Australian Ethical

AUSTRALIAN ETHICAL BALANCED INCOME FUND

Information Memorandum

1 JULY 2026

Important Information

About this Information Memorandum

This information memorandum (**Memorandum**) is issued on the date stated on the front cover by Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949) (**Australian Ethical, we, our, us**) in its capacity as trustee (**Trustee**) of the Australian Ethical Balanced Income Fund (ABN 63 775 839 546) (**Fund**) in relation to Ordinary and Class B Units in the Fund (**Units**). Australian Ethical is also investment manager of the Fund (**Manager**). Unless otherwise agreed by us, you will be issued Ordinary Units in the Fund. Under the Fund's constitution (**Constitution**), we are able to issue different classes of Units and determine the rights which attach to each class of Units.

This Memorandum provides a summary of the main features of the Fund. The information provided in this Memorandum is general information only and has been prepared without taking into account any person's objectives, financial situation or needs. Prospective investors should rely upon their own enquiries and seek such professional advice as they consider appropriate before deciding whether or not to apply to make an investment in the Fund.

The Fund is a managed investment scheme that is not registered and is not required to be registered under the Corporations Act 2001 (Cth) (**Corporations Act**). The Fund is also not registered with the Registrar of Financial Service Providers in New Zealand and the offer made in this Memorandum is not a regulated offer for the purposes of the Financial Markets Conduct Act 2013 (New Zealand). This Memorandum is not a 'disclosure document' or a 'product disclosure statement' as defined in the Corporations Act or the Financial Markets Conduct Act 2013 (New Zealand). This Memorandum does not constitute a recommendation by the Trustee, or any other person, to any recipient of this Memorandum on the merits or otherwise of participating in the Fund.

The information contained within this document is for use only by wholesale clients as defined in sections 761G and 761GA of the Corporations Act (**Wholesale Clients**) and for New Zealand resident investors, by Wholesale Clients who are also wholesale investors as defined by clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand) (**NZ Wholesale Investors**). Investment is only available to Wholesale Clients receiving this Memorandum (electronically or otherwise) in Australia and NZ Wholesale Investors receiving this Memorandum in New Zealand (electronically or otherwise). Investors in the Fund are not entitled to cooling off rights under the Corporations Act or otherwise and all applications under this Memorandum are subject to acceptance by the Trustee.

NZ Wholesale Investors wishing to invest in the Fund should be aware that there may be different tax implications of investing in the Fund and should seek their own tax advice as necessary.

The Trustee and its officers, employees or agents do not guarantee the success, repayment of capital, any rate of return on income or capital, or the investment performance of the Fund. An investor's investment does not represent a deposit or other liability of Australian Ethical in its own capacity.

Certain statements contained in this Memorandum may constitute "forward-looking statements" or statements about "future matters" for the purpose of the Corporations Act. These statements can be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions.

Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements have been based on the Trustee's current expectations about future events and are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such forward-looking statements.

This Memorandum does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Fund in any jurisdiction outside Australia or New Zealand.

This Memorandum must not be reproduced or distributed to any other person (other than professional advisers of the prospective investors receiving it). The distribution of this Memorandum outside Australia or New Zealand may be restricted by law and persons who come into possession of this Memorandum outside Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a breach of applicable securities laws.

Important Information

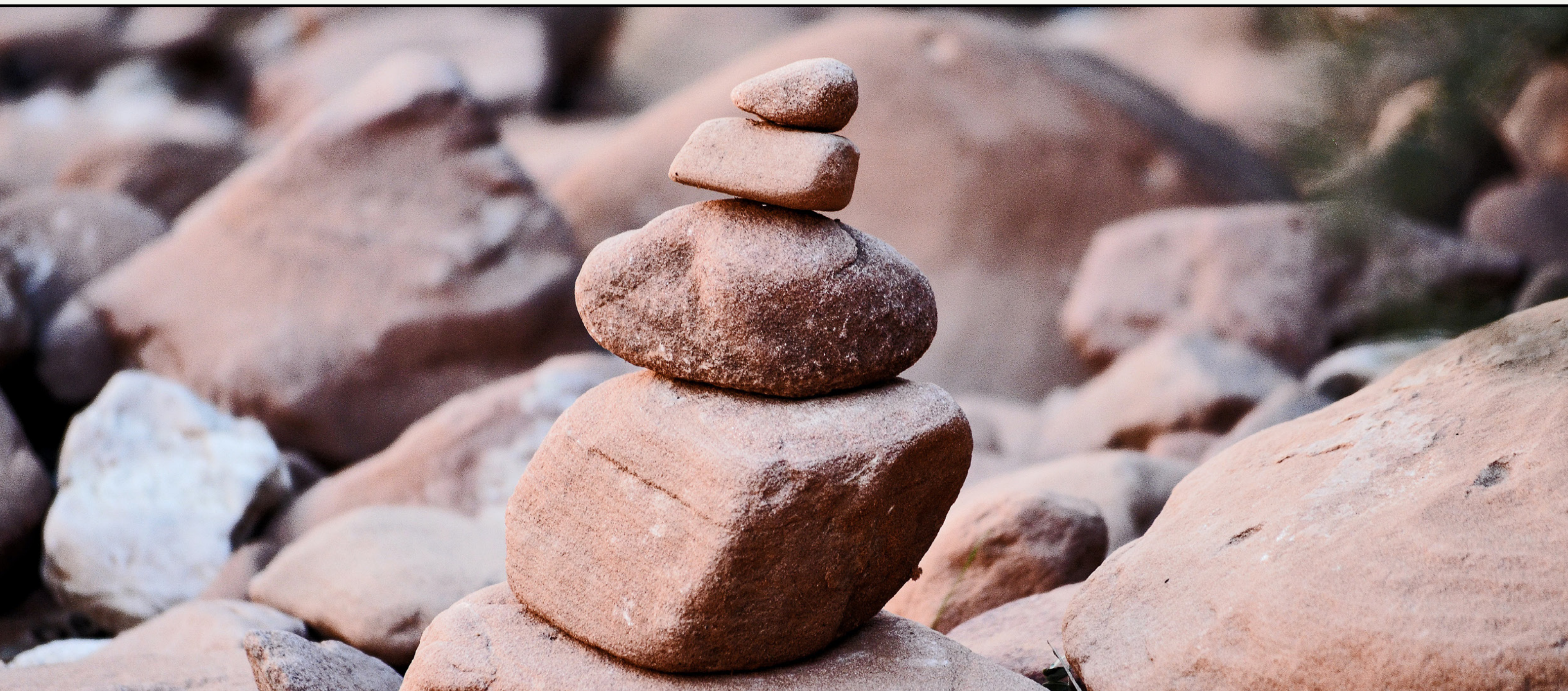
Information in this Memorandum is subject to change from time to time. We may update this Memorandum for changes that are not materially adverse to investors without issuing a supplementary information memorandum. Updated information will be available on the Fund's website at australianethical.com.au/investments/managed-funds/ (**Website**). This Memorandum supersedes any other information memorandum, disclosure document or marketing materials from before the date of its issue. No person is authorised to give any information or to make any representation in connection with the matters described in this Memorandum, which is not set out in this Memorandum or the Website. Any information or representation in relation to the matters described in this Memorandum which is not contained in this Memorandum or the Website may not be relied on as having been authorised by us, and no person may rely on any such other information in applying to invest in the Fund.

The Fund's Constitution can be found on our website (at australianethical.com.au/shareholder/corporate-governance/) or alternatively you can contact us and request a copy.

Impact investing disclosure

The Fund described in this Information Memorandum aims to generate positive environmental and / or social impact alongside financial returns, guided by Australian Ethical's impact framework and methodology. There are varied market and regulatory definitions of 'impact investment', and different frameworks and funds classify and measure impact differently. Prospective investors should conduct their own due diligence and form their own view as to whether the framework and methodology used aligns with their individual objectives, values, and requirements in relation to impact outcomes. Impact related data used in the Fund's investment process and reporting may be derived from investees and other third-party sources and methodologies. Although Australian Ethical uses sources and methods it believes to be credible, measurement of impact is complex and often involves estimates and assumptions. Australian Ethical accepts no responsibility for the data and makes no representation or warranty as to its accuracy or completeness or fitness for a particular purpose. The Fund's impact objectives are subject to risk and uncertainties, and actual outcomes may differ materially from those anticipated.

Contents



Letter to investors

Dear investors,

We are pleased to invite you to invest in the Australian Ethical Balanced Income Fund (**the Fund**), which has been developed to meet the evolving needs of Foundations, Not-for-profits and other values-driven wholesale investors seeking a diversified portfolio that integrates competitive financial returns with measurable impact.

The strategy combines Australian Ethical Investment's established multi-asset investment capability with a dedicated impact allocation advised by Australian Impact Investments (Aii). It adopts an open-architecture, multi-manager approach, investing both in Australian Ethical's range of funds and via selected external managers to access best-in-class exposure across asset classes. This approach helps reduce concentration risk associated with any single investment manager, while ensuring the portfolio is constructed for optimal risk-adjusted returns. It targets CPI + 4% real returns to support sustainable distributions, while incorporating intentional exposure to investments designed to generate positive and measurable social and environmental outcomes.

Drawing on leading institutional thinking for endowment portfolios, the strategy extends beyond a traditional equities-and-bonds mix. It combines listed assets with private and alternative assets to provide diversified return drivers and access to tangible, real-economy opportunities across infrastructure, private debt and sustainable assets. This broader diversification is increasingly recognised as essential for investors stewarding capital.

In a sector collectively stewarding significant long-term capital for public benefit, the Australian Ethical Balanced Income Fund offers a practical and scalable approach to aligning corpus, income and impact within a single, disciplined portfolio solution. It reflects a growing recognition that capital can be managed responsibly, aligned with mission, and structured to deliver both financial resilience and measurable real-world outcomes.

We look forward to working together with the aim of achieving a dual purpose of investing for a better world while delivering attractive market-rate financial returns, as Australia's original ethical investment manager established in 1986 and now managing more than A$14 billion of capital for more than 130,000 underlying investors and superannuation members.

Yours sincerely,

Ludovic Theau

Chief Investment Officer & Group Executive, Asset Management

Australian Ethical Investment Ltd

John Woods

Deputy Chief Investment Officer and Head of Multi Assets

Australian Ethical Investment Ltd

1 Summary of key terms

ITEM	INFORMATION
FUND NAME	Australian Ethical Balanced Income Fund.
FUND STRUCTURE	The Fund is an unlisted, open-ended, unregistered managed investment scheme. The Fund's Constitution permits the registration of the Fund.
TRUSTEE AND MANAGER	Australian Ethical Investment Ltd.
CUSTODIANS	The Trustee has appointed State Street Australia Ltd (ABN 21 002 965 200) and Perpetual Corporate Trust Ltd (ABN 99 000 341 533) as the custodians of the Fund (**Custodians**). The Custodians' role is to hold legal title to the assets on behalf of the Fund.
AUDITOR	The Fund will be audited annually as at 30 June each year. As of the date of this memorandum, KPMG has been appointed as auditor of the Fund.
ELIGIBLE INVESTORS	Only Wholesale Clients (as defined in section 761G and 761GA of the Corporations Act) can invest. Australian investors must have received this Memorandum in Australia and provide a Wholesale Investor Certificate. New Zealand investors must also be NZ Wholesale Investors (as defined in clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand)) and must have received this Memorandum in New Zealand and must have completed a Safe Harbour Certificate that meets the requirements of clause 44 of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand).
INVESTMENT STRATEGY	A diversified portfolio of asset types and markets to reduce the volatility of returns. Asset classes include, but are not limited to, Australian and international shares, property and infrastructure, alternatives, fixed income securities and cash. The Fund will target a 10% allocation to Impact Assets, as described in the Impact Objective and Section 5 (Investment processes). Important information relating to the Trustee's investment strategy for the Fund is outlined in Section 4 (*Investment strategy*).
INVESTMENT OBJECTIVE	The Trustee aims for the Fund to deliver returns of 4% above inflation[1] after investment fees and taxes over a 10-year period.
MINIMUM SUGGESTED INVESTMENT TIMEFRAME	7 years.
RISK LEVEL	Medium.
ETHICAL OBJECTIVE	Australian Ethical believes in the transformative power of money to achieve both positive social and environmental outcomes. Our 'Ethical Charter' (**Ethical Charter**; explained further in Section 5 (*Investment processes*) influences our ethical investment decisions - what we seek to invest in and what we look to restrict - and also guides our corporate activities beyond our funds. Our objective is always that our investments are assessed as meeting our ethical investment criteria (**Ethical Criteria**), more information about which is available in our 'Ethical Guide' (**Ethical Guide;** see our website at: australianethical.com.au/why-ae/ethics).

1 Inflation is measured by the Australian Consumer Price Index (CPI) trimmed mean, as published by the Australian Bureau of Statistics

1 Summary of key terms

ITEM	INFORMATION
IMPACT OBJECTIVE	The Fund will target an allocation of 10% to Eligible Impact Assets. Eligible Impact Assets are assets that are Impact Investments and satisfy the requirements of the Fund's Impact Framework, including the Enterprise Impact Threshold, Capital Additionality, Measurement Readiness and Impact Risk requirements. Where an asset meets the Enterprise Impact Threshold, the Enterprise Impact of the asset is classified as Contribute to Solutions. The impact allocation is expected to primarily comprise growth alternatives, defensive alternatives, infrastructure, and assets identified by Australian Ethical and Aii for inclusion in the Fund. The Trustee has adopted a framework for the Fund for identifying Eligible Impact Assets (Impact Framework) developed by Australian Impact Investments (Aii) in consultation with Australian Ethical. As the Trustee and investment manager for the Fund, Australian Ethical is responsible for investment decisions including in relation to Eligible Impact Assets and implementation of the Fund's Impact Framework. Important information related to the Fund's impact strategy is outlined in Section 5 (Investment processes).
INVESTMENT AMOUNT	Ordinary Units - A$500,000 initial minimum (although the Trustee may, in its discretion, accept investments of less than this amount). (Class B Units - see Section 8 (*Fees and costs*) for more details.)
APPLICATIONS	Applications into the Fund will be processed daily. Investors can apply for Units by completing an application form either electronically (available from the Website) or in paper form (attached to this Memorandum) (**Application Form**). We are not obliged to accept any applications for Units. For more information on making an application, see Section 6 (*Applications and withdrawals*).
WITHDRAWALS	Investors may apply to withdraw from the Fund on a monthly basis. The Trustee intends to accept withdrawal requests for up to 2.5% of the Fund’s Net Asset Value (NAV) for each month, subject to there being available liquidity. The Trustee may accept withdrawal requests above this cap. Withdrawal requests over the relevant monthly ‘cap’ will be scaled back pro rata, and the excess will be cancelled. Withdrawal requests will generally be paid within 21 calendar days. The Fund has provisions to manage large liquidity events, including the ability to scale back redemptions if required, in accordance with the Fund Constitution and the Liquidity Management Policy. The Trustee has no obligation to accept any withdrawal requests and may apply a higher or lower cap for a given month, based on the liquid funds available for redemptions (for example, through capital returned from asset sales). This withdrawal process may be changed by the Trustee giving at least one month’s notice on the Website and/or directly to registered holders of Units (Unitholders). See Section 6 (Applications and withdrawals) for further details.

1 Summary of key terms

ITEM	INFORMATION
DISTRIBUTION POLICY	The Trustee will aim for the Fund to pay distributions on a semi-annual basis for the periods ending 30 June and 31 December in each year, with the Fund to distribute a target of 5% of the Fund's net asset value (NAV) each financial year. See Section 10 (Additional Information) for further details. For the purposes of this calculation, NAV will be determined as the average of the Fund's total month end NAV (aggregated across all unit classes) for the first 11 months of the relevant financial year (July to May). The aggregate distributions for the June and December periods will be managed to ensure that the 5% target distribution requirement is met or exceeded. Only investors who are Unitholders on the record date will be entitled to a distribution. The Trustee's distribution policy for the Fund is to distribute all taxable income, net of Fund costs, expenses and provisions, at least annually. Special distributions may occur from time to time if the Trustee determines that there is excess uninvested capital in the Fund. Such a distribution would occur following the satisfaction of any outstanding redemptions.
MANAGEMENT FEES	The Trustee is entitled to a fee in respect of its management of the business and investments of the Fund, payable from the Fund's assets (**Management Fee**). The Management Fee referable to Ordinary Units will be 0.70% of the Fund's NAV referable to Ordinary Units, each year, calculated daily and paid monthly. Founding investors who invest before 30 June 2027, and investors committing $20 million or more, are eligible to invest in Class B Units with a reduced Management Fee of 0.65% per annum of the Fund's NAV, calculated daily and paid monthly.
PERFORMANCE FEE	The Fund's Constitution permits a performance fee to be charged however the Fund does not charge a performance fee.
FUND EXPENSES & INDIRECT COSTS	The Trustee may incur Fund expenses and indirect costs payable in relation to the management of the Fund that will be deducted from the Fund's assets and reflected in the value of the Units. These may reduce the return of an investment in or of the Fund. Section 8 (*Fees and costs*) contains a detailed description of the Fund expenses and indirect costs payable in relation to the management of the Fund. We estimate that the Fund's indirect management fees, paid to other investment managers or sponsors, described in this section for the financial year ending 30 June 2026 will be 0.25% of the Fund's NAV for that year. We expect future year's indirect costs to be similar. Any actual Fund expenses and indirect costs payable in the future will depend on the Fund's investments and the estimate provided here may not be a reliable indicator of future expenses. The Trustee may also incur one-off or extraordinary costs from time to time, which are not included in the estimate above, such as costs associated with legal or tax advice. These costs will be deducted from the Fund's assets as incurred.

1 Summary of key terms

ITEM	INFORMATION
BUY / SELL SPREAD	0.10%/0.10% The buy / sell spread is the Trustee's estimate of the transaction costs of buying and selling the underlying assets of the Fund, as a result of investors buying and selling Units.
UNIT PRICING	The Trustee will price Units daily. The Trustee will calculate the Fund's NAV by deducting the Fund's liabilities (including any accrued fees and expenses) from the aggregate value of its assets. The price for a Unit will be calculated by dividing the proportion of the Fund's NAV attributable by the number of Units on issue for each class of the Fund. The application and withdrawal unit prices will be calculated by applying a buy or sell spread to the relevant NAV unit price. The Constitution provides that the Trustee may determine valuation methods and policies from time to time, provided that the method or policy is consistent with ordinary commercial practice and results in a value that is current.
KEY RISKS	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. See Section 7 (*Risk factors*) for more details.

2 About Australian Ethical Investment Limited

Australian Ethical Investment Ltd is a publicly listed funds management company, which has a long history of actively seeking out investments that we consider are positive for society and the environment and restricting investments in what we consider to be harmful activities. Since pioneering ethical investment in Australia in 1986, Australian Ethical has grown to manage investments and superannuation on behalf of over 130,000 investors and superannuation members.

Ethical Investment is our business

Our Ethical Charter, unchanged since 1986, forms part of our company 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 (our Ethical Criteria) is available in our Ethical Guide on our website (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) (see 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 is one of the founding 'B Corporations' (see bcorporation.com.au) in Australia and in 2014 became the first company listed on the Australian Securities Exchange (ASX) to receive B Corporation certification.

Australian Ethical believes that 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 through Australian Ethical's registered charity, the Australian Ethical Foundation Ltd (ABN 14 607 166 503) (**AE Foundation**). 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.

2 About Australian Ethical Investment Limited

Australian Ethical's Investment team

Ludovic Theau
Chief Investment Officer & Group Executive, Asset Management
M.Eng., G.A.I.C.D.

Ludovic joined Australian Ethical in April 2023 as Chief Investment Officer (**CIO**).

He has over 30 years' experience in environmental, social and governance (ESG) investing, funds management, commercial and investment banking, and financial advisory work. Ludovic has extensive investment management experience in private markets and in the various Thematics of the Fund, including decarbonisation and social housing.

Before joining Australian Ethical, Ludovic was the CIO for Australia's Clean Energy Finance Corporation (CEFC). He also had previous roles at Hastings Funds Management, Westpac, ABN AMRO, Macquarie Group, UBS and BNP Paribas.

Ludovic holds a Master of Engineering from Ecole Centrale de Paris, France, and is a graduate of the Australian Institute of Company Directors.

John Woods
Deputy Chief Investment Officer and Head of Multi Assets
B.Eng.(hons.), M.Comm., C.F.A.

John joined Australian Ethical in March 2021. Beyond his role as Deputy CIO, John's primary responsibility is to design and implement investment strategies across the range of multi-asset portfolios at Australian Ethical, including superannuation investment options.

John has 15 years' experience in the investment industry in Australia and Hong Kong, with previous roles as a portfolio manager of both multi-asset and equities portfolios, as well as having been investment strategist at MLC, CLSA and Macquarie Group. John joined the investment industry after roles in technology companies, including IBM.

John graduated from The University of New South Wales with a Master of Commerce and Bachelor of Engineering (Honours). He also holds the Chartered Financial Analyst (CFA) designation.

Alison George
Chief Impact & Ethics Officer
CA (Fellow), M (Env), BA (Juris)

Alison joined Australian Ethical in May 2023 to ensure investments continue to meet the Ethical Charter and grow positive outcomes for animals, people, and planet.

Alison has more than 20 years' experience in responsible investment and stewardship, working with numerous industry leaders in her prior roles with Pendal and Regnan, including supporting sustainable thematic and impact / 'article 9' funds under the European Union Sustainable Finance Disclosure Regulation.

A Chartered Accountant, Alison also completed a Master of Environment and was previously a corporate sustainability advisor with EY.

The Fund's investment team is supported by a team of domestic equities and multi-asset professionals with significant experience within investment markets.

3 About Australian Impact Investments Pty Ltd

Australian Impact Investments Pty Ltd (Aii) (ABN 81 165 905 582) is a specialist impact investment adviser established in 2014 to help asset owners mobilise capital for positive social and environmental outcomes alongside financial returns. Aii works primarily with charitable trusts, foundations, family offices and other mission-led asset owners, helping clients translate their purpose and values into practical investment strategies, portfolio settings and investment opportunities.

Aii's philosophy is that impact need not be limited to grant-making or discrete allocations. Through responsible and impact investment practices, Aii supports clients to consider the impact of their whole portfolio, including through investment screening, portfolio impact analysis, impact allocation design, investment sourcing and due diligence, and ongoing financial and impact monitoring.

Since inception, Aii has helped clients deploy capital across private market asset classes and a broad range of social and environmental themes, including education, employment, housing, First Nations empowerment, disability, and renewable energy. Aii's approach combines investment discipline with practical impact management frameworks, supporting clients to align capital with mission while maintaining a focus on risk-adjusted financial performance.

Relationship with Australian Ethical Investment

Australian Impact Investments Pty Ltd (Aii) has been appointed by Australian Ethical Investment Ltd (AEI), the Trustee of the Fund, to provide investment services in relation to the Fund's dedicated impact allocation.

Under an Investment Services Agreement between Aii and Australian Ethical, Aii provides specialist advice in sourcing, assessing, and monitoring private market impact investments, including benchmarking the Fund's Impact Assets, identifying a pipeline of prospective Impact Assets, monitoring the Fund's allocation to Impact Assets, and supporting the development and maintenance of the Fund's Impact Framework.

Aii provides impact advisory services amongst other investment services but does not make investment decisions. All investment decisions are made by AEI in accordance with its investment governance framework, including approval by AEI's Investment Committee and review under AEI's Ethical Framework. AEI retains full responsibility for portfolio construction, investment decisions, and the management of the Fund. Aii does not have authority to bind AEI or the Fund.

In partnership with AEI, Aii may assist in identifying and engaging prospective wholesale investors and supporting investor relations activities in relation to the Fund. Under a separate commercial agreement, Aii receives an advisory fee from AEI in respect of assets invested in the Fund. This fee is paid from the management fee received by AEI and does not represent an additional fee charged to investors beyond the fees disclosed in this Information Memorandum.

Aii may recommend the Fund to its advisory clients. As Aii receives a fee in connection with assets invested in the Fund, this arrangement gives rise to a potential conflict of interest. Aii maintains policies and procedures to manage conflicts of interest.

3 About Australian Impact Investments Pty Ltd

Kylie Charlton
Managing Director

Kylie Charlton is Managing Director and co-founder of Aii. She has more than 20 years' experience working at the intersection of capital markets, philanthropy and impact investment, and has played a significant role in the development of the impact investment sector in Australia and internationally. Kylie has contributed to the establishment of several impact investment initiatives, including early Australian social impact bonds and the Social Enterprise Development and Investment Funds, and has served on investment committees and advisory boards across the impact investment ecosystem. Under Kylie's leadership, Aii has supported foundations, trusts and institutional investors to build diversified impact portfolios, providing rigorous due diligence and impact measurement capability.

Kylie holds a Master of Business Administration from the University of Oxford's Said Business School and a Bachelor of Commerce (Banking & Finance) from the University of Canberra.

Phil Webb
Investment Director

Phil Webb is Investment Director at Aii and has close to 30 years' experience in financial advisory and investment management, including more than 15 years advising philanthropic clients on values-aligned investment strategies. He joined Aii in 2017 after a long tenure at Ethinvest, where he managed more than $100 million for private clients and charitable trusts. At Aii, Phil leads the investment research function, overseeing opportunity pipeline management, financial and impact due diligence, and portfolio construction across private debt, equity, infrastructure and listed markets. He has evaluated more than 800 investment opportunities and supported the deployment of more than $350 million of client capital into private market impact investments.

Phil holds a Master of Applied Finance from Kaplan Professional and a Bachelor of Science (Hons) from Nottingham Trent University.

4 Investment strategy

Potential benefits of the Fund

The Fund is a diversified portfolio of asset types and markets.

A summary of the key features and benefits of investing in the Fund is:

- **Access and diversified exposure** - The Fund provides access to a diversified portfolio of asset types and markets to reduce the volatility of returns. Asset classes include Australian and international equities, property and infrastructure, alternatives, fixed income securities and cash. The Fund adopts an open architecture multi-manager approach, investing both in Australian Ethical's range of funds and via selected external managers to obtain best in class exposure. This reduces the risk associated with any single investment manager while ensuring the Fund is managed for optimal risk-adjusted returns.
- **Expertise and capability** - The Fund is managed by our dedicated in-house investment team whose bespoke, ongoing analysis underpins Fund investments.
- **Impact assets** - The Fund is designed to include a target 10% allocation to Impact Assets, identified under the Impact Framework. Impact Assets are expected to be sourced across multiple strategies and sectors including, alternatives, infrastructure and assets specifically identified by the Trustee and Aii.
- **Ethics oversight** - All investments are governed by our Ethical Charter, and evaluated by our expert in-house ethics team to navigate complex ethical issues raised and to determine if the positives outweigh any negatives associated with potential investment opportunities.

4 Investment strategy

Investment Strategy

<table>
<tr><th>ITEM</th><th>INFORMATION</th></tr>
<tr><td>Investment objective</td><td>The Trustee aims for the Fund to deliver returns of 4% above inflation[2] per annum after investment fees and taxes over a 10 year period.</td></tr>
<tr><td>Investment strategy</td><td>The opportunity to invest in a diversified portfolio of asset types and markets to reduce the volatility of returns. Asset classes include, but are not limited to, Australian and international shares, property and infrastructure, fixed income securities and cash.</td></tr>
<tr><td>Minimum suggested investment timeframe</td><td>7 years.</td></tr>
<tr><td>Fund structure</td><td>The Fund is an unlisted, open-ended, unregistered managed investment scheme.</td></tr>
<tr><td>Distribution policy</td><td>The Trustee will aim for the Fund to pay distributions on a semi-annual basis for the periods ending 30 June and 31 December in each year, with the Fund to distribute a target of 5% of the Fund's net asset value (NAV) each financial year. See Section 10 (Additional Information) for further details.</td></tr>
<tr><td>Ethical approval</td><td>All investments must be assessed as consistent with our Ethical Criteria. For information refer to the Ethical Guide at australianethical.com.au/why-ae/ethics</td></tr>
<tr><td>Investment ranges</td><td>The Fund's assets will be invested within the following investment ranges based on the Fund's NAV:
<table>
<tr><td>Growth/Defensive range</td><td colspan="2">Growth 60-80% / Defensive 20-40%</td></tr>
<tr><td>Growth/Defensive target</td><td colspan="2">Growth 70% / Defensive 30%</td></tr>
<tr><td>Asset class</td><td>Range</td><td>Target</td></tr>
<tr><td>Australian & New Zealand Shares</td><td>20-40%</td><td>30%</td></tr>
<tr><td>International Shares</td><td>10-30%</td><td>20%</td></tr>
<tr><td>Property & Infrastructure</td><td>5-25%</td><td>15%</td></tr>
<tr><td>Alternatives</td><td>5-25%</td><td>15%</td></tr>
<tr><td>Fixed Interest</td><td>3-23%</td><td>13%</td></tr>
<tr><td>Cash & Short-Term Interest-Bearing Securities</td><td>0-17%</td><td>7%</td></tr>
</table>
The above ranges are targets. However, market movements, investments into or withdrawals from the Fund, or changes in the nature of an investment may result in deviations from these ranges.</td></tr>
<tr><td>Liquidity</td><td>Generally, over 80% of assets in the Fund will be liquid. Units in the Fund are redeemable on a monthly basis subject to available liquidity and redemption caps.</td></tr>
</table>

2 Inflation is measured by the Australian Consumer Price Index (CPI) trimmed mean, as published by the Australian Bureau of Statistics

4 Investment strategy

ITEM	INFORMATION
Use of derivatives	Derivatives may be used in the Fund to manage risk, including foreign currency exposure risk, or to gain exposure to markets. We may use derivatives, directly or indirectly, for hedging purposes and/or for investment purposes. The Trustee will always seek to ensure that the Fund has sufficient cash to meet any derivative obligations.
Use of debt	The Trustee may utilise short-term debt for the Fund (typically less than 1 year), up to a maximum of 10% of the Fund's NAV, to bridge capital requirements. Debt may be used to provide liquidity and operational flexibility, allowing the Trustee to meet the Fund's financial obligations efficiently while awaiting longer-term capital inflows.
Risk level*	Medium.
Fund performance	For up-to-date information on the performance of the Fund, including Unit price, and performance history, please visit our website (at australianethical.com.au/investments/managed-funds/performance-and-prices/).

* Standard risk measures are based on the estimated number of years with a negative return over 20 years for a similar portfolio. The risk level is not a complete assessment of all forms of investment risks. For instance, it does not detail what the size of a negative return could be or the potential for a positive return to be less than the return an investor may expect to meet their objectives.

5 Investment processes

Investment approach

Our Investment Committee is an experienced team of investment experts applying rigorous research across asset classes to deliver disciplined, long-term outcomes. Further information on members of the Investment Committee and their profiles can be found at australianethical.com.au/about/investment-leadership/

The Investment Committee is responsible for:

- Determining the composition of the benchmark
- Approving changes to Strategic Asset Allocation
- Oversight of underlying asset classes' investment processes

Asset Allocation Process

Our asset allocation process is an iterative process designed to maximise the probability of achieving the portfolio's long term return objective. A forum of senior investment decision makers formulate a range of scenarios which are then quantitatively modelled using our Bayesian approach to generate an optimal strategic asset allocation outcome. This process relies on forecasting scenarios, and generating full distribution based on the economic regime.

We believe volatility of investment returns is minimised by diversifying exposure to different risk factors, such as:

- Interest rate risk
- Market risk
- Credit risk
- Foreign exchange risk
- Sovereign risk
- Liquidity risk

We focus on reducing draw downs, exploiting the geometric property of returns — it takes larger gains to offset a loss and thus over the cycle we expect the fund to generate better than benchmark returns.

Ethical evaluation

Australian Ethical believes in the transformative power of money to help achieve positive social and environmental outcomes.

We seek out investments which provide for and support the ethical principles set out in our Ethical Charter that forms part of Australian Ethical's company constitution. These 23 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 Ethical Criteria, outlined in our Ethical Guide.

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

5 Investment processes

The principles of our Ethical Charter are:

Positive principles	Negative principles
We seek investments assessed to provide for and to support:	We restrict investments which are considered to unnecessarily:
(a) the development of workers' participation in the ownership and control of their work organisations and places;	(i) pollute land, air or waters;
(b) the production of high quality and properly presented products and services;	(ii) destroy or waste non-recurring resources
(c) the development of locally based ventures;	(iii) extract, create, produce, manufacture, or market materials, products, goods or services which have a harmful effect on humans, non human animals or the environment;
(d) the development of appropriate technological systems;	(iv) market, promote or advertise, products or services in a misleading or deceitful manner;
(e) the amelioration of wasteful or polluting practices;	(v) create markets by the promotion or advertising of unwanted products or services;
(f) the development of sustainable land use and food production;	(vi) acquire land or commodities primarily for the purpose of speculative gain; or
(g) the preservation of endangered eco-systems;	(vii) create, encourage or perpetuate militarism or engage in the manufacture of armaments; or
(h) activities which contribute to human happiness, dignity and education;	(viii) entice people into financial over-commitment; or
(i) the dignity and well-being of non human animals;	(ix) exploit people through the payment of low wages or the provision of poor working conditions; or
(j) the efficient use of human waste;	(x) discriminate by way of race, religion or sex in employment marketing or advertising practices; or
(k) the alleviation of poverty in all its forms;	(xi) contribute to the inhibition of human rights generally.
(l) the development and preservation of appropriate human buildings and landscapes.	

5 Investment processes

Impact Assets

Every investment in the Fund must meet the Fund's investment requirements and Ethical Criteria. Additionally, the Fund targets a 10% allocation to Eligible Impact Assets. The Fund's Impact Framework adopted by the Trustee identifies which assets qualify as Eligible Impact Assets and sets out how those assets are assessed, classified, monitored and reported for impact.

The Impact Framework's impact classification and assessment methodology is informed by the Impact Management Norms of Impact Frontiers, including the Five Dimensions of Impact and the ABC of Enterprise Impact. Under the Impact Framework, an asset that is an Impact Investment may only qualify as an Eligible Impact Asset and count towards the impact allocation where it satisfies the Enterprise Impact Threshold, Capital Additionality, Measurement Readiness and Impact Risk requirements.

The Enterprise Impact Threshold is assessed by reference to What, Who, How Much and Enterprise Contribution. Where the Enterprise Impact Threshold is met, the Enterprise Impact of the asset is classified as Contribute to Solutions. Contribute to Solutions enterprise impact means the underlying asset contributes to addressing a significant social or environmental challenge by improving an outcome for people or planet from below an identified threshold to a positive and sustainable range, where that outcome is core to the asset and measurable.

The Capital Additionality requirement is assessed under the Fund's Impact Framework as satisfied where the capital deployed by the Fund to the asset supports the growth of new or undersupplied impact-aligned capital markets by meeting an unmet capital expenditure or operating expenditure need, including transaction costs where relevant.

Measurement Readiness requires the asset to have a defined impact thesis, target outcomes and at least one measurable impact key performance indicator, so that impact can be monitored and reported over time.

Impact Risk considers the risk that impact does not occur as expected, is lower than expected, creates unintended negative effects, is not sustained, or is not supported by sufficient evidence.

The impact allocation is measured as a percentage of the Fund's net asset value. The 10% target is intended to be maintained over time rather than applied as a hard point-in-time threshold, recognising that the allocation may move above or below 10% due to market movements, valuation timing, liquidity, deployment schedules, asset availability and portfolio construction considerations.

The impact allocation may include direct and indirect exposure to Impact Assets. Where the Fund gains exposure through another fund or approved vehicle, only the proportion of the underlying exposure that qualifies as Impact Assets under the Impact Framework will count towards the impact allocation, on a look-through basis.

Eligible assets may include private debt, private equity, venture capital, real assets, infrastructure, and social, sustainability or green bonds, where the asset qualifies as an Impact Asset under the Impact Framework. Potential impact themes include affordable and social housing, disability housing and inclusive care, climate solutions and enablers, circular economy and nature, economic inclusion and essential services, and health and wellbeing. These examples are indicative only and additional themes may qualify where they satisfy the Impact Framework.

The impact allocation will be monitored and reported to Fund investors at asset and portfolio level.

6 Applications and withdrawals

Applying directly to the Trustee

Generally, new applications submitted directly to the Fund are processed effective on the business day they are received. You can apply to make an investment in the Fund by completing an Application Form online or submitting a paper Application Form, together with a **Wholesale Client Certificate** (being a certificate provided by a qualifying accountant that confirms an investor is a Wholesale Client on the basis of the investor's income and/or wealth) and if you are a New Zealand investor a Safe Harbour Certificate (that meets the requirements of clause 44 of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand) that confirms you are a NZ Wholesale Investor), and for all investors your application must be accompanied by the required supporting identification information, to the Unit registrar for the Fund (**Registrar**), being:

Boardroom Pty Ltd

(ABN 14 003 209 836)

(as registrar of the *Australian Ethical Balanced Income Fund*)

P: GPO Box 3993, Sydney NSW 2001

T: +61 (0)2 9290 9600

W: boardroomlimited.com.au.

The Unit price for entry to the Fund will be based on the Fund's NAV less the buy spread. The minimum initial investment amount for Ordinary Units is A$500,000.

We may accept initial and additional investment applications for smaller amounts at our discretion. The processing of applications for lower amounts may be delayed while approval is sought for the lower application amount. We may also reject applications at our discretion.

All application amounts are required to be paid in Australian dollars.

The Application Form is available to complete online at the Website or in paper form attached to this Memorandum.

Indirect investors

If you wish to invest indirectly into the Fund, through an 'Investor Directed Portfolio Service' (**IDPS**) or IDPS-like scheme (commonly referred to as a 'wrap account') for Wholesale Client investments, the minimum investment amount will be determined by the operator of the wrap account and may be higher or lower than if you invest directly into the Fund.

Applications to invest in or withdraw from the Fund received through a wrap account or IDPS may have a different processing or cut-off time applied. You will need to follow the application process as advised by the operator of that service.

Processing your transactions

We will only process your application and issue Units to you once we have received:

- your completed initial Application Form or additional investment Application Form, including a Wholesale Client Certificate, the required identification information (and a Safe Harbour Certificate if you are a New Zealand investor); and
- your cleared application monies into the Fund's applications trust account (the details of which are stated in the Application Form).

Generally, if we receive your validly completed application request and application monies before 3:00 p.m. (Sydney time) on a Business Day (**Application Cut-Off**), we will process it using the application Unit price calculated for that Business Day. Unit prices will generally be available the next Business Day.

Any validly completed Application Forms received after the Application Cut-Off will be taken to have been received for the Application Cut-Off of the next Business Day.

No interest is due to you on application money, proceeds of withdrawal requests and distribution amounts, which are held in a trust account before being processed.

The Constitution provides that the Trustee may determine valuation methods and policies from time to time, provided that the method or policy is consistent with ordinary commercial practice and results in a value that is current.

6 Applications and withdrawals

Additional investments

Generally, you can make additional investments into the Fund, which will be processed monthly. Payment for your additional investment can be made using BPAY®. Before making additional investments, make sure that you have reviewed the Website for any recent updates and any changes to this Memorandum. The Trustee also offers a monthly 'Regular Investment Plan' for the Fund (**Regular Investment Plan**).

To start a Regular Investment Plan, complete the 'Regular Investment Plan' section on the online Application Form (available from the Website) or on the paper Application Form (attached to this Memorandum).

The nominated amount will be deducted from your account on the 15th day of each month. It is an investor's responsibility to ensure that sufficient funds are in the nominated account at the time the direct debit is made. You can stop or change the amount of your regular monthly investment at any time.

Payment of your application monies

We can accept payment of your application monies in Australian dollars (**$, A$**) by BPAY®. Instructions for making additional investments using BPAY® are set out in the previous section entitled 'Additional investments'.

If you wish to pay by BPAY®, we will send you your BPAY® details once we've received your Application Form and set up your account.

Withdrawing directly from the Fund

Due to the nature of the assets in which the Fund will invest, it is not expected to be practical for the Trustee to offer unlimited opportunities to withdraw from the Fund. The Fund's Constitution allows the Trustee to set a process for withdrawals, and change the details from time to time. The process that will apply until further notice is set out below.

Investors may apply to withdraw from the Fund on a monthly basis by 3:00pm the last Business Day of each month. See the table below for an example of how this works.

The Trustee intends to accept withdrawal requests for up to 2.5% of the Fund's NAV (calculated at the closing date of the previous month) for each month, subject to available liquidity. Withdrawal requests over the relevant monthly 'cap' will be scaled back pro rata, and the excess amount of the withdrawal request will be taken to be withdrawn and will be cancelled.

The Trustee has no obligation to accept any requests to withdraw from the Fund, and may apply a higher or lower cap for a given month, based on the liquid funds available for redemptions.

In the normal course, the Trustee will source funds to meet monthly redemptions: firstly, by matching withdrawal requests with any subscriptions; secondly, by using any distributable cash; and thirdly, through divesting elements of Fund's portfolio of listed investments.

Where additional liquidity is available (for example, from the realisation of an investment), the Trustee may offer additional liquidity if there are excess redemption requests. Likewise, where there is insufficient liquidity, the monthly redemption facility may be suspended.

Withdrawal offers

The Fund's Constitution also gives the Trustee the discretion to make offers to Unitholders for them to withdraw from the Fund in addition to, or instead of, offering the redemption process described above. If the Trustee decides to make such a withdrawal offer, the details will be posted on the Website. The Trustee currently intends that any such withdrawal offer would be open for a fixed period and for a specified total amount, and acceptances may be scaled back proportionately if they exceeded that total.

Payment of your redemption proceeds

You can usually expect to receive payment into your nominated bank account within 21 Calendar Days after the effective date of Unit price applied to the relevant withdrawal. However, payment of your withdrawal amount may be delayed and take up to a month.

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6 Applications and withdrawals

We can only pay redemption proceeds to an Australian bank account held in the name of the investor. We are unable to pay redemption proceeds to a third-party bank account. Normally we will pay redemption proceeds to the bank account you nominated on your Application Form when you opened your investment or if you submit a withdrawal request to the Trustee, the bank account nominated on your withdrawal request, or if you have subsequently notified us of a change to your nominated account, we will pay proceeds to that account.

We will send you a confirmation of your redemption once it has been processed and paid.

Withdrawals by New Zealand investors

Withdrawal requests received from New Zealand investors must specify:

- the withdrawal amount in Australian dollars; or
- the number of units to be withdrawn

We are unable to accept withdrawal amounts quoted in New Zealand dollars. If you are a New Zealand investor, please note that the withdrawal amount paid to you will be in Australian dollars and may differ from the amount you receive in New Zealand dollars due to:

- foreign exchange spreads between Australian and New Zealand dollars (the currency exchange rates differ daily); and
- overseas telegraphic transfer costs.

Withdrawals will only be paid directly to the New Zealand investor's bank account held in the name of the investor in Australian dollars, provided the financial institution has a valid swift code. Withdrawal payments will not be made to third parties.

Transfers of Units

Investors may transfer their Units in accordance with the Constitution, which includes between investors. This may be done at any time, irrespective of the extent to which redemption requests are being processed at that time. Transfers will not be effective until registered by us.

We can refuse transfers in whole or part and need not give reasons.

There may be tax implications and other costs which arise from a transfer of legal or beneficial ownership of Units.

Suspensions

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 request during a suspension period it will not be processed and will lapse.

7 Risk factors

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 levels of short-term risk. When considering a potential 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 in the Fund;
- the Fund may over- or under-perform against the Trustee’s 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;
- you may not be able to withdraw some or all of your investment at the time of your choosing; 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 the following (which is not intended to be an exhaustive description of the risks involved in an investment in the Fund):

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 under-perform over the investment cycle. It follows that the returns and volatility of the Fund may be higher or lower than its non-ethical non-sustainable peers over all investment terms.

Manager risk - The Fund’s investments may be managed by an external investment manager, such as pooled managed funds. These go through an ethical evaluation process. Whilst we expect that the strategy and investment process for the externally managed investments will lead to investments which are consistent with our Ethical Charter, there may be limited circumstances in which we hold investments that are inconsistent with our Ethical Charter. If through our periodic ethical review process, which is generally every 2 years, we assess that an externally managed investment is inconsistent with our Ethical Charter, 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. See further 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 affect the values of the investments, and therefore the returns, of the Fund.

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

7 Risk factors

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.

Impact risk - The risk that the intended environmental and social outcome of an investment is not achieved or underperforms from an impact perspective.

Concentration risk - While the intention is to maintain a diversified impact allocation, the portfolio may still face concentration due to the limited availability of suitable investments and its focus on Australia.

8 Fees and costs

Unless otherwise stated, all fees and costs are quoted inclusive of Goods and Services Tax (**GST**) and net of any applicable 'Reduced Input Tax Credits' (**RITCs**).

Management Fee

The Trustee's Management Fee referable to Ordinary Units will be 0.70% each year of the Fund's NAV referable to Ordinary Units, calculated daily and paid monthly from the Fund's assets. The Trustee's Management Fee referable to Class B Units will be 0.65% each year of the Fund's NAV referable to Ordinary Units, calculated daily and paid monthly from the Fund's assets.

This amount is paid to the Trustee (in its own capacity) for managing the Fund and its assets and overseeing the operations of the Fund (including asset origination, transaction execution, portfolio composition and ongoing asset management). Other Fund expenses and indirect costs incurred by the Trustee in connection with the management of the Fund will be deducted from the Fund's assets because, under the Fund's Constitution, in addition to the Management Fee, the Trustee is entitled to be indemnified from the assets of the Fund for any liability properly incurred by it in performing properly any of its duties or exercising any of its powers in relation to the Fund or attempting to do so.

Buy/Sell Spread

The Trustee will charge a 'buy / sell spread' of 0.10% / 0.10% of the amount of any investment into or withdrawal from the Fund. The buy / sell spread is a cost designed 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 to, or transfer or withdraw from the Fund. We will use a buy / sell spread to recover an amount from you to set against such transaction costs, so that other investors are not paying for the cost of your transaction. It is not a fee paid to us, but into the Fund.

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 the Website and in regular communications.

Fund expenses and indirect costs

The Constitution of the Fund allows the Trustee to recover all reasonably incurred expenses in relation to the proper performance of its duties in respect of the Fund. If applicable, when expenses are paid by the Trustee, they will be deducted from the Fund's assets and reflected in the value of the Units. Expenses will generally be paid when incurred.

The Trustee may invest for the Fund in investments offered or arranged by other investment managers or sponsors, who may, in the ordinary course, be entitled to fees or payments in connection with the investment by the Trustee in investments arranged or offered by them, and are entitled to retain any such fees (whether structured as performance fees, management fees, carried interest, or in any other manner) without liability to account to the Fund or any other person.

We estimate that the Fund's indirect management fees, paid to other investment managers or sponsors, described in this section for the financial year ending 30 June 2026, will be 0.25% of the Fund's NAV for that year.

With respect to certain investments of the Fund, external investment managers or sponsors may be entitled to a performance fee. Cash payments of external investment manager performance fees may be accrued and only paid when an investment is realised. Cash payments of external investment manager performance fees will be paid out of the underlying investments of the Fund. These amounts are subject to future performance and have not been estimated. The impact of such indirect costs will typically be reflected in the Unit price of the Fund, and as such will be an additional cost to Unitholders but will not be paid to the Trustee (in its own capacity).

The Trustee may also incur indirect costs for the Fund through investments offered or arranged by other investment managers or sponsors who may, in the ordinary course of performing their duties, incur expenses which, if applicable, are likely to be deducted from the value of those investments and reflected in the value of Units accordingly.

8 Fees and costs

Can the fees change?

The circumstances in which the fees and expenses currently charged to the Fund by the Trustee may be increased, include where costs have increased (for example, an increase in custody fees or costs relating to regulatory changes). Any increase in the Management Fee charged will be notified to investors at least 30 days before the change takes effect. The maximum Management Fee payable to the Trustee set out in the Fund's Constitution is 4% of the Fund's NAV. The Constitution for the Fund, which is available on our website at australianethical.com.au/shareholder/corporate-governance/

Ability to negotiate fees

Under the Constitution, the Trustee may agree fee arrangements with individual Unitholders, on a basis that differs from those applying to other Unitholders. The Trustee may also agree with a Unitholder, to rebate a percentage of the remuneration or fees charged to the account of a Unitholder.

The Trustee has agreed to different arrangements relating to the Management Fee with the holders of Class B Units, who are either founding investors or satisfy a minimum initial investment amount of A$20 million, which are different to the arrangements for Ordinary Unitholders described in this Memorandum.

9 Taxation

This Section 9 (*Taxation*) is a general summary of certain Australian tax implications associated with investing in the Fund and does not provide a comprehensive guide to the tax consequences associated with making, holding or disposing of an investment in the Fund. It should not be relied upon as taxation advice, and we strongly recommend you seek professional tax advice specific to your personal circumstances before applying to make an investment in the Fund.

This summary is based on the tax laws of Australia in force, as well as the interpretation of the Australian Tax Office (**ATO**), the various State Revenue Offices and the courts, as at the date of the publication of this Memorandum. Taxation laws are subject to continual change (including retrospectively) that may have an impact on the taxation of the Fund and investors. Each Investor must take full and sole responsibility for the associated tax implications arising from an investment in the Fund and any changes in those tax implications during the investment. The Trustee and its advisors take no responsibility for the tax implications of an investment in the Fund.

The information is general in nature only and is intended for use by Australian resident investors who hold their investment in the Fund on capital account. This summary does not intend to cover all tax implications of investing in the Fund, and this summary does not apply to other certain types of investors (for example, if you hold your investment in the Fund indirectly, as trading stock or otherwise as part of a trade or profit-making undertaking or scheme, within the Australian 'taxation of financial arrangements' regime, through a wrap account, master fund or other platform or as a custodian, nominee or trustee).

Taxation treatment of the Fund

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

However, it is possible that the Fund may be taxed like a company and subject to the Australian corporate tax rate for a particular income year if it is a 'public trading trust' under Division 6C of Part III of the *Income Tax Assessment Act 1936* (Cth) (**ITAA36**) at any time during an income year.

Distributions and taxation of investors

Investors will generally be required to include in their assessable income their share of the Fund's net income for an income year, regardless of whether distributions are received in cash or reinvested, and irrespective of when distributions are received from the Fund or whether distributions are reinvested. Distributions from the Fund may comprise various components, including:

- interest income;
- dividends (which may include franked and unfranked components);
- capital gains; and
- other forms of assessable income.

To the extent permitted by law, the character of the income (for example, capital gains or franked distributions) may flow through to investors. As a general rule, the tax components of distributions retain their character in your hands as they were derived by the Fund (for example, as dividends, interest, capital gains and other income).

Where the total cash distributions received by an investor differ from their share of the Fund's net income, this may result in adjustments to the cost base of the investor's Units. Where the cost base of Units is reduced to nil, any further reductions may give rise to a capital gain, and these adjustments will be reflected in the information provided in the SDS.

Where the Trustee pays foreign tax in respect of the Fund's income, investors may be entitled to a foreign income tax offset (FITO) to reduce their Australian tax liability. Any excess FITOs cannot be carried forward and will generally be lost.

Distributions that are reinvested will be treated as if they were received by the investor and then applied to acquire additional Units. These amounts will be assessed in the same manner as any other distribution, and the cost base of the additional Units will generally be equal to the amount reinvested.

9 Taxation

At the end of each income year, the Trustee will provide investors with a Standard Distribution Statement (SDS) which sets out details of the distributions paid and the relevant tax components for that income year. A guide to assist investors in completing their tax return is available on our website. A guide to help you transfer the information contained in your SDS Statement into your tax return is available on our website (at australianethical.com.au/taxguide/).

Disposal of units

Where you hold your investment on capital account, you will be subject to CGT on disposal, or partial disposal, of your investment and consequently may realise a capital gain or a capital loss.

Where you realise a capital gain on Units that have been held for at least 12 months, certain investors may be able to apply the relevant CGT discount (after reducing the gross capital gain by realised capital losses including carry forward capital losses) to such gains. As at the date of this Information Memorandum, current CGT discount is 50% for resident individuals and qualifying trusts, and 33.33% for complying superannuation funds and pooled superannuation trusts. CGT rules, including the availability and rate of any discount, are subject to change. Investors should seek their own tax advice having regard to their individual circumstances.

Cost base adjustments notified in the SDS Statement may affect the amount of capital gain or loss realised on a disposal.

Tax File Number (TFN) and Australian Business Number (ABN)

Providing a TFN or ABN is not compulsory for investors. However, unless exempt, if an investor does not provide their TFN or ABN, the Trustee may need to withhold tax from income distributions at the highest personal marginal rate (currently 45%), plus the Medicare levy (currently 2%) and any other applicable levies. Investors can provide their TFN, ABN, or an appropriate exemption when submitting the application form for an initial investment.

Non-resident Investors

The tax implications for all non-residents investors have not been outlined within this Memorandum. However, we have included a high level summary of the tax implications for New Zealand non-resident investors below. Non-resident investors should seek their own tax advice to understand the impact on their income or returns from the Fund.

The Trustee may be required to withhold Australian withholding tax from distributions from the Fund of certain Australian sourced income to non-resident investors. The rate of withholding imposed will depend on both the nature of the income and the jurisdiction of residence of the non-resident investor.

Where a non-resident investor (together with any associates) holds an interest of at least 10% in the Fund (a non-portfolio interest) at the time of a disposal, or has held such an interest throughout a 12-month period in the 24 months preceding disposal, Australia's CGT regime for foreign residents may apply to subject the disposal to Australia's CGT regime. Non-resident investors who hold a non-portfolio interest should obtain their own tax advice to understand the potential impact of these rules on their disposal of interests in the Fund. Relevantly, the Australian Government introduced the Treasury Laws Amendment (Strengthening Accountability for Tax Adviser Misconduct and Other Measures) Bill 2026 to Parliament on 2 July 2026. This bill is not yet law. If passed, the bill would introduce proposed changes to the Australian CGT regime for foreign residents which were previously announced as part of the 2024-25 Federal Budget in May 2024. Any developments with respect to these proposed changes and the passage of the Bill through Parliament should be monitored closely in the context of how they may apply to non-residents' investments in the Fund.

US Foreign Account Tax Compliance Act and OECD Common Reporting Standard

We are required to identify investors who are, or who are controlled by, tax residents of countries other than Australia in order to meet information reporting requirements under local and international laws, including the US Foreign Account Tax Compliance Act (**FATCA**) and the OECD's 'Common Reporting Standard' (**CRS**) and their Australian implementation. Information collected may be reported to the ATO, and through them to foreign tax authorities (including the US Internal Revenue Service (**IRS**)).

9 Taxation

If information you provide suggests that you are, or are controlled by, persons who may be a tax resident of a country(ies) other than Australia, we may be required to include your information in our annual FATCA and/or CRS report to the ATO. Failure to provide requested information may lead to the Trustee being unable to process your application. If at any time there is a change to your foreign tax status details or a change of controlling persons, you must promptly inform the Trustee.

GST

The acquisition, disposal, redemption or transfer of Units in, and any distributions from, the Fund will not be subject to GST in Australia. The Trustee may incur GST on expenses for the Fund, for which it may be eligible to claim input tax credits or reduced input tax credits for GST paid on certain expenses.

Duty

Subject to the proportionate interest being acquired, existing holdings and holdings or acquisitions by associates, and consideration being given to whether the interest is being acquired under an arrangement with other non- associated investors, stamp duty may be payable on an investment into the Fund, depending on the property held by the Fund at the time of investment. Any duty liability will be a cost to the investor.

Further, the Fund is not registered as a wholesale unit trust scheme in Victoria or New South Wales and does not satisfy the requirements of a wholesale unit trust in Queensland.

New Zealand Taxation Overview

This summary provides general guidance on New Zealand tax implications for New Zealand resident investors (**NZ Investors**). As laws may change and tax treatment varies by individual, NZ Investors should seek independent professional advice before investing in the Fund.

It applies to direct investments in the Fund. Indirect investors should consider the platform used, as they may be subject to ordinary tax rules even if the Foreign Investment Fund (**FIF**) rules do not apply. The summary assumes no NZ Investor holds a 10% or greater interest in the Fund. Tax treatment for investments in Australian securities differs from that for New Zealand securities.

Fund Classification

The Fund is an Australian unit trust, which is treated as a "company" for New Zealand tax purposes. NZ Investors are therefore considered shareholders in an Australian resident company.

New Zealand Dividend Taxation

The rules below apply to natural persons and certain trusts with offshore investments costing NZ$50,000 or less, unless they opt into FIF rules. The threshold excludes some ASX-listed shares and qualifying Australian unit trusts.

On 26 May 2026, the New Zealand Government announced its intention to increase the NZ$50,000 threshold referred to above to NZ$100,000. This proposed change is expected to apply retrospectively from 1 April 2026, subject to enacting legislation being passed in late 2026 or early 2027.

Distributions

Below the NZ$50,000 threshold, income distributions to or reinvestments in the Fund by NZ Investors are taxed as dividends at the NZ Investor's marginal rate. The full dividend, including any Australian withholding tax, must be included in the NZ Investor's income tax return or overseas income summary. A credit may be available for the withheld tax in Australia, limited to the New Zealand tax liability on the dividend.

Withdrawal of Units

Any gain exceeding the original Unit issue price (plus any reinvested distribution amounts), converted to New Zealand dollars at the time of withdrawal, will be treated as a dividend when the Units are redeemed unless:

- the withdrawal is at least 15% or more of the NZ Investor's total investment and the Fund has available subscribed capital at least equal to the withdrawal proceeds, or
- the withdrawal is not a pro rata cancellation and the Fund has available subscribed capital at least equal to the withdrawal proceeds.

Finally, there is an over-arching requirement that the withdrawal is not in lieu of the payment of a dividend. If it is treated as a dividend, the tax consequences will follow the same rules as those outlined above for distributions.

9 Taxation

Sale of Units

Sale proceeds are taxable only if:

- the NZ Investor is engaged in trading shares or similar assets (including units in unit trusts);
- the Units were acquired primarily for resale; or
- the proceeds arise from a profit-making scheme or undertaking.

NZ Investors who are taxable on amounts received on the sale or disposition of their Units will be allowed a tax deduction equal to the amount applied in application for the Units being redeemed. We recommend NZ Investors seek tax advice in such circumstances to confirm their tax position.

New Zealand Foreign Investment Fund Taxation

The FIF rules below apply to NZ Investors who cannot, or choose not to, apply Dividend Taxation.

NZ Investors will be taxed on their Units under the FIF rules unless the NZ$50,000 cost threshold, explained above, applies. The investment in the Fund will not fall within the very limited FIF rules exemption for certain Australian unit trusts nor within the exemption for Australian companies listed on the official list of the ASX.

New Zealand Investors will need to calculate their FIF income each year under one of six calculation methods, being:

- fair dividend rate (**FDR**) method;
- comparative value (**CV**) method;
- attributable FIF income method;
- deemed rate of return method;
- cost method; or
- revenue account method.

Strict rules govern the method that may be used for calculating FIF income and also restrict the ability to change between methods. Individuals and eligible family trusts can choose between the FDR method and CV method, depending on which method produces the lower taxable income each income year. However, the selected method must be applied consistently to all FIF interests for that income year.

FDR Method

The default approach for calculating taxable income under the FIF rules is the FDR method, which may be applied annually or periodically.

Under the FDR annual method, a NZ Investor is taxed on 5% of the New Zealand dollar value of their total offshore share portfolio (including the investment in the Fund) as of the start of the income year. The FDR periodic method only applies to NZ Investors that are a "unit valuing fund" or other NZ Investors who value their Units on a regular basis.

However, the FDR method cannot be used if:

- the investment is in a controlled foreign company , or
- the investment is restricted from using the FDR method, such as certain debt-like instruments (including FX-hedged investments).

CV Method

Individuals and family trusts may choose to be taxed under the CV method, which calculates actual gains (including changes in market value, distributions and net proceeds from disposals or withdrawals). This method is typically chosen if the resulting FIF income is less than the deemed 5% return under the FDR method for the year.

If a FIF method is selected for the Fund (such as the FDR or CV method), it must be applied to all offshore portfolio equity investments subject to the FIF rules for that income year.

Revenue Account Method

With effect from 1 April 2025, the new Revenue Account Method (RAM), can be used to calculate FIF taxable income. Under the RAM, only dividends and 70% of realised gains on disposal (or on emigration by way of an exit tax) are taxed with respect to eligible FIF interests.

The RAM is currently available to:

- New Zealand migrants who become fully tax resident in New Zealand (usually after the expiration of their transitional tax residence exemption period) on or after 1 April 2024, and
- Returning New Zealanders who have been non-New Zealand tax resident for at least five years.

9 Taxation

The RAM will generally only be available for unlisted FIF interests. However, for taxpayers who are subject to tax on a citizenship basis after becoming New Zealand tax resident (e.g., American citizens), the RAM may be applied to all FIF interests.

On 26 May 2026, the New Zealand Government also announced its intention to allow all New Zealand tax residents to apply the RAM, with retrospective effect from 1 April 2026. Legislation enacting this change is expected to be passed in late 2026 or early 2027.

NZ Investors who may be eligible to apply the new RAM should seek detailed professional advice as to whether the RAM can apply to their investments in the Fund, given their personal facts and circumstances.

Investment Losses

No tax deductions are allowed under the FDR or CV method if the Units decline in value during a tax year.

Disposal of Units

Gains on disposal are not taxable under the FDR method unless Units are "quick sale" Units. These are Units bought and sold within the same year or the same valuation period.

To calculate the "quick sale" adjustment, the NZ Investor's FDR income for the year is increased by the lesser of:

- 5% of the "cost" of the quick sale Units, and
- The NZ Investor's actual return on the quick sale Units.

Where the CV method is applied for the period in which the disposal occurs, proceeds derived from the sale of the Units will be taken into account in the CV method calculation.

Australian Withholding Tax

Australian withholding tax deducted from Fund distributions may be credited against a NZ Investor's income tax liability under the FIF rules. The credit is limited to the lesser of the New Zealand tax payable on the FIF income or the amount of Australian withholding tax paid. However, NZ Investors generally cannot claim a tax credit for overseas withholding tax applied to the Fund's underlying investments.

FIF Reforms

The New Zealand Foreign Investment Fund (FIF) rules include a realisation-based calculation method known as the Revenue Account Method (RAM) for certain eligible taxpayers. Under the RAM, FIF income is generally calculated based on dividends received and gains or losses realised on disposal of eligible foreign investments, rather than under the standard FIF calculation methods.

The RAM is generally available to eligible taxpayers who:

- became New Zealand tax resident on or after 1 April 2024; or
- are returning New Zealand residents who were non-resident for a qualifying period before returning to New Zealand,

subject to the eligibility requirements in the Income Tax Act 2007.

For all other existing New Zealand taxpayers, the existing FIF rules will continue to apply.

NZ Investors who may be eligible to apply the new RAM should seek detailed professional advice as to whether the RAM can apply to their investments in the Fund, given their personal facts and circumstances.

New Zealand GST

No GST applies to distributions or transactions involving Units.

10 Additional information

New Zealand selling restriction

Each NZ Investor acknowledges and agrees that:

(a) he, she or it has not offered, sold, or transferred, and will not offer, sell, or transfer, directly or indirectly, any units in the Fund; and

(b) he, she or it has not granted, issued, or transferred, and will not grant, issue, or transfer, any interests in or options over, directly or indirectly, any units in the Fund; and

(c) he, she or it has not distributed and will not distribute, directly or indirectly, an information memorandum or any other offering materials or advertisement in relation to any offer of any units in the Fund,

in each case in New Zealand other than to a person who is a NZ Wholesale Investor; and

(d) he, she or it will notify us if he, she, or it ceases to be a NZ Wholesale Investor.

Distribution policy

The Trustee will aim for the Fund to pay distributions on a semi-annual basis for the periods ending 30 June and 31 December in each year. From the financial year ending 30 June 2027, the Fund will target annual distributions of approximately 5% of the Fund's net asset value (NAV).

For the purposes of this calculation, NAV will be determined as the average of the Fund's total NAV (aggregated across all unit classes) for the first 11 months of the relevant financial year (July to May). The aggregate distributions for the June and December periods will be managed to ensure that this target distribution requirement is met or exceeded.

You will be notified of the composition of your distribution and the types of income and capital components annually. The Trustee will aim to distribute all taxable income, less any Fund expenses and costs, at least annually. In some instances, at the Trustee's discretion, the Trustee may also make additional special distributions from the Fund, typically when there is surplus capital. Your share of any distributions will be proportionate to the number of Units you hold on the last day of the distribution period, relative to the total number of Units on issue at that time. The amount you receive will vary from year to year.

We will send you a tax statement after the end of each financial year detailing the amounts distributed to you, to assist in the preparation of your tax return.

Distributions can be reinvested or paid to your nominated bank account. If no selection is made, or we are unable to pay it to you for any reason, your income will be automatically reinvested and additional Units issued in your name. You may change this selection by notifying us and you may select whether to reinvest or receive a direct credit from the Fund. An instruction to reinvest your distribution needs to be in place no later than 3:00 p.m. on the last Business Day of the quarter. You only need to tell us once if you want your income payment reinvested. After that, you will only need to inform us if you wish to change your instructions. If you reinvest your distribution, the transaction date for this will be the day after the end of the distribution period. The distribution reinvestment Unit price will be the NAV Unit price at the end of the final distribution period, after provision for the distribution.

Details relating to each distribution will be published on the Website (at australianethical.com.au/investments/managed-funds/distributions/). The Trustee's distribution policy for the Fund described in this Memorandum is current as at the date of this Memorandum, but is subject to change from time to time.

Reinvestment of distributions disclosures - New Zealand investors

The distribution reinvestment plan described in this Memorandum is offered to New Zealand investors on the following basis:

- At the time the price of the Units allotted pursuant to the distribution reinvestment plan is set, we will not have any information that is not publicly available that would, or would be likely to, have a material adverse effect on the realisable price of the Units if the information were publicly available.
- The right to acquire, or require us to issue, Units will be offered to all investors of the same class, other than those resident outside Australia or New Zealand who are excluded so as to avoid breaching overseas laws.
- Units will be issued on the terms disclosed to you, and will be subject to the same rights as Units issued to all investors of the same class as you.

10 Additional information

There is available, on request and free of charge, a copy of the most recent annual report (if any) of the Fund, the most recent financial statements (if any) of the Fund (which are not currently required to be audited), the PDS and the Constitution for the Fund (including any amendments). Other than the Constitution, these documents may be obtained electronically from australianethical.com.au/.

Side letters

The Trustee may enter into any side letters or side arrangements with Unitholders and/or other persons in relation to the operation and management of the Fund, without the consent of any other person, provided that such arrangements are not prohibited by any provision of the Constitution. The Trustee and all Unitholders agree that the terms of a side letter with a particular Unitholder, which may include rights to payments from the Trustee (in its personal capacity, or as trustee of the Fund) and waiver or delay by the Unitholder of rights under the Fund's Constitution, are binding on such Unitholder, the Trustee and the Fund. Any right granted to a Unitholder in any such side letter or side arrangement is not assignable without the prior written consent of the Trustee (in its absolute discretion). The Trustee (in its absolute discretion) may determine whether or not to disclose the terms of a side letter to another investor.

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 (see www.investorserve.com.au).

When you make your initial investment in the Fund, we will post you a confirmation letter and a personal identification number (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; and
- select the way you would prefer us to communicate with you.

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

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

Australian Ethical is required to comply with laws and regulations relating to the prevention of money laundering and counter terrorism financing and sanctions. From time to time, we may take various actions we believe necessary to comply with these laws and relevant internal policies, including requiring additional information from you in order to verify your identity (or the identity of your legal representative, anyone acting on your behalf, or any beneficial owners or third parties) or to verify the source of your application monies before providing services, and re-identifying you. We may be required to delay, block, freeze or not process transactions. Where you supply documentation relating to the verification of your identity, we are required to keep a record of this documentation for at least 7 years. Australian Ethical will actively destroy or de identify identification images once they are no longer required. We will only retain the minimum records as outlined by the AML/CTF Act (e.g. verification outcome, reference number, date).

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 have an impact on your investment and could result in a loss of income and capital invested. Australian Ethical will not be liable for any loss (including consequential loss) resulting from any such actions.

Privacy policy

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

10 Additional information

We will use your personal information to:

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

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

Conflicts of interest, investment allocations and related party transactions

Subject to the law, ASIC policy and the Constitution, the Trustee and its officers, employees, agents and advisers may from time to time:

- act in various capacities (such as adviser, manager and responsible entity / trustee of another fund vehicle) in relation to, or be otherwise involved in (such as by way of investment), other business activities that may be aligned or in competition with the interests of investors in the Fund;
- deal with each other in relation to the Fund, in which case the dealing will generally be on arm's length terms or approved by the Trustee's investment team;
- invest in and deal in any capacity with the same investments as that of the Trustee for the Fund, on similar or different terms;
- establish investment vehicles that may co-invest in the investments of the Trustee for the Fund; and/or
- recommend that investments be bought or sold on behalf of the Fund, regardless of whether at the same time the relevant person may buy, sell or recommend, in the same or in a contrary manner, the purchase or sale of identical investments in relation to itself or other parties.

The Trustee will manage the Fund in line with Australian Ethical's 'Trade and Private Assets Allocation Policy' which governs offers of investment opportunities to the Fund and Australian Ethical's other managed funds and portfolios.

The Trustee will manage any conflicts of interest and related party transactions in accordance with Australian Ethical's 'Conflicts Management Framework', the law, ASIC policy and the Constitution. The Trustee will make its relevant policies available upon request.

Complaints and enquiries

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

We aim to acknowledge receipt of your complaint within 1 business day after receiving it, or as soon as practicable. We will endeavour to respond to your complaint within 30 calendar days of receipt. 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**), but please note that AFCA has a discretion to exclude complaints by Wholesale Clients from its process.

AFCA operates the external complaints resolution scheme and their services are provided at no charge to you:

The Australian Financial Complaints Authority (AFCA):

W: afca.org.au

E: info@ afca.org.au

A: GPO Box 3, Melbourne VIC 3001

T: 1800 931 678

11 Glossary

Term	Definition
$, A$ or dollar	means the lawful currency of the Commonwealth of Australia;
ABC of Enterprise Impact	means Impact Frontiers' *'ABC of Enterprise Impact'*, a classification system for enterprises based on their outcomes that distinguishes between Acting to Reduce Harm, Benefiting Stakeholders and Contributing to Solutions enterprise levels;
AEI	Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949);
AE Foundation	means the Australian Ethical Foundation Ltd (ABN 14 607 166 503);
AFCA	means the Australian Financial Complaints Authority;
AFSL	means Australian financial services licence;
Aii	means Australian Impact Investments Pty Ltd (ABN 81 165 905 582)
AMIT	means 'Attribution Managed Investment Trust';
AMMA Statement	means 'AMIT Member Annual' statement;
Application Cut-Off	means 3:00 p.m. (Sydney time) on each Business day, being the time by which we should receive your validly completed application request and application monies;
Application Form	means a form to apply for Units, either electronically (available from australianethical.com.au) or in paper form (attached to this Memorandum);
Australian Ethical, we, our, us	means Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949);
Business Day	means a day, other than a Saturday, Sunday or public holiday in Sydney, when banks are open for general banking business, or such other day as determined by the Trustee;
C Score	means the classification of an Asset as Contribute to Solutions under the Impact Framework;
Capital Additionality	means the asset-level investor contribution assessed under the Impact Framework, where the capital deployed by the Fund to an Asset supports the growth of new or undersupplied impact-aligned capital markets by meeting an unmet capital expenditure or operating expenditure need, including transaction costs where relevant;
CGT	means Capital Gains Tax;
CIO	means Chief Investment Officer;
Constitution	means the Fund's constitution, originally entered into by the Trustee on 19 March 2026, as amended from time to time;
Contribute to Solutions	means the Enterprise Impact classification applied to an Asset under the Impact Framework where the Asset contributes to addressing a significant social or environmental challenge by improving an outcome for people or planet from below an identified threshold to a positive and sustainable range, where that outcome is both core to the Asset and measurable;
Corporations Act	means the *Corporations Act 2001* (Cth);
Custodian	means the custodian of the Fund, being State Street Australia Ltd (ABN 21 002 965 200) and Perpetual Corporate Trust Ltd (ABN 99 003 341 533);

11 Glossary

Term	Definition
Enterprise Contribution	means a component of the asset-level assessment of Enterprise Impact under the Impact Framework;
Enterprise Impact	means the combined asset-level assessment of What, Who, How Much and Enterprise Contribution under the Impact Framework;
Eligible Impact Asset	means an Asset that is an Impact Investment and satisfies the Enterprise Impact Threshold, Capital Additionality, Measurement Readiness and Impact Risk requirements as assessed under the Impact Framework so that it may count towards the Fund's 10% target impact allocation;
Enterprise Impact Threshold	means the minimum threshold for Enterprise Impact required for an Asset to be classified as Contribute to Solutions under the Impact Framework;
Ethical Charter	means our 'Ethical Charter', explained further in Section 5 (*Investment processes*);
Ethical Criteria	means our ethical investment criteria, more information about which is available in our Ethical Guide;
Ethical Guide	means our 'Ethical Guide', available at australianethical.com.au/why-ae/ethics;
FITO	means 'foreign income tax offset';
Five Dimensions of Impact	means Impact Frontiers' `Five Dimensions of Impact', a practical tool for assessing the impacts of enterprises on people and the planet as understood across five dimensions: what, who, how much, enterprise contribution and impact risk;
Fund	means the Australian Ethical Balanced Income Fund;
Global Impact Investing Network	means the global industry body dedicated to increasing the scale and effectiveness of impact investing to solve systemic problems facing people and the planet;
GST	means Goods and Services Tax;
Impact Framework	means the framework developed by Aii in consultation with Australian Ethical and adopted by the Trustee for the Fund, which sets out how investments held in the fund are assessed, classified, monitored, managed and reported for impact; and identifies which Assets may count towards the Fund's 10% target of impact allocation;
Impact Frontiers	means 'Impact Frontiers', an international organisation based in the US which fosters an environment of learning and market-building collaboration for investors seeking to manage their social and environmental impacts and incorporate impact into investment decision-making;
Impact Investment	means an investment made with the intention to generate positive, measurable social or environmental impact alongside a financial return, consistent with the definition used by the Global Impact Investing Network.
Impact Risk	means the assessment under the Impact Framework of the risk that impact does not occur as expected, is lower than expected, creates unintended negative effects, is not sustained, or is not supported by sufficient evidence;
Investment Committee	means Australian Ethical's non-executive 'Investment Committee';
KPIs	means key performance indicators;

11 Glossary

Term	Definition
Management Fee	means a fee the Trustee is entitled to in respect of its management of the business and investments of the Fund, payable from the Fund's assets, as further described in this Memorandum;
Manager	means the investment manager of the Fund, being Australian Ethical;
Measurement Readiness	means the assessment under the Impact Framework of whether an investment has a defined impact thesis, target outcomes and at least one measurable impact key performance indicator, so that impact can be monitored and reported over time;
Memorandum	means this information memorandum;
NAV	means Net Asset Value;
NZ Wholesale Investors	means in the case of a New Zealand investor, a Wholesale Client who also meets the definition of wholesale investor under clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand);
OECD	means Organisation for Economic Cooperation and Development;
Registrar	means the Unit registrar for the Fund, being Boardroom Pty Ltd (ABN 14 003 209 836);
Regular Investment Plan	means the 'Regular Investment Plan' for the Fund;
Safe Harbour Certificate	means a safe harbour certificate that meets the requirements of clause 44 of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand).
Trustee	means the trustee of the Fund (ABN 63 775 839 546), being Australian Ethical ;
Unitholders	means registered holders of Units;
Units	means units in the Fund;
US	means the United States of America;
Website	means the Fund's website at australianethical.com.au/managed-funds/;
Wholesale Clients	means wholesale clients as defined in sections 761G and 761GA of the Corporations Act; and
Wholesale Client Certificate	means a certificate provided by a qualifying accountant that confirms an investor is a Wholesale Client on the basis of the investor's income and/or wealth.

Australian Ethical

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