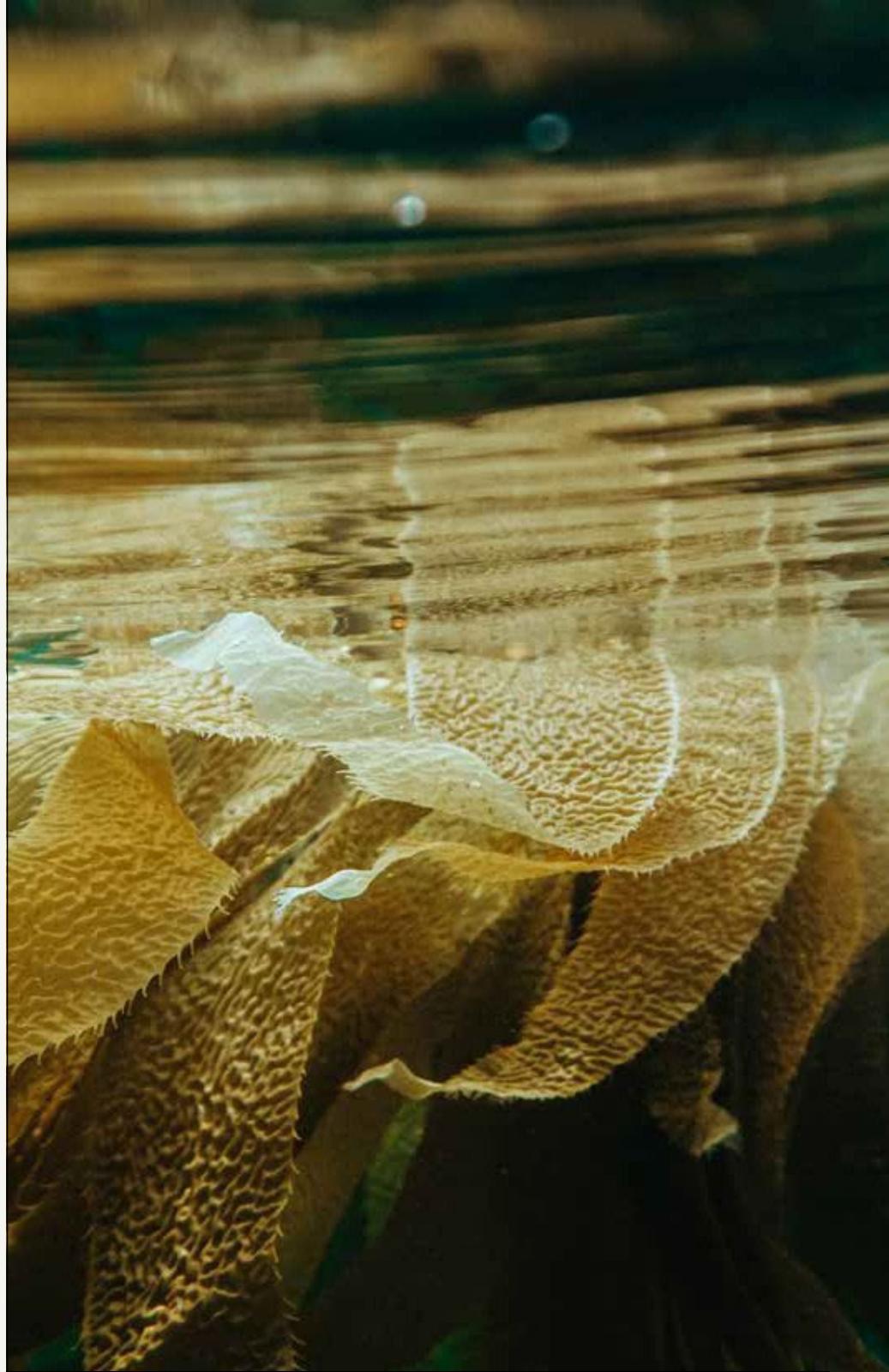


Australian Ethical

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AUSTRALIAN ETHICAL

Managed Funds Additional Information Booklet

1 October 2024

About this material

Important...

This Additional Information Booklet is dated 1 October 2024 and issued by Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949), the Responsible Entity of the Australian Ethical Managed Funds (collectively, the Funds and individually, a Fund). The information in this Additional Information Booklet provides additional information to, and forms part of, the PDS. You should consider all of this information before making a decision to invest in a Fund.

Australian Ethical Managed Funds

- Australian Ethical Income Fund ARSN 089 919 120
- Australian Ethical Fixed Interest Fund ARSN 166 048 184
- Australian Ethical Balanced Fund ARSN 089 919 255
- Australian Ethical High Growth Fund ARSN 140 444 211
- Australian Ethical Diversified Shares Fund ARSN 089 919 166
- Australian Ethical International Shares Fund ARSN 124 861 338
- Australian Ethical Australian Shares Fund ARSN 089 919 175
- Australian Ethical Emerging Companies Fund ARSN 606 254 157
- Australian Ethical Moderate Fund ARSN 669 470 393
- Australian Ethical Conservative Fund ARSN 672 051 795.

This information is designed to help you:

- decide whether an Australian Ethical Managed Fund will meet your needs; and
- compare Australian Ethical's Funds with others you may be considering.

The Product Disclosure Statement (**PDS**), Target Market Determination (**TMD**), Additional Information Booklet (**AIB**) and Guide to our Ethical Investment Process (**Ethical Guide**) are available on our website at australianethical.com.au/managed-funds/pds/ or by contacting us on 1800 021 227 or emailing us at: investors@australianethical.com.au.

All monetary amounts in this material are references to Australian dollars.

If you invest in a Fund, you should keep a copy of this document and the PDS for your records.

Important...

This Additional Information Booklet may be updated with changes that are not materially adverse via disclosure on our website at australianethical.com.au/managed-funds/notices/. Upon request, a paper copy of this Additional Information Booklet will be made available without charge by contacting us.

Contact us

T 1800 021 227

E investors@australianethical.com.au

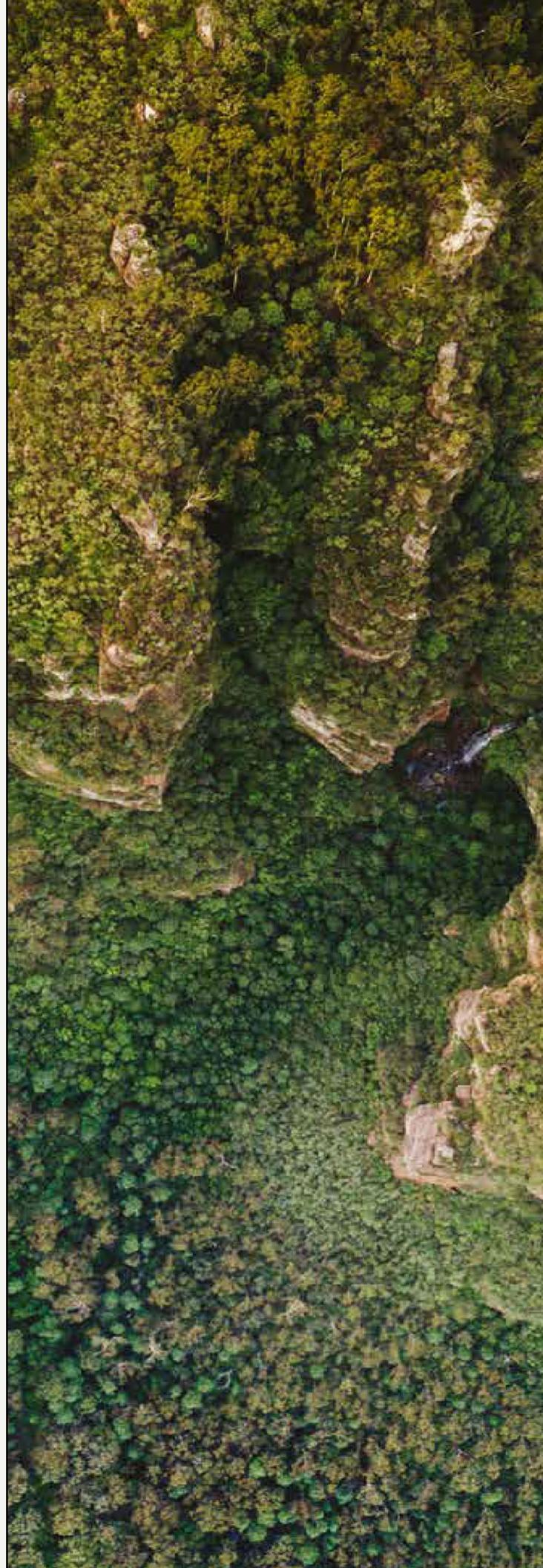
W australianethical.com.au

P Australian Ethical Investment Ltd Reply Paid 3993, Sydney NSW 2001

Join online australianethical.com.au/join-now

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1 How Australian Ethical Managed Funds work

Important...

You can keep up-to-date with all the Funds' unit prices, performance and portfolio holdings through our website australianethical.com.au or by contacting us on 1800 021 227.

Investor classification

Under the Funds' constitution, Australian Ethical is able to issue different classes of units and determine the rights which attach to each class of units. At our discretion, we may issue wholesale and larger investors with a different class of units.

To be issued Wholesale Class units, a direct investor in the Australian Ethical Income Fund, Fixed Interest Fund, High Growth Fund, International Shares Fund, Diversified Shares Fund, Moderate Fund, Conservative Fund and Emerging Companies Fund must maintain a minimum of \$25,000 in the Fund.

To be issued Wholesale Class units, a direct investor in the Australian Ethical Balanced Fund or Australian Shares Fund, you must also maintain a minimum total balance of \$200,000 or \$500,000 (respectively) across any of the Australian Ethical Managed Funds.

Valuation and unit price calculation

Generally, the Fund's assets will be valued at their market value unless we reasonably believe that the market value does not represent the fair value of the asset. We may use another valuation method in respect of the asset, provided that the valuation method applied to value the Fund's asset is consistent with the range of ordinary commercial practice for valuing that type of asset and produce a value that is reasonably current at the time of valuation.

Any discretion used in determining unit prices is applied in accordance with our Pricing Discretions Policy. A copy of this policy can be provided free of charge by contacting 1800 021 227.

Making additional investments

Generally, you can make additional investments (subject to minimum investment amounts) into the Funds at any time. Payment for your additional investment can be made using BPAY® (details can be found through InvestorServe) or cheque.

Before making additional investments make sure you have reviewed our website for any recent updates and any changes to this document or the relevant Fund's PDS.

Regular Investment Plan

You can build on your existing investment using a Regular Investment Plan to make regular monthly investments. Your regular monthly investment can be for as little as \$100 per month.

The nominated amount will be deducted from your account on the 15th of each month. It is an investor's responsibility to ensure sufficient funds are in the elected account at the time the direct debit is made.

You can stop or change the amount of your regular monthly investment at any time by giving 14 days' notice, provided you maintain a regular monthly investment of \$100 per month.

To start a Regular Investment Plan, complete the Regular Investment Plan section on the Managed Funds online application form or on the paper Application/Additional Investment Application Form available on our website:
australianethical.com.au/managed-funds/documents/

Investing through a Platform

Wrap accounts, master funds, platforms, investor directed portfolio services (collectively referred to as Platforms) offer another convenient avenue for investing in our Funds.

Please contact us if you would like to receive details of the Platforms upon which we are listed.

We authorise the use of each Fund's PDS, AIB and Ethical Guide as disclosure to investors who wish to access the Fund indirectly through a Platform. Reference to 'you' or 'your' in the PDS and AIB is generally a reference to a direct investor in the relevant Fund, though may also refer to indirect investors investing through a Platform.

When you invest in a Fund through a Platform, you are not a direct investor. The Platform operator invests on your behalf and so has the rights of a direct investor. You should refer to the Platform operator and its disclosure documents to understand your rights and interests.

1 How Australian Ethical Managed Funds work

If you are applying or withdrawing indirectly through a Platform, you must follow the application or withdrawal process as advised by the operator of that service. If you have a complaint related to the Platform or the financial product advice about using the Platform or investments acquired through the Platform, you should approach the Platform operator or relevant financial adviser with your complaint. If you have a complaint related to a Fund, you should approach us. Cooling off rights do not apply to Platform investors.

In addition, when you invest through a Platform, fees and expenses applicable to the Platform may be payable in addition to the fees and expenses for the relevant Fund. You should refer to the Platform operator and its disclosure documents to understand the fees and expenses of an investment in a Fund.

Indirect investors will not receive reports from us and should contact the Platform operator for reporting.

If you have invested via a Platform, your personal information is collected and held by the operator of that service, not by us.

We may pay product access payments to the Platform operators to have a Fund included on their investment menu. These payments are paid by us out of our management fees and are not an additional cost to you.

mFund Settlement Service

Australian Ethical is a member of the mFund Settlement Service (**mFund**) operated by the Australian Securities Exchange (**ASX**).

While the Funds are admitted as mFund products under the ASX Operating Rules, you can buy and sell units in the Funds with approved ASX brokers or through a financial adviser who uses a stockbroking service on your behalf. mFund uses CHESS, ASX's electronic settlement system, to process applications and withdrawals of units in the Funds.

mFund does not facilitate on-market buying and selling between investors. Units settled through mFund are issued and redeemed by Australian Ethical.

Through mFund, the minimum initial investment in a Fund is \$25,000 each.*

Further information about mFund can be found at australianethical.com.au/managed-funds/mfunds/

Switching funds

You can move your money from one Fund to another by completing the Switch Form available on our website. A Switch is processed as a withdrawal of some or all of your existing units in one Fund, with the proceeds used to purchase units in another requested Fund.

It is your responsibility to ensure the switching instruction has been received and that the relevant details are correct.

Australian Ethical is taken to have received the application payment for units in another Fund when Australian Ethical receives the withdrawal request for units in the existing Fund. This means switching instructions received before the 3:00pm (Sydney time) on a business day will be processed at the application price for the new units and the withdrawal price for the existing units determined as at the next valuation, will generally reflect the prices at the close of trading on that day. Switching instructions received after 3pm (Sydney time) will be processed at the application price and withdrawal price applicable to the following business day. Buy-sell spread may apply.

If a switch would result in you having existing units which are worth less than the current minimum balance for that Fund, we may, at our discretion, treat the switching instruction as relating to your entire holding of units in that Fund. You should consider the PDS of the other Fund before deciding to make a switch.

Switching may have capital gains tax implications for you. You should refer to **Section 6: Fees and other costs** and **Section 7: How managed funds are taxed** of this Additional Information Booklet for more information.

Transfer and transmission

A transfer is a change in ownership of an existing unit holding. In order to transfer a unit holding you will need to complete a Transfer Request Form, which is available on our website. The Transfer Request Form may need to be stamped by a relevant State or Territory revenue office before we are able to process the transfer.

A transmission occurs if you die and your unit holding passes to your estate or beneficiaries. To allow transmission of a unit holding to occur, your legal personal representative will need to complete a Transmission Form, which is available on our website, and provide a certified copy of a death certificate and

*Please note, the Australian Shares and Balanced funds are closed to new investments through mFunds.

1 How Australian Ethical Managed Funds work

other related documents. The Transmission Form may need to be stamped by a relevant State or Territory revenue office before we are able to process the transmission.

There may be taxation implications arising from a transfer or transmission and you should seek professional taxation advice if you are unsure about the implications.

How to make withdrawals

Requests for withdrawals must be made by completing a Withdrawal Form, which is available on our website.

For platform or mFund investors, a withdrawal request should be made through the platform or mFund with your broker or adviser.

In most situations we will make a payment to your nominated bank account within seven business days of accepting a withdrawal request.

To protect the security of your account we only allow payments to be made into your Australian or New Zealand bank account. Withdrawal payments will not be paid by cheque or to third parties.

Calculation of distribution (income payments)

Distribution of the Fund's distributable income generally occurs every six-months, typically in July and January. Australian Ethical as the Responsible Entity has discretion whether to declare a distribution. You will be notified of the composition of your distribution and the types of income and capital.

Your share of any distributions will be proportionate to the number of units you hold on the last day of the distribution period relative to the total number of units on issue at the end of the distribution period. The amount you receive will vary from year-to-year and on occasion, no distribution may be made.

Distribution income can be reinvested or paid to your nominated bank account. If no selection is made or we are unable to pay it to you for any reason, your income will be automatically reinvested and additional units in the Fund purchased in your name.

Investing just before or just after an income payment is made

Subject to the terms of the constitution of each Fund, if you hold units in the Fund at close of business on the last business day of the relevant distribution period, then you will be entitled to receive a distribution if income is being distributed. If a distribution is paid, the unit price immediately after the distribution will be reduced as a result of the distribution.

Reinvest or direct credit your distribution (income payment)

Distribution income can be reinvested or paid to your nominated bank account. If no selection is made or we are unable to pay it to you for any reason, your income will be automatically reinvested and additional units in the Fund purchased in your name. You may change this selection by notifying us and you may select whether to reinvest or receive a direct credit for each Fund you are invested in.

An instruction to reinvest your income payment needs to be in place no later than 3pm on the last business day of the six-month period ending 31 December and 30 June (distribution record date). You only need to tell us once if you want your income payment reinvested.

After that, you will only need to advise us if you wish to change your instructions.

If you reinvest your distribution, the transaction date for this will be the day after the distribution period. The distribution reinvestment price will be the final distribution period end price after provision for the distribution.

Restrictions on withdrawals

Delays in withdrawals may occur. If a Fund is not liquid under the Corporations Act 2001 (**Corporations Act**), withdrawals from the Fund will only be possible if Australian Ethical makes a withdrawal offer in accordance with the Corporations Act. We are not obligated to make such an offer. However, if we do make such an offer, you will only be able to withdraw your investment in accordance with the terms of the current withdrawal offer. If an insufficient amount of money is available from the assets specified in the withdrawal offer to satisfy withdrawal requests, the requests will be satisfied proportionately amongst those investors wishing to withdraw from the Fund.

Suspension

We may suspend processing applications, withdrawals and/or the payment of withdrawals in certain circumstances specified in the Constitution, including where we consider that it is desirable for the protection of the Fund or if an emergency exists and as a result, it is not possible for us to acquire or dispose of assets or determine the application or withdrawal price fairly.

If you lodge a withdrawal during a suspension period, we will process it as if it was lodged immediately after the end of the period of suspension.

2 Benefits of investing in the Australian Ethical Managed Funds

Our ethical evaluation process

Australian Ethical believes in the transformative power of money to help achieve positive social and environmental outcomes. We seek out investments which provide for and support the ethical principles set out in the Australian Ethical Charter. These principles guide our examination of whether companies and other investments are part of a path to a better future for people, animals and the environment. We interpret and apply these principles using our more detailed criteria (Ethical Criteria) outlined in the Ethical Guide.

Our ethical evaluation process and Ethical Criteria are important because we implement the investment strategy for the Fund by choosing investments which both meet our Ethical Criteria and are aligned with the investment strategy and objectives of the Fund. Our investment process has two parts:

- we apply our Ethical Criteria to assess the positive and negative impacts of potential investments on people, animals and the environment, and that research defines our universe of potential ethical investments; and
- our investment team constructs portfolios suitable for the investment strategies and return objectives of the Funds.

Our Ethical Criteria is a mix of prescriptive rules alongside more qualitative criteria which help us identify, measure and balance the most significant positive and negative impacts of companies, products, services and activities. We believe a company with positive products and services can remain an ethical investment even though it earns some revenue from a negative product or activity, or if its products and services are used by some in a harmful way.

Also, where a company makes a mistake, we don't automatically exclude it, but we assess whether the mistake indicates a systemic problem, and if the company has acted to fix the mistake and stop it happening again. When evaluating companies, we look at benefits and harms from both what the company produces, and also from the way the company operates.

Please refer to our Ethical Guide for important information about our ethical evaluation process and Ethical Criteria.

Keeping you informed

As an investor, there are a number of ways that Australian Ethical helps you stay informed about your investments with us.

Secure online access

Keep track of your investments through our secure online access system InvestorServe, which is available at your convenience 24 hours a day, 7 days a week.

When you make your initial investment in a Fund, we will post you a confirmation letter and a PIN to enable you to activate your account. Alternatively, you can contact us at any time and we can help you set up your InvestorServe account.

With InvestorServe you can:

- view your account balances and transaction histories, including regular Investment payments;
- view distribution and tax statements;
- display and change your contact and banking details;
- amend and cancel payment of Regular Investment Plans by direct debit;
- display a personal BPAY® reference number for the payment of additional investments; and
- select the way you would prefer us to communicate with you.

We recommend that you regularly visit our website to obtain the latest information about your investment. Any information that is material to your investment will be provided on our website.

Investment confirmations and statements

You will receive statements confirming any investments or withdrawals you make. Confirmation statements are not issued if you make investments under the Regular Investment Plan and Confirmation statements do not contain a record of any adviser service fees paid from your account. These will be itemised in the transaction summary you receive with your Annual Statement.

An Annual Statement and a Tax Statement will be sent either electronically or by post, following the end of each financial year.

3 Risks of managed investment schemes

Important...

You should obtain financial advice to help explain investment risk, assess your risk tolerance and select the investment most suited to suit your personal circumstances.

Managing risk

Our investment process includes well-developed processes to manage relevant risks. We use careful research, a range of investment limits, market data and diversification to manage individual investment and market risk. We use investment limits and we may use derivatives in the management of the portfolio but not for gearing purposes or speculative activities.

Selecting the right investment – what type of investor are you?

To manage your investment risk, it is very important that you understand what type of investor you are, and the risk/reward profiles of the different Funds we offer.

Depending on your goals, age and financial situation, your investment timeframe and your capacity to absorb investment risk will vary.

Selecting the right investment – what are the risk/return profiles of our Funds?

Australian Ethical offers a range of Funds that cater for different investor types.

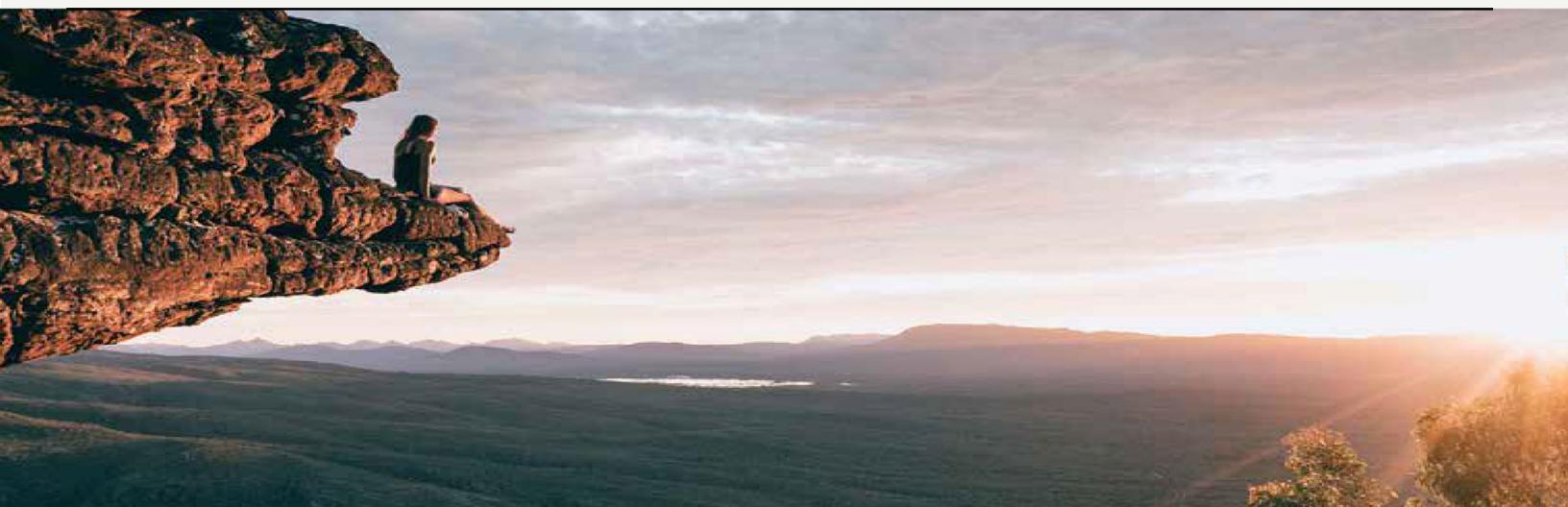
At the higher end of the investment risk/return spectrum are the Emerging Companies, Australian Shares, Diversified Shares and International Shares Funds. These Funds focus specifically on a single asset class (shares) but are diversified by industry type and/or geographic location.

The High Growth Fund offers a portfolio diversified by geography, growth asset type (shares, property and alternatives) and industry type.

Growth investors are most likely to be interested in the Emerging Companies, Australian Shares, Diversified Shares, International Shares and High Growth Funds.

Our Balanced Fund (towards the middle of the risk/return spectrum) offers a portfolio diversified by geography, asset type (shares, property, and fixed interest) and industry type.

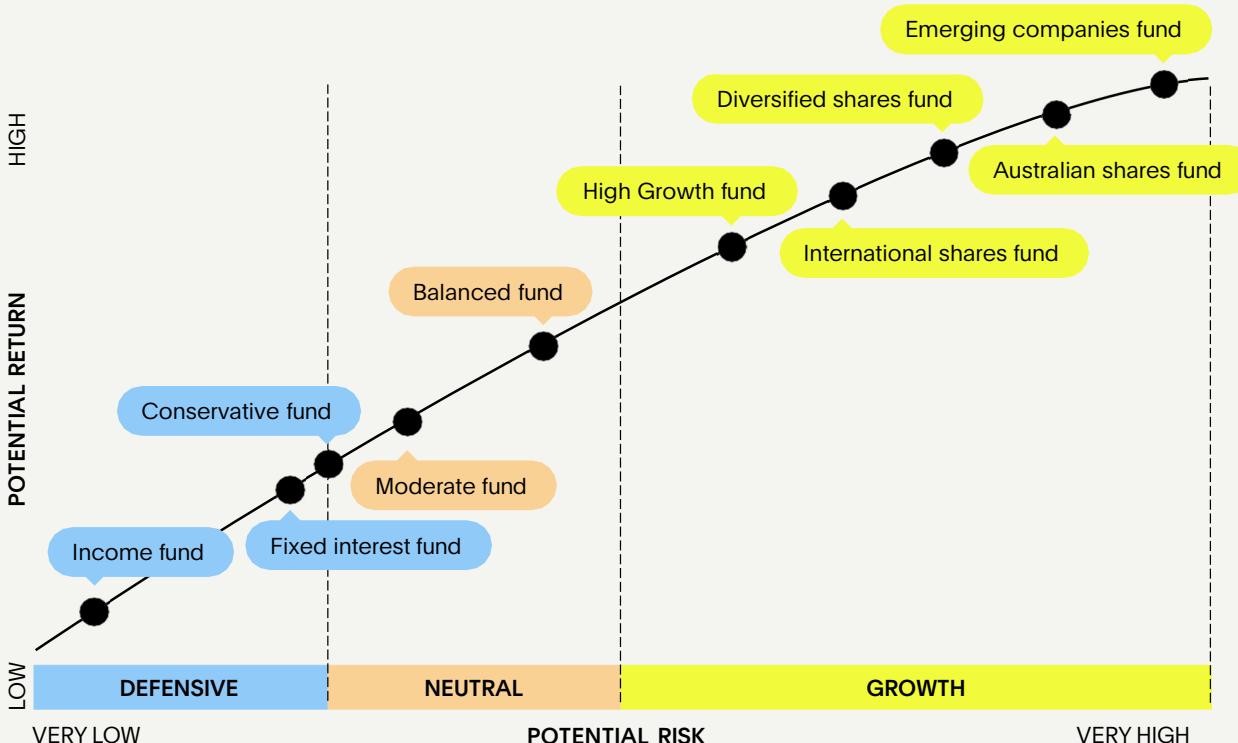
Our Moderate Fund (at the low to middle of our risk/return spectrum) is likely to be attractive to neutral and growth investors. This fund offers a diversified blend of a range of asset classes. The fund is diversified by geography, asset type and industry.



3 Risks of managed investment schemes

Defensive investors are most likely to be interested in our Conservative Fund, Income Fund, or our Fixed Interest Fund. The Income Fund has the lowest investment risk of our Funds and has a lower chance of negative return.

Risk/return profiles of the Australian Ethical Managed Funds



| Defensive Investor | Neutral Investor | Growth Investor |
|---|---|--|
| With a short-term investment timeframe you seek to conserve capital and ensure stable income. | With a medium-term investment timeframe you seek lower volatility, but with some growth and income. | With a longer-term investment timeframe, you are able to accept higher risk, seek growth and are not reliant on income produced by your investments. |

This chart represents the potential risk and return characteristics of our various Funds. It is not a forecast of actual risk or returns. The scale is indicative only.

Standard Risk Measure

Each of our investment options has a risk label that has been evaluated using the Standard Risk Measure.

The Standard Risk Measure is based on industry guidance to allow you to compare investment options that are expected to deliver a similar number of negative annual returns over any 20-year period.

The Standard Risk Measure is not a complete assessment of all forms of investment risk. For instance, it does not detail what the size of a negative return could be or the potential for a positive return to be less than you may require to meet your objectives. Further, it does not take into account the impact of administration fees and tax.

You should still ensure you are comfortable with the risks and potential losses associated with your chosen investment option(s).

| Risk Band | Risk Label | Estimated number of negative annual returns over any 20 year period |
|-----------|----------------|---|
| 1 | Very low | Less than 0.5 |
| 2 | Low | 0.5 to less than 1 |
| 3 | Low to medium | 1 to less than 2 |
| 4 | Medium | 2 to less than 3 |
| 5 | Medium to high | 3 to less than 4 |
| 6 | High | 4 to less than 6 |
| 7 | Very high | 6 or greater |

4 Fees and other costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

TO FIND OUT MORE

If you would like to find out more or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC) Moneysmart** website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.



4 Fees and other costs

| Australian Ethical Managed Funds | | |
|--|---|---|
| Type of fee or cost | Amount | How and when paid |
| Ongoing annual fees and costs^{1##} | | |
| Management fees and costs^{1,2,3,4} | 0.00% to 1.69% p.a. of the net asset value of the Fund depending on the Managed Fund you are invested in. | The amount quoted is made up of the following three components: Management fees which are calculated and accrued daily and paid monthly in arrears from the Fund's assets at the end of each month. Fees are calculated as a percentage of the daily net asset value of the Fund. Indirect costs (if any), which are deducted from the Fund's assets, accrued daily in the net asset value and then paid as and when due. Recoverable expenses which may be abnormal operating expenses (if any) that, if charged, will be deducted from the Fund's assets, and paid as incurred, and/or normal operating expenses and investment expenses which are paid out of the management fee. |
| Performance fees Amounts deducted from your investment in relation to the performance of the product | 0.00% to 0.82%.** of the net asset value of the Fund depending on the Managed Fund you are invested in. | The performance fee is calculated and accrued each Business Day and is reflected in the daily unit price. The performance fee is payable yearly as at 30 June, if applicable. |
| Transaction costs^{3,5} The costs incurred by the scheme when buying or selling assets | 0.00% to 0.04% p.a. of the net asset value of the Fund depending on the Managed Fund you are invested in. | Transaction costs are deducted from the assets of the Fund as and when they are incurred. The amounts shown are estimates calculated at 30 June each year based on the previous 12 months. These figures represent brokerage costs which are not fully recovered in the buy-sell spread and are therefore the net amount. |
| Member activity related fees and costs (fees for services or when your money moves in or out of the scheme)¹ | | |
| Establishment fee The fee to open your investment | Nil | Not applicable |
| Contribution fee The fee on each amount contributed to your investment | Nil | Not applicable |

4 Fees and other costs

| Type of fee or cost | Amount | How and when paid |
|---|---|--|
| Buy-sell spread An amount deducted from your investment representing costs incurred in transactions by the scheme | 0.00%/0.00% to 0.15%/0.15% of the investment or withdrawal amount, depending on the Managed Fund you are invested in. | Charged to you at the time of the transaction and paid into the Fund when you invest in or withdraw from the Fund. |
| Withdrawal fee The fee on each amount you take out of your investment | Nil | Not applicable |
| Exit fee The fee to close your investment | Nil | Not applicable |
| Switching fee[®] The fee for changing investment options | Nil | Not applicable |

- 1 Unless otherwise stated, all fees and costs are quoted gross of income tax and net of any Goods and Services Tax (GST) and reduced by input tax credits (RITCs) as applicable at the prescribed rate (depending on the nature of the fee or expense).
- 2 Additional fees may be payable if a financial adviser is consulted. See 'Additional explanation of fees and costs' below.
- 3 The fees shown are current as at the date of this PDS and are subject to change. All updates will be published on the fee information page: australianethical.com.au/managed-funds/fees/. All estimates of fees and costs in this section are based on information available as at the date of this PDS and reflect the Responsible Entity's reasonable estimates of the typical fees for the current financial year. The costs component of management fees and costs reflect the actual amount incurred for the financial year ended 30 June 2024 and the Responsible Entity's reasonable estimates where information was not available as at the date of this PDS (adjusted to reflect a 12-month period).
- 4 Management fees and costs may include an amount for indirect costs which if applicable is based on the amount incurred for the financial year ending 30 June 2024.
- 5 The amount of transaction costs is an estimate only and subject to change from year to year. The calculation basis for these amounts are set out under 'Additional explanation of fees and costs' in Section 6 of the Additional Information Booklet.
- ** A performance fee is only applicable to the Emerging Companies and High Conviction Fund. The performance fee shown is based on an average of the Fund's performance fee for the 5 years to 30 June 2024. Please note that this is just an example, it is not a forecast and the actual investment balance of your holding, and the value of the Fund will vary on a daily basis. The performance fee may be lower or higher.
- @ You may incur a buy-sell spread whenever units are bought or sold including by way of switching investment funds. However, you won't be charged a switching fee in addition to the buy-sell spread.
- ## For certain wholesale clients (as defined in the Corporations Act) we may, at our discretion, negotiate, rebate or waive all or part of our fees. Please refer to 'Ability to negotiate fees' below.

4 Fees and other costs

Additional Explanation of Fees and Costs

Management Fees and Costs

Management fees and costs comprise the fees or costs that an investor incurs by investing in the Fund. These are management fees and indirect costs, details of each are set out below. They do not include the costs of buying and selling the Fund's assets (transaction costs).

Management fees

A management fee of between 0.20% p.a. and 1.69% p.a. (depending on which managed fund you are invested in) of the Net Asset Value (**NAV**) of your investment is paid to the Responsible Entity for managing the assets of the Fund and overseeing the operations of the Fund.

The management fees cover all ordinary fees, costs, charges, expenses and outgoings that are incurred in connection with the Fund (such as administration and accounting costs, registry fees, audit and tax fees, and investor reporting expenses). Management fees are calculated each business day based on the NAV of the Fund at the end of the previous Business Day and are payable at the end of each month.

Estimated management fees and costs are reflected in the NAV per Unit of the Fund.

In addition to the management fee, where the Fund incurs extraordinary expenses and outgoings, the Responsible Entity may pay for these from the Fund's assets. We may pay extraordinary expenses and outgoings from the Fund's assets because, under the Constitution of the Fund, in addition to the management fee, the Responsible Entity is entitled to be indemnified from the assets of the Fund for any liability properly incurred by us in performing properly any of our duties or exercising any of our powers in relation to the Fund or attempting to do so.

Indirect Costs

Indirect costs form part of the costs component of management fees and costs and include fees and expenses arising from any investment which qualifies as an interposed vehicle (e.g. any underlying fund that the Fund may invest in) and certain OTC derivative costs, where relevant. Indirect costs are estimated to be between 0.11% p.a. and 0.14% p.a. (depending on which managed fund you are invested in), which is based on the actual indirect costs incurred in the financial year ending 30 June 2024. The actual indirect costs payable in the future (if any) will depend on the investments of the Fund and the indirect costs estimate provided may not be a reliable indicator of future indirect costs of the Fund.

Transaction costs

Transaction costs are calculated at 30 June each year based on the previous 12 months. Transaction costs include taxes, duties and other costs (such as brokerage) as well as transaction costs from interposed vehicles.

Transaction costs such as brokerage and transactional taxes are incurred by the Fund when the Fund acquires and disposes of securities. The transaction costs incurred by the Fund for the financial year ended 30 June 2024 are provided in the table below. All investors pay a buy-sell spread when they acquire or redeem units in the fund. We calculate the buy-sell spreads to reflect the actual transaction costs we expect to be incurred, and these amounts are paid into the fund when you acquire or redeem units. The transaction costs shown in the fees and costs summary reflect actual transaction costs (if any) over and above the amounts recovered from the buy-sell spreads.

| Total transaction costs (% p.a.) | Recovery through buy/sell spread (% p.a.) | Net transaction costs (% p.a.) | For every \$50,000 you have in the Fund you will likely incur approximately: |
|-------------------------------------|--|-----------------------------------|--|
| 0.00% to 0.16%* | 0.00% to 0.15%* | 0.00% to 0.04%* | \$0 to \$20* |
| | | | |

* depending on which managed fund you are invested in.

The amount of such costs will vary from year to year depending on the value of applications and withdrawals processed.

Transaction costs are generally (except where they relate to interposed vehicles) paid out of the assets of the Fund and are not paid to Australian Ethical.

4 Fees and other costs

Buy/sell spread

The buy/sell spread is a fee to recover transaction costs incurred in relation to the purchase and sale of assets of the Fund and is used to adjust the unit price. It is an additional cost to you and is incurred when you contribute, transfer or redeem. We will use a buy/sell spread to recover transaction costs from you so that other investors are not paying for the cost of your transaction. It is not a fee paid to us.

The buy/sell spread range is included in the table above and on page 9. For example, if the buy-sell spread of a fund is 0.15%/0.15% and you invested \$50,000 in the Fund the cost of the buy spread would be \$75, or if you withdrew \$50,000 from your investment the cost of the sell spread would be \$75.

We may vary the buy-sell spread from time to time if transaction costs change. Notice will not normally be provided; however updated information will be available on our website and in regular communications.

Tax

In addition to the fees and costs described in this section, you should also consider the government taxes and other duties that may apply to an investment in the Fund. See further information on taxation at section 7.

Maximum allowable fees

The Responsible Entity can charge a maximum fee under each managed investment scheme's constitution, for the High Conviction, Moderate and Conservative Funds the max management fee is 4%, for all other funds this maximum is 5% p.a. of the net asset value of the Fund. There is no intention to charge fees up to the maximum amount. The current fees and costs are outlined in the fees and costs tables above.

Performance fees

The performance fee disclosed for the Emerging Companies Fund 0.74% p.a. for Wholesale Fund and 0.82% p.a. for the Retail Fund is calculated as

the historic five-year average of performance fees incurred by the fund for the period ending 30 June 2024. For information regarding the Performance fee for the High Conviction Fund, please refer to the PDS here: australianethical.com.au/managed-funds/documents/

Depending on how well the Emerging Companies Fund performs, the Investment Manager may be entitled to receive a performance fee which is payable by the Fund. The performance fee is equal to 20% of the Fund's outperformance (net of management fees and excluding any accrued performance fee) relative to its Benchmark return, multiplied by the NAV of the Fund. The performance fee is calculated and accrued each business day. The Benchmark used for calculating the performance fee is the S&P/ASX Small Industrials Accumulation Index.

If the Benchmark ceases to be published, we will nominate an equivalent replacement index. The performance fee is calculated each Business Day and may be positive or negative. If the performance fee is positive, the amount is incorporated in the Fund's unit price. If the performance fee is negative, the negative amount will be carried forward.

Performance fees vary from year to year according to the Fund's actual performance and can be zero in any financial year. Past performance is not a reliable indicator of future performance. In particular, the performance fee payable (if any) will depend on the performance of the Fund and previous performance fees and may not be a reliable indicator of future performance fees of the Fund.

If you hold an account at the end of the financial year (when the performance fee, if any, is paid) you will have the amount paid and attributable to your holding disclosed to you.

Further information on performance fees is available by calling us on 1800 021 227.

4 Fees and other costs

Performance fee example - Emerging Companies Fund

Assuming an investment of \$50,000, and that the Fund outperforms its benchmark by the percentages in the table below, the following Performance Fees would be payable for the outperformance:

| Performance net | | |
|---|--|---------------------------------------|
| of management fee against benchmark of the Emerging Companies Fund | \$ Performance Fee attributable to an investment of \$50,000 | Calculation of Performance fee |
| +1.0% p.a | \$100 | 20% x 1% x \$50k = \$100 |
| +2.0% p.a. | \$200 | 20% x 2% x \$50k = \$200 |
| -1% p.a | No Performance Fee payable and will be carried forward to the next financial year. | - |

Can the fees change?

The circumstances in which the fees and expenses currently charged to the Fund by the Responsible Entity may be increased include where costs have increased (for example, an increase in listing fees or costs related to regulatory changes). Any increase in the management fees charged will be notified to investors at least 30 days in advance before the change takes effect.

Other costs

Adviser service fees

If your investment is made through a licensed financial adviser, then the following fee arrangements may apply:

Upon your instruction and agreement between yourself and your adviser, an adviser fee up to a maximum of \$8,000 p.a. (including GST) is permitted to be deducted from your account. This can be charged as a one-off deduction or can be spread out over a 12-month period with quarterly payments. After the 12 months period, the fee will cease automatically and a new form will be required for any new fee arrangements to be established, as negotiated with your adviser.

A new form is required for any changes or new fee arrangements as negotiated with your adviser.

Fees paid to your adviser are in addition to all other fees and costs. Adviser service fees are deducted from your account at the end of a quarter. If there are insufficient funds in your account on the deduction date, the adviser service fee will not be deducted.

Incidental fees

You may incur a bank cheque dishonour or electronic transfer failure fee from your financial institution if a payment is not successfully processed.

Ability to negotiate fees

We may negotiate reduced fees with any wholesale investor (as defined in the Corporations Act 2001). We may also offer discounted fees in accordance with Australian Securities and Investments Commission (**ASIC**) policy.

Australian Ethical may apply these discounts at its discretion.

GST

Goods and Services Tax (**GST**) is not payable on the issue, withdrawal or transfer of units in the Funds, as these are input taxed financial supplies for GST purposes.

When fees and costs are shown in this section (unless otherwise stated) the net cost of GST is included. If the GST rate or arrangements change, the total amount you pay may change even though fees due to us are not increased.

5 How managed investment schemes are taxed

This section is a general summary of certain Australian tax implications associated with investing in a Fund and does not provide a comprehensive guide to the tax consequences associated with making, holding or disposing of an investment in a Fund. It should not be relied upon as taxation advice, and we strongly recommend you seek professional tax advice specific to your personal circumstances before investing in a Fund.

This summary is based on the tax laws of Australia as at the date of the publication of this document, which may change (including retrospectively).

This summary does not apply to certain types of investors (for example, if you hold your investment in a Fund indirectly, as trading stock or otherwise as part of a trade or profit-making undertaking or scheme, within the Australian 'taxation of financial arrangements' regime, through a wrap account, master fund or other platform or as a custodian, nominee or trustee).

Taxation treatment of the Funds

Each Fund is intended to operate so that no Australian income tax is paid by the Fund. Instead, the Fund's investors are subject to any Australian income tax consequences based on their share of the Australian taxable income and any tax offsets of the Fund for each income year.

Australian Ethical has elected, and intends to continue, to treat each Fund as an Attribution Managed Investment Trust' (**AMIT**) under the AMIT regime. Whilst the AMIT regime continues to apply to a Fund, key features of that regime include:

- a share of the Australian taxable income and tax offsets of the Fund for each income year will be attributed to each investor (as determined by Australian Ethical on a fair and reasonable basis).
- the taxable income and tax offsets of a Fund retain their character for Australian tax purposes in the hands of investors as they flow through that Fund; and
- where the amount of Australian taxable income or tax offsets estimated for a Fund at the end of an income year is different to the amount that is finally calculated, the difference is generally carried forward and adjusted for investors in the year in which the variation is discovered.

The amounts attributed to investors in a Fund may include:

- income (like interest, franked or unfranked dividends, and foreign);
- capital gains; and/or
- tax offsets (including franking credits or foreign income tax offsets and early-stage venture capital limited partnership tax offsets).

At the end of each income year, Australian Ethical will send each investor an AMIT Member Annual (**AMMA**) statement for each fund that provides a consolidated view of all the distributions we have paid to that investor from each fund and the relevant Australian tax components attributed to that investor in respect of that income year from each fund.

Australian investors

This sub-section deals with certain Australian tax implications for investors who are residents of Australia or who hold their investment in a Fund as part of a business carried on by the investor through a permanent establishment in Australia on the basis that the AMIT regime continues to apply to each Fund.

Attribution and distributions by a Fund

Your share of a Fund's taxable income for an income year attributed to you by that Fund and set out on the AMMA Statement should be included in calculating your Australian taxable income for that income year, irrespective of when distributions are received from the Fund or whether the distributions are reinvested. A guide to help you transfer the information contained in the AMMA Statement into your tax return is available at australianethical.com.au/taxguide/

As noted above, amounts attributed to you will generally preserve the same character in your hands as when they were derived by the Fund (e.g. as dividends, interest, capital gains etc.).

Where the distributions you receive from a Fund in respect of an income year are more or less than your share of the taxable income and non-assessable non-exempt of that Fund for that income year, there may be increases or decreases to the CGT cost base of your investment in the Fund. If the cost base of your units in the Fund is reduced to nil, any further decreases to your cost base will give rise to assessable capital gains for you.

5 How managed investment schemes are taxed

Disposal of units in a Fund

If you sell, transfer or redeem (including as part of a switch) your units in a Fund, this will trigger a disposal of a CGT asset for CGT purposes. Any capital gain or loss will be required to be taken into account in determining your Australian taxable income. If you have held your units continuously for at least 12 months prior to the transfer or redemption and you are an individual, trustee or superannuation fund, you may be eligible to apply a CGT discount to reduce any capital gain from that disposal.

Withdrawals or switching from a Fund

If you withdraw part or all of your investment in a Fund (and as a result some or all of your units in the Fund are redeemed, including as part of a switch), you may also be attributed a share of the taxable income and tax offsets of the Fund (including any taxable income or tax offsets that arise as a result of your withdrawal from the Fund), and such attributed amounts will be required to be included in calculating your taxable income. Any capital gain that arises on the withdrawal will generally be reduced by the amount of the withdrawal proceeds that are included in calculating your taxable income.

Foreign resident investors

This sub-section deals with certain Australian tax implications for investors in a Fund who are not Australian Investors on the basis that the AMIT regime continues to apply to each Fund. It does not deal with any foreign tax implications in connection with an investment in a Fund, and you should seek your own professional tax advice.

Distributions from a Fund

You may have Australian withholding tax withheld or deducted from distributions you receive from a Fund, calculated with reference to the share of the Australian sourced taxable income of the Fund for the income year that has been attributed to you. The rate at which tax is withheld or deducted will be determined by a number of factors including the character of the taxable income and your country of tax residence. Any amount withheld or deducted will reduce the amount of any distribution you receive from a Fund or are able to reinvest.

This withholding tax is generally a final tax, and you should not be required to lodge an Australian tax return solely as a result of receiving such distributions.

Disposal of units in a Fund

If you sell, transfer or redeem your units in a Fund, this will trigger a disposal of a CGT asset for Australian tax purposes. You will be subject to the Australian

CGT rules on that disposal if the units in the Fund are 'taxable Australian property'. This will be the case if you hold a 10% or greater interest in a Fund (on an associate-inclusive basis) and more than 50% of the market value of a Fund's assets are attributable to Australian real property.

Otherwise, if the units are not 'taxable Australian property', any capital gain should be disregarded for Australian CGT purposes.

Withdrawal or switching from Fund

If you withdraw part or all of your investment in a Fund (and as a result some or all of your units in the Fund are redeemed, including as part of switching between Funds), you may be attributed a share of the taxable income and tax offsets of that Fund (including any taxable income or tax offsets that arise as a result of your withdrawal from that Fund). As a result, Australian withholding tax may be required to be withheld or deducted from the proceeds of any withdrawal from the Fund (and if switching, your investment into the new Fund would be reduced by such withholding tax).

Quoting your tax file number or Australian business number

We are authorised to request and collect your Australian Tax File Number (**TFN**) by the *Taxation Administration Act 1953 (Cth)* for the purpose of complying with and reporting information pursuant to Australian taxation laws. It is not an offence to decline to quote your TFN. You may also be eligible to instead provide your Australian Business Number (**ABN**) or to claim an exemption from providing your TFN. However, if you do not provide us with your TFN (or, if eligible, your ABN or you do claim an exemption from doing so), tax may be required to be withheld from payments made to you by a Fund at the highest marginal tax rate plus any levies, such as the Medicare levy.

US Foreign Account Tax Compliance Act (FATCA) and OECD Common Reporting Standard (CRS)

We are required to identify investors who are, or who are controlled by, tax residents of countries other than Australia in order to meet information reporting requirements under local and international laws, including FATCA and CRS and their Australian implementation. Information collected may be reported to the Australian Taxation Office, and through them to foreign tax authorities (including the US Internal Revenue Service (**IRS**)).

5 How managed investment schemes are taxed

If at any time information suggests that you are or are controlled by persons who may be a tax resident of a country(ies) other than Australia, you may be contacted to provide further information. Failure to provide information may lead to certain additional reporting requirements applying to the account, to Australian Ethical being unable to process your application, to us reporting your non-compliance to tax authorities and/or to us being required to withhold or deduct tax from payments to you from a Fund.

Neither Australian Ethical nor the Fund will compensate you for any tax withheld.

If at any time there is a change to your foreign tax status details or a change of controlling persons, you must inform Australian Ethical.

GST

The acquisition, disposal, redemption or transfer of units in, and any distributions from, a Fund will not be subject to GST.

6 Other information

How to apply

Complete and submit either the online Australian Ethical Managed Funds Application Form or the paper Application Form. The paper Application Form is available on our website at australianethical.com.au/managed-funds/apply/ or in hard copy on request.

- If you are making an investment by cheque, please make it payable to: "Australian Ethical Applications on Trust".
- Please send your signed paper Application Form, with the supporting documents to: Australian Ethical Investment Ltd, Reply Paid 3993, Sydney NSW 2001

Cooling-off

If you are a retail client as defined in the Corporations Act, investing directly in a Fund, you have 14-day cooling-off period after making your investment to ensure you are happy with your decision to invest. You will need to tell us in writing if you change your mind. The 14-day period starts on the earlier of receiving confirmation that you are invested or five business days after we issue units to you. If you exercise your cooling off right, your money will be returned to you, adjusted for the increase or decrease in the value of the investment at the date we received notification, and reasonable transaction or administrative costs. The amount returned to you may be less than the amount you invested.

The cooling-off period does not apply in some situations including:

- switches between the Funds we offer;
- subsequent investments made through the Regular Investment Plan;
- investments by wholesale investors as defined by the Corporations Act 2001; and
- any investment in respect of which an investor has already exercised rights as a unit holder.

Privacy

We respect your privacy. Protecting your personal information is important to us. We collect personal information from you and, if relevant, from your financial adviser. We may take steps to verify the information collected. Where you provide us with personal information about someone else (for example, your power of attorney, or related persons including the beneficial owners connected with your investment) you must have their consent to provide their personal information to us.

We will use your personal information to:

- process your application; provide and administer your investment and send you information; improve and personalise our products and services; conduct product and market research;
- inform you about other products and services that may be useful to you; and comply with our obligations under the law, including with respect of anti-money laundering, financial services and taxation laws.

Please read our Privacy Policy and our Privacy Collection Notice (Managed Funds) which outlines the type of information we collect about you and how we will use that information. These documents are available on our website: australianethical.com.au/privacypolicy/

Anti-Money Laundering and Counter-Terrorism Financing and other obligations

Australian Ethical is required to comply with laws and regulations relating to the prevention of money laundering and counter terrorism financing and sanctions. From time to time, we may take various actions we believe necessary to comply with these laws and relevant internal policies, including requiring additional information from you in order to verify your identity (or the identity of your legal representative, anyone acting on your behalf, any beneficial owners from third parties) or to verify the source of your application monies prior to providing services, and re-identifying you. We may be required to delay, block, freeze or not process transactions. Where you supply documentation relating to the verification of your identity, we are required to keep a record of this documentation for at least 7 years.

We may be required to report information about you to the relevant authorities and are under no obligation to tell you when this occurs. Such actions may impact on your investment and could result in a loss of income and principal invested. Australian Ethical shall not be liable for any loss (including consequential loss) resulting from any such actions.

Complaints and Enquiries

We welcome your enquiries and comments. If you are not satisfied with any aspect of our service, please contact our Client Service team on 1800 021 227 or email investors@australianethical.com.au

We aim to acknowledge receipt of your complaint within 1 business day of receiving it, or as soon as practicable. We will endeavour to respond to your complaint within the maximum response time of 30 days. If you are not satisfied with the final complaint outcome proposed, any aspect of the complaints handling process or a delay in responding by the maximum response time, you may contact the Australian Financial Complaints Authority (**AFCA**). The AFCA operates the external complaints resolution scheme and their services are provided at no charge to you:

The Australian Financial Complaints Authority (AFCA):

W afca.org.au
E info@afca.org.au
A GPO Box 3, Melbourne, VIC 3001
T 1800 931 678



Australian
Ethical



Contact us

Phone: 1800 021 227

Email: investors@australianethical.com.au

Web: australianethical.com.au

Post: Australian Ethical Investment Ltd Reply Paid 3993,
Sydney NSW 2001