

**Australian  
Ethical**



AUSTRALIAN ETHICAL

# Managed Funds Additional Information Booklet

1 OCTOBER 2021

## 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 1 October 2021.

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 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

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/](http://australianethical.com.au/managed-funds/pds/) or by contacting us on 1800 021 227 or emailing us at: [investors@australianethical.com.au](mailto: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

**T** 1800 021 227

**E** [investors@australianethical.com.au](mailto:investors@australianethical.com.au)

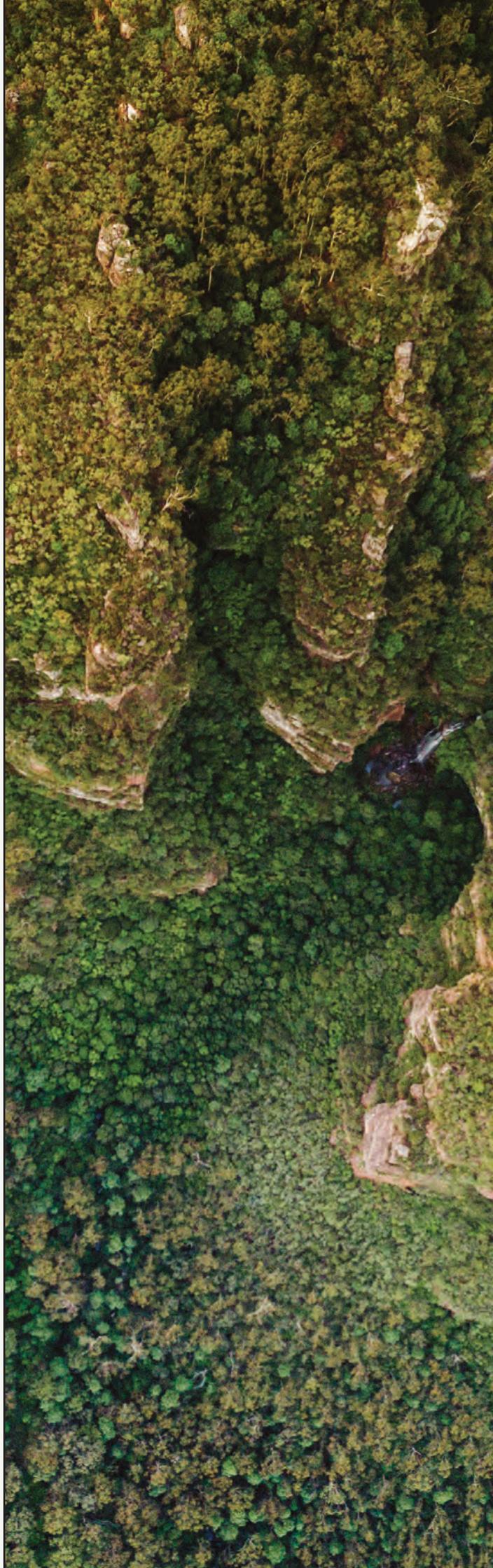
**W** [australianethical.com.au](http://australianethical.com.au)

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**Join online** [australianethical.com.au/join-now](http://australianethical.com.au/join-now)

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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 60,000 investors.

## Ethical investment is our only business

Australian Ethical believes the more money doing good for the planet, the better. Since 1986, Australian Ethical has 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. Australian Ethical avoids investments in corporations that operate in harmful industries such as coal, oil, weapons, tobacco, gambling or are involved in human rights abuses. The Charter not only drives Australian Ethical's investment choices, but underpins every aspect of our business practices.

Investments are across a broad spectrum of sectors ranging from new environmental and energy technologies to education, health and financial services. Further information on our ethical investment style, including thresholds for our exclusions is available at [australianethical.com.au/ethical-criteria](http://australianethical.com.au/ethical-criteria). 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 Australian Ethical's funds have achieved certification by the Responsible Investment Association of Australasia (RIAA)<sup>1</sup>.



CERTIFIED BY RIAA

Australian Ethical is one of the founding B Corporations in Australia and in 2014 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 Australian Ethical's community grants program, through Australian Ethical's 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.

<sup>1</sup> RIAA's RI Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that Australian Ethical Managed Funds adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program. The Certification Symbol is a Registered Trade Mark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and Australian Ethical methodology and performance can be found at [www.responsiblereturns.com.au](http://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.

# 2 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](http://australianethical.com.au) or by contacting us on 1800 021 227.

## Investor classification

Under the Funds' constitution, Australian Ethical 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, High Growth 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 total balance of \$200,000 or \$500,000 (respectively) 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 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 (but not below \$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 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.

## 2 How Australian Ethical Managed Funds work

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 CHES, 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/](http://australianethical.com.au/managed-funds/mfunds/)

#### 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 distribution (income payments)

Net income earned by your investment is determined every six months (the distribution period), typically in January and July for the periods ending 31 December and 30 June respectively. 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 distribution (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 you do not have a distribution reinvestment plan setup at the distribution record date, and do not have bank account details recorded for a direct credit payment, then Australian Ethical will reinvest your distribution (income) payment, and record a distribution reinvestment plan for future distribution periods.

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.

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

## 2 How Australian Ethical Managed Funds work

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, 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.

### 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 investment funds invest in industries or companies that harm people, planet or animals such as investments in old growth forest logging, weapons, tobacco, gambling and unsustainable mining. 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 <https://www.australianethical.com.au/why-ae/ethics/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.

### 3 Benefits of investing in the Australian Ethical Managed Funds

#### 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 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 and in our statements.



# 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 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, High Growth, Diversified Shares, International Shares and Emerging Companies Funds.

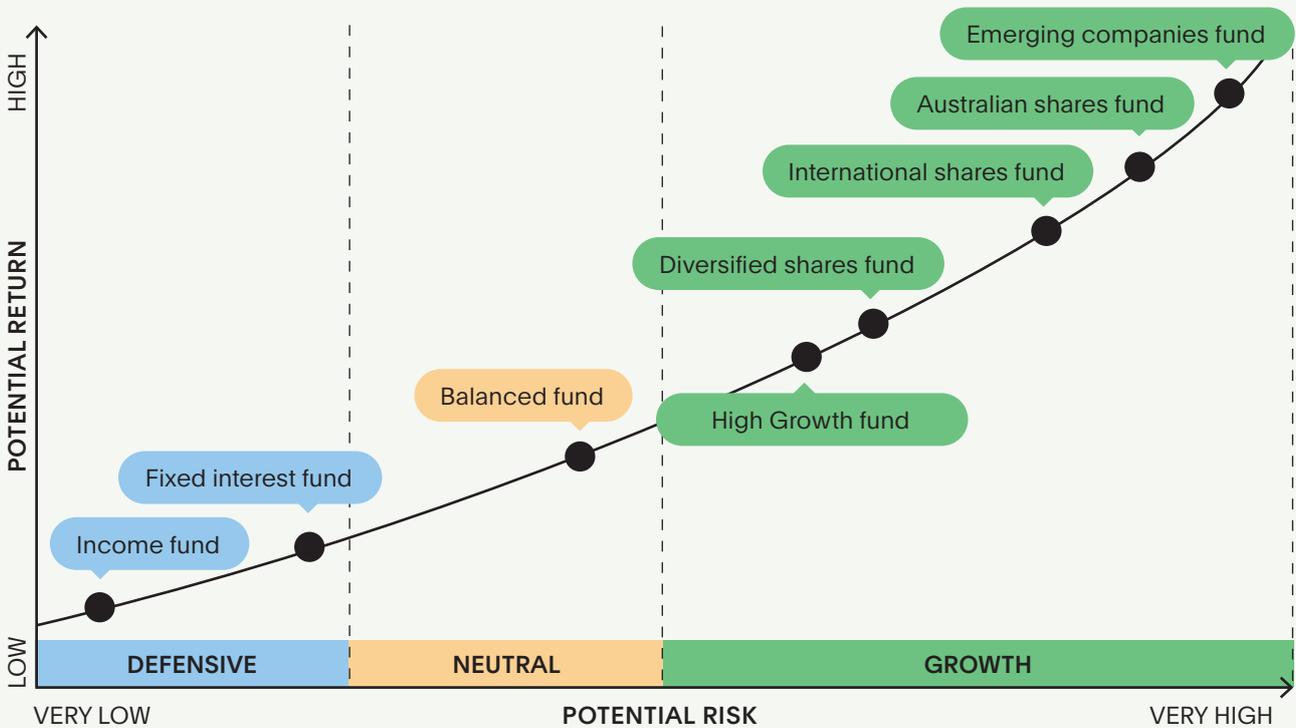
Our Balanced Fund (towards the middle of the risk/return spectrum) and High Growth Fund (towards the top of the risk/return spectrum) is most likely to be attractive to neutral and growth investors. The Balanced Fund offers a portfolio diversified by geography, asset type (shares, property and fixed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

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

Risk/return profiles of the Australian Ethical Managed Funds



Defensive Investor	Neutral Investor	Growth Investor
With a short-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 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.

We, at Australian Ethical, believe our process of ethical analysis is one of the most rigorous in Australia.

All investments are regularly monitored. If a company we invest in diversifies into an excluded industry or engages in unacceptable practices, a review is performed which may involve engagement with the company to address the issues.

## 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.

Updates to these fees costs will be published at [www.australianethical.com.au/managed-funds/fees/](http://www.australianethical.com.au/managed-funds/fees/)

## 6 Fees and other costs

Managed fund	Management costs <sup>~</sup>	Performance fee% <sup>^</sup>	Buy / sell spread <sup>#</sup>	Additional transactional and operational costs <sup>+</sup>
Income Fund	0.20% p.a.	Nil	Nil	Nil
Fixed Interest Fund	0.50% p.a.	Nil	Nil	Nil
Balanced Fund <sup>~</sup>	1.52% p.a.	Nil	0.05% / 0.05%	0.02
High Growth Fund	1.39% p.a.	Nil	0.05% / 0.05%	Nil
Diversified Shares Fund	1.39% p.a.	Nil	0.05% / 0.05%	Nil
International Shares Fund	0.99% p.a.	Nil	0.05% / 0.05%	Nil
Australian Shares Fund	1.69% p.a.	Nil	0.15% / 0.15%	0.03
Emerging Companies Fund	1.69% p.a.	20% of performance above hurdle <sup>^</sup>	0.15% / 0.15%	Nil

<sup>^</sup> Refer to the section on Performance Fees on the following page.

<sup>~</sup> Indirect costs, which amount to 0.10% 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.

<sup>#</sup> Current as at 1 October 2021 and is subject to change without notice.

<sup>+</sup> 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.

Wholesale class*	Management costs <sup>~</sup>	Performance fee% <sup>^</sup>	Buy / sell spread <sup>#</sup>	Additional transactional and operational costs <sup>+</sup>
Income Fund	0.20% p.a.	Nil	Nil	Nil
Fixed Interest Fund	0.30% p.a.	Nil	Nil	Nil
Balanced Fund <sup>~</sup>	0.86% p.a.	Nil	0.05% / 0.05%	0.02%
High Growth Fund	0.90% p.a.	Nil	0.05% / 0.05%	Nil
Diversified Shares Fund	0.95% p.a.	Nil	0.05% / 0.05%	Nil
International Shares Fund	0.59% p.a.	Nil	0.05% / 0.05%	0.02%
Australian Shares Fund	1.10% p.a.	Nil	0.15% / 0.15%	Nil
Emerging Companies Fund	1.20% p.a.	20% of performance above hurdle <sup>^</sup>	0.15% / 0.15%	0.01%

<sup>^</sup> Refer to the Funds' Product Disclosure Statements for eligibility conditions for the wholesale class.

<sup>~</sup> Indirect costs, which amount to 0.10% 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

<sup>#</sup> Current as at 1 October 2021 and is subject to change without notice.

<sup>+</sup> 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.

## 6 Fees and other costs

### Performance fees

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.

### Performance Fee example

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:

Gross Performance against benchmark of the Emerging Companies Fund	\$ Performance Fee attributable to an investment of \$50,000	Calculation of Performance fee <sup>^</sup>
+2.2% p.a	\$100	20% x 1% <sup>^</sup> * \$50k = \$100
+3.2% p.a.	\$200	20% x 2% <sup>^</sup> * \$50k = \$200
-1% p.a	No Performance Fee payable and will be carried forward to the next financial year.	-

<sup>^</sup> post 1.20% management fee

### 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) as well as 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.

**Adviser service fees**

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

Upon your instruction, adviser fees of up to \$8,000 p.a. (including GST) can 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 month 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 our management 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.

A transition period has been established where existing ongoing adviser service fees can remain in place up until 30 June 2022, when they will be cancelled if a new arrangement is not in place.

**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.

**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 inputtaxed 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.

# 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/taxguide/](http://australianethical.com.au/taxguide/)

## 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.

## 7 How managed investment schemes are taxed

### **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

## Direct Investors

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

## 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.

## Target market determination

The product design and distribution obligations (DDO) come into force on 5 October 2021. ASIC is the regulator for DDO compliance.

DDO introduces targeted and principles-based design and distribution obligations in relation to financial products. The obligations require issuers and distributors to have an adequate product governance framework to ensure products are targeted at the right people.

The product DDO require issuers to prepare and make publicly available a 'target market determination' (TMD), which aims to ensure that financial products for the retail market are targeted and sold to appropriate investors. Issuers must then take reasonable steps to ensure compliance with the TMD by distributors and are subject to ongoing obligations to review the TMD. Distributors must not distribute a product to retail investors unless it has a TMD and must also take reasonable steps to ensure their distribution is consistent with the TMD. The TMD will be available at [australianethical.com.au/managed-funds/pds-forms](https://australianethical.com.au/managed-funds/pds-forms)

## 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 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.

## Complaints

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](mailto:investors@australianethical.com.au)

We aim to acknowledge your complaint within 1 business day of receiving it, or as soon as practicable.

If we do not resolve your complaint to your satisfaction within the legislated timeframe (30 days), you can complain to the following external dispute resolution body at no charge to you:

The Australian Financial Complaints Authority (AFCA):

**W** [afca.org.au](https://afca.org.au)  
**E** [info@afca.org.au](mailto: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/privacypolicy/](https://australianethical.com.au/privacypolicy/)

**Australian  
Ethical**



**Contact us**

**Phone:** 1800 021 227

**Email:** [investors@australianethical.com.au](mailto:investors@australianethical.com.au)

**Web:** [australianethical.com.au](http://australianethical.com.au)

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