

Perpetual Ethical SRI Fund

ARSN 099 975 041

Condensed Interim Financial Report for the half-year ended 31 December 2021

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Directors' report

The directors of Perpetual Investment Management Limited (a wholly owned subsidiary of Perpetual Limited), the Responsible Entity of Perpetual Ethical SRI Fund, present their report together with the condensed interim financial report of Perpetual Ethical SRI Fund (the Scheme) for the half-year ended 31 December 2021 and the auditor's report thereon.

Responsible Entity

The Responsible Entity of Perpetual Ethical SRI Fund is Perpetual Investment Management Limited (ABN 18 000 866 535). The Responsible Entity's registered office and principal place of business is Level 18, 123 Pitt Street, Sydney, NSW 2000.

Directors

The following persons held office as directors of Perpetual Investment Management Limited during the half-year or since the end of the half-year and up to the date of this report:

A Apted (appointed 9 April 2020)
A Gazal (appointed 9 April 2020)
D Lane (appointed 20 April 2017)

Principal activities

The principal activity of the Scheme is to provide long-term capital growth and regular income through investment predominantly in quality shares of Australian ethical and socially responsible companies. The Scheme aims to outperform the S&P/ASX 300 Accumulation Index (before fees and taxes) over rolling three-year periods.

On 29 November 2021, the Class E units of the Scheme were launched and quoted as an Exchange Traded Managed Fund (ETMF) on the Australian Securities Exchange under the code GIVE.

The Scheme did not have any employees during the half-year.

There were no other significant changes in the nature of the Scheme's activities during the half-year.

Review and results of operations

During the half-year, the Scheme's assets were invested 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.

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

	31 December 2021	31 December 2020
Operating profit/(loss) (\$'000)	<u>69,819</u>	<u>139,790</u>
Class A		
Distributions paid and payable (\$'000)	<u>32,980</u>	<u>4,586</u>
Distributions (cents per unit)	<u>7.77</u>	<u>1.21</u>
Class E - ETMF		
Distributions paid and payable (\$'000)	<u>-</u>	<u>-</u>
Distributions (cents per unit)	<u>-</u>	<u>-</u>

Where applicable, the volatility in global and local capital markets resulting from the coronavirus (COVID-19) pandemic continues to be reflected in the valuation of the Scheme's investment portfolio and its financial results for the half-year ended 31 December 2021.

Directors' report (continued)

Significant changes in state of affairs

The Responsible Entity appointed State Street Australia Limited, a subsidiary of State Street Corporation to provide the custodial and fund administration services to the Scheme. State Street Australia Limited officially replaced RBC Investor & Treasury Services effective on and from 27 September 2021.

On 3 August 2021, the Responsible Entity approved to convene a meeting of the Perpetual Ethical SRI Fund to seek their approval of certain amendments to the Scheme's Constitution. The amendments were considered by the Responsible Entity to be in the best interest of the members. The meeting of the members was held on 20 September 2021 where a resolution was passed by the members approving the amendments.

On 29 November 2021, the Class E units of the Scheme were launched and quoted as an Exchange Traded Managed Fund (ETMF) on the Australian Securities Exchange under the code GIVE.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Scheme that occurred during the half-year.

Matters subsequent to the end of the half-year

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect:

- (i) the operations of the Scheme in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Scheme in future financial years.

Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Amounts in the directors' report and the condensed interim financial report have been rounded to the nearest thousand dollars in accordance with the legislative instrument, unless otherwise indicated.

Lead auditor's independence declaration

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

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



Director

Sydney
2 March 2022



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Perpetual Investment Management Limited as the
Responsible Entity of Perpetual Wholesale Ethical SRI Fund

I declare that, to the best of my knowledge and belief, in relation to the review of Perpetual Wholesale Ethical SRI Fund for the half-year ended 31 December 2021 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

Jessica Davis
Partner
Sydney
2 March 2022

Condensed interim statement of comprehensive income

	Notes	31 December 2021 \$'000	31 December 2020 \$'000
Investment income			
Dividend/distribution income		21,280	10,464
Interest income		15	30
Net gains/(losses) on financial instruments at fair value through profit or loss		54,785	133,781
Net foreign exchange gains/(losses)		4	154
Total net investment income/(loss)		<u>76,084</u>	<u>144,429</u>
Expenses			
Responsible Entity's fees		5,877	4,199
Other expenses		388	440
Total expenses		<u>6,265</u>	<u>4,639</u>
Operating profit/(loss)		<u>69,819</u>	<u>139,790</u>
Finance costs			
Distributions to unitholders*	3	32,980	-
Changes in net assets attributable to unitholders	4	36,839	-
Profit/(loss)		<u>-</u>	<u>139,790</u>
Other comprehensive income		-	-
Total comprehensive income		<u>-</u>	<u>139,790</u>

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

*The Scheme's net assets attributable to unitholders have been reclassified from equity to financial liability during the half-year ended 31 December 2021 as the Scheme no longer satisfies all criteria of puttable financial instruments as equity under AASB 132 *Financial Instruments: Presentation*. As a result, distributions and changes in net assets attributable to unitholders are presented in the above statement for current period.

Condensed interim balance sheet

	Notes	31 December 2021 \$'000	30 June 2021 \$'000
Assets			
Cash and cash equivalents		99,807	137,434
Financial assets at fair value through profit or loss	5	932,659	858,899
Receivables for securities sold		-	33,964
Receivables		<u>1,282</u>	<u>4,280</u>
Total assets		<u>1,033,748</u>	<u>1,034,577</u>
Liabilities			
Financial liabilities at fair value through profit or loss	5	-	93
Distributions payable	3	-	3
Payables for securities purchased		-	74,403
Payables		<u>1,093</u>	<u>1,701</u>
Total liabilities		<u>1,093</u>	<u>76,200</u>
Net assets attributable to unitholders - liability	4	<u>1,032,655</u>	<u>-</u>
Net assets attributable to unitholders - equity*	4	<u>-</u>	<u>958,377</u>

The above condensed interim balance sheet should be read in conjunction with the accompanying notes.

*The Scheme's net assets attributable to unitholders have been reclassified from equity to financial liability during the half-year ended 31 December 2021 as the Scheme no longer satisfies all criteria of puttable financial instruments as equity under AASB 132 *Financial Instruments: Presentation*.

Condensed interim statement of changes in equity

	Notes	31 December 2021 \$'000	31 December 2020 \$'000
Total equity at the beginning of the half-year	4	958,377	685,164
Reclassification of units from equity to financial liability*		(958,377)	-
Comprehensive income for the half-year			
Profit/(loss)		-	139,790
Other comprehensive income		-	-
Total comprehensive income for the half-year		-	139,790
Transactions with unitholders			
Applications	4	-	37,154
Redemptions	4	-	(101,584)
Units issued upon reinvestment of distributions	4	-	6,528
Distributions to unitholders	3, 4	-	(4,586)
Total transactions with unitholders		-	(62,488)
Total equity at the end of the half-year	4	-	762,466

The above condensed interim statement of changes in equity should be read in conjunction with the accompanying notes.

*The Scheme's net assets attributable to unitholders have been reclassified from equity to financial liability during the half-year ended 31 December 2021 as the Scheme no longer satisfies all criteria of puttable financial instruments as equity under AASB 132 *Financial Instruments: Presentation*. As such the Scheme has no equity and no items of changes in equity have been presented for current period.

Condensed interim statement of cash flows

	31 December 2021 \$'000	31 December 2020 \$'000
Cash flows from operating activities		
Dividends/distributions received	24,160	10,717
Interest received	15	30
Other income received	297	322
Responsible Entity's fees paid	(6,098)	(4,467)
Other expenses paid	(411)	(468)
Net cash inflow/(outflow) from operating activities	<u>17,963</u>	<u>6,134</u>
Cash flows from investing activities		
Proceeds from sale of investments	206,434	212,274
Payments for purchase of investments	(265,937)	(180,610)
Net cash inflow/(outflow) from investing activities	<u>(59,503)</u>	<u>31,664</u>
Cash flows from financing activities		
Proceeds from applications by unitholders	162,278	37,502
Payments for redemptions by unitholders	(144,019)	(101,644)
Distributions paid	(14,346)	(6,560)
Net cash inflow/(outflow) from financing activities	<u>3,913</u>	<u>(70,702)</u>
Net increase/(decrease) in cash and cash equivalents	(37,627)	(32,904)
Cash and cash equivalents at the beginning of the half-year	<u>137,434</u>	<u>55,762</u>
Cash and cash equivalents at the end of the half-year	<u>99,807</u>	<u>22,858</u>

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

1 General information

This condensed interim financial report covers Perpetual Ethical SRI Fund (the Scheme) as an individual entity. The Scheme is a registered managed investment scheme under the *Corporations Act 2001*. The Scheme was constituted on 18 March 2002. The Scheme will terminate on 16 March 2082 unless terminated earlier in accordance with the provisions of the Scheme's Constitution (as amended). The Scheme is domiciled in Australia.

The Responsible Entity of the Scheme is Perpetual Investment Management Limited. The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney, NSW 2000.

The investment objective of the Scheme is to provide long-term capital growth and regular income through investment predominantly in quality shares of Australian ethical and socially responsible companies. The Scheme aims to outperform the S&P/ASX 300 Accumulation Index (before fees and taxes) over rolling three-year periods.

On 29 November 2021, the Class E units of the Scheme were launched and quoted as an Exchange Traded Managed Fund (ETMF) on the Australian Securities Exchange (ASX) under the code GIVE.

The condensed interim financial report was authorised for issue by the directors of the Responsible Entity on 2 March 2022. The Directors of the Responsible Entity have the power to amend and reissue the condensed interim financial report.

2 Basis of preparation

The condensed interim financial report has been prepared in accordance with Australian Accounting Standard 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 Scheme is a for-profit entity for the purpose of preparing the condensed interim financial report.

The condensed interim financial report does not include all notes normally included in a full financial report. Accordingly, this report is to be read in conjunction with the Scheme's financial report for the year ended 30 June 2021 and any continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied in the condensed interim financial report are the same as those applied in the Scheme's financial report for the year ended 30 June 2021.

The condensed interim financial report has been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

Functional and presentation currency

The condensed interim financial report is presented in Australian dollars, which is the Scheme's functional currency.

Use of estimates

Management makes estimates and assumptions that affect the reported amounts in the financial statements. Estimates and associated assumptions are reviewed regularly and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances. Where applicable to the fair value measurement, the impact of coronavirus (COVID-19) pandemic is assessed and estimated. Actual results may differ from these estimates.

The use of estimates and critical judgements in fair value measurement that can have significant effect on the amounts recognised in the financial statements is described in note 5.

New accounting standards and interpretations

There are no new accounting standards, amendments and interpretations effective for the first time for the financial year beginning 1 July 2021 that would be expected to have a material impact on the Scheme.

3 Distributions to unitholders

The distributions for the half-year were as follows:

	31 December 2021 \$'000	31 December 2021 CPU	31 December 2020 \$'000	31 December 2020 CPU
Class A				
Distributions paid - November	32,980	7.77	-	-
Distributions payable - December	-	-	4,586	1.21
	<u>32,980</u>		<u>4,586</u>	
Class E - ETMF				
Distributions payable - December	-	-	-	-
	<u>-</u>		<u>-</u>	
Total distributions	<u>32,980</u>		<u>4,586</u>	

4 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments are classified as equity where certain strict criteria are met. During the period, the Scheme issued a new class of units, Class E. As the units on issue comprise multiple classes of units with non-identical features, the Scheme no longer satisfies all criteria of puttable financial instruments as equity under AASB 132 *Financial Instruments: Presentation*. Consequently, the Scheme's net assets attributable to unitholders have been reclassified from equity to financial liability during the half-year ended 31 December 2021.

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

	31 December 2021 Units'000	31 December 2020 Units'000	31 December 2021 \$'000	31 December 2020 \$'000
Class A				
Opening balance	418,186	411,685	958,377	685,164
Applications	68,255	20,428	160,066	37,154
Redemptions	(61,208)	(57,086)	(143,180)	(101,584)
Units issued upon reinvestment of distributions	7,851	3,922	18,629	6,528
Distributions to unitholders	-	-	-	(4,586)
Profit/(loss)	-	-	-	139,790
Changes in net assets attributable to unitholders	-	-	36,777	-
Closing balance	<u>433,084</u>	<u>378,949</u>	<u>1,030,669</u>	<u>762,466</u>
Class E - ETMF				
Opening balance	-	-	-	-
Applications	584	-	1,934	-
Redemptions	(3)	-	(10)	-
Changes in net assets attributable to unitholders	-	-	62	-
Closing balance	<u>581</u>	<u>-</u>	<u>1,986</u>	<u>-</u>
Total			<u>1,032,655</u>	<u>762,466</u>

4 Net assets attributable to unitholders (continued)

As stipulated within the Scheme's Constitution, each unit in a unit class represents a right to a unit in the relevant class within the Scheme and does not extend to a right to the underlying assets of the Scheme. The Scheme offers two classes of units - Class A is an unquoted unit class offered via Perpetual Wholesale Funds Product Disclosure Statement and Class E is quoted as an ETMF on the ASX under the code GIVE.

Capital risk management

The Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and daily redemptions at the discretion of unitholders.

Applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Scheme's Constitution, the Responsible Entity has the discretion to reject an application and to defer or adjust a redemption if the exercise of such discretion is in the best interests of unitholders.

5 Fair value measurement

The Scheme classifies fair value measurement of its financial assets and liabilities using a fair value hierarchy model that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

(a) Fair value in an active market (level 1)

The fair value of financial assets and liabilities 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.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Listed securities and exchange traded derivatives are valued at the last traded price. For the majority of these financial instruments, information provided by the independent pricing services is relied upon for valuation.

(b) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. These include the use of recent arm's length transactions, reference to current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

Valuation models use observable data to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in the assumptions for these factors could affect the reported fair value of financial instruments. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions held.

The Scheme did not hold any financial instruments with fair value measurements using significant unobservable inputs (level 3) at 31 December 2021 and 30 June 2021.

5 Fair value measurement (continued)

The following tables present the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy levels:

31 December 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Equity securities	<u>932,659</u>	-	-	<u>932,659</u>
Total	<u>932,659</u>	-	-	<u>932,659</u>
30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Equity securities	<u>858,899</u>	-	-	<u>858,899</u>
Total	<u>858,899</u>	-	-	<u>858,899</u>
Financial liabilities at fair value through profit or loss				
Derivatives				
Futures	<u>93</u>	-	-	<u>93</u>
Total	<u>93</u>	-	-	<u>93</u>

(c) Transfers between levels

The Scheme's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

There were no transfers between levels for the half-year ended 31 December 2021 and the year ended 30 June 2021.

6 Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time, parties related to the Scheme (including Perpetual Investment Management Limited, its related entities and other schemes managed by Perpetual Investment Management Limited) may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other unitholders of the Scheme.

There have been no significant changes to the related party transactions disclosed in the previous annual financial report.

7 Events occurring after the reporting period

The uncertainty around COVID-19 continues to present social and economic challenges and the resulting impact on the capital markets remains uncertain. Since the reporting date, there have been no significant changes in the valuation of the Scheme's investment portfolio arising from the changes in the estimates and assumptions in relation to COVID-19.

No other significant events have occurred since the reporting date which would have an impact on the financial position of the Scheme disclosed in the condensed interim balance sheet as at 31 December 2021 or on the results and cash flows of the Scheme for the half-year ended on that date.

8 Contingent assets, liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 31 December 2021 and 30 June 2021.

Directors' declaration

In the opinion of the directors of Perpetual Investment Management Limited, the Responsible Entity of Perpetual Ethical SRI Fund:

- (a) the condensed interim financial statements and notes, set out on pages 5 to 12, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 31 December 2021 and of its performance 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.

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



Director

Sydney
2 March 2022



Independent Auditor's Review Report

To the unitholders of Perpetual Wholesale Ethical SRI Fund

Conclusion

We have reviewed the accompanying **Condensed Interim Financial Report** of Perpetual Wholesale Ethical SRI Fund (the Scheme).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Interim Financial Report of Perpetual Wholesale Ethical SRI Fund 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 2021 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Interim Financial Report** comprises:

- Condensed interim balance sheet as at 31 December 2021;
- Condensed interim statement of comprehensive income for the half-year ended on that date;
- Condensed interim statement of changes in equity and Condensed interim statement of cash flows for the half-year ended on that date;
- Notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **half-year** is the 6 months ended on 31 December 2021.

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 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 and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our 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 for the Condensed Interim Financial Report

The Directors of Perpetual Investment Management Limited (the Responsible Entity) are responsible for:

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

Auditor's responsibility for the review of the Condensed Interim Financial Report

Our responsibility is to express a conclusion on the Condensed Interim 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 Condensed Interim Financial Report 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 2021 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Condensed Interim 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.

KPMG

Jessica Davis

Partner

Sydney

2 March 2022