Ethical investing

Ethical investing refers to the practice of using ethical principles as the primary filter for selecting which companies to invest in. What is defined as 'ethical' is necessarily subjective, but for most ethical investors, this means incorporating environmental, social and governance (ESG) considerations into the investment decision-making process.

Evidence is growing that companies which take ESG factors into account deliver strong returns over the long term. A study by the Responsible Investment Association of Australasia (RIAA) revealed that responsible funds have on average beaten large cap Australian funds by 4.4 percent per annum and the ASX300 by 3.4 percent per annum over the last decade.

This outperformance is less surprising than it may first appear. After all, investing in a company which implements high governance standards, delivers environmentally sustainable products and services, takes care of its staff and suppliers, and treats its customers well is simply more likely to be able to sustain its success over the long term.

The shift towards a more conscientious approach to capital allocation is also accelerating. Over 1,800 investors managing US$70 trillion in assets have adopted the UN Principles of Responsible Investment, which require ESG outcomes to be incorporated into decision-making.


2. Investor action on climate change – A PRI – Novethic assessment of global investor practices – September 2017

In the last decade, responsible funds have beaten¹:

<table>
<thead>
<tr>
<th>Large cap Australian funds by ASX300 by</th>
<th>2.2% per annum</th>
<th>1.2% per annum</th>
</tr>
</thead>
</table>

The UN principles of Responsible Investment have been adopted by²:

1,800+ investors
US$70 trillion assets under management

1

2

U Ethical Investing with purpose
Why U Ethical

U Ethical is an investment manager with a difference. Since our first funds were established in 1985, we have worked to create a better world by investing with purpose.

We are focused on serving the needs of all kinds of investors – from corporate and institutional, to not-for-profits, to individual clients. Whether big or small, our clients trust us to deliver competitive returns while doing the right thing by communities and the planet.

Today, we are one of the largest ethical investment managers in Australia, with over $1.1 billion in funds under management. Unlike the majority of ethical managers, we are a not-for-profit social enterprise (a charity), which means most of our surplus goes to support social justice advocacy and community programs.

In addition, we are one of the few investment businesses in Australia to be certified as a B Corporation. We’re proud to have the highest ‘B impact score’ of any Australian financial institution. This means U Ethical meets the highest standards of social and environmental performance and public transparency to balance profit and purpose.

U Ethical is also an active investor. We adopt clear positions on important ethical issues, and don’t shy away from holding companies to account. This includes divesting or excluding companies from our portfolios on ethical grounds if we consider it necessary. This principled approach to advocacy and investing stems from our origins in the Uniting Church – one of Australia’s oldest and most effective advocates for social and environmental justice.

Certified
B
Corporation®

$1.1 billion+
in funds under management

We’re a social enterprise
donating the majority of our surplus in charitable grants

Delivering results
Competitive returns in all our funds over many decades*

Community oriented
$60 million granted to community initiatives

Ethically focused
Positive and negative screening to ensure your money is invested for good

Active investing
We work directly with companies to create positive change

* Past performance is not indicative of future performance

Our approach
Our products

U Ethical offers a range of investment solutions for our over 5,000 clients. All of our products aim to deliver superior risk-adjusted returns compared to benchmarks through a disciplined investment process, while keeping ethical considerations front of mind.

Not all values-driven investments are equal. We are also an accredited signatory to the UN Principles for Responsible Investment.

Transparency and performance are very important to us and our clients. You can assess the track-record of each of our funds since inception at www.uethical.com. You’ll also find our ethical investment policy, our excluded stock lists, our corporate voting record, and our advocacy and corporate engagement activity.

### Retail investors

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Description</th>
<th>Suggested Investment Horizon</th>
<th>Risk Profile</th>
<th>Investment Horizon</th>
<th>Capital Growth Focused</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Management Trust</strong></td>
<td>A portfolio of cash and term deposits aiming to generate income and maintain capital stability and ready access to your funds.</td>
<td>- 6 months</td>
<td>Very low risk profile</td>
<td>- 6 months</td>
<td>-</td>
</tr>
<tr>
<td><strong>Australian Equities Trust</strong></td>
<td>A diversified portfolio of ethically screened Australian shares designed to provide income and long-term capital growth.</td>
<td>- 7 to 10 years</td>
<td>High risk profile</td>
<td>- 7 to 10 years</td>
<td>-</td>
</tr>
<tr>
<td><strong>Enhanced Cash Trust</strong></td>
<td>A diversified portfolio of cash and fixed income securities aiming to provide consistent income and ready access to your funds.</td>
<td>- 2 years</td>
<td>Low risk profile</td>
<td>- 2 years</td>
<td>-</td>
</tr>
<tr>
<td><strong>Diversified Income Trust</strong></td>
<td>A diversified portfolio of income generating investments including cash, short-dated deposits, government and corporate bonds, hybrid securities, asset-backed securities, mortgages and impact loans.</td>
<td>- 3 to 5 years</td>
<td>Medium risk profile</td>
<td>- 3 to 5 years</td>
<td>-</td>
</tr>
<tr>
<td><strong>International Equities Trust</strong></td>
<td>A high-conviction, ethically screened and actively managed portfolio for investors seeking tangible positive impact and competitive financial returns.</td>
<td>Minimum Environmental, Social and Governance ratings</td>
<td>High risk profile</td>
<td>Targeted alignment with UN Sustainable Development Goals</td>
<td></td>
</tr>
</tbody>
</table>

### Wholesale investors

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Description</th>
<th>Suggested Investment Horizon</th>
<th>Risk Profile</th>
<th>Investment Horizon</th>
<th>Capital Growth Focused</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Management Trust</strong></td>
<td>A portfolio of cash and term deposits aiming to generate income and maintain capital stability and ready access to your funds.</td>
<td>- 6 months</td>
<td>Very low risk profile</td>
<td>- 6 months</td>
<td>-</td>
</tr>
<tr>
<td><strong>Growth Portfolio</strong></td>
<td>A diversified portfolio of ethically screened Australian and international shares, listed property trusts and enhanced cash designed to achieve competitive risk adjusted returns over the medium to long term.</td>
<td>- 5 years</td>
<td>Medium to high risk profile</td>
<td>- 5 years</td>
<td>-</td>
</tr>
<tr>
<td><strong>Australian Equities Trust</strong></td>
<td>A diversified portfolio of ethically screened Australian shares designed to provide income and long-term capital growth.</td>
<td>- 7 to 10 years</td>
<td>High risk profile</td>
<td>- 7 to 10 years</td>
<td>-</td>
</tr>
<tr>
<td><strong>Enhanced Cash Trust</strong></td>
<td>A diversified portfolio of cash and fixed income securities aiming to provide consistent income and ready access to your funds.</td>
<td>- 2 years</td>
<td>Low risk profile</td>
<td>- 2 years</td>
<td>-</td>
</tr>
<tr>
<td><strong>Diversified Income Trust</strong></td>
<td>A diversified portfolio of income generating investments including cash, short-dated deposits, government and corporate bonds, hybrid securities, asset-backed securities, mortgages and impact loans.</td>
<td>- 3 to 5 years</td>
<td>Medium risk profile</td>
<td>- 3 to 5 years</td>
<td>-</td>
</tr>
<tr>
<td><strong>International Equities Trust</strong></td>
<td>A high-conviction, ethically screened and actively managed portfolio for investors seeking tangible positive impact and competitive financial returns.</td>
<td>Minimum Environmental, Social and Governance ratings</td>
<td>High risk profile</td>
<td>Targeted alignment with UN Sustainable Development Goals</td>
<td></td>
</tr>
</tbody>
</table>

1. Subject to conditions. Please read the applicable product disclosure documents. Valid redemption requests will be processed based on the redemption times stated in the applicable product disclosure documents, subject to the Trust's liquidity.
What we do and don’t invest in

Our positive screen seeks out companies that promote human welfare and dignity or environmental sustainability. Examples include companies producing goods or services that enhance the health and welfare of individuals and communities, as well as companies producing goods or services that protect our environment. Specifically targeting those companies which we believe are doing good, reflects U Ethical’s vision of investing for a better world.

U Ethical avoids investing in companies that:

- cause unacceptable damage to the natural environment
- infringe on human rights
- have unacceptable occupational health and safety practices
- support oppressive regimes
- cause or perpetuate injustice and suffering

Our screening approach means we systematically exclude the following industries due to their inherent negative impacts:

- Fossil fuels (exploration, extraction and power generation)
- Uranium for non-medical uses
- Armaments
- Predatory lending
- Gambling
- Adult entertainment
- Animal cruelty
- Alcohol production
- Tobacco manufacturing

Our positive screen seeks out companies that promote human welfare and dignity or environmental sustainability. We screen positively for sectors such as:

- Clean energy
- Sustainable agriculture
- Recycling and reuse
- Employment
- Community and education services
- Health care
Our impact

As a not-for-profit social enterprise, most of our surplus goes to community programs and social justice advocacy initiatives. Since 1995, we have made over $60 million in charitable grants.

Family support  Asylum seekers  Environmental protection  Payday lender legislation

Domestic violence  Helping the homeless  Affordable housing  Restricting credit card gambling

Pensioner support  Aboriginal and Torres Strait Islander support  Modern slavery advocacy

To find out more about investing with U Ethical, visit www.uethical.com or contact our Client Services Team on 1800 996 888
**Contact details**

**Registered office**
Level 6, 130 Lonsdale Street,
Melbourne VIC 3000

**Website** www.uethical.com
**Email** info@uethical.com
**Freecall** 1800 996 888
**Fax** 03 9116 2150

**Office hours**
8.30 am – 5.00 pm
Monday to Friday

---

**Important information**

This document has been prepared by Uniting Ethical Investors Limited (a registered business name of Uniting Ethical Investors Limited ABN 46 102 469 821 AFSL 294147) in relation to the U Ethical Cash Management Trust, U Ethical Australian Equities Trust, U Ethical Cash Management Trust (Wholesale), U Ethical Enhanced Cash Trust (Wholesale), U Ethical Diversified Income Trust (Wholesale), U Ethical Australian Equities Trust (Wholesale), U Ethical International Equities Trust (Wholesale) and U Ethical Growth Portfolio (collectively, Funds).

The information provided is general information only. It does not constitute financial, tax or legal advice or an offer or solicitation to subscribe for units in any of the U Ethical Funds for which U Ethical is the issuer, trustee, responsible entity, manager or administrator. It does not take into account your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a Fund(s), you should seek independent financial advice and read the applicable product disclosure statement, information memorandum or offer document, which can be found on our website or by calling us on 1800 996 888.

Debentures in the U Ethical Growth Portfolio are issued by UCA Growth Fund Limited ABN 39 075 948 435 (UCA Growth) and managed by U Ethical.

U Ethical Growth Portfolio is not prudentially supervised by the Australian Prudential Regulation Authority (APRA) and operate under APRA’s Banking Exemption No.1 as religious charitable development funds. Therefore, an investor in the Portfolio will not receive the benefit of the financial claims scheme or the depositor protection provisions in the Banking Act 1959. Investments in the Portfolios will be used to support the charitable purposes of the Portfolio.

UCA Growth relies on the exemptions under section 5(1) and 5 (2) of ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813. Investors are notified that the debentures in the Portfolio and their offering, are not subject to the usual protections for investors under the Corporations Act or regulation by ASIC, and have not been approved or examined by ASIC. Investors in the Portfolios may be unable to get some or all of their money back when the investor expects or at all. Investment in the Portfolios is not comparable to investments with banks, finance companies or fund managers.