



abrdn Sustainable International Equities Fund

ARSN 088 905 033

Condensed interim financial report
For the half- year ended 31 December 2023

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Directors' report

The directors of Melbourne Securities Corporation Limited (ACN 160 326 545, AFSL 428 289), (the "Responsible Entity" or "MSCL") of abrdn Sustainable International Equities Fund (the "Scheme"), present their report together with the condensed interim financial statements of the Scheme for the half-year ended 31 December 2023 and the auditor's report thereon.

Responsible Entity

On 1 July 2023 the Responsible Entity was re-named from abrdn Australia Ltd to MSC Australia Limited (ABN 59 002 123 364) which was subsequently replaced by Melbourne Securities Corporation Limited effective 11 October 2023.

The registered office and principal place of business of the Responsible Entity and the Scheme is Level 2, 395 Collins Street, Melbourne VIC 3000.

The directors of the Retired Responsible Entity during the period 1 July 2023 to 10 October 2023 were as follows:

Steven O'Connell	(appointed 1 July 2023)
Ruth McClelland	(appointed 1 July 2023)
Matthew Fletcher	(appointed 1 July 2023)

The directors of Melbourne Securities Corporation Limited during the period 11 October 2023 to date of this report were as follows:

Michael Fleming
Matthew Fletcher
Steven O'Connell
Ruth McClelland
Shelley Brown

Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia.

The Scheme continued to invest in international equity securities in accordance with the provisions of the Scheme's Constitution.

The overall investment objective of the Scheme is to provide investors with high capital growth over the medium to long term by seeking exposure to companies listed on securities exchanges around the world adjusted to take into account certain Economic, Social and Governance ("ESG") consideration. The Scheme aims to outperform the MSCI All Countries World Accumulation Index (ex Australia) unhedged ("MSCI Index") over the suggested investment time frame (3-5 years plus).

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

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

Review and results of operations

Results

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

	Half-year ended	
	31 December 2023	31 December 2022
Operating profit/(loss) (\$'000)	<u>4,158</u>	<u>21,630</u>

No distributions were paid during the half-year ended 31 December 2023 and 31 December 2022.

Directors' report (continued)

Significant changes in the state of affairs

On 1 July 2023 the Responsible Entity was re-named from abrdn Australia Ltd to MSC Australia Limited (ABN 59 002 123 364) which was subsequently replaced by Melbourne Securities Corporation Limited effective 11 October 2023.

While geopolitical events have caused uncertainty and market volatility during the period, the Responsible Entity has continued to follow its established policies and process in managing risk and determining the fair value of the financial assets and liabilities as at reporting date. No changes were required to the principles used in applying the fair value measurement hierarchy to financial assets and liabilities held. Financial assets and liabilities continue to be classified in a manner which reflects the significance and observability of the inputs used in their valuation.

Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can adversely affect assets and performance of the Scheme.

In the opinion of the Responsible Entity, 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

Since the balance sheet date, the associated economic impacts of geopolitical events remain uncertain. As the investments are measured at their 31 December 2023 fair values in the condensed interim report, any volatility in values subsequent to the reporting date are not reflected in the condensed interim statement of comprehensive income or the condensed interim statement of financial position.

However, the current value of investments has been reflected in the current unit price.

There has been no other matter or circumstance since 31 December 2023 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.

Likely developments and expected results of operations

The Scheme will continue to pursue its policy of increasing returns through active investment selection.

The results of the Scheme's operations may be affected by a number of factors, including the performance of investment markets in which the Scheme invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnity and insurance premiums of officers and auditors

Indemnity

Since the end of the previous financial year the Scheme has not indemnified or made a relevant agreement for indemnifying against a liability, any person who is or has been an officer of the Responsible Entity or an auditor of the Scheme.

Insurance Premiums

During the half-year, the Responsible Entity paid a premium under a contract insuring each director of the Scheme against liability incurred in their respective capacities. Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause as stated in the insurance contract. The Responsible Entity has not provided any insurance to a related corporate body or to an auditor of the Scheme.

Environmental regulation

The operations of the Scheme are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Directors' report (continued)

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* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the Director's report for the half-year ended 31 December 2023.

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



Shelley Brown
Director

8 March 2024



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

To the Directors of Melbourne Securities Corporation Limited, the Responsible Entity for the abrdn Sustainable International Equities Fund

I declare that, to the best of my knowledge and belief, in relation to the review of the abrdn Sustainable International Equities Fund for the half-year ended 31 December 2023 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


Andrew Reeves

Partner

Sydney

8 March 2024

Condensed interim statement of comprehensive income

		Half-year ended	
		31 December 2023	31 December 2022
	Notes	\$'000	\$'000
Investment income			
Interest income		101	13
Dividend income		1,520	1,823
Net gains/(losses) on financial instruments at fair value through profit or loss		4,240	21,499
Net foreign exchange gains/(losses)		(45)	151
Other operating income		10	9
Total net investment income		5,826	23,495
Expenses			
Management fees		1,317	1,478
Transaction costs		44	188
Withholding tax expense		307	199
Total operating expenses		1,668	1,865
Profit/(loss) from operating activities		4,158	21,630
Finance costs			
Change in net assets attributable to unitholders	5	(4,158)	(21,630)
Profit/(loss)		—	—
Other comprehensive income		—	—
Total comprehensive income		—	—

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

Condensed interim statement of financial position

		As at	
		31 December	30 June
		2023	2023
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents		2,796	6,742
Receivables		4,518	4,447
Applications receivable		4	262
Balances due from brokers		—	35
Financial assets at fair value through profit or loss	4	262,168	273,393
Total assets		269,486	284,879
Liabilities			
Payables		419	455
Redemptions payable		235	533
Distributions payable		—	1,290
Balances due to brokers		—	34
Total liabilities (excluding net assets attributable to unitholders)		654	2,312
Net assets attributable to unitholders - liability	5	268,832	282,567

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

Condensed interim statement of changes in equity

For the half-year ended 31 December 2023

The Scheme's net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such, the Scheme has no equity and no changes in equity have been presented for the current or comparative period.

Condensed interim statement of cash flows

	Half-year ended	
	31 December 2023	31 December 2022
	\$'000	\$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments	50,695	244,324
Payments for purchase of financial instruments	(35,141)	(217,013)
Dividends received	1,487	1,563
Interest received	101	13
GST received	77	167
Other income received	11	77
Management fees paid	(1,469)	(913)
Withholding tax paid	(307)	(199)
Transaction costs paid	(44)	(188)
Other operating expenses paid	—	(60)
Net cash inflow/(outflow) from operating activities	15,410	27,771
Cash flows from financing activities		
Proceeds from applications by unitholders	5,216	7,988
Payments for redemptions by unitholders	(23,149)	(34,878)
Distributions paid	(1,290)	(283)
Net cash inflow/(outflow) from financing activities	(19,223)	(27,173)
Net increase/(decrease) in cash and cash equivalents	(3,813)	598
Cash and cash equivalents at the beginning of the half-year	6,742	3,679
Effects of foreign currency exchange rate changes on cash and cash equivalents	(133)	3
Cash and cash equivalents at the end of the half-year	2,796	4,280

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

Contents of the notes to the condensed interim financial statements

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1 General information

This condensed interim financial report covers abrdn Sustainable International Equities Fund (the “Scheme”) as an individual entity.

On 1 July 2023 the Responsible Entity was re-named from abrdn Australia Ltd to MSC Australia Limited (ABN 59 002 123 364) which was subsequently replaced by Melbourne Securities Corporation Limited effective 11 October 2023. The Responsible Entity's registered office is Level 2, 395 Collins Street, Melbourne VIC 3000. This condensed interim financial report is presented in Australian currency.

The Scheme is a registered managed investment scheme under the *Corporations Act 2001*. In accordance with the Scheme's Constitution, it commenced on 1st February 1993 and will terminate on the day immediately preceding the 80th anniversary of its commencement date, unless terminated earlier in accordance with the provisions of the Scheme's Constitution (as amended).

This condensed interim financial report was authorised for issue by the directors on 8 March 2024. The directors of the Responsible Entity have the power to amend and reissue the condensed interim financial report.

2 Basis of preparation of condensed interim financial statements

The condensed interim financial report for the half-year ended 31 December 2023 has been prepared in accordance with *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed interim financial report should be read in conjunction with the annual financial report for the year ended 30 June 2023 and any public announcements made in respect of the Scheme during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Material accounting policies

Except as disclosed in the financial report for the year ended 30 June 2023, there were no new accounting standards, amendments and interpretations that are expected to have a material impact on the condensed interim financial statements.

(b) Use of estimates

The Scheme makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial half-year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Scheme's financial instruments, quoted market prices are readily available.

Other financial instruments, including amounts receivable/payable for securities sold and purchased, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments. Further details on how the fair values of financial instruments are measured are disclosed in Note 3.

Rounding of amounts

The Scheme is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the “rounding off” of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

3 Fair value measurement

The Scheme measures and recognises the following financial assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss (FVTPL) (see Note 4)

The Scheme has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

3 Fair value measurement (continued)

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

- 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 or indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) *Fair value in an active market (level 1)*

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs. For the majority of its investments, the Scheme relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets and liabilities is the last traded price. Where the last traded price does not fall within the bid-ask spread, an assessment is performed by management to determine the appropriate valuation price to use that is most representative of fair value.

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.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Recognised fair value measurement

The following table presents the Scheme's financial assets and liabilities measured and recognised at fair value as at 31 December 2023 and 30 June 2023.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2023				
Financial assets at fair value through profit or loss				
Listed international equity securities	262,168	–	–	262,168
Total	262,168	–	–	262,168
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2023				
Financial assets at fair value through profit or loss				
Listed international equity securities	273,393	–	–	273,393
Total	273,393	–	–	273,393

3 Fair value measurement (continued)

(i) *Transfer between levels*

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

There were no transfers between the levels for the half-year ended 31 December 2023 and year ended 30 June 2023. There were also no changes made to any of the valuation techniques applied as of 31 December 2023.

(ii) *Fair value measurements using significant unobservable inputs (level 3)*

The Scheme did not hold any financial instruments with fair value measurements using significant unobservable inputs during the half-year ended 31 December 2023 or year ended 30 June 2023.

(iii) *Valuation processes*

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities. Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting period.

(iv) *Financial instruments not measured at fair value*

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values due to their short term nature.

4 Financial assets at fair value through profit or loss

	As at	
	31 December	30 June
	2023	2023
	\$'000	\$'000
Financial assets at fair value through profit or loss		
Listed international equity securities	262,168	273,393
Total financial assets at fair value through profit or loss	<u>262,168</u>	<u>273,393</u>

5 Net assets attributable to unitholders

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

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 to 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 of the Scheme.

The Scheme classifies the net assets attributable to unitholders as financial liability as the puttable financial instruments do not satisfy all the criteria set out under AASB 132 *Financial Instruments: Presentation*.

	Half-year ended			
	31 December 2023 No. '000	31 December 2022 No. '000	31 December 2023 \$'000	31 December 2022 \$'000
Opening balance	55,560	71,508	282,567	298,305
Applications	972	1,832	4,958	7,990
Redemptions	(4,542)	(7,622)	(22,851)	(33,213)
Change in net assets attributable to unitholders	—	—	4,158	21,630
Closing balance	51,990	65,718	268,832	294,712

Capital risk management

The Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a financial 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 redemptions at the discretion of unitholders.

Daily 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 Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

6 Related party transactions

Responsible Entity

On 1 July 2023 the Responsible Entity was re-named from abrdn Australia Ltd to MSC Australia Limited (ABN 59 002 123 364) which was subsequently replaced by Melbourne Securities Corporation Limited effective 11 October 2023.

The directors of the Retired Responsible Entity during the period 1 July 2023 to 10 October 2023 were as follows:

Steven O'Connell	(appointed 1 July 2023)
Ruth McClelland	(appointed 1 July 2023)
Matthew Fletcher	(appointed 1 July 2023)

The directors of Melbourne Securities Corporation Limited during the period 11 October 2023 to date of this report were as follows:

Michael Fleming
Matthew Fletcher
Steven O'Connell
Ruth McClelland
Shelley Brown

6 Related party transactions (continued)

Responsible Entity (continued)

- (a) There have been no significant changes to the related party transactions disclosed in the last annual report.
- (b) All transactions with related parties are conducted on normal commercial terms and conditions. From time to time the Scheme or its director-related entities 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 Scheme investors or are trivial and domestic in nature.

7 Events occurring after the reporting period

Since the balance sheet date, the associated economic impacts of geopolitical events remain uncertain. As the investments are measured at their 31 December 2023 fair values in the financial report, any volatility in values subsequent to the end of the reporting period is not reflected in the statement of comprehensive income or the statement of financial position. However, the current value of investments has been reflected in the current unit price. Subsequent to the reporting date, market volatility has impacted the valuations of the Scheme. The unit price movement for the Scheme between the reporting date and the authorisation of the financial report at 1 March 2024 is 11.13%.

No other significant events have occurred since the end of the reporting period which would impact the financial position of the Scheme disclosed in the condensed interim statement of financial position as at 31 December 2023 or on the results and cash flows of the Scheme for the half-year ended on that date.

8 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2023 and 30 June 2023.

Directors' declaration

In the opinion of the directors of Melbourne Securities Corporation Limited, the Responsible Entity of abrdn Sustainable International Equities Fund (the "Scheme"):

- (a) the condensed interim financial statements and notes set out on pages 6 to 15, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Scheme's financial position as at 31 December 2023 and of its performance, for the six month period ended on that date; and
 - (ii) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (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.

Signed in accordance with a resolution of the directors of Melbourne Securities Corporation Limited:



Shelley Brown
Director

8 March 2024



Independent Auditor's Review Report

To the unitholders of abrdn Sustainable International Equities Fund

Conclusion

We have reviewed the accompanying **Condensed Interim Financial Report** of abrdn Sustainable International Equities 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 abrdn Sustainable International Equities 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 2023 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 statement of financial position as at 31 December 2023
- 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 including selected explanatory notes
- The Directors' Declaration.

The **Interim Period** is the 6 months ended on 31 December 2023.

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 and Melbourne Securities Corporation Limited, the Responsible Entity 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



Responsibilities of the Directors for the Condensed Interim Financial Report

The Directors of Melbourne Securities Corporation Limited 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 2023 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*. As auditor of abrdn Sustainable International Equities Fund, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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


Andrew Reeves

Partner

Sydney

8 March 2024

Directory**Responsible Entity**

Melbourne Securities Corporation Limited

ABN 57 160 326 545

Registered Office and Principal Place of Business

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Auditor

KPMG

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For more information visit <https://www.abrdn.com/australia/investor>

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