

Altius Sustainable Bond Fund
ARSN 601 618 179

Interim report

For the half-year ended 31 December 2022



Strengthened by

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Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 071 497 115), the "Responsible Entity" of Altius Sustainable Bond Fund (the "Scheme"), present their report together with the financial statements of the Scheme for the half-year ended 31 December 2022.

Directors

The following persons were directors of the Responsible Entity during the whole of the half-year and up to the date of this report (unless otherwise stated):

Rohan Mead	Chairman and Group Managing Director
Esther Kerr-Smith	Chief Executive Officer, Wealth & Capital Markets
Darren Mann	Group Executive Finance & Strategy and Chief Financial Officer

Principal activities

The Scheme invests in accordance with the investment policy of the Scheme as set out in its Product Disclosure Statement (PDS) and in accordance with the Scheme's Constitution.

Review and results of operations

For the half-year ended 31 December 2022 the Scheme posted a total return of 1.30% (31 December 2021: -0.41%) (split between a distribution return of 0.78% (31 December 2021: 1.50%) and a growth return of 0.52% (31 December 2021: -1.91%)).*

Unit prices (ex distribution) as at 31 December 2022 (31 December 2021) are as follows:

Wholesale units \$0.9026 (\$0.9804)*

** The reported performance numbers and reported unit prices (which are not audited) have been derived based on the declared unit prices calculated in accordance with the Responsible Entity's unit pricing policy and are not based on the net assets of these IFRS compliant financial statements. Return calculations assume reinvestment of distributions.*

The performance of the Scheme, as represented by the results of its operations, was as follows:

	Half-year	
	2022 \$'000	2021 \$'000
Profit/(loss) before finance costs attributable to unitholders	2,576	(910)
<i>Distributions</i>		
Distributions paid and payable	1,469	3,466

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of the affairs of the Scheme that occurred during the half-year, except those mentioned elsewhere in the report.

Events occurring after end of the half-year

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the operations of the Scheme, the results of operations, or the state of the Scheme's affairs in future reporting periods, except those mentioned elsewhere in the report.

Likely developments and expected results of operations

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Australian Unity Funds Management Limited or the auditors of the Scheme. So long as the officers of Australian Unity Funds Management Limited act in accordance with the Scheme's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

Directors' report (continued)

Environmental regulation

The Scheme operations are not subject to environmental regulations under Australian law.

Rounding of amounts

The Scheme is an entity of the kind referred to in *ASIC Corporations Instrument 2016/191* issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars, where indicated.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Signed in accordance with a resolution of the directors of Australian Unity Funds Management Limited.



Rohan Mead
Director



Esther Kerr-Smith
Director

10 March 2023



Auditor's Independence Declaration

As lead auditor for the review of Altius Sustainable Bond Fund for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to read 'G. Sagonas', is written over a faint, light blue grid background.

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
10 March 2023

Statement of comprehensive income

	Notes	Half-year	
		2022 \$'000	2021 \$'000
Investment income			
Interest income		45	–
Interest income from financial assets at fair value through profit or loss		1,611	1,067
Distribution income		447	460
Net foreign exchange gain/(loss)		3	(13)
Net gains/(losses) on financial instruments at fair value through profit or loss		1,180	(1,919)
Other income		147	115
Total investment income/(loss)		3,433	(290)
Expenses			
Management costs		482	573
Interest expense		337	5
Transaction costs		38	42
Total expenses		857	620
Profit/(loss) before finance costs attributable to unitholders		2,576	(910)
Finance costs attributable to unitholders			
Distributions to unitholders	4	(1,469)	(3,466)
(Increase)/decrease in net assets attributable to unitholders	3	(1,107)	4,376
Total comprehensive income attributable to unitholders		–	–

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	31 December 2022 \$'000	30 June 2022 \$'000
Assets			
Cash and cash equivalents		4,898	5,996
Receivables		341	55
Financial assets at fair value through profit or loss	5	192,998	222,326
Total assets		198,237	228,377
Liabilities			
Distributions payable	4	731	3,855
Payables		147	235
Financial liabilities at fair value through profit or loss	6	8,930	9,758
Total liabilities (excluding net assets attributable to unitholders)		9,808	13,848
Net assets attributable to unitholders – liability	3	188,429	214,529

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

Statement of changes in net assets attributable to unitholders – liability

	Half-year	
	2022 \$'000	2021 \$'000
Balance at the beginning of the half-year	214,529	227,640
Profit/(loss) before finance costs attributable to unitholders	2,576	(910)
Distributions to unitholders	(1,469)	(3,466)
Applications	23,671	63,283
Redemptions	(51,790)	(25,533)
Units issued upon reinvestment of distributions	912	892
Balance at the end of the half-year	188,429	261,906

The above statement of changes in net assets attributable to unitholders – liability should be read in conjunction with the accompanying notes.

Statement of cash flows

	Half-year	
	2022 \$'000	2021 \$'000
<i>Cash flows from operating activities</i>		
Proceeds from sales of financial instruments at fair value through profit or loss	69,209	100,796
Payments for purchase of financial instruments at fair value through profit or loss	(39,307)	(98,679)
Interest received from financial assets at amortised cost	45	–
Interest income received	1,604	1,068
Interest expense paid	(337)	(5)
GST received	27	–
Other income received	87	115
Management costs paid	(459)	(595)
Transaction costs paid	(38)	(42)
Net cash inflows from operating activities	30,831	2,658
<i>Cash flows from financing activities</i>		
Proceeds from applications by unitholders	23,683	26,789
Payments for redemptions by unitholders	(51,934)	(25,692)
Distributions paid to unitholders	(3,681)	(2,574)
Net cash outflows from financing activities	(31,932)	(1,477)
Net (decrease)/increase in cash and cash equivalents	(1,101)	1,181
Cash and cash equivalents at the beginning of the half-year	5,996	3,532
Effect of foreign currency exchange rate changes on cash and cash equivalents	3	(13)
Cash and cash equivalents at the end of the half-year	4,898	4,700
Non-cash operating and financing activities**	1,135	37,847

** On 7 December 2021, all assets held by Altius Bond Fund were transferred to the Scheme by way of in specie transfer and unitholders in Altius Bond Fund became unitholders of the Scheme.

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

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1. General information

These financial statements cover Altius Sustainable Bond Fund (the "Scheme") as an individual entity. The Scheme was constituted on 2 September 2014 and will terminate on the 80th anniversary or earlier in accordance with the Scheme's Constitution.

The Responsible Entity of the Scheme is Australian Unity Funds Management Limited (ABN 60 071 497 115) (the "Responsible Entity"), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888). The Responsible Entity's registered office is Level 15, 271 Spring Street, Melbourne, VIC 3000.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are for the period 1 July 2022 to 31 December 2022.

The financial statements were authorised for issue by the directors of the Responsible Entity on 10 March 2023. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2. Basis of preparation

These interim financial statements for the half-year ended 31 December 2022 have been prepared in accordance with *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made in respect of the Scheme during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders.

The Scheme manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date.

The accounting policies adopted are consistent with those of the previous annual reporting period, unless otherwise stated.

(i) Compliance with International Financial Reporting Standards

Compliance with AASB 134 ensures that the interim report of the Scheme, comprising the financial statements and notes thereto, complies with the International Accounting Standard IAS 34 *Interim Financial Reporting*.

(ii) New accounting standards and amendments adopted by the Scheme

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial half-year beginning 1 July 2022 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

(iii) New accounting standards, amendments and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 31 December 2022 reporting period and have not yet been applied in the financial statements. None of these are expected to have a material effect on the financial statements of the Scheme.

Rounding of amounts

The Scheme is an entity of the kind referred to in *ASIC Corporations Instrument 2016/191* issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, where indicated.

3. Net assets attributable to unitholders – liability

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right in the underlying assets of the Scheme. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the Scheme.

Movements in the number of units and net assets attributable to unitholders – liability during the half-year were as follows:

	Half-year			
	2022 No. '000	2021 No. '000	2022 \$'000	2021 \$'000
Opening balance	239,092	228,002	214,529	227,640
Applications	26,109	64,135	23,671	63,283
Redemptions	(57,258)	(25,628)	(51,790)	(25,533)
Units issued upon reinvestment of distributions	1,016	910	912	892
Increase/(decrease) in net assets attributable to unitholders	-	-	1,107	(4,376)
Closing Balance	208,959	267,419	188,429	261,906

4. Distributions to unitholders

The distributions for the half-year were as follows:

	Half-year			
	2022 \$'000	2022 CPU	2021 \$'000	2021 CPU
Distributions				
30 September	738	0.3500	342	0.1500
31 December (payable)	731	0.3500	3,124	1.3512
Total distributions	1,469		3,466	

5. Financial assets at fair value through profit or loss

	31 December 2022 \$'000	30 June 2022 \$'000
Derivatives	10,969	8,976
Fixed interest bonds	65,202	86,671
Asset backed securities	4,286	4,744
Floating rate notes	33,867	31,930
Mortgage backed securities	14,194	17,379
Unlisted managed investment schemes	64,480	72,626
Total financial assets at fair value through profit or loss	192,998	222,326

6. Financial liabilities at fair value through profit or loss

	31 December 2022 \$'000	30 June 2022 \$'000
Derivatives	8,930	9,758
Total financial liabilities at fair value through profit or loss	8,930	9,758

7. Fair value hierarchy

The Scheme is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

	31 December 2022			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Futures	1,667	–	–	1,667
Swaps	–	9,302	–	9,302
Unlisted managed investment schemes	–	64,480	–	64,480
Fixed interest bonds	–	65,202	–	65,202
Mortgage backed securities	–	14,194	–	14,194
Asset backed securities	–	4,286	–	4,286
Floating rate notes	–	33,867	–	33,867
Total financial assets	1,667	191,331	–	192,998
Financial liabilities				
Swaps	–	(8,930)	–	(8,930)
Total financial liabilities	–	(8,930)	–	(8,930)
	30 June 2022			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Swaps	–	8,976	–	8,976
Unlisted managed investment schemes	–	72,626	–	72,626
Fixed interest bonds	–	86,671	–	86,671
Mortgage backed securities	–	17,379	–	17,379
Asset backed securities	–	4,744	–	4,744
Floating rate notes	–	31,930	–	31,930
Total financial assets	–	222,326	–	222,326
Financial liabilities				
Futures	(474)	–	–	(474)
Swaps	–	(9,284)	–	(9,284)
Total financial liabilities	(474)	(9,284)	–	(9,758)

7. Fair value hierarchy (continued)

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, e.g. recognised stock exchanges and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include investment grade corporate bonds and over the counter derivatives.

The Scheme's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the half-year. There were no transfers between levels 1, 2 and 3 of the fair value hierarchy during the half-year (30 June 2022: Nil).

8. Events occurring after end of half-year

The directors of the Responsible Entity are not aware of any matter or circumstance arising since the end of the half-year which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 31 December 2022 or on the results and cash flows of the Scheme for the half-year ended on that date.

9. Contingent assets and liabilities and commitments

There are no contingent assets, liabilities or commitments as at 31 December 2022 and 30 June 2022.

Directors' declaration

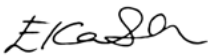
In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 31 December 2022 and of its performance, as represented by the results of its operations and cash flows, for the half-year ended on that date.
- (b) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
- (c) The financial statements are in accordance with the Scheme's Constitution.
- (d) Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.



Rohan Mead
Director



Esther Kerr-Smith
Director

10 March 2023



Independent auditor's review report to the unitholders of Altius Sustainable Bond Fund

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Altius Sustainable Bond Fund (the Scheme) which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in net assets attributable to unitholders – liability and statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Altius Sustainable Bond Fund does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Scheme's financial position as at 31 December 2022 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors of the Responsible Entity for the half-year financial report

The directors of Australian Unity Funds Management Limited, the Responsible Entity of the Scheme are responsible for the preparation of the half-year financial report 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 of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report 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 half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Scheme's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report 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.

A stylized, handwritten-style logo for PricewaterhouseCoopers, with the words 'PricewaterhouseCoopers' written in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'George Sagonas'.

George Sagonas
Partner

Melbourne
10 March 2023

