About this material
This document provides more detailed information than that provided in the Product Disclosure Statements (PDS) available for each of the Australian Ethical Managed Funds. The material in this document is incorporated into the PDS.

The information in this document forms part of the Product Disclosure Statement (PDS) for each of the Australian Ethical Managed Funds (referred to as ‘Funds’ or in the case of each individual Fund, as a ‘Fund’) dated 2 October 2018.

The relevant Funds are:
- 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 Advocacy 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

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 PDS for each Fund is available free of charge by downloading it from 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.

The PDS should be considered before deciding whether to acquire, or to continue to hold, interests in a Fund.

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 is issued by Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949), the Responsible Entity of the Australian Ethical Managed Funds. It should be read in conjunction with the Product Disclosure Statement (PDS) for the relevant Fund.

The section numbers in this Booklet reference the sections in the PDS.

Important
The PDS may be updated or replaced from time to time. The most recent copy of the PDS will always be available from our website.

Contact us
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1 About Australian Ethical Investment Ltd

Australian Ethical Investment Ltd (Australian Ethical) is a publicly listed funds management company, which has a long history of actively seeking out investments that are positive for society and the environment and avoiding investments in harmful activities. Since pioneering ethical investment in Australia in 1986, Australian Ethical has grown to manage investments and superannuation on behalf of over 40,000 investors.

Ethical investment is our only business

Australian Ethical believes the more money doing good for the planet, the better. Since 1986 we have been influenced by the 23 principles of the Australian Ethical Charter to invest in ethical and responsible initiatives that can have a positive impact on the planet, while achieving competitive long-term returns. We avoid investments in corporations that engage in harmful practices such as coal, oil, weapons, tobacco, gambling and human rights abuses. The Charter not only influences our investment choices, but underpins every aspect of our business practices.

Australian Ethical strives to be a leader among ethical and responsible funds. Australian Ethical is a signatory to the United Nations’ Principles for Responsible Investment, and our funds have achieved certification by the Responsible Investment Association of Australasia (RIAA)1.

Australian Ethical is one of the founding B Corporations in Australia and in 2014 became the first company listed on the ASX to receive B Corporation certification.

Each year since then, Australian Ethical has been included on the B Corporation ‘Best for the World Honorees’ which lists the top 10% of all certified B Corporations globally.

Australian Ethical believe it’s important for businesses to play a leadership role in making the world a better place, not just to make profit. That’s why Australian Ethical sets aside 10% of its after-tax profits (before bonus expense) every year to put back into the community via our community grants program, through our registered charity, the Australian Ethical Foundation Limited (ABN 14 607 166 503) This initiative provides financial support to not-for-profit and social impact organisations that contribute to humanitarian, environmental, and animal welfare efforts in Australia and overseas.

1 The Certification Symbol signifies that a product or service offers an investment style that takes into account certain environmental, social, governance or ethical considerations. The Symbol also signifies that Australian Ethical Investment has adopted strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Managed Funds. The Certification Symbol is a Registered Trade Mark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and Australian Ethical Investment’s methodology and performance can be found at www.responsiblereturns.com.au, together with details about other responsible investment products certified by RIAA. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.
Investor classification
Under the Funds’ constitution, we are able to issue different classes of units. At our discretion we will provide wholesale and larger investors with a different class of units provided specified conditions are met.

To be classified as a wholesale investor, a direct investor in the Australian Ethical Income Fund, Fixed Interest Fund, Advocacy Fund, International Shares Fund, Diversified Shares Fund and Emerging Companies Fund must maintain a minimum of $25,000 in the Fund.

To be classified as a wholesale investor, a direct investor in the Australian Ethical Balanced Fund or Australian Shares Fund, you must also maintain a minimum balance of $500,000 across any of the Australian Ethical Managed Funds.

You should refer to the PDS that applies to the product you are considering investing in.

Valuation and unit price calculation
In general, valuations are performed on every business day. The value of a Fund is the total market value of all the Fund’s assets less the total value of the liabilities of the Fund, including accrued and contingent liabilities.

Investors are issued units. Each Fund has a unit price. The unit price is calculated by dividing the net value of the assets of the Fund by the total number of units issued. For example, if $1,000,000 of net assets is held and there are 1,000,000 units on issue, then the unit price would be $1.00.

The close of business unit price will be used for applications or withdrawal requests received before 3pm (Sydney time) on a business day. Applications or withdrawals received after 3pm (or on a day other than a business day) are processed using the close of business price for the next following business day. Applications will only be processed if accompanied by payment. Different cutoff times may be applied if investing via a platform or mFund. Contact your adviser or broker for further information.

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

You can stop or change the amount of your regular monthly investment at any time (but not below $100 per month).

To start a Regular Investor Plan, complete the Regular Investor Plan section on the Managed Funds online application form or on the paper Application Form available on our website.

Investing through a wrap account or master fund
Wrap accounts and master funds (investor directed portfolio services or 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.

If you are investing through a platform, do not complete our Managed Funds Application Form. Instead, complete the forms that the platform requires. If you have enquiries, you will need to contact the relevant platform.

When investing through a platform, normally the platform provider becomes the unit holder and acquires the unit holder rights under the Funds’ constitution. This means that the platform provider will be responsible for reporting to you, attending and voting at unit holder meetings, answering your enquiries and making transactions (such as switches or redemptions) on your investment.

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

When and while the Funds are admitted as mFund products under the ASX Operating Rules, investors can buy and sell units in the Funds. mFund uses CHESS, ASX’s electronic settlement system, to receive and process applications for and withdrawals of units in the Funds through ASX brokers (or financial advisers using a stockbroking service).

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/

*Please note, the Australian Shares and Balanced funds are closed to new investments through mFunds.
2 How Australian Ethical Managed Funds work continued

Important
The PDS may be updated or replaced from time to time. The most recent copy of the PDS will always be available from our website.

Switching funds
You can move your money from one Fund to another by completing the Switch Form available on our website. When switching Funds, current units are redeemed and the cash is then invested into the requested 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.

Calculation of income payments
Net income earned by your investment is determined every six months (the distribution period), typically in January and July. Australian Ethical as the Responsible entity has discretion whether to declare a half yearly distribution.
Net income is all the income earned by the Fund, less expenses incurred in obtaining that income, and is determined in accordance with section 95 of the Income Tax Assessment Act 1997.
Your income payment (distribution) is calculated by multiplying the number of units you hold at the end of the period by the distribution per unit and must be paid within six months.
Taxable capital gains realised over the full financial year will normally be included with the income payment effective 30 June.

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 income payment
Your income payment can be reinvested into the Fund from which the income payment is made, or paid directly to your nominated Australian bank account. You can select a different payment option for each Fund you are invested in. If no selection is made, your income payment will be automatically reinvested.

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. 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.

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 within seven business days of receiving a 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.
Delays in withdrawals may occur during income payment periods in January and July. Under the constitution of each Fund (other than the Income Fund), withdrawals must be satisfied within 21 days of receipt of a request. Withdrawals can be postponed or “frozen” for up to a further 14 days where, in our opinion, the withdrawal price would be prejudicial to other investors, for instance when the current value may not reflect the true and fair value of the Fund.
The law also requires withdrawal of your money to be delayed in some circumstances. For example, if there are not enough assets that can easily be turned into cash, then cash within the Fund would be allocated on a pro-rata basis amongst those wanting to exit in accordance with a procedure set down in the Corporations Act 2001.

Anti-Money Laundering and Counter-Terrorism Financing laws
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, and even delaying, blocking, freezing or not processing a transaction.
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.
2 How Australian Ethical Managed Funds work continued

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 Form, which is available on our website. The Transfer 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 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.

3 Benefits of investing in the Australian Ethical Managed Funds

Important
Under continuous disclosure requirements, we will notify our investors of information that is material to their investment as we become aware of it.

Our investment process incorporates both environmental and social criteria in addition to investment analysis.

We believe our ethical screening is the most rigorous in Australia. Our approach gives investors a way to create wealth with positive environmental and social impacts.

Many ethical fund managers avoid investments in a limited number of industries. This approach is known as Negative Screening. Others will invest in the most responsible or least harmful companies in all industries. This approach is known as Best Of Sector.

We go further than Negative Screening and Best Of Sector. First, we apply a positive screen and then we actively avoid investments that breach our ethical frameworks and engage with the companies we invest in to improve their corporate responsibility. Our process is commonly known as Positive Screening.

Many managed funds invest in uranium mining, old growth forest logging, weapons, tobacco and gambling. Avoiding these areas, we seek investments in emerging growth sectors such as (but not limited to) renewable energy, efficient transport, recycling and health.

Each Fund offers investors something beyond conventional investments because we apply a combination of investment analysis and ethical objectives to the selection of investments.

These objectives are:
- to obtain a financial return commensurate with any risk taken;
- to participate financially in profitable activities that bring social or environmental benefits; and
- to avoid investment in activities that are socially or environmentally detrimental.

The application of the Australian Ethical Charter (as detailed in the PDS) defines the investment universe for the Funds.

Further information on our ethical investment style is available at australianethical.com.au/our-ethical-approach/

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 investor payments;
- view distribution and tax statements;
- display and change your contact and banking details;
- amend and cancel payment of Regular Investor 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.
3 Benefits of investing in the Australian Ethical Managed Funds continued

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 Investor Plan or for the payment of adviser service fees 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.

Investor newsletter
We provide all the information that is material to the Funds on our website, in our statements and in our ethical magazine (Good Money).

4 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.

All investments involve risk. Our Funds invest in various asset types (for example, shares, fixed interest and property). The value of these assets will go up and down as will the returns achieved by our Funds.

The most important risk to understand is that your investment can decline in value as well as increase.

Australian Ethical does not guarantee a return on any of its Funds. There is also no guarantee that past returns achieved by a Fund will continue into the future.

Types of risk
There are many different types of risk as explained in each Fund’s PDS. Some types of risk are specific to the type of products we operate (commonly called ‘scheme risk’). Other types of risk are common to all investments (‘investment risk’).

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 (in some circumstances) we may use derivatives to manage currency risk.

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 Advocacy, Diversified Shares, Australian Shares, International Shares and Emerging Companies Funds. These Funds focus specifically on a single asset class (shares) but are diversified by industry type and/or geographic location. Growth investors are most likely to be interested in the Australian Shares, Advocacy, Diversified Shares, International Shares and Emerging Companies Funds.

Our Balanced Fund (towards the middle of the risk/return spectrum) is most likely to be attractive to growth and neutral investors. The Balanced Fund offers a portfolio diversified by geography, asset type (shares, property and fixed interest) and industry type.

Defensive investors are most likely to be interested in our Income Fund or our Fixed Interest Fund. The Income Fund has the lowest investment risk of our Funds, and is expected to produce the lowest return over the long term.
4 Risks of managed investment schemes continued

Risk/return profiles of the Australian Ethical Managed Funds

This chart represents the potential risk and return characteristics of our various Managed Funds. It is not a forecast of actual risk or returns. The scale is indicative only.
5 How we invest your money

Labour standards, environmental, social and ethical issues

Our unique investment process incorporates environmental and social criteria in addition to investment analysis.

All of Australian Ethical’s investment decisions are aligned with our Charter. The Charter covers labour standards, environmental and social considerations. It also sets out the types of activities we seek to support, and the types of activities we seek to avoid.

6 Fees and other costs

Important

You should read all the information about fees and costs because it is important to understand their impact on your investment. You can also use this information to compare one of our Funds with other managed funds.

This section provides information on the fees and other costs that you may be charged for investing in the Funds. These fees and costs may be deducted from your investment, from the returns on your investment, or from the Funds’ assets as a whole.

Warning: If you consult a financial adviser, additional fees may be payable to the adviser. You should refer to the adviser’s Statement of Advice for details.

Additional explanation of fees and costs

Management costs and transactional and operational costs

The fees and costs for managing your investment will vary depending on the Fund.

Fees are calculated as a percentage of the daily net asset value of the Fund and form part of the daily unit pricing calculations.

<table>
<thead>
<tr>
<th>Managed fund</th>
<th>Management costs%</th>
<th>^Performance fee%</th>
<th>Buy / sell spread#</th>
<th>Additional transactional and operational costs+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Fund</td>
<td>0.50% p.a.</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Fixed Interest Fund</td>
<td>1.00% p.a.</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Balanced Fund</td>
<td>1.81% p.a.</td>
<td>Nil</td>
<td>0.10%</td>
<td>0.04%</td>
</tr>
<tr>
<td>Advocacy Fund</td>
<td>1.90% p.a.</td>
<td>Nil</td>
<td>0.10%</td>
<td>Nil</td>
</tr>
<tr>
<td>Diversified Shares Fund</td>
<td>1.90% p.a.</td>
<td>Nil</td>
<td>0.10%</td>
<td>Nil</td>
</tr>
<tr>
<td>International Shares Fund</td>
<td>1.85% p.a.</td>
<td>Nil</td>
<td>0.10%</td>
<td>Nil</td>
</tr>
<tr>
<td>Australian Shares Fund</td>
<td>1.99% p.a.</td>
<td>Nil</td>
<td>0.20%</td>
<td>0.07%</td>
</tr>
<tr>
<td>Emerging Companies Fund</td>
<td>1.99% p.a.</td>
<td>20% of performance above hurdle^</td>
<td>0.20%</td>
<td>Nil</td>
</tr>
</tbody>
</table>

^ Refer to the section on Performance Fees on the following page.

~ Indirect costs, which amount to 0.06% for the Balanced Fund are included in the Management Cost. The indirect costs for all other funds are Nil.

The indirect costs are calculated at 30 June each year based on the previous 12 months. These may change from year to year. In 2018-2019, we continue to build out our investment in alternative and property assets using specialist asset managers. In 2018-2019, fees and costs for new external asset managers will be incurred by the Balanced Fund with an estimated range between 0.10% and 0.12%. The indirect costs for all other Funds are estimated to be Nil for the 2018-2019 period.

# Current as at 2 October 2018 and is subject to change without notice.

+ The figures in the table represents brokerage costs which are not recovered in the buy-sell spread. Transactional and operational costs are calculated at 30 June each year based on the previous 12 months.
Fees and other costs continued

<table>
<thead>
<tr>
<th>Wholesale class*</th>
<th>Management costs~</th>
<th>Performance fee %^</th>
<th>Buy / sell spread#</th>
<th>Additional transactional and operational costs+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Fund</td>
<td>0.35% p.a.</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Fixed Interest Fund</td>
<td>0.45% p.a.</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Balanced Fund</td>
<td>0.91% p.a.</td>
<td>Nil</td>
<td>0.10%</td>
<td>0.04%</td>
</tr>
<tr>
<td>Advocacy Fund</td>
<td>0.95% p.a.</td>
<td>Nil</td>
<td>0.10%</td>
<td>Nil</td>
</tr>
<tr>
<td>Diversified Shares Fund</td>
<td>0.95% p.a.</td>
<td>Nil</td>
<td>0.10%</td>
<td>Nil</td>
</tr>
<tr>
<td>International Shares Fund</td>
<td>0.85% p.a.</td>
<td>Nil</td>
<td>0.10%</td>
<td>Nil</td>
</tr>
<tr>
<td>Australian Shares Fund</td>
<td>1.10% p.a.</td>
<td>Nil</td>
<td>0.20%</td>
<td>0.04%</td>
</tr>
<tr>
<td>Emerging Companies Fund</td>
<td>1.20% p.a.</td>
<td>20% of performance above hurdle^</td>
<td>0.20%</td>
<td>0.06%</td>
</tr>
</tbody>
</table>

* Refer to the Funds’ Product Disclosure Statements for eligibility conditions for the wholesale class.
~ Indirect costs, which amount to 0.06% for the Balanced Fund are included in the Management Cost. The indirect costs for all other funds are Nil.
The indirect costs are calculated at 30 June each year based on the previous 12 months. These may change from year to year. In 2018-2019, we continue to build out our investment in alternative and property assets using specialist asset managers. In 2018-2019, fees and costs for new external asset managers will be incurred by the Balanced Fund with an estimated range between 0.10% and 0.12%. The indirect costs for all other Funds are estimated to be Nil for the 2018-2019 period.
^ Refer to the section on Performance Fees the below.
# Current as at 2 October 2018 and is subject to change without notice.
+ The figures in the table represents brokerage costs which are not recovered in the buy-sell spread. Transactional and operational costs are calculated at 30 June each year based on the previous 12 months.

Performance fees
A performance fee is payable in the Emerging Companies Fund (including Wholesale) when performance exceeds the S&P/ASX Small Industrials Accumulation Index (the hurdle). Performance fees form part of management costs.
The performance fee is equal to 20% of the difference between the Fund’s return and the hurdle, multiplied by the value of the Fund’s assets after management fees are accrued. Prior years cumulative underperformance will offset against any current year outperformance when calculating fee payable.
The fee is deducted from the assets of the Fund and is calculated each business day.
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.

Property operating costs
The Fund incurs property operating costs where it makes property investments through external asset managers. Property operating costs are costs incurred as part of the ongoing management of property assets, and may include for example, the costs of council and water rates, utilities, lease renewal costs, security, elevator and air-conditioning maintenance and general property management costs.
Australian Ethical incurred property operating costs (before tenant recoveries) in the Balanced Fund of 0.04% during the 2017 – 2018 year. The recovery from the underlying tenants was 95% of these property operating costs. These implicit costs may change from year to year. The net costs are deducted from the Fund’s assets prior to the unit price of the Fund being calculated. This cost is not included in the investment fee or total transactional and operational costs and is not a fee paid to us, it is an additional cost to you.

Transactional costs and buy–sell spreads
Transactional 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 and implicit costs such as the bid-ask spread which is the difference between the price the buyer is willing to pay and the selling price) including transaction costs from interposed vehicles.
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 for each option is included in the table above and on page 9. 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.
6 Fees and other costs continued

Adviser service fees
If your investment is made through a licensed financial adviser then an adviser service fee may apply.

Upon your instruction, up to 1% p.a. of your account balance may be paid to your adviser. For example, on a $50,000 investment, a 1% p.a. fee would be $500 p.a.

Upon your instruction, up to $5,000 p.a. may be paid to your adviser from your account balance.

The advisor service fee is set by negotiation between you and your adviser. It is paid in addition to our management fees. The fee is deducted from your account balance and paid to your adviser quarterly in arrears by redeeming units from your investment.

The adviser service fee is ongoing and we will continue to pay your adviser quarterly until you instruct us otherwise.

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.

Incidental fees
You may incur a bank cheque dishonour or electronic transfer failure fee if a payment is not successfully processed. In addition, an administrative fee of $55 may apply. This is levied on your contribution amount.

7 How managed investment schemes are taxed

Taxation of your distribution
Australian Ethical operates each of the funds as an Attribution Managed Investment Trust (AMIT) under the AMIT Regime from 1 July 2017. The key feature of the AMIT regime is the ability for the Funds to ‘flow through’ taxable income to investors on an ‘attribution basis’ (which is to be determined by Australian Ethical on a fair and reasonable basis) and for that taxable income to retain its character for tax purposes as it flows through the Fund.

Under normal circumstances, the Funds do not pay tax because the net taxable income and capital gains is attributed to investors. The income and capital gains distributed to investors retains the same taxation status as when we received it.

Your distribution may include:

- income (like interest, franked or unfranked dividends, foreign and tax deferred);
- capital gains; and/or
- tax credits.

You should declare on your tax return any distributions you receive from us even if they are reinvested in additional units. At the end of each financial year, we will send you a Tax Statement that provides a consolidated view of all the distributions we have paid you and the relevant tax components. A guide to help you transfer this information into your tax return is available at australianethical.com.au/tax-guide/

Tax implications of withdrawals, transfers or switches
Australian residents are generally subject to capital gains tax when they withdraw any money, invest in another fund or transfer units to someone else. When you withdraw, transfer or switch an investment you will need to include any capital gain or loss that is realised in your tax return. Australian Ethical can send you a history of all your transactions to assist in calculating any such gain or loss.

Quoting your tax file number
It is your decision whether you give us your Tax File Number (TFN), although we strongly recommend it. If you do not provide us with your TFN (or claim an exemption from doing so), tax must be withheld from an Australian investor’s distribution at the highest marginal tax rate plus any levies, such as the Medicare levy.

You may reclaim any additional tax paid through your annual income tax assessment.

Australian tax law requires us to withhold tax from an overseas investor’s income at rates determined by the type of income and country of residence. If a Fund is liable to pay any withholding or other tax or duty in respect of your income entitlement, it will be deducted before the distribution is paid to you. The amount deducted will be listed on your distribution statement.

The consequences of not providing your TFN may change in the future as a result of legislative change. Your TFN may be disclosed to the Commissioner of Taxation but otherwise, it will not be disclosed to any other person unless required by law.
Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

We are required to identify tax residents of countries other than Australia in order to meet account information reporting requirements under local and international laws.

The Foreign Account Tax Compliance Act (FATCA) is a United States (US) regulatory requirement that aims to deter tax evasion by US taxpayers and targets US tax residents who do not correctly disclose their worldwide income to the US Internal Revenue Service (IRS). In addition, the Common Reporting Standard (CRS) is the single global standard for the collection, reporting and exchange of financial account information on foreign tax residents.

If at any time after account opening, information in our possession suggests that the applicant (you, the entity and/or any individual who holds ownership and/or control in the entity of 25% or more (Controlling Person)) may be a tax resident of a country(ies) other than Australia, you may be contacted to provide further information on your foreign tax status and/or the foreign tax status of the entity and/or any Controlling Person. Failure to respond may lead to certain reporting requirements applying to the account.

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.

If Australian Ethical does not receive the required information, we may be required to withhold US or other withholding tax. In addition, we may be required to report any non-compliance to the relevant US or other global authorities via the ATO.

Further, if you do not provide the required information or if your account is considered to be a US reportable account, we may not process your application. This will apply to any new investments with us, even if you already have other investments with us.

Neither Australian Ethical nor the Fund will compensate you for any tax withheld.
8 How to apply

To invest in the Australian Ethical Managed Funds, please either:

Direct Investors
Read the applicable Product Disclosure Statement and complete either the online Application form available at: australianethical.com.au/managed-funds/ or the paper Application Form. The paper Application Form is available on our website at australianethical.com.au/managed-funds/forms/ 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

OR

mFund Investors
Speak to your licensed broker about applying for units via the ASX mFund Settlement Service. You will need to provide your initial application money directly to your licensed broker.

Cooling-off
You have a 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 either when you receive confirmation that you are invested or five business days after units are issued to you.

If you exercise your right to cool off, the amount of your investment that is repaid will be adjusted to take into account the increase or decrease in the value of the investment from the date it was invested until the date we receive the notification from you, as well as any transaction costs and reasonable administrative fees.

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

• switches between the Funds we offer;
• subsequent investments made through the Regular Investor 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.

Complaints
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.

Further detail about lodging formal complaints is available on our website at: australianethical.com.au/lodge-a-complaint.

If we do not resolve your complaint to your satisfaction, you can complain to the following external dispute resolution body, as applicable, at no charge to you:

• Until 31 October 2018 – the Financial Ombudsman Service (FOS): w www.fos.org.au e info@fos.org.au t 1300 780 808
• From 1 November 2018 – the Australian Financial Complaints Authority (AFCA): w www.afca.org.au e info@afca.org.au t 1800 931 678

Privacy
We respect your privacy. Protecting your personal information is important to us. Please read our Privacy Policy and our Privacy Collection Notice which outline the type of information we collect about you and how we will use that information, and are available on our website: australianethical.com.au/privacy-policy/