 9,176 tCO2-e total emissions.

SDG

1.Trips are measured by tap on/off activity measured by Opal, credit card, debit card and mobile devices. Includes school travel using concessional cards, single tap-on or tap-off, transport concession entitlements, integrated ticketing for major events and fare non-compliance.
2.From electricity purchased to operate stations, traction power and a depot. Emissions calculated using the forecast emission factor of 0.63 tonnes per CO2-e per MWh for scope 2 and 3 emissions for 2024. Factors sourced from Australia’s emission projections 2023, Australian Government Department of Industry, Science, Energy and Resources (November 2023).

The role of a Green and Sustainable Bond Fund

Australian Ethical

- The Ethical Charter screens out issuers with harmful activities.
- Active management is key in building green bond funds that pass scrutiny.
- Engagement with Sovereigns: Bond investors can influence through advocacy and engagement.
- The fund is designed as a replacement or complement to traditional Australian Fixed Income Funds.
- It has the same benchmark and risk-return characteristics but delivers additional unique outcomes.
- Proof of concept – **5-year track record**

Thank you

Get in touch

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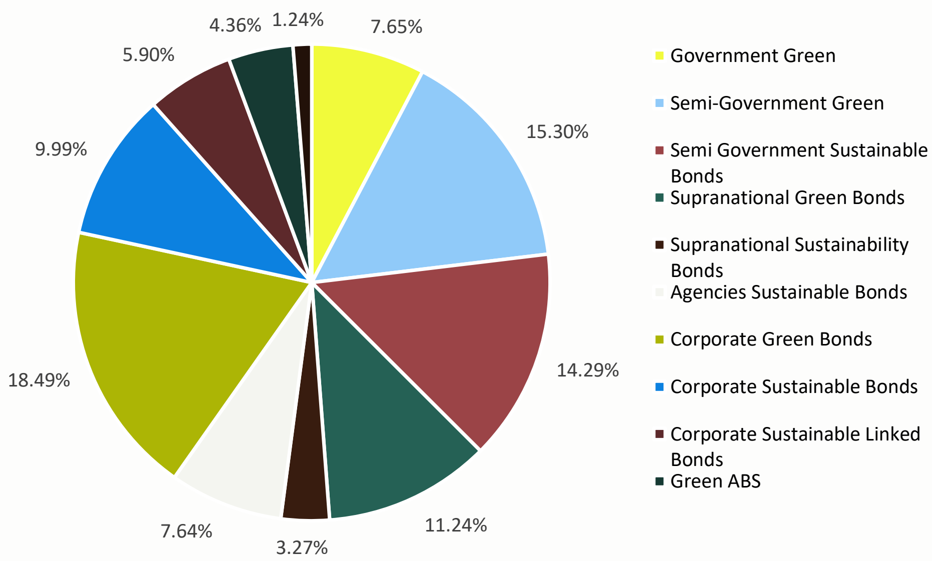
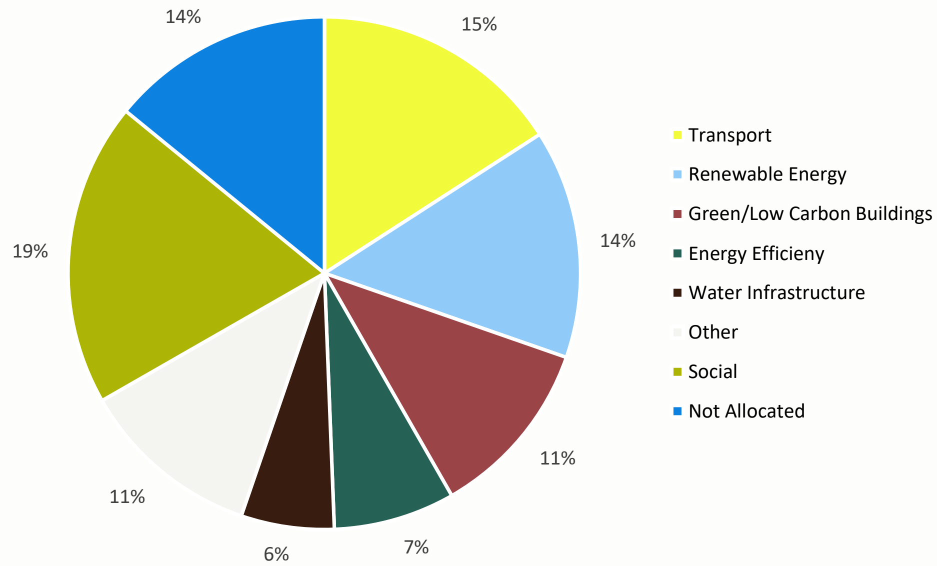
Altius Green Bond Fund

Portfolio Sustainable Finance Breakdown March 2025



Green Bond Fund : Use Of Proceeds Breakdown March 2025



Source: Altius Fund Breakdown as of March 2025

Fixed Income sustainability process

Australian Ethical Charter: Core ethical principles

Three-stage sustainability overlay

01 Negative screen

- Armaments
- Gambling
- Tobacco production
- Fossil Fuel production, distribution, exploration and services
- Uranium
- Alcohol production
- Pornography

02 Positive sustainability ranking

- Environmental effects.
- Social consequences
- Quality of governance

03 Sustainability Advisory Forum

Considers engagement and/or divestment where ranking does not trigger exclusion (generally due to materiality) but the breach of the sustainability principle(s) is considered to be of a flagrant nature.

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Australian Ethical

Australian Ethical Investment Ltd

We manage domestic equities, international equities, income, private assets & fixed interest and multi-asset funds.

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13 investment options

Managed Funds
12 managed funds – wholesale & retail – and 1 ETF

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Australian Ethical Foundation

Direct customers

Advisers

Employers

Institutions

Exchange-traded

About us

Ethical and sustainable investing isn't just a part of what we do – it's who we are. And while we've evolved in many ways since starting in 1986, we have always stayed true to this.

198

company formed and Australian Ethical Charter set.

38+

years offering investment and super solutions using our differentiated ethical investing approach.

$13.94b

managed as an ASX 300 listed investment manager, on behalf of members and investors[^].

140+

employees and growing.

10

of annual profits[*] donated through our Foundation to charitable organisations.