



# Ethical Investment Mid-Cap Portfolio

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

## Quarterly Performance Update

30 June 2023

The Ethical Investment Mid-Cap Portfolio saw a strong return of **4.20%** over the past quarter, outperforming the All Ordinaries Index which gained 1.01%, largely thanks to the turnaround in performance from the Technology sector which rose 18.48%.

Detracting to performance was Healthcare which was the worst performing sector of the Australian share market, falling 3.05% for the quarter, while Utilities (+5.46%) and Energy (+4.05%) performed well.

At a stock level, the top performing investments for the quarter included many of the technology companies in the portfolio including **Xero** (+33%), **NextDC** (+20%), **Macquarie Technology Group** (+15%), **Hansen Technology** (+12%) and **Technology One** (8%).

Other contributors to the outperformance included the lithium mining company **Allkem** (+31%), the online assessment and learning solutions company **Janison Education** (+27%), and **Hazer Group** (+27%), an Australian company which is developing a unique low-emission hydrogen and graphite production process.

The main detractors to performance for the quarter included several of the healthcare companies in the portfolio, as well as the recycling company **Pact Group** (-41%), and small financial services company **Wisr** (-28%).

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

Performance as at 30 June 2023	Since Inception	5 years	3 years	1 year	3 months
<b>Ethical Investment Mid-Cap Portfolio</b>	<b>+6.69%</b>	<b>+7.00%</b>	<b>+7.13%</b>	<b>+9.21%</b>	<b>+4.20%</b>
<b>Benchmark</b> (All Ordinaries Accumulation Index)	+7.54%	+7.34%	+11.42%	+14.75%	+1.01%
<b>Relative Performance</b>	-0.85%	-0.34%	-4.29%	-5.54%	+3.19%
<b>Alternative Benchmark</b> (Small Ordinaries Accumulation Index)	+5.74%	+2.25%	+5.16%	+8.45%	-0.54%
<b>Relative Performance</b>	+0.95%	+4.75%	+1.97%	+0.76%	+4.74%

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



## Portfolio Changes

Several changes were made to the portfolio during the quarter, including the removal of **Allkem**, **Sigma Pharmaceuticals**, **Challenger**, **Australian Ethical** and **Wisr** from the portfolio.

We added to existing holdings in the biotechnology company **CSL** and the zero-carbon lithium miner **Vulcan Energy Resources**, the recycling and waste manager **Cleanaway** and **Calix**, an Australian company which produces technologies to combat climate change and improve agriculture and aquaculture practices.

The fund also participated in the capital raising for the **HealthCo Healthcare and Wellness REIT**, through which the company raised a total of \$320 million. Money raised will be used to acquire four mental health and rehabilitation hospitals and a 50% interest in a further seven acute care hospitals. We also participated in the **NextDC** entitlement offer, helping the company raise a total of \$202 million to fund the expansion into Malaysia and New Zealand with two new data centre developments in Kuala Lumpur and Auckland.

In addition, two new holdings were added during the quarter; **Close the Loop** and **Megaport**.

**Close the Loop** is an Australian company specialising in sustainable solutions for the collection and recycling of products including imaging consumables, batteries, cosmetics, paper and cartons. The company operates in Australia, the US and Europe and also provides carton packaging, flexographic print packaging, and associated paper products. Close the Loop has a promise of zero waste to landfill which drives innovation to help achieve sustainability goals and create a circular economy.

**Megaport**, an Australian technology company which offers agile cloud networking capabilities that reduce operating costs and increase speed compared to traditional networking solutions. Megaport is a leading provider of Network as a Service (NaaS) solutions and has several large global customers including the likes of Tesla, FedEx, Adobe and Zoom.

## 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

Sonic Healthcare

Meridian Energy

Charter Hall Social Infrastructure

Calix Limited

Pilbara Minerals

Mercury NZ

Technology One

Integral Diagnostics



## Company News

**Vulcan Energy Resources** announced it will be raising more than \$100 million of new capital to fund the construction of the company's Phase One lithium plant, geothermal plant and for general working capital and corporate purposes.

Vulcan aims to produce zero carbon lithium hydroxide using the combined lithium and geothermal energy in Europe's largest lithium resource in the Upper Rhine Valley in Germany. The project requires no evaporation ponds, mining or fossil fuels, and uses geothermal energy to power its lithium extraction process.

**Technology One** has partnered with UNIQ YOU, to provide advise to high school students offering real life experiences and industry insights to inspire female participation in the technology sector. Females make up less than a third of those employed in the technology industry, this will help young women explore career opportunities in technology.

**Hazer** has announced a collaboration with Engie, a French utility company, to further progress the development of a Hazer facility in Europe. The project will create a clean hydrogen and graphitic carbon production facility based on Hazer's proprietary technology, located in Montoir-de-Bretagne in France.

Hazer also announced a similar agreement with two Japanese companies, Chubu Electric and Chiyoda, to build a Hazer plant in the Chubu region of Japan. Chubu Electric Power plans to use the produced hydrogen as a fuel for power generation, and other hard to abate industries, as well as mobility. The project's planned production facility will have an ultimate target of hydrogen production capacity of between 50,000 and 100,000 tonne per annum.

**Meridian Energy's** Process Heat Electrification programme will generate up to 600 gigawatt hours per annum, helping large industrial customers switch from coal or gas to electricity. This will prevent 300,000 tonnes of CO2 being pumped into the atmosphere.

## Negative and Positive 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



## Company News Continued

The renewable energy producer **Genex Power** has reached a major milestone with 40 Tesla Megapacks being installed at the Bouldercombe battery project near Rockhampton. The project is on track to begin full operation in late 2023.

Once in operation, the Bouldercombe battery is expected to become the company's next big earner. It has a unique arrangement with Tesla which guarantees a set minimum revenue while also sharing in higher potential profits. Genex has already reached a stage of profitability thanks to earnings from its existing solar farms in Queensland and New South Wales. The company also has a pumped hydro system under construction.

“This is a significant milestone for Genex as it marks the start of the commissioning of our first battery project,” said Genex CEO James Harding. The Tesla Megapack is a powerful large-scale lithium-ion battery that provides energy storage and support, helping to stabilise the grid and prevent outages. Each Megapack can store over 3 megawatt-hours of electricity, enough energy to power an average of 3,600 homes for one hour.



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The Ethical Investment Mid-Cap Portfolio received a ‘Highly Commended’ award at the Fund Manager of the Year Awards 2022 in the category of Australian Equities SMAs.



## Disclaimers

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The performance table sets out the investment performance returns (AFTER investment management fees, but BEFORE administration fees, performance based fees and taxes) for the Portfolio. The performance returns have been calculated on a daily basis taking into account brokerage costs, and are accumulated for the period shown. Returns are shown as annualised if the period is over 1 year, or as total returns otherwise. Inception date is 25 May 2015.

The Ethical Investment Mid-Cap Portfolio has been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See [www.responsibleinvestments.com.au](http://www.responsibleinvestments.com.au) for details.<sup>1</sup>

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