



# U Ethical Funeral Fund

**Offer Document**

2 May 2019

**Issued, managed and administered by**

Uniting Ethical Investors Limited trading as U Ethical  
ABN 46 102 469 821 AFSL 294147

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This Offer Document provides a summary of key information relating to the Funeral Fund (the Fund). This Offer Document includes references to important additional information contained in the Additional Information Booklet dated 2 May 2019. A reference to "this Offer Document" or "the Offer Document" includes, unless the context requires otherwise, a reference to both the Offer Document and the Additional Information Booklet. References to 'you' or 'your' are to investors (and, when the context requires, prospective investors) in the Fund. You should consider the information in this Offer Document together with the Product Disclosure Statement for Non-cash Payment Products, and the Financial Services Guide before making a decision to invest in the Fund.

The information in this Offer Document is general information only and does not take into account your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, you should consider the appropriateness of the information based on your own objectives, financial situation or needs or consult a professional adviser.

This Offer Document is available on the Uniting Ethical Investors Limited (U Ethical) website. Alternatively you can contact U Ethical directly to request a copy free of charge. The information contained in this Offer Document is subject to change and information that is not materially adverse may be updated without notice. However, information about non-materially adverse updates can be obtained by going to the website or contacting U Ethical directly. You may request a paper copy of these updates at any time free of charge. You must ensure that you have read this Offer Document at the date of your application.

## 1. About U Ethical

U Ethical is a public company limited by guarantee that operates an ethical funds management business. It is wholly owned by The Uniting Church in Australia Property Trust (Victoria) ABN 39 703 442 583 and The Uniting Church in Australia Property Trust (Tas.) ABN 88 774 033 774 (the Church), and holds AFS licence 294147.

The Fund is a charitable fund issued, managed and administered by U Ethical. U Ethical is responsible for the day-to-day management of the Fund (including investment decision making U Ethical is required by law to notify investors that the offering of interests in the Fund and the interests themselves are not subject to the usual protections under the Corporations Act or regulation by ASIC. ASIC has not approved or examined U Ethical, interests in the Fund or this Offer Document. U Ethical will provide audited financial accounts to the Australian Charities and Not-for-profits Commission (ACNC) each year.

The Fund is not prudentially supervised by the Australian Prudential Regulation Authority. Therefore, an investor in the Fund will not receive the benefit of the financial claims scheme or the depositor protection provisions in the Banking Act 1959. The "Funeral Fund" is listed as religious charitable development fund in APRA's Banking Exemption. Investments in the Fund are intended to be a means for investors to support the charitable purposes of the Fund.

U Ethical relies on ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813 in relation to the operation of the Fund. The Identification Statement for the Fund accepted by ASIC under this Instrument may be viewed on the U Ethical website.

Investing in the Fund allows the Church to set aside a proportion of funds raised for the provision of low interest or no interest loans to Church parishes, programs or agencies and to provide grants from surplus income to assist the general mission of the Church.

**We are required by law to notify you that the Fund is designed for investors who wish to promote the religious, educational and charitable purposes of the Church and for whom considerations of profit are not of primary relevance. Investors may be unable to get back some or all of their money when expected or at all. Investment in the Fund is not comparable to investment with banks, finance companies or fund managers.**

## 2. How the Funeral Fund works

When you invest in the Fund, the money is pooled together with other investors and invested directly in debentures relating to the U Ethical Enhanced Cash Portfolio (the Portfolio).

Debentures relating to the Portfolio are provided by UCA Cash Management Fund Limited ABN 41 075 948 444 (UCA Cash) in reliance on ASIC Instrument 2016/813.

The Portfolio is invested in a diversified combination of cash, cash securities, fixed interest securities, commercial mortgage loans and community impact investments (including loans). The Portfolio is not invested in direct property.

### Who can invest

Investment in the Fund is available to personal investors. Fund accounts are only available to sole investors; joint accounts are not allowed. An investor can only have one Fund account at any one time.

U Ethical reserves the right to refuse any initial investment without providing a reason.

### Minimum initial investment

The minimum initial investment for the Fund is \$100. Upon the establishment of a Fund account, written advice will be issued to the investor.

### Additional investments

Additional investments can be lodged at any time provided that an investor's account balance (excluding interest) does not exceed the amount established by the Federal Government (indexed annually) or such other amount allowed by the Social Security Act 1991 ("the prescribed maximum"). Additional investments can only be made by negotiable instruments (for example cheques) or electronically. U Ethical can also establish a direct debit from a valid nominated bank account to a Fund account.

Cash will not be accepted.

Investors will be sent a written acknowledgment for each subsequent investment. An acknowledgment of investment should not be confused with a document of title.

### How to redeem

Opening a Fund account is an irrevocable decision. No redemptions or transfers are permitted until maturity of the account, which is the later of 31 days from the date of opening the account and the date of the investor's death. Redemptions can only be made upon maturity if U Ethical has reasonable grounds to believe that it is able to redeem all investors' entitlements that it is required to pay or that may reasonably be expected to fall due.

On the death of the investor, funds are applied towards funeral expenses with the remaining balance paid to the investor's estate. Funeral expenses are the expenses of a funeral business or funeral contractor in relation to the conduct of the investor's funeral (Funeral Expenses).

On maturity of the Fund account, the invoice(s) for the investor's Funeral Expenses and/or proofs of payment of such invoices must be presented to U Ethical.

On receipt of the above documentation, or such other documentation that is to the satisfaction of U Ethical, a cheque will be issued from the investment(s) and accumulated interest in the Fund account for the investor's Funeral Expenses

### Processing

If an invalid or incomplete application is received, it will be processed on the day that U Ethical receives the correct documentation.

## **Distributions**

Income derived from the investment in the U Ethical Enhanced Cash Portfolio is used for distribution to investors. This income will predominately be interest from a diversified combination of cash, cash securities, fixed interest securities (including debentures, corporate bonds and mortgage backed securities), hybrid securities, commercial mortgage loans and community impact investments (including loans). The Portfolio is not invested in direct property.

Expenses are deducted to calculate net income.

Interest is calculated daily and credited to investors' accounts half yearly, but will only be paid on maturity if the investor elects an interest bearing or partial interest bearing account. The amounts invested in the Fund accumulate, and on redemption all funds invested (plus the interest earned) is paid to the funeral company and/or the estate. Amounts invested in the Fund will differ from actual Funeral Expenses.

If investments in the Fund account are insufficient to cover the investor's Funeral Expenses, U Ethical will in no way be liable to pay any shortfall.

Only cheques or electronic payments will be drawn from the Fund account by U Ethical in payment of, or reimbursement of the investor's Funeral Expenses (or part thereof) and in payment to the investor's estate of the residue (if any).

## **Valuation and unit price calculation**

The unit price applicable when acquiring units in the Fund or redeeming units from the Fund will be \$1 and this value is not expected to change. However, the unit price is not guaranteed and a decline in the net value of the Fund's underlying investments may cause the unit price to fall below \$1.

## **Purpose**

The Fund's purpose is to set aside a sum of money that accumulates, with reinvested interest, to help cover part or all of an investor's Funeral Expenses. Funds will be available to the legal representative of the investor's estate to pay for Funeral Expenses even prior to probate being granted.

Funeral Expense invoices must be presented to U Ethical. Upon receipt of any required documentation that is to the satisfaction of U Ethical, the investment and accumulated interest in the Fund account will be applied towards the investor's Funeral Expenses

## **Interest**

If an interest-bearing or partial interest bearing account is elected, there is no entitlement to payment of interest until maturity of the investment, at which time it will be accumulated and added to the amount of the investments. Interest is calculated on a daily basis from the date of receipt of monies by the Fund, provided that investments are received before 11.00 a.m. on that day.

## **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. Investors may choose to receive less than that rate (partial interest bearing account) or to forego all interest (non-interest bearing account) by giving written notice; any foregone interest will be used for the mission of the Church. The current rate of interest can be found on the U Ethical website or by contacting U Ethical directly.

## **Communication**

Written communications may be delivered by mail or electronically as specified by the investor in the application form for the Fund. It is the responsibility of the investor to ensure these details are kept updated with U Ethical.

**You should read the important information about "How the Fund works" outlined in the Additional Information Booklet before making a decision. The material relating to "How the Fund works" may change between the time you read this Offer Document and the day when you acquire the product.**

### 3. Benefits of investing in the Funeral Fund

#### Significant features

Many finance companies offer funeral funds but few give the flexibility to gradually save for your funeral. The Fund gives you this flexibility.

#### Significant benefits

- Stable investment – Whilst not guaranteed, the Fund provides a strong capacity to maintain capital stability and to limit exposure to capital losses due to credit, market or liquidity risks.
- 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 Fund investors can take advantage of the skills and experience of professional fund managers.
- Diversity – Investing in the Fund 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 Fund provides investors with the opportunity to spread, and hence manage, the risks involved in investing through diversification.
- Regular Savings Plan – An ideal way to save for Funeral Expenses. Investors can make regular additional investments.
- Reliable customer service – U Ethical endeavours to provide superior and personalised service to all Fund investors.

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

### 4. Risks of investing in the Funeral Fund

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

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

- Investment selection risk – The risk that the specific investments of the Fund (currently the U Ethical Enhanced Cash Portfolio) may fall in value, 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 (currently to the U Ethical Enhanced Cash Portfolio). This would affect the income available to the Fund (currently from the U Ethical Enhanced Cash Portfolio).
- Market risk – Market conditions can impact the value of the Fund's investments (currently the U Ethical Enhanced Cash Portfolio), and are impacted by a range of factors including political events, legislative changes, technology developments, changes to funeral costs 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 Fund (currently the U Ethical Enhanced Cash Portfolio) may become illiquid due to unforeseen financial or economic events, in which case the Fund may temporarily suspend redemptions.
- 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, community impact loans and commercial mortgage loans.

**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 it is possible that income distributions will not be received; and
- laws affecting investments in the Fund may change over time.

The appropriate level of risk will depend on an investor's age, where other parts of wealth are invested, and how comfortable the investor is with risk.

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

## 5. How we invest your money

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

<b>Investment objective</b>	The Fund aims to produce an income return which compares favourably with returns from retail cash management accounts, while maintaining a high level of capital stability.	
<b>Benchmark</b>	The benchmark used for the Fund is 0.75 years duration and approximates to: <ul style="list-style-type: none"> <li>&gt; 50% Bloomberg Bank Bill Index</li> <li>&gt; 50% Bloomberg Composite Bond Index 0-3 Year Index</li> </ul>	
<b>Suitable investor profile</b>	The Fund is suitable for investors seeking a low-risk, stable investment, and who require money to be set aside to pay for their Funeral Expenses.	
<b>Minimum suggested time frame for holding investment</b>	N/A	
<b>Asset classes and asset allocation ranges</b>	<b>Asset class</b> Cash, cash securities, fixed interest securities, commercial mortgage loans and community impact investments (including loans).	<b>Asset Allocation Range</b> 100%
<b>Risk level</b>	<b>Low</b>	
<b>Fund performance</b>	Performance of the Portfolio will be published monthly. For up-to-date information on the performance of the Fund, including performance history, please visit the performance tab on the U Ethical website.	

<p><b>Investment process and strategy</b></p>	<p>The Fund invests in the U Ethical Enhanced Cash Portfolio, which aims to invest directly in a balanced mix of:</p> <ul style="list-style-type: none"> <li>&gt; cash, cash securities, fixed interest securities ; and</li> <li>&gt; commercial mortgage loans and community impact investments (including loans).</li> </ul> <p>U Ethical employs an ethical screen to assist it in selecting appropriate investments within the Ethical Investment Policy approved by The Uniting Church in Australia, Synod of Victoria and Tasmania, details of which are available at <a href="http://www.ueethical.com">www.ueethical.com</a> or can be provided upon request.</p>
<p><b>Changes to fund details</b></p>	<p>U Ethical may make changes to the Fund from time-to-time, including changes to the types of investments, and in some cases without prior notice. U Ethical will notify investors of any material changes in the next scheduled communication or as otherwise required by law.</p>

**You should read the important information about “How we invest your money” 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 Offer Document 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 Fund 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.

\*This is a prescribed disclosure. The Fund's fees and costs are not negotiable.

This section provides summary information about the direct and indirect fees and costs that you may be charged by the Fund. You can use the fees and costs information in the table to compare costs between different simple managed investment schemes.

Fees and costs are deducted from the income of the Fund and will be retained by U Ethical to meet management expenses and provide annual grants to the Church.



Type of fee or cost	Amount <sup>1</sup>
Fees when money moves in and out of the Fund	
<b>Establishment fee</b>	Nil
<b>Contribution fee</b>	Nil
<b>Redemption fee</b>	Nil
<b>Exit fee</b>	Nil
<b>Management Costs<sup>2</sup></b> The fees and costs for managing investment	Estimated to be up to 1.25% p.a. or \$625 for every \$50,000 invested in the Fund.
› Management fees – estimated to be up to 0.50% p.a. of the net asset value of the Fund. <sup>3</sup>	
› Recoverable expenses – estimated to be up to 0.05% p.a. of the net asset value of the Fund. <sup>4</sup>	
› Underlying fund costs – estimated to be up to 0.70% p.a. of the net asset value of the Fund's investment in the U Ethical Enhanced Cash Portfolio. <sup>5</sup>	

#### 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 fee is paid half yearly at the time of distribution.
4. The recoverable expenses are payable at the end of each month based on the Fund's net asset value.
5. The Fund's investment in the U Ethical Enhanced Cash Portfolio is charged management costs up to 0.70 per cent per annum. These indirect management costs are payable at the end of each month based on the Fund's net asset value. UCA Cash retains the right to increase its management fee of the U Ethical Enhanced Cash Portfolio to a maximum of 1 per cent per annum without approval from investors.

#### Additional information about fees and costs

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

U Ethical does not pay any performance related fees or commissions to financial advisors or its staff.

#### Example of annual fees and costs of the Fund

This table gives an example of how the fees and costs of the Fund can affect your investment over a one year period.

Example: Balance of \$10,000 with a contribution of \$100 during the year.		
<b>Contribution fees</b>	Nil	For every additional \$100 you put in you will be charged \$0.
<b>Plus Management costs</b>	Up to 1.25% p.a.	And for every \$10,000 you have in the Fund you will be charged up to \$125 each year.
<b>Equals Total cost of the Fund</b>		If you had an investment of \$10,000 at the beginning of the year and you put in an additional \$100 during that year, you would be charged fees up to \$125.*

\*This example assumes management costs are calculated on the balance of \$10,000 with the \$100 additional investment occurring at the end of the first year. Therefore management costs are calculated on a \$10,000 balance only. It assumes no market movement on the value of the assets and no reinvestment of income.

You should read the important information about “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 Offer Document and the day when you acquire the product.

## 7. Taxation

**Warning: Investing in the Fund is likely to have tax consequences. Before investing in the Fund, 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 Fund does not pay tax on behalf of investors. The Fund generally distributes all of its taxable income each financial year so that it is not subject to tax. As an investor, if you have elected an interest bearing or partial interest bearing account, you will be assessed for tax on your share of the net income distributed by the Fund, even though it is reinvested and not paid until maturity.

U Ethical will send investors a statement each half-year that will provide details of any distributions credited to your account by the Fund to assist in tax return preparation.

You should read the important information about “Taxation” outlined in the Additional Information Booklet before making a decision. The material relating to “Taxation” may change between the time you read this Offer Document and the day when you acquire the product.

## 8. How to apply

### Applications

Before completing the Application Form please ensure you have read and understood this Offer Document

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 contact 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 cheque (minimum investment \$100) including a completed and signed direct debit authority to start a Regular Savings Plan to U Ethical at the address at the front of this Offer Document.

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 period

The Fund does not have a cooling off period.

### Dispute 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 U Ethical Complaints Officer (by email, telephone, fax or letter) at the address and telephone/fax numbers provided on the front of this Offer Document.

We will seek to resolve and respond to complaints promptly and fairly within ten (10) business days of receipt, and will investigate your complaint, and provide you with our decision, and the reasons on which it is based, in writing within thirty (30) days. If you are dissatisfied with the outcome, you have the right to lodge a complaint with the Australian Financial Complaints Authority at the contact details below, an approved external dispute resolution scheme, of which U Ethical is a member.

## **Australian Financial Complaints Authority**

GPO Box 3, Melbourne VIC 3001

Phone: 1800 931 678

Email: [info@afca.org.au](mailto:info@afca.org.au)

Website: [www.afca.org.au](http://www.afca.org.au)

**You should read the important information about “How to apply” and “Other Information” which contains additional information about AML/CTF obligations, outlined in the Additional Information Booklet before making a decision. The material relating to “How to apply” and “Other Information” may change between the time you read this Offer Document and the day when you acquire the product.**

## **9. Other information**

### **Consent to be named**

The Northern Trust Company (acting through its Australian branch) (Northern Trust) has been appointed to hold the assets of the of the Fund and UCA Cash Management Fund Limited relating to the Portfolio (excluding commercial mortgage loans and community impact investments (including loans)) under a Master Custody Agreement. As Custodian, Northern Trust will safe-keep these assets, collect the income and act on directions to settle the trades. Northern Trust does not make investment decisions in respect of the assets it holds and does not receive the personal information of any investor. U Ethical performs internal custody for commercial mortgages loans and community impact investments (including loans)

### **Consent to be named**

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

- The Uniting Church in Australia Property Trust (Victoria);
- The Uniting Church in Australia Property Trust (Tas.);
- The Uniting Church in Australia, Synod of Victoria and Tasmania;
- UCA Cash Management Fund Limited; and
- The Northern Trust Company.

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

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