



Emerging Companies Fund (Retail) Product Disclosure Statement

AUSTRALIAN ETHICAL MANAGED FUNDS

1 October 2024

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Important...

This Product Disclosure Statement (**PDS**) is issued by Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949), the Responsible Entity of the Australian Ethical Emerging Companies Fund (Retail) (ARSN 606 254 157) (**Fund**).

The information in this PDS is up-to-date as at the issue date and may change from time to time. Where a change to this information is materially adverse to unitholders, we will issue a new PDS. Where changes are not materially adverse, those updates will be available on our website at australianethical.com.au/managed-funds/notices/

This PDS is a summary of significant information about the Fund and includes references to important information that forms part of the PDS, which is included in the Managed Funds Additional Information Booklet (**Additional Information Booklet**) and Guide to our Ethical Investment Process (**Ethical Guide**).

You should consider that information before making a decision to invest in the Fund. The information provided in the PDS is general information only and does not take into account your personal financial situation or needs. You should obtain financial advice tailored to your personal circumstances.

The PDS, Additional Information Booklet, Ethical Guide and Target Market Determination (**TMD**) are available on our website australianethical.com.au/managed-funds/pds, or you can request a paper copy free of charge by contacting us on 1800 021 227.

The offer to which this PDS relates is only available to persons receiving this PDS (electronically or otherwise) in Australia or New Zealand. New Zealand investors must read the Important Information for New Zealand Investors before investing in the Fund, which is available on our website at australianethical.com.au/nz/

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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 restricting investments in, what we consider, harmful activities. Since pioneering ethical investment in Australia in 1986, Australian Ethical has grown to manage investments and superannuation on behalf of over 134,000 investors.

Ethical investment is our business

The Australian Ethical Charter, unchanged since 1986, forms part of our constitution and not only guides Australian Ethical's investment choices but underpins our own business practices. Further information on our ethical investment style and ethical investment criteria is available in our Ethical Guide at

australianethical.com.au/why-ae/ethics/.

Australian Ethical strives to be a leader among ethical and responsible funds. Australian Ethical is a signatory to the Principles for Responsible Investment (PRI) (unpri.org), which are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating environmental, social and governance issues into investment practice. Australian Ethical's 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.

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, 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.



SUSTAINABLE PLUS
— CERTIFIED BY RIAA —

The Certification Symbol is issued by Responsible Investment Association Australasia (RIAA) ACN (641 046 666), AFSL (554110) and signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations and that the Fund adheres to the operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product. The classification signifies the degree to which sustainability is a consideration and binding investment criteria. The Fund is assessed against RIAA's Responsible Investment Standard and Assessment Note-Sustainability Classifications. There may be material differences between the definition and methodology of RIAA's classification system and the way the terms 'Responsible'/'Sustainable'/'Sustainable Plus' are used by the product in its own disclosures. For detailed information about RIAA, the Symbol and Fund's methodology, performance, stock holdings, remuneration and details about other responsible investment products certified by RIAA, refer to www.responsibleinvestments.com.au and our Financial Services Guide.¹

1. The Responsible Investment Certification Program provides general advice only and does not take into account any person's objectives, financial situation, or needs. Neither the Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Because of this, you should consider your own objectives, financial situation and if the advice relates to the acquisition, or possible acquisition, of a particular financial product. Certifications are current for 24 months and subject to change at any time.

2 How the Fund works

You should read... the important information about how the Fund works before making a decision. Go to Section 1 of the Additional Information Booklet. The material relating to how the Fund works may change between the time when you read this PDS and the day when you acquire the product.

When you invest your money in a registered managed investment scheme, your money is pooled together with other investors' money.

The Fund is divided into units and these units are used to identify and value each investor's investment in the Fund. The amount you invest is used to buy units in the Fund. The number of units allocated to you depends on the amount you invest and the value of a unit on that day. The number of units you hold will increase if you make additional investments or reinvest your distributions. If you make a withdrawal, units will be redeemed and the number of units you hold will decrease.

Under the Fund's constitution, we are 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.

Calculating unit prices

The unit price is the dollar value of each unit. New unit prices are calculated every business day by dividing the Net Asset Value (NAV) of the Class by the number of units in the class. The NAV is the market value of all assets (including accrued income) in the Fund less the total value of liabilities. The application and withdrawal prices are then calculated by applying a buy and sell spread to the unit price. The buy-sell spread is an estimate of the transaction costs of buying and selling the underlying assets of the Fund as a result of investors buying and selling units in the Fund.

Daily unit prices are available at:

australianethical.com.au/managed-funds/unit-prices/ The price of units will change as the market value of the assets in the Fund increase or decrease in value.

Making investments and withdrawals

The minimum investment and minimum balance for direct investors are noted in the table below. You can increase your investment by starting a Regular Investment Plan or by making additional investments at any time

Minimum investment and minimum balance*: \$1,000

Minimum additional investments: \$100

(including Regular Investment Plan*)

* Australian Ethical may waive or accept lesser amounts at its discretion.

^ Deducted from your personal bank account via direct debit.

Withdrawals can be made at any time by completing the Withdrawal Form available on our website. There is no minimum withdrawal amount. In most situations we will make payment to your nominated Australian bank account within seven business days of accepting a withdrawal request. There may be some circumstances when we may not be able to process withdrawals within the usual period, such as in July and January when the distributions are calculated or if there is a freeze on withdrawals.

Processing your transactions

Generally, if we receive a validly completed application or withdrawal request before 3pm (Sydney time) on a business day, it will be processed using the application or withdrawal price calculated for that day. Applications or withdrawals received after 3pm (or on a day other than a business day) are processed using the application or withdrawal price for the following business day.

No interest is earned on application money, proceeds of withdrawal requests and distribution amounts, which are held in trust accounts prior to being processed.

Indirect investors

If you are applying or withdrawing indirectly through a wrap account, master fund, platform or investor directed portfolio service (collectively referred to as **Platforms**), you must follow the application or withdrawal process as advised by the operator of that service. Applications and withdrawals received via a Platform may have a different processing cut-off time applied.

Suspension

We may suspend 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.

Distributions

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 half yearly 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 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.

Income can be reinvested or paid to your nominated Australian 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.

If you are investing through a Platform, you should contact the Platform operator to determine the timing of distributions and how they are paid to you.

Please note National Australia Bank Limited ABN 12 004 044 937 (**NAB**) has been appointed as the Custodian for the Fund. Effective from 1 November 2024, State Street Australia Limited ABN 21 002 965 200 will replace NAB as custodian of the Fund. Custodians role is limited to holding the assets of the Fund.

3 Benefits of investing in the Fund

You should read... the important information on the benefits of investing in the Fund and information about our ethical evaluation process before making a decision. Go to Section 2 of the Additional Information Booklet and our Ethical Guide. The material relating to this may change between the time when you read this PDS and the day when you acquire the product.

Significant features

Australian Ethical offers investors the opportunity to invest in a diversified portfolio of asset types and markets to reduce the volatility of returns. Asset classes include Australian and international equities, property, fixed income securities and cash.

The Fund is built around long-term benchmark asset allocations which are regularly reviewed and as otherwise required to adapt to significant changes in market conditions.

We determine the asset allocation with the potential to consistently deliver performance in accordance with the investment objective of the Fund.

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 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 targeting investments which are consistent with both our Ethical Criteria and the investment strategy and objectives of the Fund.

Our Ethical Criteria are 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.

Significant benefits

Management – ethical investment professionals

The Fund is managed by our dedicated in-house team whose bespoke, ongoing analysis underpins Fund investments.

Governance – looking after your investment

The operation of the Fund, including the rights, responsibilities and duties of Australian Ethical, are governed by the Fund Constitution and *Corporations Act 2001 (Corporations Act)*.

Communication – staying in touch with you

You can keep track of your investment in the following ways;

- via our website australianethical.com.au/managed-funds, which provides all the information that is material for our Managed Funds;
- through statements issued yearly;
- by using our secure online account access system, InvestorServe; and
- via quarterly investment commentary reports.

4 Risks of managed investment schemes

You should read... the important information on the risks of investing in the Fund before making a decision. Go to Section 3 of the Additional Information Booklet. The material relating to risks may change between the time when you read this PDS and the day when you acquire the product.

All investments carry risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk. When considering your investment in the Fund, it is also important to understand that:

- the value of your investment will go up and down depending on the market prices of the assets held by the Fund;
- the performance of the Fund may over or underperform against its objectives or other investment products whether they are invested ethically or sustainably or otherwise;
- investment returns are not guaranteed and will vary;
- you may lose some or all of the money you invest;
- future investment returns may differ from past returns; and
- laws affecting your investment in the Fund may change in the future.

The appropriate level of risk for you will depend on a range of factors, including your age, investment timeframe, where other parts of your wealth are invested, and your tolerance to fluctuations in the value of your investment. If you are unsure about these areas, you should seek professional advice. The significant risks of investing in the Fund include:

Asset class risk: The risk associated with the type of assets the Fund invests in, which behave differently over time. Shares, for example, tend to provide higher returns over the long-term, but are more likely to fall in value over the short-term when compared to other asset classes.

Risk of investing ethically and sustainably: You should be aware that investing ethically and sustainably means that the investment universe will generally be more limited than non-ethical, non-sustainable portfolios in similar asset classes. This means that the Fund may not have exposure to specific assets which over or underperform over the investment cycle. It follows that the returns and volatility of the Fund may be higher or lower than its non-ethical, non-sustainably invested peers over all investment terms.

Manager risk: Some of our investments are managed by external investment managers including through pooled managed funds, limited partnerships or mandates. These go through an ethical review process. Whilst we expect that the strategy and investment process for the externally managed investment will lead to investments which are consistent with our Ethical Criteria, there may be certain circumstances where we hold investments that are inconsistent with our Ethical Criteria. If through our periodic ethical review process, which is generally every two years, we assess that an externally managed investment is inconsistent with our Ethical Criteria, we may divest or choose to engage with the external investment manager or underlying investment company to

attempt to address the concern. There are no fixed maximum periods for the divestment process or for engagement to address the concern. More information on our externally managed investments is set out in our Ethical Guide.

Specific security risk: The risk associated with individual investments. For example, the price of a particular share may fall in value or perform below expectations.

Liquidity risk: The risk that the Fund may not be able to sell assets in a timely manner or at what we consider to be a fair price. If the Fund becomes illiquid within the meaning of the Corporations Act, you may only withdraw in accordance with the terms of any current withdrawal offer made by Australian Ethical in accordance with the Corporations Act.

Market risk: The risk that changes in economic, technological, and political conditions will affect the value of investment markets and therefore the Fund. Other factors such as a decline in market sentiment and unexpected events can also significantly affect markets.

Interest rate risk: This is the risk that changes in interest rates will positively and negatively impact the investment values and therefore the returns of the Fund.

Currency risk: This is the risk that changes in foreign currency exchange rates will impact the value of the international investments held in the Fund. Not all the assets in the Fund are hedged. As a result, the value of the Fund's international investments in Australian dollars will vary as exchange rates vary. At our discretion we may, in the future, hedge some or all of the currency exposure.

Derivatives risk: Derivatives may be used in the Fund to manage risk, including foreign currency exposure risk, or gain exposure to markets. Changes in the value of a derivative may not correlate with the underlying asset. The use of derivatives may expose the Fund to the potential for the value of a derivative to fail to move in line with the underlying asset. As a result, the use of derivatives may have the effect of magnifying both gains and losses to the Fund.

Sector risk: This risk refers to the potential impact on the Fund due to fluctuations and uncertainties in specific sectors—for instance, if the Fund is heavily invested in the technology sector, the Fund may suffer losses if there is a significant downturn in the tech industry.

Credit risk: This is the risk of default or non-payment by the issuers of debt securities, such as a corporate bond issuer failing to repay the principal and interest—an example would be if a company goes bankrupt and fails to fulfil its debt obligations.

Alternative asset risk: This risk is associated with investing in non-traditional assets like unlisted real estate securities or commodities, which can have unique risks such as illiquidity, complex valuation methods, or limited market transparency - such as an investment in a private equity firm that faces difficulty in selling its assets at fair prices due to limited buyer interest.

Cyber security risk: This risk relates to the potential for unauthorised access, data breaches, or disruptions in the Fund's systems, which could result in financial losses or compromised investor information, as seen in cases of hacking or malware attacks on financial institutions.

Regulatory risk: This risk arises from changes in regulations or laws that impact the Fund—for instance, if a new regulatory requirement limits the Fund's investment options or imposes higher compliance costs, it may affect the Fund's performance or operations.

Climate change: Risks, including physical risks from extreme weather events, transition risks from shifting policies and technologies, market risks driven by changing demand and investor sentiments, and legal and reputational risks. These risks can impact the value and performance of investments in the Fund.

5 How we invest your money

You should read... the important information in the Ethical Guide about how we invest your money, including the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention or realisation of investments relating to the Fund, before making a decision. The material relating to this may change between the time when you read this PDS and the day when you acquire the product.

Warning You should consider the likely investment return, the investment risk and your investment timeframe when considering whether to invest in the Fund.

Investment Strategy	The opportunity to invest in a diversified portfolio of shares in small capitalisation companies on the basis of their social, environmental and investment credentials. The Fund utilises an active stock-picking management style with stocks selected for capital growth rather than income. All stocks are chosen on the basis of relative value where we deem the risks are being adequately priced.		
Investment objective	The Fund aims to significantly exceed the return of the S&P/ASX Small Industrials Total Return Index after taking into account management costs over a 7 year period.		
Suitability	Investors seeking capital growth through an exposure to small capitalisation companies. The Fund is suited to investors with a longer investment timeframe and a higher risk tolerance.		
Recommended minimum investment timeframe	7 years.		
Risk level	Very High		
Asset classes and investment ranges <i>These are indicative asset allocation ranges for the Fund. If market movements, investments into or withdrawals from the Fund, or changes in the nature of an investment cause the Fund to move outside these indicative ranges, this will be addressed by us as soon as reasonably practicable.</i>	Asset Class	Range	
	Growth	80 - 100%	
	<i>Australian & New Zealand Shares</i>	<i>60 - 100%</i>	
	<i>International Shares</i>	<i>0 - 20%</i>	
	Defensive	0 - 20%	
	<i>Cash & Short-Term Interest-Bearing Securities</i>	<i>0 - 20%</i>	
Changes to the Fund	We may make change to the Fund from time to time, including changes to the Fund's investment strategy, asset classes or investment ranges. We will notify investors of any material changes as required by law. You can also keep up-to-date with the Fund's unit price, performance and portfolio holdings via our website.		
Environmental, social and ethical considerations including labour standards	We take into account environmental, social and ethical factors including labour standards in the selection, retention and realisation of investments. Further information in relation to how these factors are incorporated into our ethical evaluation process can be found in our Ethical Guide.		

6 Fees and costs

You should read... the important information about the fees and costs before making a decision. Go to Section 4 of the Additional Information Booklet. The material relating to the fees and costs may change between the time when you read this PDS and the day when you acquire the product. Additional fees may be payable directly to your ASX broker (or your financial adviser who uses a stockbroking service on your behalf) for accessing the Fund through mFund. You should consider the financial services guide provided by your ASX broker (or adviser) and the Statement of Advice provided by your adviser. Different fees and costs may apply if you are a wholesale class investor. You should read the Australian Ethical Emerging Companies Fund (Wholesale) PDS for further information.

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 (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. Taxes are set out in section 7 of this

document. You should read all the information about fees and costs because it is important to understand their impact on your investment. The information in this summary can be used to compare costs between different simple managed investment schemes.

Fees and costs summary

Type of fee or cost	Amount	How and when paid
Ongoing annual fees and costs^{1,8}		
Management fees and costs^{1,2,3,4} The fees and costs for managing your investment	1.69% p.a.	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	0.82% p.a.	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	Nil	Transaction costs are deducted from the assets of the Fund as and when they are incurred. These figures include costs such as brokerage costs which are not recovered in the buy/sell spread and are therefore shown net of the buy/sell spread 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
Buy/sell spread⁶ An amount deducted from your investment representing costs incurred in transactions by the scheme	0.15%/0.15%	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 fee⁷ 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 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' in the Additional Information Booklet.

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 previous financial year 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 includes an amount of 0.00% p.a. for indirect costs which is based on the amount incurred for the last financial year. See 'Additional explanation of fees and costs' in the Additional Information Booklet for more information.

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 the Additional Information Booklet.

6. The buy/sell spread is current as at the date of this PDS. This amount is subject to change without notice.

7. 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.

8. 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" in the Additional Information Booklet.

Example of annual fees and costs for the Fund

The table below gives an example of how the ongoing annual fees and costs in the Fund can affect your investment over a 1-year period. You should use this table to compare this product with other products offered by managed investment schemes.

EXAMPLE – Emerging Companies Fund (Retail)		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR¹
Contribution fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
PLUS Management fees and costs	1.69% p.a.	And for every \$50,000 you have in the Fund you will be charged or have deducted from your investment \$845² each year.
PLUS Performance fees	0.82% p.a.	And you would be charged or have deduction from your investment \$410 in performance fees each year,
PLUS Transaction costs	Nil	And, you will be charged or have deducted from your investment \$0² in transaction costs.
EQUALS Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees and costs \$1,255² What it costs you will depend on the investment option you choose and the fees you negotiate.

1. The example assumes management costs are calculated on a balance of \$50,000 with the \$5,000 contribution occurring at the end of the first year. Amounts are rounded to the nearest dollar. If you have agreed to pay your adviser a service fee, it will be deducted from your account balance. Percentages expressed to one or two decimal places may have been rounded. There is no establishment fee. Management costs are included in the unit price for the Fund and are inclusive of GST. The example does not show the impact of taxation, which will vary for each investor depending on their personal circumstances.
2. Additional fees may apply. Please note that this example does not capture all the fees and costs that may apply to you. Additional fees may be payable to third parties including financial advisers and brokers, by you, or on your behalf under your arrangements with them. You should refer to the Statement of Advice provided by your financial adviser, or Financial Services Guide provided by your broker, in which details of the relevant fees are set out. ASIC provides a fees calculator on its website www.moneysmart.gov.au, which you may use to calculate the effects of fees and costs on your investment in the Fund.

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 1.69% p.a. of the Net Asset Value (NAV) (before fees) 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 NAV (before fees) of the Fund and are payable at the end of each month. Estimated management fees and costs are reflected in the NAV per Unit of each class 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 'over-the-counter' derivatives (not listed on an asset exchange) costs, where relevant. The Responsible Entity reasonably estimates at the date of this PDS that the indirect costs that will apply for the current financial year ending 30 June 2025 will be 0.00% p.a. 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 such as brokerage and transactional taxes are incurred by the Fund when acquiring and disposing of securities. 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 Responsible Entity reasonably estimates at the date of this PDS that the transaction costs that will apply for the current financial year ending 30 June 2025 will be as set out in the table below.

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:
0.15%	0.15%	Nil	\$0

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 the Responsible Entity. These costs are an additional cost to you when they have not already been recovered by the buy/sell spread charged by us.

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.

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 has the right to increase the management fee for the Fund up to the limit set out in the Constitution of 5% p.a. of the NAV of the Fund without obtaining consent of investors, provided the Responsible Entity gives investors at least 30 days advance written notice. The Responsible Entity has the right to increase the establishment fee for the Fund up to the limit set out in the Constitution of an amount not exceeding 6% of the Application Price for unit issued by the Responsible Entity. 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.

7 How managed investment schemes are taxed

Warning Investing in a registered managed fund is likely to have tax consequences. As each investor's circumstances are different, we strongly recommend you seek professional tax advice before investing. **You should read...** the important information about how managed investment schemes are taxed before making a decision. Go to Section 5 of the Additional Information Booklet. The material relating to how managed investment schemes are taxed may change between the time when you read this PDS and the day when you acquire the product.

The following general summary of certain Australian income tax information is based on the Australian tax laws that were current when this PDS was issued.

It is general in nature and should not be relied upon. You should seek professional taxation advice specific to your personal circumstances in connection with any proposed investment in a managed fund.

Generally, managed funds do not pay Australian tax on your behalf. You are assessed and liable for any Australian income tax on a share of any taxable income of the Fund attributed to you for each income year by the managed fund in which you invest, even if you reinvest distributions or do not receive distributions until a later time.

At the end of each income year, we will send you a consolidated statement of all of the income attributed to you and its tax components for Australian tax purposes.

A guide to help you transfer this information to your tax return is available at australianethical.com.au/tax-guide/

If you decide to sell or transfer units in the managed fund, you may also be liable for tax on the capital gains realised.

Quoting your tax file number or Australian business number

We are authorised to request and collect your Australian tax file number (TFN) under the *Taxation Administration Act 1953 (Cth)* for the purposes of complying with, and reporting information pursuant to, Australian taxation laws. It is not an offence to decline to quote your TFN. If you do not provide us with your TFN (or do not provide your ABN where eligible or you do not claim an exemption from doing so), tax may be withheld from distributions paid to you by the Fund at the highest marginal tax rate plus any levies, such as the Medicare levy.

8 How to apply

You should read... the important information about how to apply before making a decision. Go to Section 6 of the Additional Information Booklet. The material relating to how to apply may change between the time when you read this PDS and the day when you acquire the product.

To invest directly in the Fund, read and consider the PDS, TMD, Additional Information Booklet and Ethical Guide, which are available on our website. 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 period

If you are a retail client as defined in the Corporations Act, investing directly in the Fund, you have a 14 day cooling-off period. You will need to tell us in writing if you no longer wish to invest. 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.

Enquiries and 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

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

We will endeavor to respond to receipt of 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). AFCA operates the external complaints resolution scheme and their services are provided at no charge to you.

Australian Financial Complaints Authority

W afca.org.au

A GPO Box 3, Melbourne, VIC 2001

E info@afca.org.au

T 1800 931 678