

# Ethical Investment Australian Equities Portfolio

*A portfolio of predominantly small and medium sized Australian companies which meet strict environmental and socially responsible standards.*

## Quarterly Performance Update

31 December 2023

The Ethical Investment Australian Equities Portfolio returned +5.10% over the past quarter through another particularly volatile period. The Australian share market fell nearly 4% in October but rallied strongly towards the end of the year to end the quarter 8.67% higher.

Markets shrugged off concerns regarding the conflict in the Middle East, rising oil prices, and soft economic growth, as well as the ongoing economic uncertainty due to high inflation and interest rates. Meanwhile, bond yields fell strongly which helped push equity markets higher.

Performance was strong across nearly all sectors of the market, particularly Healthcare and Materials which gained 13.29% and 13.17% respectively. The Energy sector, which this portfolio has no allocation to, was by far the worst performing sector falling 8.97%.

At a company level, the main contributor to performance was **Calix** a company involved in reducing carbon emissions from hard to abate sectors including cement, lime and steel production. Calix gained 22% for the quarter following an announcement of a partnership with Heirloom, a Direct Air Capture company, which is a process of directly capturing and removing carbon dioxide from the atmosphere.

We saw strong performance from several of the healthcare companies in the portfolio including **Cochlear** (+17%), **Capitol Health** (+12%), **CSL** (+14%), **Recce Pharmaceuticals** (+10%), and **Sonic Healthcare** (+7%).

**Volpara Health Technologies** (+52%) and **Pact Group** (+21%) both also performed well following successful takeover bids, while property investments including **Centuria** (+32%), **Charter Hall Social Infrastructure** (+20%), and **Arena** (+11%) performed quite well largely due to the falling bond yields.

It was also a strong quarter for several of the environmental focused companies in the portfolio including renewable energy companies **Genex** (+17%), **Mercury NZ** (+8%), and **Meridian Energy** (+6%), as well as the low-emission hydrogen and graphite company **Hazer Group** (+29%).

The overall performance of the portfolio compared with various benchmarks is outlined below:

Performance as at 31 December 2023	Since Inception	5 years	3 years	1 year	3 months
<b>Ethical Investment Australian Equities</b>	<b>+6.54%</b>	<b>+8.08%</b>	<b>+2.47%</b>	<b>+7.00%</b>	<b>+5.10%</b>
<b>Benchmark</b> (All Ordinaries Accumulation Index)	+8.05%	+10.67%	+8.90%	+12.98%	+8.67%
<b>Relative Performance</b>	-1.51%	-2.59%	-6.43%	-5.98%	-3.57%
<b>Alternative Benchmark</b> (Small Ordinaries Accumulation Index)	+6.16%	+6.40%	+0.95%	+7.82%	+8.52%
<b>Relative Performance</b>	+0.38%	+1.68%	+1.52%	-0.82%	-3.42%

Inception date :25 May 2015. Returns great than one year are annualised.

## Portfolio News

During the quarter **Pact Group** was removed from the portfolio following a successful takeover, while holdings in **Volpara Health Technologies** and **Genex** were trimmed and we adding to existing holdings in **CSL**, **Close the Loop**, **Calix**, and **IperonX**.

One new company was added to the portfolio during the quarter, **Probiotec**, who are leaders in the contract pharmaceutical manufacturing and packing space, providing an extremely wide range of services across a range of healthcare goods including prescription and over-the-counter medicines and nutrition.

## Company News

**Calix** announced a partnership with Heirloom, a Direct Air Capture (DAC) company, through which Heirloom will utilise Calix's Leilac technology.

Direct Air Capture is a process of directly capturing and removing carbon dioxide from the atmosphere. Heirloom, whose investors include the Bill Gates-backed Breakthrough Energy Ventures, Ahren Innovation Capital and Microsoft, will employ Leilac's electric kiln technology to heat limestone to produce high purity CO<sub>2</sub>, which will go for permanent storage, and calcium oxide, which is looped through Heirloom's process to remove CO<sub>2</sub> from the atmosphere.

Heirloom aims to capture more than 1 million metric tons of CO<sub>2</sub> from the atmosphere each year through the initial project. Heirloom has also signed a long-term contract with Microsoft for the purchase of up to 315,000 metric tons of CO<sub>2</sub> removal over a multi-year period, in one of the largest carbon dioxide removal deals to-date.

Calix CEO and Managing Director, Phil Hodgson said: "Calix is pleased to announce a binding and perpetual licence agreement between Leilac and Heirloom. Our partnership with Heirloom creates the opportunity to apply the Leilac technology into a new and rapidly developing market."

Daniel Rennie, Leilac CEO, added: "Leilac is excited to apply our core technology, developed for and with the cement and lime industries, to DAC. In turn, we expect our partnership with Heirloom will accelerate the development of electric calcination, as we work with all of our partners and clients in support of a just-transition towards an industrially sustainable low-carbon society. It's a win-win arrangement that aims to maximise the scale and speed at which we can reduce industrial and atmospheric CO<sub>2</sub>."

The Intergovernmental Panel on Climate Change projects that carbon dioxide removal in the order of 1-10 billion tonnes of CO<sub>2</sub> per year could mitigate residual emissions and, in most scenarios, achieve net negative emissions to return global warming to 1.5°C, following a peak.

## Key Facts

### Platform Availability

Hub24 (Super & IDPS)

Praemium (Super & IDPS)

Dash (Super & IDPS)

### Portfolio Fee

0.66% pa

## Top 10 Holdings

NextDC

Bendigo and Adelaide Bank

CSL Limited

Sonic Healthcare

Meridian Energy

Charter Hall Social Infrastructure

Calix Limited

Mercury NZ

Technology One

Cochlear

## Company News

**Genex Power** plans to build the biggest solar farm on Australia's main grid after landing a huge 25-year off-take deal with iron ore billionaire Andrew Forrest's Fortescue Metals.

Genex is simultaneously negotiating terms with other parties for further solar offtake, which could bring the initial capacity of the project to 775MW. It intends to add a battery storage component of up to 400MW as part of the second stage of the project.

Fortescue intends to utilise the solar energy procured for the operation of its planned green hydrogen and green ammonia facility in connection with its Gibson Island project, where it intends to build a 550MW electrolyser.

Genex CEO Craig Francis stated: "Today's announcement marks a major milestone, not only for Genex's 2.25GW development portfolio but also for the Australian energy transition to renewables.

Genex acquired the up to 2GW Bulli Creek Battery and Solar Project in August 2022, initially envisioning a stand-alone battery energy storage system as a first stage for the project.

However, securing this long-term 25-year offtake agreement with Fortescue for 337.5MW of solar capacity at Bulli Creek has reshaped the first stage of the project into a large-scale solar farm."



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## Ethical Screening

### Positive Investments

#### Who We Choose



Clean Energy



Healthcare



Education



Innovation



Aged Care



Clean Transport



Responsible Banking



Recycling



Energy Efficiency

### Negative Investments

#### Who We Seek to Avoid



Tobacco



Gambling



Weapons



Coal



Logging



Fossil Fuels



Human Abuse



Oil



Heavy Polluters

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