



U Ethical Enhanced Cash Trust

Product Disclosure Statement



Issued 4 July 2019

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

Contact Us

U Ethical

Telephone (03)9251 5450

Freecall 1800 996 888

Fax (03) 9650 7074

Registered address

Level 5, 130 Little Collins Street,
Melbourne Vic 3000

Website www.uethical.com

Email info@uethical.com

Office Hours

8.30 a.m. – 5.00 p.m. Monday to Friday

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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 4 July 2019 (the Additional Information Booklet). The Additional Information Booklet can be found on 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 Enhanced Cash Trust (ARSN 610 022 985).

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 Enhanced Cash 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 is an investment manager with a difference. We believe in creating a better world by investing with purpose—today and into the future. We offer proven, low-cost funds for treasury management, long-term capital growth and investment in perpetuity, and also provide loans for capital works, health and community services, education and social enterprise.

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 Enhanced Cash Trust (the Trust) works

The Trust is a cash fund for retail and wholesale investors. It aims to provide a steady income stream to Trust investors by investing in the U Ethical Enhanced Cash Portfolio (refer section 5).

The Trust is designed for investors wishing to invest according to socially responsible and ethical principles and for whom considerations of profit are not of primary relevance in their decision to invest.

When you invest in the Trust, you will be issued with units representing the value of your investment. The unit price is currently \$1 and this price is not expected to change. However, the unit price is not guaranteed and a decline in the asset value of the Trust's underlying investments could cause the unit price to fall below \$1.

Your money is pooled together with the money of other investors and invested directly into the U Ethical Enhanced Cash Portfolio.

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 \$100, and a minimum balance of \$100 must be maintained at all times.

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

Additional investments

Additional investments of any amount 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 11.00 a.m. on a business day will normally be processed on that day at the price applicable on the day of receipt of the request. Redemption requests received after 11.00 a.m. are taken as being received on the following business day.

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

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

Income derived from the investment in the U Ethical Enhanced Cash Portfolio is used for distribution to investors. This income will predominantly be interest from cash, fixed interest securities, mortgages and community impact loans. Expenses are deducted to calculate net income. Interest is calculated daily and allocated proportionately to the number of days in the distribution period the investments have been held. Distributions to investors will be made within one month after 30 June and 31 December each year. Upon redemption, interest will be calculated to the day prior to the date of payment. At the request of the investor, the interest distribution may be:

- reinvested in the Trust,
- credited to another U Ethical Enhanced Cash Trust account held by the investor,
- credited to the investor's nominated bank account, or
- paid to a nominated congregation, parish, presbytery, agency or organisation of the Uniting Church in Australia, Synod of Victoria and Tasmania (**Church**).

Rates of interest

The rate of interest paid to investors may vary from time-to-time. Investors will be notified in advance in writing if the rate is reduced. The current rate of interest can be found on the U Ethical website or by contacting U Ethical directly.

Investors may choose to receive less than that rate by giving written notice; any foregone interest will be used for the mission of the Church.

You should read the important information about "How the U Ethical Enhanced Cash 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 income from a competitive cash management trust and also promote charitable purposes.

Significant benefits

- Stable investment – While not guaranteed, the Trust provides a strong capacity to maintain capital stability and to limit exposure to capital losses due to credit, market or liquidity risks.
- Liquidity – The underlying investments are liquid so investors can generally redeem investments at any point in time.
- Ethical investment – Investments are managed in accordance with an integrated Ethical Investment Policy.
- 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 in the short- to medium-term.
- 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 U Ethical Enhanced Cash Trust accounts with no entry or transaction costs.
- Regular Savings 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 (currently the U Ethical Enhanced Cash Portfolio) may fall, which can have an impact on the income distribution.
- 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 to the U Ethical Enhanced Cash Portfolio. This would affect the income available to the Trust from the U Ethical Enhanced Cash Portfolio.
- Market Risk – Market conditions can impact the value of the Trust's investments (currently the U Ethical Enhanced Cash Portfolio), 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 (currently the U Ethical Enhanced Cash Portfolio) 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 the 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.

Investment return objective	The Trust aims to produce an income return which compares favourably with returns from retail cash management funds, while maintaining a high level of capital stability.	
Benchmark	The benchmark used for the Portfolio is 0.75 years duration and approximates to: <ul style="list-style-type: none"> - 50% Bloomberg AusBond Bank Bill Index - 50% Bloomberg AusBond Composite 0-3 Yr Index 	
Suitable investor profile	The Trust is suitable for investors seeking a low-risk stable investment who require regular income over the short- to medium-term, and who require ready access to their funds.	
Minimum suggested time frame for holding investment	12 months	
Asset classes and asset allocation ranges	Asset class <ul style="list-style-type: none"> - Cash, cash equivalents, fixed interest securities, first mortgage loans and community impact loans 	Asset Allocation Range 100%

Risk level	Low
Trust performance	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.
Investment strategy and Ethical Investment Policy	<p>The Trust invests directly in the U Ethical Enhanced Cash Portfolio, which aims to invest directly in a balanced mix of:</p> <ul style="list-style-type: none"> - Cash, cash equivalents, fixed interest securities (including hybrid securities, debentures, corporate bonds and mortgage backed securities); and - first mortgage loans and community impact loans. <p>U Ethical employs an ethical screen to assist it in selecting appropriate investments within the Ethical Investment Policy.</p>
Changes to the Trusts details	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) 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).

*Due to a change in legislative requirements, some existing U Ethical Enhanced Cash Portfolio investors were required to switch their investment into the U Ethical Enhanced Cash Trust. For this group of investors a fee rebate is applicable and calculated as the difference between the income rate for the U Ethical Enhanced Cash Portfolio and that of the U Ethical Enhanced Cash Trust

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 ¹
Fees when your money moves in and out of the Trust	
Establishment fee	Nil
Contribution fee	Nil
Redemption fee	Nil
Exit fee	Nil

Management costs ^{2 3}

The fees and costs for managing your investment

- Management fees – estimated to be up to 1.15% 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.
- Underlying fund costs – nil for the Trust's investment in the U Ethical Enhanced Cash Portfolio.⁴

Estimated to be up to 1.20% p.a. or \$600 for every \$50,000 invested in 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, any recoverable expenses and underlying fund costs.
3. The management fees and recoverable expenses are payable at the end of each month based on the Trust's net asset value.
4. The Trust's investment in the U Ethical Enhanced Cash Portfolio is not charged any management costs.

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, settlement costs, clearing costs and stamp duty. The Trust incurs transactional and operational costs of approximately 0.03 per cent per annum. They are an additional cost, estimated to be \$15 for every \$50,000 invested.

Performance fees and commissions

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

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.

Contribution fees	Nil	For every additional \$5,000 you put in you will be charged \$0.
Plus Management costs	Up to 1.20% p.a.	And for every \$50,000 you have in the Trust, you will be charged up to \$600 each year.
Equals Total cost of the Trust		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 \$600.*

*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 tax any 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 distributed by 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 according to 'trust components' 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.

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 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.