

**SIGNIFICANT EVENT NOTICE**

3 June 2024

**Product Disclosure Changes - Managed Funds**

We've made changes to our product disclosures to help you better understand what it means to invest with Australian Ethical. We've updated our Product Disclosure Statements (**PDSs**) available on our website including the Additional Information Booklet (AIB) and the Guide to Our Ethical Investment Process (Ethical Guide) which also form part of the PDS. We have also updated our Target Market Determination (TMD) for each fund. You can find these documents at [www.australianethical.com.au/managed-funds/documents/](http://www.australianethical.com.au/managed-funds/documents/).

The changes to our PDSs include:

- Inclusion of the definition of the term 'blended index' for the Diversified Shares Fund (Retail/Wholesale) being 75% S&P/ASX 200 Accumulation Index and 25% MSCI World Ex Australia (AUD) Net Index.
- Inclusion of the definition for the term 'inflation' for the High Growth, Balanced, Moderate and Conservative Funds (Retail/Wholesale) being the Consumer Price Index (Trimmed mean) released by the Australian Bureau of Statistics on a quarterly basis.
- Update to the definition of the term 'blended index' for the Australian Shares Fund (Retail/Wholesale) being 65% of the S&P/ASX 100 Accumulation Index and 35% of the S&P/ASX Small Ordinaries Accumulation Index.

We've also made changes to the Ethical Guide to improve clarity and provide additional information; the changes are summarised below.

TMDs across all products have been updated to reflect the latest FSC template which includes:

- Removal of 'Potentially in target market' (amber) indicator
- Addition of 'Very High' measure for Consumer risk and return profile
- Addition of 'Minor Allocation (up to 25%)' and 'Major Allocation (up to 75%)' measures for Consumers intended product use (% of Investable Assets).

We've provided further detail of the changes made below.

On 3 June 2024, we updated and reissued the product disclosures for the following Australian Ethical Managed Funds. This includes Product Disclosure Statements (PDS), the 'Additional Information Booklet' (AIB), 'Guide to our Ethical Investment Process' (Ethical Guide) and the Target Market Determination (TMD).

APIR CODE	FUND NAME
AUG0002AU	Australian Ethical Australian Shares Fund
AUG0018AU	Australian Ethical Australian Shares Fund (Wholesale)
AUG0001AU	Australian Ethical Balanced Fund
AUG0017AU	Australian Ethical Balanced Fund (Wholesale)
AUG0004AU	Australian Ethical Diversified Shares Fund

AUG0019AU	Australian Ethical Diversified Shares Fund (Wholesale)
AUG0026AU	Australian Ethical Emerging Companies Fund
AUG0027AU	Australian Ethical Emerging Companies Fund (Wholesale)
AUG0021AU	Australian Ethical Fixed Interest Fund
AUG0023AU	Australian Ethical Fixed Interest Fund (Wholesale)
AUG0008AU	Australian Ethical High Growth Fund
AUG0020AU	Australian Ethical High Growth Fund (Wholesale)
AUG0003AU	Australian Ethical Income Fund
AUG0024AU	Australian Ethical Income Fund (Wholesale)
AUG0006AU	Australian Ethical International Shares Fund
AUG0025AU	Australian Ethical International Shares Fund (Wholesale)
AUG7919AU	Australian Ethical High Conviction Fund
AUG7454AU	Australian Ethical Moderate Fund (Wholesale)
AUG6267AU	Australian Ethical Conservative Fund (Wholesale)

## Defining terms used in our Fund Objectives

The 'Investment Objective' for each Managed Fund Product refers to a clear statement outlining the primary goals and aims of the fund. We have updated the following definitions used in these objectives to assist investors in better understanding each fund. A copy of the PDS can be found at: [www.australianethical.com.au/managed-funds/documents/](http://www.australianethical.com.au/managed-funds/documents/).

For the Australian Ethical Diversified Shares Fund, we have defined the term 'blended index' when used in the fund's objective. The below definition will now be defined in the Diversified Shares Fund PDS and wherever the fund's objective is used.

### Example:

<b>Investment objective:</b>	The Fund aims to track the blended index, before taking into account fees and expenses over a 7-year period.
<b>Definition:</b>	The blended index is 75% S&P/ASX 200 Accumulation Index and 25% MSCI World Ex Australia (AUD) Net Index.

Our multi-asset product objectives use the term ‘inflation’ when describing its potential returns. The below definition is used for each investment objective of the Balanced, High Growth, Moderate and Conservative funds and will now be defined in each fund’s PDS and wherever the term ‘inflation’ is used.

**Example:**

<b>Investment objective:</b>	The Fund aims to achieve returns 2.50% above inflation after management costs over a 10-year period.
<b>Definition:</b>	The measure of inflation is the Consumer Price Index (Trimmed mean) released by the Australian Bureau of Statistics on a quarterly basis.

We have updated the current ‘blended index’ definition for the Australian Shares Fund (Retail/Wholesale) and will now be updated in the fund’s PDS and wherever the definition is used:

<b>Definition (Current):</b>	The blended index is 65% of the S&P/ASX 100 Index and 35% of the S&P/ASX Small Ordinaries Index.
<b>Definition (New):</b>	The blended index is 65% of the S&P/ASX 100 Accumulation Index and 35% of the S&P/ASX Small Ordinaries Accumulation Index.

## Further explaining our ethical investment process outlined in our Ethical Guide

We’ve updated our Guide to Ethical Investment Process (Ethical Guide) to further explain our ethical investment process, the updates are outlined below and can be found in our Ethical Guide, which is available at <https://www.australianethical.com.au/managed-funds/documents/>.

**What’s in our Ethical Guide:** We’ve clarified that the Ethical Criteria is not an exhaustive list, but a comprehensive summary and it may change in response to technological and scientific developments and social, environmental and other changes in the world and investment opportunities it offers (**see section 1**).

**Voting Practices and Diversity Concerns:** We’ve provided further clarification that our voting practices also aim to encourage greater board or executive diversity (**see sections 2 and 6**).

**Evolution of Ethical Criteria:** We’ve included some further information acknowledging the potential evolution of our Ethical Criteria, ensuring adaptability to emerging challenges and opportunities (**see sections 5.14, 5.15, and 7.2**).

**Understanding the Ethical Charter:** We’ve included further information about what we take into account when we consider activities that involve excessive or disproportionate pollution, see (**see sections 5.8**).

**Positive and Negative screening:** We have provided further introductory information about the positive and negative factors we consider in developing our criteria and investment restrictions (**see section 5**).

**Paris Climate Agreement:** Further information regarding the scientific research we may consider regarding the assessment of our Alignment to the Paris Climate Agreement (**see new section 7.1 and updated section 7.2**).

## Key updates to our TMD

A Target Market Determination (TMD) is a document that outlines the specific consumers for whom a financial product is most suitable, based on their needs, objectives, and financial situation. The updates made to the TMD have been implemented to ensure greater clarity, compliance, and alignment with regulatory standards, enhancing both an investor's understanding and the effectiveness of product governance. Key updates to the TMD are outlined below. You can find the TMD specific to your fund here: [www.australianethical.com.au/managed-funds/documents/](http://www.australianethical.com.au/managed-funds/documents/).

**Removal of the amber 'Potentially in target market' indicator:** In the updated version of our TMD template, the previous amber Key Indicator for 'Potentially in target market' has been removed. Removing this provides investors with a clearer indication whether the Consumer Attributes outlined in the TMD are likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market. The indicators are now 'In target market' (Green) or 'Not in target market' (Red). This update is applicable to all funds.

**Addition of 'Extremely High' measure for Consumer risk and return profile:** The TMD now includes an 'extremely high' measure for the Consumer's Risk (ability to bear loss) and Return profile under Consumer attributes. This measure has been determined as 'in target market' for the Australian Shares, Emerging Companies and High Conviction Fund. The definition of this new measure is below:

Extremely high	<p>For the relevant part of the consumer's portfolio, the consumer:</p> <ul style="list-style-type: none"> <li>• has an extremely high-risk appetite,</li> <li>• can accept significant volatility and losses, and</li> <li>• seeks to obtain accelerated returns (potentially in a short timeframe).</li> </ul> <p>The consumer seeks extremely high risk, speculative or complex products which may have features such as significant use of derivatives, leverage or short positions or may be in emerging or niche asset classes (for example, crypto-assets or collectibles).</p>
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**Addition of 'Minor Allocation (up to 25%)' and 'Major Allocation (up to 75%)' measure for Consumers intended product use (% of Investable Assets):** With the addition of 'Minor Allocation (up to 25%)' and 'Major Allocation (up to 75%)' measures the product portfolio diversification, investors gain more understanding of risk exposure and balance. The Minor Allocation (up to 25%) is measured as in target market for all funds, while the Major Allocation (up to 75%) is measured as in target market for the High Growth, Balanced, Moderate and Conservative funds. The definition of these new measures are below:

Minor Allocation (up to 25%)	The consumer may hold the investment as up to 25% of their total investable assets. The consumer is likely to seek a product with at least low portfolio diversification.
Major Allocation (up to 75%)	The consumer may hold the investment as up to 75% of their total investable assets. The consumer is likely to seek a product with at least high portfolio diversification.

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Here to help

If you have questions about these changes, please call us on 1800 021 227, Monday to Friday 8:30am to 5:30pm AEST/AEDT.