

Appendix 4D

Half-Year Report

For the period from 10 May 2018 to 31 December 2018

Name of entity

Australian Governance & Ethical Index Fund

ARSN

Reporting Period

625 826 646

10 May 2018 to 31 December 2018

This is the first half-year report prepared for the Fund since registration on 10 May 2018.

Results for announcement to the market

	31 December 2018
Total revenue ("revenue from ordinary activities")	\$991,286
Net operating loss for the year ("profit from ordinary activities after tax attributable to shareholders")	(\$2,922,304)
Total comprehensive loss ("net profit for the period attributable to shareholders")	(\$2,922,304)

Commentary on results

Refer to the attached Half-Year Financial Report including Director's Report. Additional Appendix 4D disclosure requirements can be found in the notes to the Half-Year Report.

Distributions

	Amount per Unit
Maiden 2018 Distribution (paid on 31 August 2018)	4.5 cents
Interim 2019 Distribution (paid on 4 February 2019)	4.5 cents
Interim Distribution Dates:	
Ex-distribution date	28 December 2018
Record date	31 December 2018
DRP election date	7 January 2019
Payment date	4 February 2019

The Fund currently operates a Distribution Reinvestment Plan (**DRP**) under which unitholders may elect to have all, or part, of their distribution reinvested in new units.

Net tangible assets per unit

31/12/2018 \$1.66

Earnings per unit

	31 December 2018
Basic loss per unit	(16.36) cents
Diluted loss per unit	(16.36) cents

Financial Report

This report is based on the 31 December 2018 Half-Year Financial report and has been reviewed by KPMG.



**AUSTRALIAN
GOVERNANCE & ETHICAL**
Index Fund

HALF-YEAR FINANCIAL REPORT

**For the period 10 May 2018
(date of registration) to 31 December 2018**

RESPONSIBLE ENTITY:

WALSH & COMPANY

INVESTMENTS LIMITED

(ACN 152 367 649 | AFSL 410 433)

INVESTMENT MANAGER:

WALSH & COMPANY ASSET
MANAGEMENT PTY LIMITED
(ACN 159 902 708 | AFSL 450 257)

Australian Governance & Ethical Index Fund

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Australian Governance & Ethical Index Fund
Chairman's letter
31 December 2018

Dear Investor

It is a pleasure to provide you with this inaugural half yearly report on the performance of the Australian Governance & Ethical Fund (**Fund** or **AGM**) for the financial period ended 31 December 2018 (**HY19**).

The Fund was established in July 2018 following the receipt of approval from Australian Governance Masters Index Fund Limited (**AQF**) shareholders to restructure AQF from a listed investment company to a listed investment trust, AGM, and extend the strategy's existing focus on corporate governance to incorporate ethical and social considerations in portfolio construction.

AGM seeks to provide investors with exposure to a diversified portfolio of domestic large capitalisation companies who have strong corporate governance frameworks, undertake sustainable operating practices, and are committed to broader corporate social responsibility.

Fund Performance

Following a volatile period in domestic markets, the Fund declined 6.5% on a net asset value basis, with the initial portfolio fully invested in early July. While any decline in investor capital is disappointing, pleasingly the focus on those entities with strong governance frameworks and sustainable business models provided downside protection in relative terms – with the Fund outperforming the broader S&P/ASX 100 index which declined 7.8% over the same period.

Primary contributors to relative performance included the exclusion of slot machine manufacturer Aristocrat Leisure (down 28%) with the company experiencing a de-rating following growth concerns in its 'social' gaming division. Also of significance, the exclusions of wealth management firms AMP Limited (down 29%) and IOOF Limited (down 40%) impacted positively, as concerns regarding management and board oversight was exposed at the Financial Services Royal Commission.

Portfolio Positioning and Market Conditions

It is arguable that this half year (and the prior 12-months) has begun a transition to more normalised conditions in equity markets with the post-GFC phase of ultra-low interest rates and the artificially suppressed volatility that has been associated with it drawing to a close. This shift in economic conditions is impacting the 'lower for longer' market rhetoric which has supported risk asset prices over recent years. Amid this backdrop, political uncertainty has also added to market disruptions; with investors becoming increasingly nervous over the emergence of populist power and the scaling of trade war rhetoric.

Despite this volatility, we continue to maintain a focus on the long term, and in particular on those companies who exhibit the attributes we value most; diverse and capable board and management teams; well aligned and structured incentive schemes; fair and equitable treatment of staff and customers; cognisance of the social and environmental impact of operations; and most importantly, an overarching commitment to transparency. While many of these attributes can be difficult to analyse and quantify, we believe they are critical in generating sustainable long-term returns and we are confident in our ability to identify leaders (and laggards) within each industry. Over the longer term, we believe this focus and approach will generate excess returns for unitholders – particularly as increasing regulatory and public scrutiny result in these attributes having a greater impact on asset pricing.

We look forward to further updating you on the Fund performance in the full year results statements.

Yours faithfully,



Alex MacLachlan

Chairman of the Responsible Entity

Australian Governance & Ethical Index Fund
Portfolio positioning
31 December 2018

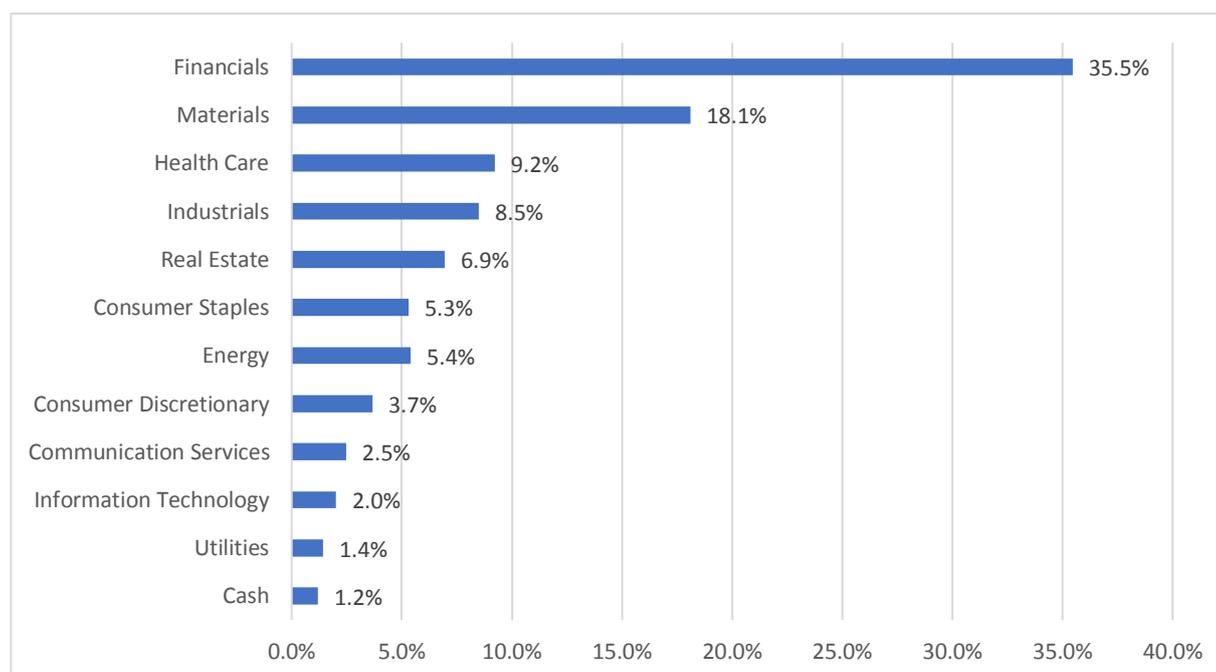
Portfolio Positioning – AGM – As at 31 December 2018

Top 10 Portfolio Holdings

Top 10 Overweights
A2 Milk Co Ltd
APA Group
Computershare Ltd
CSL Ltd
Newcrest Mining Ltd
Resmed Inc
Unibail-Rodamco-Westfield
Wesfarmers Ltd
Woodside Petroleum Ltd
Woolworths Group Ltd

Top 10 Underweights
AGL Energy Ltd
Amcor Limited
AMP Ltd
Aristocrat Leisure Ltd
Coca-Cola Amatil Ltd
Fortescue Metals Group Ltd
Goodman Group
Ramsay Health Care Ltd
Tabcorp Holdings Ltd
Treasury Wine Estates Ltd

Sector Exposure



Australian Governance & Ethical Index Fund
Directors' report
31 December 2018

The directors of Walsh & Company Investments Limited, the Responsible Entity of Australian Governance & Ethical Index Fund (the **Fund** or **AGM**), present their report together with the condensed interim financial statements of the Fund for the financial period 31 December 2018.

Directors

The directors of the Responsible Entity at any time during or since the end of the financial period are:

Alex MacLachlan	
Warwick Keneally	
Mike Adams	Appointed 9 July 2018
Tristan O'Connell	Resigned 9 July 2018

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

ASIC Relief

Walsh & Company Investments Limited, as Responsible Entity of Australian Governance & Ethical Index Fund, has been granted relief from the requirement to comply with section 323D(5) of the Corporations Act 2001 (Act) in respect of the first half-year of the Fund, the effect of which is to treat the period from 10 May 2018 to 31 December 2018 as the first half-year. ASIC granted relief by an order under section 340(1) of the Act on 17 October 2018.

Principal activities

The Fund is a registered managed investment scheme structured as a closed end unit trust that is domiciled in Australia and quoted on the Australian Securities Exchange (**ASX**) (ticker code: **AGM**). It was registered on 10 May 2018. The registered office and principal place of business of the Responsible Entity of the Fund is located at Level 15, 100 Pacific Highway, North Sydney, NSW, 2060.

The Fund was established as part of a strategy to restructure Australian Governance Masters Index Fund Limited (**AQF**) from a listed investment company to a newly established listed investment trust (**Restructure**). On 9 July 2018, the effective date of the Restructure, net assets of AQF were transferred to the Fund and in exchange fully paid ordinary units were issued from the Fund to shareholders of AQF for every ordinary share they held in AQF. The issue price for these units was at \$1.87 per unit.

The principal activity of the Fund during the financial period was to provide investors with long term capital appreciation, while reducing risk and preserving capital, through investments in securities within the S&P/ASX100 Index that exhibit relatively high levels of governance, social and environmental performance.

There were no significant changes in the nature of this activity during the period.

Review of financial results and operations

a) Financial results for the period

The performance of the Fund, as represented by the results of its operations for the period ended 31 December 2018, was as follows:

	31 December 2018
Results	
Total net investment loss (\$)	(2,871,187)
Total expenses (\$)	<u>(51,117)</u>
Total (\$)	<u><u>(2,922,304)</u></u>

Australian Governance & Ethical Index Fund
Directors' report
31 December 2018

Distributions

Cash distributions - cents per unit	4.50
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Net Asset Value

Net Asset Value Per Unit (ex-distribution) - \$ per unit	1.66
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b) Performance Returns

The performance returns shown in the table below are for the period ended 31 December 2018, and have been calculated using the net asset value per unit for the Fund, which is after fees and expenses, assuming reinvestment of distributions. The returns are calculated monthly and compounded to produce longer period returns.

	31 December 2018 %
Performance	
Growth return (i)	(11.13)
Distribution return (ii)	4.64
Total return (iii)	(6.49)

(i) The Growth return is calculated as a percentage by dividing the end of period net asset value per unit by the net asset value per unit at the start of the period minus 1.

(ii) The Distribution return is calculated as a percentage by subtracting the Growth return from the Total return.

(iii) The Total return is calculated as a percentage by dividing the end of period net asset value per unit (cum-distribution) by the net asset value per unit at the start of the period minus 1.

Distributions

Distributions paid or declared during the financial period were as follows:

	31 December 2018 \$
Cash distribution - 4.5 cents per unit paid 31 August 2018	1,091,139
Cash distribution – 4.5 cents per unit paid on 4 February 2019	1,057,737
	2,148,876

Matters subsequent to the end of the financial period

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

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 immediately after this directors' report.

Australian Governance & Ethical Index Fund
Directors' report
31 December 2018

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Alex MacLachlan
Chairman of Walsh & Company Investments Limited

26 February 2019



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

To the Directors of Walsh & Company Investments Limited, the Responsible Entity of Australian Governance & Ethical Index Fund

I declare that, to the best of my knowledge and belief, in relation to the review of Australian Governance & Ethical Index Fund, for the period from 10 May 2018 to 31 December 2018 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

26 February 2019

Australian Governance & Ethical Index Fund
Condensed interim statement of profit or loss and other comprehensive income
For the period ended 31 December 2018

	Note	31 December 2018 \$
Investment income		
Other income		17,377
Dividend and distribution income		968,241
Interest income		5,668
Net movement on financial assets at fair value through profit or loss		<u>(3,862,473)</u>
Total net investment loss		<u>(2,871,187)</u>
Expenses		
Management and administration fees	8	(39,665)
Investment transaction costs	8	<u>(11,452)</u>
Total expenses		<u>(51,117)</u>
Loss before income tax expense		(2,922,304)
Income tax expense		<u>-</u>
Loss after income tax expense for the period		(2,922,304)
Other comprehensive income for the period, net of tax		<u>-</u>
Total comprehensive loss for the period		<u><u>(2,922,304)</u></u>
		Cents
Basic loss per unit	3	(16.36)
Diluted loss per unit	3	(16.36)

The above condensed interim statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Australian Governance & Ethical Index Fund
Condensed interim statement of financial position
As at 31 December 2018

	Note	31 December 2018 \$
Assets		
Cash and cash equivalents		495,930
Receivables	4	96,332
Financial assets	5	<u>39,393,313</u>
Total assets		<u>39,985,575</u>
Liabilities		
Distributions payable		<u>1,057,737</u>
Total liabilities		<u>1,057,737</u>
Net assets		<u><u>38,927,838</u></u>
Equity		
Issued capital	6	43,999,018
Accumulated losses		<u>(5,071,180)</u>
Total equity		<u><u>38,927,838</u></u>

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

Australian Governance & Ethical Index Fund
Condensed interim statement of changes in equity
For the period ended 31 December 2018

	Issued capital \$	Accumulated Loss \$	Total equity \$
Balance at 10 May 2018	-	-	-
Loss after income tax expense for the period	-	(2,922,304)	(2,922,304)
Other comprehensive income for the period, net of tax	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the period	-	(2,922,304)	(2,922,304)
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Issued Capital (note 6)	45,712,542	-	45,712,542
Unit buyback (note 6)	(1,704,787)	-	(1,704,787)
Buyback costs (note 6)	(8,737)	-	(8,737)
Distributions paid or payable	-	(2,148,876)	(2,148,876)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	<u>43,999,018</u>	<u>(5,071,180)</u>	<u>38,927,838</u>

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

Australian Governance & Ethical Index Fund
Condensed interim statement of cash flows
For the period ended 31 December 2018

	Note	31 December 2018 \$
Cash flows from operating activities		
Interest income received		5,139
Dividend and distributions received		876,767
Payments to suppliers		<u>(58,110)</u>
Net cash from operating activities		<u>823,796</u>
Cash flows from investing activities		
Payments for investments		(4,282,577)
Receipts from disposal of investments		<u>5,766,875</u>
Net cash from investing activities		<u>1,484,298</u>
Cash flows from financing activities		
Receipt of funds from Australian Governance Masters Index Fund Limited	6	579,064
Payments for unit buy-backs		(1,704,787)
Unit issue transaction costs		(8,950)
Distributions paid		<u>(677,491)</u>
Net cash used in financing activities		<u>(1,812,164)</u>
Net increase in cash and cash equivalents		495,930
Cash and cash equivalents at the beginning of the financial period		<u>-</u>
Cash and cash equivalents at the end of the financial period		<u><u>495,930</u></u>

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

Australian Governance & Ethical Index Fund
Notes to the condensed interim financial statements
31 December 2018

1. General information

Australian Governance & Ethical Index Fund (**Fund**) is a registered managed investment scheme domiciled in Australia. The investment objective of the Fund is to provide investors with long term capital appreciation, while reducing risk and preserving capital, through investments in securities within the S&P/ASX100 Index that exhibit relatively high levels of governance, social and environmental performance.

The Fund was registered on 10 May 2018 and accordingly there are no comparative balances and the current financial reporting period is from the date of registration to 31 December 2018. It is recommended that this financial report be read in conjunction with any public announcements made by the Fund during the period.

The condensed financial statements were authorised for issue by the board of directors of the Responsible Entity of the Fund on 26 February 2019.

2. Significant accounting policies

Statement of Compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134: 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 134 'Interim Financial Reporting'.

The principal accounting policies applied in the preparation of these half year financial statements are set out below.

Basis of Preparation

The condensed financial statements have been prepared on an accrual basis and are based on historical cost with the exception of financial assets which are measured at fair value. All amounts are presented in Australian dollars unless otherwise noted. The half-year report does not include notes of the type normally included in the annual financial report.

New Accounting Standards and Interpretations

Adoption of new and revised Accounting Standards

The Fund has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period, which include AASB 15 Revenue from Contracts with Customers. There are no material changes to the timing or manner of recognition of the Fund's key revenues as interest revenue, dividend and distribution income and investment gains/(losses) are excluded the scope of AASB 15.

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The adoption of the amendment does not have a significant impact on the recognition, classification and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are held at fair value through profit or loss, the change in impairment rules does not have a material impact on the Fund.

Investment income

Dividend and distribution income

Dividend and distribution income is recognised when the right to receive a dividend has been established.

Interest income

Interest income is recognised in profit or loss using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Net change in fair value of investments

Realised and unrealised gains and losses on investments measured at fair value through profit or loss are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Australian Governance & Ethical Index Fund
Notes to the condensed interim financial statements
31 December 2018

2. Significant accounting policies (continued)

Taxes

Income tax

Under current Australian income tax laws, the Fund is not liable to pay income tax provided its distributable income for each income year is fully distributed to Unitholders, by way of cash or reinvestment.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

The Fund qualifies for reduced input tax credits at a minimum rate of 55%.

Where fees are stated to be exclusive of GST and GST is payable on any fee, the fee will be increased by an amount equal to the GST payable.

Cash flows are presented in the Statement of Cash Flows on a gross basis.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

Financial instruments, incorporating financial assets and financial liabilities, are recognised on trade date, when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the Statement of Profit or Loss and Other Comprehensive Income. Subsequent to initial recognition, all financial assets held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income. Financial assets not at fair value through profit or loss, including receivables, are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue and are subsequently measured at amortised cost using the effective interest rate method and are assessed for impairment based on the expected credit loss model.

Financial liabilities

Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the Statement of Profit or Loss and Other Comprehensive Income. Financial liabilities not at fair value through profit or loss, including payables, are measured initially at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged or cancelled or expire

Fair value

The fair value of equity securities traded in active markets is based on their quoted market prices at the end of the reporting date without any deduction for estimated future selling costs. The quoted market price used for financial assets and securities held by the Fund is the current bid price, and the quoted market price for financial liabilities is the current asking price.

2. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Unit capital

Ordinary units

Ordinary units are classified as equity. Issued capital is recognised at the fair value of the consideration received by the Fund. Incremental costs directly attributable to the issue of the ordinary units are recognised as a deduction from equity.

Distributions to unitholders

Distributions payable are recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the board of the Responsible Entity on, or before, the end of the financial period, but not distributed at balance sheet date.

Earnings per unit

Basic and diluted earnings per unit

Basic earnings per unit is determined by dividing the profit or loss excluding any cost of servicing equity other than ordinary units by the weighted average number of ordinary units outstanding during the financial period. Diluted earnings per unit is the same as basic earnings per unit because there are no dilutive potential ordinary units.

Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best-available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Fund.

Australian Governance & Ethical Index Fund
Notes to the condensed interim financial statements
31 December 2018

3. Earnings per unit

	31 December 2018
	\$
Loss after income tax	<u>(2,922,304)</u>
	Number
Weighted average number of ordinary units used in calculating basic earnings per unit	<u>17,857,688</u>
Weighted average number of ordinary units used in calculating diluted earnings per unit	<u>17,857,688</u>
	Cents
Basic loss per unit	(16.36)
Diluted loss per unit	(16.36)

4. Receivables

	31 December 2018
	\$
Other receivables	20
Dividend and distributions receivable	93,696
Interest receivable	529
GST receivable	<u>2,087</u>
	<u>96,332</u>

5. Financial assets

	31 December 2018
	\$
Equity investments - listed	<u>39,393,313</u>

Refer to note 7 for further information on fair value measurement.

6. Issued capital

	31 December 2018	
	Units	\$
Ordinary units - fully paid	<u>23,505,270</u>	<u>43,999,018</u>

Australian Governance & Ethical Index Fund
Notes to the condensed interim financial statements
31 December 2018

6. Issued capital (continued)

Movements in ordinary unit capital

Details	Date	Units	\$	
Balance	10 May 2018	10		10
Redemption of ordinary units (a)	9 July 2018	(10)	\$1.00	(10)
Issue of ordinary units (b)	9 July 2018	24,247,481	\$1.87	45,303,994
Issue of ordinary units	31 August 2018	222,999	\$1.83	408,548
Unit buybacks		(965,210)	\$0.00	(1,704,787)
Buyback costs		-	\$0.00	(8,737)
Balance	31 December 2018	<u>23,505,270</u>		<u>43,999,018</u>

- (a) 10 nominal ordinary units were redeemed at \$1.00 per unit on completion of the Restructure.
(b) In respect of the Restructure completed on 9 July 2018, 24,247,481 ordinary units were issued at \$1.87 per unit. Cash totalling \$579,064 and financial assets at fair value totalling \$44,742,307 was received from Australian Governance Masters Index Fund Limited.

7. Fair value measurement

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

The following tables detail the Fund's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

31 December 2018	Level 1 \$	Total \$
<i>Assets</i>		
Equity investments - listed entities	<u>39,393,313</u>	<u>39,393,313</u>
Total assets	<u>39,393,313</u>	<u>39,393,313</u>

There were no transfers between levels during the financial period.

8. Related party transactions

Related party investments in the scheme

The Responsible Entity or its associates does not hold any investments in the scheme.

Responsible Entity fee - Walsh & Company Investments Limited

The Responsible Entity's duties include establishing the compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Fund and overall administration of the Fund. Walsh & Company Investments Limited, as Responsible Entity, receives a Responsible Entity fee of 0.08% per annum (inclusive of the net effect of GST) of the gross asset value of the Fund.

Total Responsible Entity fee paid or payable to the Responsible Entity for the period ended 31 December 2018 was \$16,032, exclusive of GST.

Australian Governance & Ethical Index Fund
Notes to the condensed interim financial statements
31 December 2018

8. Related party transactions (continued)

Investment Management fees - Walsh & Company Asset Management Pty Limited

The Investment Manager provides investment management services to the Fund, including overseeing the assessment of market conditions and investment opportunities, the selection and recommendation of investments, monitoring the Fund's investment portfolio, and determining and recommending the retention or sale of investment in the Fund's portfolio.

In connection with the provision of services as Investment Manager, Walsh & Company Asset Management Pty Limited, receives an Investment Management fee of 0.11% per annum (inclusive of the net effect of GST) of the value of the portfolio.

Total Investment Management fees paid or payable for the period ended 31 December 2018 was \$22,246, exclusive of GST.

Brokerage fees - ED Operations Pty Ltd

ED Operations Pty Ltd, a related party of the Responsible Entity, is engaged as a broker by the Fund, receives brokerage of 0.50% on all transactions undertaken as part of the Fund's buy-back program.

Total brokerage fees paid or payable to the related party of the Responsible Entity of the half year ended 31 December 2018 was \$8,524, exclusive of GST.

Investment transaction costs - Evans & Partners Pty Ltd

Evans & Partners Pty Ltd, a related party of the Responsible Entity, receives brokerage of 0.10% (excluding GST) on all transactions in Australian equities undertaken by the Fund. During the period, the brokerage paid was \$11,173, exclusive of GST.

9. Events after the reporting period

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Australian Governance & Ethical Index Fund

Directors' declaration

31 December 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Fund's financial position as at 31 December 2018 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Alex MacLachlan
Chairman of Walsh & Company Investments Limited

26 February 2019



Independent Auditor's Review Report

To the unitholders of Australian Governance & Ethical Index Fund

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Condensed Interim Financial Report** of Australian Governance & Ethical Index Fund (the Fund).

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 the Fund is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Fund's financial position as at 31 December 2018 and of its performance for the period from 10 May 2018 to 31 December 2018; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Interim Financial Report** comprises:

- Condensed interim statement of financial position as at 31 December 2018;
- Condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the period from 10 May 2018 to 31 December 2018;
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Responsible Entity are responsible for:

- the preparation of the 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 Interim Financial Report that is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2018 and its performance for the for the period from 10 May 2018 to 31 December 2018; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Australian Governance & Ethical Index Fund, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG



Jessica Davis

Partner

Sydney

26 February 2019

Australian Governance & Ethical Index Fund

Corporate directory

31 December 2018

The Fund's units are quoted on the official list of Australian Securities Exchange (**ASX**).

The ASX code is AGM

Responsible Entity

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Directors

Alex MacLachlan
Warwick Keneally
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Secretaries

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Australian Governance & Ethical Fund

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Banker

ANZ Bank

