

# Significant Event Notice May 2015

Managed Funds

## Significant Event Notice

We are writing to let you know about changes to the Australian Ethical managed funds that may affect your investment.

### It's now easier to invest more

To add more to a fund you already invest in...

Simply make a BPAY payment using your BPAY reference number, and the biller code for the fund:

- Balanced Trust: 20859
- Smaller Companies Trust: 20602
- Larger Companies Trust: 20867
- International Equities Trust: 556373
- Advocacy Fund: 125757
- Cash Trust (formerly Income Trust): 20610
- Fixed Interest Trust: 234534

To invest in a different fund...

We've created a new, simple one-page form that you can send to us via email or post. See the form for further information – we've included it at the end of this letter.

## New Fund – Australian Ethical Emerging Companies Fund

Australian Ethical has long been known for its investment expertise in seeking out quality small-sized companies, as evidenced by our flagship Smaller Companies Trust which has returned 10.2% p.a. since inception to 31 March 2015.

As of 1 July 2015, the Smaller Companies Trust is being renamed the Australian Shares Fund, to better reflect its makeup, which includes around 40% large-cap stocks.

By contrast, the new Emerging Companies Fund will be entirely focused on small and micro-cap stocks, including stocks that are not included in the Smaller Companies Trust.

The Emerging Companies Fund launches on 1 July 2015 and given the Fund's mandate to invest purely in small and micro-cap stocks there will be a limit on how big the Fund can be. As such the size of the Fund will be capped so get in fast to avoid missing out.

|   |  |                             |                 |                  |
|---|--|-----------------------------|-----------------|------------------|
| <b>Investment objective</b>                       | To provide long-term growth by investing in small capitalisation companies that meet the Australian Ethical Charter.   |                             |                 |                  |
| <b>Investors that the Fund may suit</b>           | Investors seeking capital growth through an exposure to small capitalisation companies. The Fund is suited to investors with a longer timeframe and higher risk tolerance.   |                             |                 |                  |
| <b>Recommended minimum investment timeframe</b>   | 7 years  |                             |                 |                  |
| <b>Strategy</b>                                   | The opportunity to invest in a diversified portfolio of shares in small capitalisation companies on the basis of their social, environmental and financial credentials. The Fund utilises an active stock-picking management style with stocks selected for growth rather than income. All stocks are chosen on the basis of relative value where we deem the risks are being adequately priced. |                             |                 |                  |
| <b>Mix of asset classes and strategic ranges*</b> |  | <b>Growth</b>               |                 | <b>Defensive</b> |
|   | <b>Assets Class</b>  | Small capitalisation shares | Unlisted shares | Cash             |
|   | <b>Ranges</b>  | 70-100%                     | 0-10%           | 0-20%            |
| <b>Risk level</b>                                 | High   |                             |                 |                  |

These are indicative asset allocation ranges for the Fund. If market movements, investment into or withdrawals from the Fund or changes in the nature of an investment, cause the Fund to move outside these indicative ranges, this will be addressed by us as soon as reasonably practicable.

For further information regarding the Australian Ethical Emerging Companies Fund please refer to the Product Disclosure Statement (PDS). A copy of the PDS will be available from 1 July 2015 at [australianethical.com.au/managed-funds-pds](http://australianethical.com.au/managed-funds-pds) or by calling us on 1800 021 227.

## Name Changes

The following name changes, which have been made to better reflect the nature of the funds, come into effect on 1 July 2015.

| ARSN Code   | Old Fund Name                                   | New Fund Name                                |
|-------------|---|--|
| TBC         | New Fund  | Australian Ethical Emerging Companies Fund   |
| 124 861 338 | Australian Ethical International Equities Trust | Australian Ethical International Shares Fund |
| 089 919 175 | Australian Ethical Smaller Companies Trust      | Australian Ethical Australian Shares Fund    |
| 089 919 166 | Australian Ethical Larger Companies Trust       | Australian Ethical Diversified Shares Fund   |
| 140 444 211 | Australian Ethical Advocacy Fund                | No Change                                    |
| 089 919 255 | Australian Ethical Balanced Trust               | Australian Ethical Balanced Fund             |
| 166 048 184 | Australian Ethical Fixed Interest Trust         | Australian Ethical Fixed Interest Fund       |
| 089 919 120 | Australian Ethical Cash Trust                   | Australian Ethical Cash Fund                 |

## Wholesale Investments

From 1 July 2015 we are introducing a wholesale class of units to the Australian Ethical International Shares Fund and the Australian Ethical Cash Fund. The new Australian Ethical Emerging Companies Fund will also offer wholesale units. A wholesale class of units is generally offered to investors with larger investment amounts and offers lower management fees.

At the same time we will also be lowering the minimum investment required to access the wholesale class of units.

| Product Name   | Wholesale Class Investment Minimum from 1 July 2015  | Management Fee – Wholesale Class   |
|--|--|--|
| Australian Ethical Emerging Companies Fund (Wholesale)   | \$25,000   | 1.20% p.a. plus Performance fee: 20% of the difference between the Fund's daily return and its performance hurdle. |
| Australian Ethical International Shares Fund (Wholesale) | \$25,000   | 1.35% p.a.   |
| Australian Ethical Australian Shares Fund (Wholesale)    | \$25,000 (Investors must maintain minimum \$500,000* investment across Australian Ethical Managed Funds) | 0.95% p.a.   |
| Australian Ethical Diversified Shares Fund (Wholesale)   | \$25,000 (Investors must maintain minimum \$500,000* investment across Australian Ethical Managed Funds) | 0.95% p.a.   |
| Australian Ethical Advocacy Fund (Wholesale)             | \$25,000   | 0.95% p.a.   |
| Australian Ethical Fixed Interest Fund (Wholesale)       | \$25,000   | 0.65% p.a.   |
| Australian Ethical Cash Fund (Wholesale)                 | \$25,000   | 0.50% p.a.   |

A lower minimum investment may apply for mFund investors

The wholesale class of units will have their own APIR code. Information about unit prices and performance will be provided to relevant advisers, institutions and research houses.

### Eligibility and reclassification of units

If you're a current investor and you're eligible to invest in the wholesale class of units you don't need to do anything – we'll move you and provide you with a statement. The change will not have any taxation implications for investors.

For further information regarding the wholesale classes for the Australian Ethical International Shares Fund, the Australian Ethical Cash Fund and the Australian Ethical Emerging Companies Fund, please refer to the relevant PDS. The PDS's will be available from 1 July 2015 and can be found at [australianethical.com.au/managed-funds-pds](http://australianethical.com.au/managed-funds-pds) or by calling us on 1800 021 227.

## mFund Settlement Service

The mFund Settlement Service is offered by the Australian Stock Exchange (ASX) and is a way to access unlisted managed funds via a broking service. We

may apply different minimum investment amounts to investors that access our funds through the mFund Settlement Service. The following funds will be offered to investors through mFund:

- Australian Ethical Emerging Companies Fund (Wholesale)
- Australian Ethical Australian Shares Fund (Wholesale)
- Australian Ethical International Shares Fund (Wholesale)
- Australian Ethical Diversified Shares Fund (Wholesale)
- Australian Ethical Advocacy Fund (Wholesale)
- Australian Ethical Fixed Interest Fund (Wholesale)
- Australian Ethical Cash Fund (Wholesale)

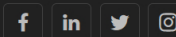
Additional information regarding the mFund Settlement Service can be found at [www.asx.com.au/mfund](http://www.asx.com.au/mfund) or [www.australianethical.com.au/mfunds](http://www.australianethical.com.au/mfunds)

## Fee Changes

From 1 July 2015 the management fee for the Australian Ethical International Shares Fund will increase from 1.76% p.a. to 2.20% p.a.

For further information regarding the Australian Ethical International Shares Fund please refer to the PDS. A copy of the PDS will be available from 1 July 2015 and can be found at [australianethical.com.au/managed-funds-pds](http://australianethical.com.au/managed-funds-pds) or by calling us on 1800 021 227.

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This website provides you with general information only and does not take account of your individual investment objectives, financial situation or needs. Before acting on it, consider its appropriateness to your circumstances and read the Financial Services Guide and the Product Disclosure Statement relevant to the product which is available on our website.

You should consider seeking advice from an authorised financial adviser before making an investment decision. Past performance is not a reliable indicator of future performance.

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