



# U Ethical Australian Equities Trust

## Product Disclosure Statement



Issued 02 May 2019

**Issued and managed by Uniting Ethical Investors Limited trading as U Ethical** ABN 46 102 469 821 AFSL 294147

**Contact Us**

U Ethical

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This PDS is a summary of the significant information you need to make a decision. It includes reference to important information that forms part of the PDS and is included in the U Ethical Australian Equities Trust Additional Information Booklet dated 02 May 2019 (the Additional Information Booklet). The Additional Information Booklet can be found on [www.uethical.com](http://www.uethical.com) or by calling us on 1800 996 888. The relevant important information is referred to at the end of each section of this document. You should consider this additional important information before making your decision.

Information in this PDS is general information only and does not take into account your personal financial situation or needs. You should consider obtaining financial advice that is tailored to suit your personal circumstances.

This Product Disclosure Statement (PDS) is issued by Uniting Ethical Investors Limited trading as U Ethical, the Responsible Entity of the U Ethical Australian Equities Trust (ARSN 610 023 606).

The information in this PDS is up-to-date at the time of preparation. However, information in this PDS is subject to change from time to time. Information that is not materially adverse information can be updated by U Ethical. Updated information can be obtained from our website or by contacting U Ethical on 1800 996 888. You can request a paper copy of any updated information at any time, free of charge.

Although key provisions of the Constitution of the U Ethical Australian Equities Trust (the Trust) are explained in the Additional Information Booklet, a complete copy of the Constitution is available on the U Ethical website or on request.

## 1. About U Ethical

U Ethical is a public company limited by guarantee that operates an ethical funds management business and holds AFS licence 294147. U Ethical operates under the umbrella of the Uniting Church in Australia, Synod of Victoria and Tasmania (the Church).

U Ethical is an investment manager with a difference. We believe in creating a better world by investing with purpose—today and into the future.

U Ethical is the trustee, operator and manager for the Trust, and is responsible for the day-to-day management (including investment decision making).

## 2. How the U Ethical Australian Equities Trust (the Trust) works

The Trust is a growth fund for retail and wholesale investors. It is designed for investors wishing to invest according to socially responsible and ethical principles. The Trust invests in Australian equities, fixed interest securities and cash.

When you invest in the Trust, your money is pooled together with the money of other investors and invested directly into Australian equities and the U Ethical Enhanced Cash Portfolio (for cash and fixed interest). You will be issued with units representing the value of your investment. Unit values reflect the market value of the assets of the Trust and consequently are expected to rise or fall in line with market movements. However, over a five year time frame, the prospect of the value of your original investment falling is intended to be low.

## Who can invest

Investment in the Trust is available to personal investors, trustees (including superannuation trustees), companies, and partnerships.

## Minimum initial investment

The minimum initial investment for the Trust is \$2,000. If you wish to set up a Regular Investment Plan, an initial investment of \$1,000 will be accepted.

Please see section 3 of the Additional Information Booklet for more information about a Regular Investment Plan.

## Additional investments

Additional investments of at least \$200 can be lodged at any time electronically or by cheque. U Ethical can also establish a direct debit from a valid nominated bank account to a Trust account. Cash will not be accepted.

## How to redeem

Redemption requests can be made by mailing, emailing or faxing U Ethical a completed Redemption Form. Redemptions from the Trust will be paid directly to a valid nominated Australian bank account.

The Trust permits those registered for this purpose to make redemptions by telephone during normal office hours, subject to the completion of an identification process. Redemption requests must be signed by all parties concerned unless authority to operate the account allows for one signatory.

## Restrictions on redemptions

U Ethical may suspend or refuse redemption requests for such period that it deems necessary, such as if it considers it is in the interests of investors to do so or market circumstances are highly unusual. If redemptions are suspended, you may not be able to withdraw your funds within the usual redemption period.

## Processing

Valid investment and redemption requests received before 3.00 p.m. on a business day will be processed the next business day at the price applicable on the day of receipt of the request. Redemption requests received after 3.00 p.m. are taken as being received on the following business day. Unit prices, which reflect the net asset value of the Trust investments, are calculated each business day after 4.10 p.m.

If an invalid or incomplete application or redemption request is received, it will be processed on the day U Ethical receives the correct documentation. The above rules about cut-off times apply.

Investors will receive a written acknowledgment for each investment and redemption. An acknowledgment of investment should not be confused with a document of title. U Ethical reserves the right to refuse any investments without assigning a reason.

## Distributions

The income of the Trust may include dividends, interest, franking credits and net capital gains from the sale of investments. Income distributions are generally made half-yearly.

Expenses are deducted to calculate net income. The applicable rate of return per unit will be notified upon payment. Net realised capital gains will only be distributed to investors who hold units on 30 June, following the realisation of the gain, proportionately according to the number of units on issue on that 30 June. Unrealised capital gains will not be distributed, but will be reflected in the market price of the units.

At the request of the investor, the income distribution may be:

- reinvested in the Trust,
- credited to a U Ethical Enhanced Cash Trust account held by an investor, or
- credited to the investor's nominated bank account

**You should read the important information about "How the U Ethical Australian Equities Trust (the Trust) works" outlined in the Additional Information Booklet before making a decision. The material relating to how the Trust works may change between the time you read this PDS and the day when you acquire the product.**

### 3. Benefits of investing in the Trust

#### Significant features

The Trust is designed for investors who wish to earn moderate tax effective income and long-term capital growth by investing in Australian equities and also promote charitable purposes.

#### Significant benefits

- Ethical investment – Investments are managed in accordance with an integrated Ethical Investment Policy.
- Liquidity – The underlying investments are liquid so investors can generally redeem investments at any point in time.
- Professional funds management – Investing is complex and time consuming. By investing in the Trust investors can take advantage of the skills and experience of professional fund managers.
- Portfolio diversity – Investing in the Trust enables investors to obtain exposure to a greater diversity and number of assets than would otherwise be possible for a sole investor.
- Risk management – The Trust provides investors with the opportunity to spread, and hence manage, the risks involved in investing through diversification.
- Investment term – An investment in the Trust is suitable for investors wishing to invest for five or more years.
- Income – Investors have the potential to receive regular income in the form of half-yearly distributions.
- Reinvestment of distributions – Investors have the ability to automatically reinvest income distributions into Trust accounts with no entry or transaction costs.
- Regular Investment Plan – An ideal way to save and accumulate long-term wealth. Investors can also make regular additional investments.
- Reliable customer service – U Ethical endeavours to provide superior and personalised service to all Trust investors.

**You should read the important information about “Benefits of investing in the Trust” and its key features outlined in the Additional Information Booklet before making a decision. The material relating to the benefits of investing in the Trust and its key features may change between the time you read this PDS and the day when you acquire the product.**

### 4. Risks of investing in the Trust

**All investments carry some level of risk. The likely investment return and risk of losing money is different for each scheme as different strategies may carry different levels of risk depending on the portfolio of assets that make up the scheme. Those assets with potentially higher long-term returns may also have a higher risk of losing money in the short-term.**

**Risk can be managed but it cannot be completely eliminated. It is important to understand that:**

- **the value of investments will vary;**
- **the level of investment returns will vary, and future returns may be different to past returns;**
- **returns are not guaranteed and there is always the chance income distributions will not be received or that investors may lose some of their money; and**
- **laws affecting investments in a managed investment scheme may change over time.**

**The appropriate level of risk will depend on an investor’s age, investment time frame, where other parts of the investor’s wealth are invested, and how comfortable the investor is with risk (i.e. the investor’s ‘risk tolerance’).**

The risks of the Trust include, but are not limited to:

- Investment Selection Risk – The risk that the specific investments of the Trust selected by U Ethical will underperform the market.
- Fixed Interest Securities Risk – There is the possibility that the issuer of such securities may default in its obligations and fail to make any principal repayments or interest payments.
- Market Risk – Market conditions can impact the value of the Trust's investments, and are impacted by a range of factors including political events, legislative changes, technology developments and market sentiment.
- Macro-economic Risk – The general state of the Australian and international economies as well as changes in taxation policy, monetary policy, interest rates, currency exchange rates and statutory requirements are some of the factors which may influence the progress of financial markets and individual companies.
- Liquidity Risk – The investments of the Trust may become illiquid due to unforeseen financial or economic events, in which case redemptions could be temporarily suspended.
- Interest Rate Risk – The risk that the investment value or returns from an asset may be adversely impacted by changes in interest rates. Interest rates may directly or indirectly affect a company's cost of borrowings as well as the value of fixed interest securities.
- Credit Risk – The risk of loss arising from the failure of a borrower to repay its debt or meet its financial obligations. It arises primarily from investments in fixed interest securities, mortgages and loans.

You should read the important information about “Risk of investing in the Trust” outlined in the Additional Information Booklet before making a decision. The material relating to the risks of investing in the Trust may change between the time you read this PDS and the day when you acquire the product.

## 5. How we invest your money

**Warning:** Before deciding whether to invest in the Trust, you should consider the likely investment return of the Trust, the risk involved in investing in the Trust, and your investment time frame.

<b>Investment return objective</b>	The Trust aims to provide a total return of 3 per cent above inflation (as measured by the Consumer Price Index) on a rolling five-year basis. The total return comprises income distributions and capital growth, net of the fees and expenses payable from the Trust.	
<b>Benchmark</b>	The S&P/ASX300 Accumulation Index.	
<b>Suitable investor profile</b>	The Trust is suitable for investors seeking long-term income and capital growth and who wish to support community services, advocacy and mission-based activities.	
<b>Minimum suggested time frame for holding investment</b>	5 years	
<b>Asset classes and asset allocation ranges</b>	<b>Asset class</b> <ul style="list-style-type: none"> <li>- Australian equities and listed property trusts</li> <li>- Cash, cash equivalents, fixed interest securities, first mortgage loans and community impact loans</li> </ul>	<b>Asset Allocation Range</b> 90 – 100% 0 – 10%
<b>Risk level</b>	<b>High</b>	
<b>Trust performance</b>	Performance against the investment objective will be reported to investors every six months. The Trust's investments are generally valued each business day, and the latest unit prices can be obtained from the website or by telephone. For up-to-date information on the performance of the Trust, including performance history, please visit the U Ethical website.	
<b>Investment strategy and Ethical Investment Policy</b>	<p>The Trust aims to provide moderate tax effective income and long term capital growth. It gains its exposure to fixed interest securities and cash by investing in the U Ethical Enhanced Cash Portfolio.</p> <p>The U Ethical Enhanced Cash Portfolio aims to invest directly in a balanced mix of cash, cash equivalents, fixed interest securities (including hybrid securities, debentures, corporate bonds and mortgage backed securities), first mortgage loans and community impact loans.</p> <p>U Ethical employs an ethical screen to assist it in selecting appropriate investments within the Ethical Investment Policy.</p>	
<b>Changes to the Trust's details</b>	U Ethical may make changes to the Trust from time-to-time, including changes to the types of investments, and in some cases without prior notice to investors. U Ethical will notify investors of any material changes in the next scheduled communication or as otherwise required by law.	

You should read the important information about “How we invest your money” outlined in the Additional Information Booklet before making a decision. The material relating to how we invest your money may change between the time you read this PDS and the day when you acquire the product.

## 6. Fees and costs

### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2 per cent of your fund balance rather than 1 per cent could reduce your final return by up to 20 per cent over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better investor services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Trust or your financial adviser for more information.\*

### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed investment fee calculator to help you check out different fee options.

\*Management fees may be negotiated with some wholesale clients (as defined by the Corporations Act).

The table below shows the direct and indirect fees and costs that you may be charged by the Trust. You can use the fees and costs information in the fee table to compare costs between different simple managed investment schemes. Fees and costs are deducted from the income of the Trust and will be retained by U Ethical to meet management expenses and provide annual grants

Type of fee or cost	Amount <sup>1</sup>
Fees when your money moves in and out of the Trust	
<b>Establishment fee</b>	Nil
<b>Contribution fee</b>	Nil
<b>Redemption fee</b>	Nil
<b>Exit fee</b>	Nil
<b>Management costs</b> <sup>2 3</sup>	
The fees and costs for managing your investments	Estimated to be up to 1.315% p.a. or \$658 for every \$50,000 invested in the Trust
- Management fees - estimated to be up to 1.265% p.a. of the net asset value of the Trust.	
- Recoverable expenses - estimated to be up to 0.05% p.a. of the net asset value of the Trust.	

### Footnotes

1. Unless otherwise stated, fees and costs disclosed in this section are inclusive of the net effect of GST, if applicable.
2. The total management cost is comprised of a management fee and any recoverable expenses.
3. The management fee and recoverable expenses are payable at the end of each month based on the Trust's net asset value.

### Additional information about fees and costs

The management costs are deducted before income is distributed to investors. Therefore, fees and costs will not appear as a deduction on the income distribution statements.

### Transactional and operational costs

Transactional and operational costs include costs such as brokerage, buy-sell spreads, settlement costs, clearing costs and stamp duty.

The Trust has a buy/sell spread of 0.30 per cent. This additional cost is passed on to investors when an investment or redemption is made in the Trust. It is estimated to be \$150 for every \$50,000 invested or redeemed.

The Trust does not have any other transactional and operational costs.

### Performance fees and commissions

The Trust does not pay any performance related fees or commissions to financial advisers.

### Fee increases

The management fees are reviewed by U Ethical on the anniversary of the Trust (July each year) and may be increased by no more than 10 basis points over the fee payable on the day before the anniversary. A fee increase can be deferred for 364 days.

## Example of annual fees and costs of the Trust

This table gives an example of how the fees and costs for the Trust can affect your investment over a one year period. You should use this table to compare the product with other managed investment products.

Example: Balance of \$50,000 with a contribution of \$5,000 during the year.		
<b>Contribution fees</b>	Nil	For every additional \$5,000 you put in you will be charged \$0.
<b>Plus Management costs</b>	Up to 1.315% p.a.	And for every \$50,000 you have in the Trust, you will be charged up to \$658 each year.
<b>Equals Total cost of the Trust</b>		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of up to \$658.*

\*This example assumes management costs are calculated on the balance of \$50,000 with the \$5,000 additional investment occurring at the end of the first year. Therefore management costs are calculated on a \$50,000 balance only. It assumes no market movement on the value of the assets, no reinvestment of income and no redemptions are made during the year. This example does not capture the impact of the buy/sell spread.

**You should read the important information titled “Fees and costs” outlined in the Additional Information Booklet before making a decision. The material relating to fees and costs may change between the time you read this PDS and the day when you acquire the product.**

## 7. How the trust is taxed

**Warning: Investing in the Trust is likely to have tax consequences. Before investing in the Trust you are strongly advised to seek your own professional tax advice about the tax consequences that may apply to you based on your particular circumstances.**

The taxation information contained in this PDS reflects the income tax legislation in force, and the interpretation of the Australian Taxation Office and the courts, as at the date of issue of this PDS. Taxation laws are subject to continual change and there are reviews in progress that may impact the taxation of trusts and investors.

The Trust does not pay any tax liability on behalf of investors. The Trust generally distributes all of its taxable income each financial year so that it is not subject to tax. As an investor, you will be assessed for tax on your share of the net income and net capital gains generated by the Trust. Depending on your particular circumstances, you may also be liable to pay capital gains tax when you withdraw units in the Trust.

### Attribution Managed Investment Trust (AMIT) regime

A new AMIT regime has been enacted for qualifying managed investment schemes, such as schemes registered under the Corporations Act. The AMIT regime enables a registered scheme's taxable income to be allocated to unitholders based on 'attribution' rather than present entitlement.

**U Ethical, as responsible entity of the Trust, has elected into the new regime and will attribute the taxable income of the Trust to members on a fair and reasonable basis consistent with their interests. However, it is expected that investors will continue to be taxed on broadly the same basis as is set out above.**

### Tax statements

U Ethical will send investors a tax statement after the end of the financial year that will provide details of the distributions received from the Trust to assist in tax return preparation. U Ethical will also provide you with an annual statement detailing the trust components attributed to you within three months of the end of the financial year.

**You should read the additional information about “How the Trust is taxed” outlined in the Additional Information Booklet before making a decision. The material relating to how the Trust is taxed may change between the time you read this PDS and the day when you acquire the product.**

## 8. How to apply

### Applications

You can make an initial investment by completing the Application Form available with this PDS. Before completing the Application Form please ensure you have read this PDS together with the Additional Information Booklet available from the U Ethical website or on request by contacting U Ethical directly.

1. Complete all relevant sections of the Application Form. You must sign the Application Form before submission. If you have any questions regarding the completion of the Application Form please speak to your licensed financial adviser or U Ethical for more information.

2. Mail or submit your completed Application Form together with supporting identification documents and a completed Direct Debit Request Form or a cheque (minimum investment of \$2,000 or if accompanied by a Regular Investment Plan, minimum initial investment of \$1,000, including a completed and signed direct debit authority to start a Regular Investment Plan) to: U Ethical, Level 5, 130 Little Collins Street, Melbourne, VIC, 3000.

Please note that U Ethical does not accept cash payments. Cheques should be:

- i) crossed "Not Negotiable", and
- ii) made payable to "U Ethical".

### Cooling off rights

You have a right to return your initial units and have your investment repaid within a period of 14 days starting on the earlier of the date you receive your acknowledgement of initial investment or the end of the fifth day after your initial units were issued to you. You can exercise your cooling off right by writing to us or emailing us within the cooling off period. If you exercise your cooling off right, your money will be returned to you, adjusted for the increase or decrease in the value of the investment at the date we received notification, and reasonable transaction or administrative costs.

If you exercise your cooling off rights during the cooling off period, you will receive your initial investment amount, adjusted for any difference in the unit price between the day the units were acquired and the day of repayment. We may also deduct a reasonable amount to cover the cost of processing the transaction.

### Complaints resolution

U Ethical has an internal dispute resolution process in place to resolve any complaints or concerns you may have, quickly and fairly. Any complaints or concerns should be directed to the Complaints Handling Officer by contacting U Ethical directly or in writing addressed to Level 5, 130 Little Collins Street, Melbourne, VIC 3000, or [info@uethical.com](mailto:info@uethical.com).

**You should read the important information about "How to apply" and "Investor enquiries and complaints" outlined in the Additional Information Booklet before making a decision. The material relating to how to apply, investor enquiries and complaints and cooling off rights may change between the time you read this PDS and the day when you acquire the product.**

## 9. Other information

### Additional disclosure information

The Trust is subject to regular reporting and continuous disclosure obligations. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office. You can also call us to obtain copies of the following documents, free of charge:

- The Trust's Annual Financial Report most recently lodged with ASIC;
- Any Half Year Financial Report lodged with ASIC after the lodgement of the Annual Report and before the date of this PDS;
- Any continuous disclosure notices are placed online at [UEthical.com](http://UEthical.com) or lodged with ASIC.

### Custodian

The Northern Trust Company (acting through its Australian branch) (Northern Trust) has been appointed to hold the assets of the Trust under a Master Custody Agreement. As Custodian, Northern Trust will safe-keep the assets of the Trust, collect the income of the Trust and act on directions from U Ethical to settle the Trust trades. Northern Trust does not make investment decisions in respect of the Trust assets it holds.

### Consent to be named

The following parties have given written consent (which has not been withdrawn at the date of this PDS) to being named in the form and context in which they are named, in this PDS:

- The Uniting Church in Australia, Synod of Victoria and Tasmania; and
- The Northern Trust Company.

Each party named above who has consented to be named in the PDS:

- have not authorised or caused the issue of this PDS;
- does not make or purport to make any statement in the PDS (or any statement on which a statement in the PDS is based) other than as specified; and
- to the maximum extent permitted by law, takes no responsibility for any part of the PDS other than the reference to their name in a statement included in the PDS with their consent as specified.