



# Product Disclosure Statement





**Important Information**

This Product Disclosure Statement (**PDS**) is a summary of significant information about the B. Ethical Investment Fund (the **Fund**). It also contains a number of references to the Investment Guide and Responsible Investment Charter which forms part of this PDS and contains additional important information. You should consider the PDS, Investment Guide and Responsible Investment Charter before making a decision about the Fund. The information in this PDS is general information only and does not take into account your personal financial situation or needs. You should obtain financial advice tailored to your personal circumstances from a licensed financial adviser before making an investment decision.

This PDS, Investment Guide and Responsible Investment Charter are available from [bethical.com.au](http://bethical.com.au) or you can request a free copy by calling us on +61 8 7200 3586.

The content of this PDS is current as at the date of issue, but may change from time to time. You should check that you have the most up-to-date version before making an investment decision. Updated information which is not materially adverse to investors may also be displayed on [bethical.com.au](http://bethical.com.au). On your request, we will give you a paper or electronic copy of any updated information without charge.

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**01**

**About B. Ethical Funds Management**

We are the issuer of this PDS and responsible entity of the Fund. As the responsible entity, we operate and administer the Fund. When you invest, we issue units in the Fund to you. We have appointed our parent company B. Financial to be the investment manager of the Fund. B. Financial is our authorised representative and manages the investment activities and assets of the Fund.

**02**

**How the B. Ethical Investment Fund works**

The Fund primarily invests in equities listed on the Australian share market which are outside of the S&P/ASX 100 Index. All investments are screened and we exclude companies which in our view fall short of the principles within our Responsible Investment Charter. Investments are mostly in companies but may also include listed real estate trusts.

When you invest in the Fund, your money is pooled with other investors' money which we manage to buy investments on behalf of all investors.

Like many other Australian managed investment funds, the Fund is a "unit trust". This means that:

- (a) The beneficial interest in the Fund is divided into units
- (b) When you invest in the Fund, we issue you with units in the Fund
- (c) Your entitlement to (or interest in) the Fund is proportionate to the units you hold and the units on issue
- (d) You own units in the Fund
- (e) The underlying assets of the Fund are held in the name of the Fund (and not in your name).

You can increase or decrease your investment in the Fund by acquiring or disposing of units. When your money is paid into the Fund, units are issued to you and when money is paid out, some or all of your units are cancelled.

The value of your investment is reflected in the price of the units. The unit price reflects the rises and falls in value of the underlying assets due to market movements, income earned, fees, expenses and taxes paid and payable. We usually calculate the unit price for the Fund on the last business

day of each month but may do so more frequently in our discretion.

The Fund is governed by its Constitution and is registered with the Australian Securities and Investments Commission (**ASIC**). As an investor in the Fund, you will hold units and have the rights of a unitholder as set out in the Constitution. ASIC has been notified of the use of this PDS, but ASIC takes no responsibility for this PDS or the operation of the Fund.

We have appointed an external custodian, Perpetual, to hold the assets of the Fund. The custodian's role is to hold the assets of the Fund in its name and act on our instruction to process transactions. When you invest in the Fund, your money is paid to the custodian. Other than holding the Fund's assets, the custodian has no supervisory role and no responsibility to investors.

**How to invest in the Fund**

To invest in the Fund, you will need to complete the Application Form available at [bethical.com.au](http://bethical.com.au) together with a direct deposit or cheque. The minimum initial investment and ongoing investment balance is \$50,000. The minimum additional investment is \$5,000.

The unit price you will receive on your investment depends on when (and if) we accept your application. We process applications monthly. If we receive your application and cleared funds before 3 p.m. on the last business day of the month, you will usually receive the unit price calculated for that last day. If received after 3 p.m. on the last business day of the month, you will usually receive the unit price calculated for the last business day of the following month.

Unit prices for applications are calculated by dividing the net asset value of the Fund by the number of units on issue and then adjusting this value up by a buy-sell spread between zero and 0.275%.

**Withdrawing from the Fund**

You can request a full or partial withdraw at any time by completing a withdrawal form. The withdrawal form is available from [bethical.com.au](http://bethical.com.au) or on request by calling us on +61 8 7200 3586.

Once lodged, withdrawal requests may not be cancelled except with our consent. If a withdrawal request results in you holding less than the minimum balance in the Fund, we may treat your

withdrawal request as being for the whole of your investment in the Fund.

We process withdrawals monthly. If accepted, withdrawal requests received before 3 p.m. on the last business day of the month, will usually receive the applicable unit price for that last business day. If received after 3 p.m. on the last business day of the month, you will usually receive the unit price for the last business day of the following month.

Unit prices for withdrawals are calculated by dividing the net asset value of the Fund by the number of units on issue and then adjusting this value down by a buy-sell spread between zero and 0.275%.

Withdrawal payments will generally be made to your nominated Australian bank account within 10 business days.

Withdrawals may be delayed during an extreme market event including a securities exchange closure or the restricted or suspended trading in the market for a Fund asset.

We may also process requests in instalments over a period of time.

In circumstances where withdrawals are delayed or being paid in instalments, the unit prices used for a withdrawal may be those available on the day the withdrawal takes effect, rather than the day the withdrawal request is received.

In the unlikely event that the Fund becomes illiquid (as defined in the Corporations Act 2001), you may only withdraw your funds in accordance with any withdrawal offer that we make.

You can request a copy of our policies without charge in relation to any discretion we use for valuations, e.g. how we determine the applicable buy-sell spread.

### **Paying you income of the Fund**

The Fund is likely to generate income from holding assets such as in the form of dividends. We usually distribute the Fund's net taxable income to investors effective as at the end of each financial year (including net capital gains). However, there may be periods in which the Fund makes additional distributions or no distribution.

To receive a distribution, you must hold units as at the distribution calculation date. Distributions are generally calculated based on the Fund's net income at the end of the distribution period divided by the number of units on issue. Distribution payments will generally be made to your nominated

Australian bank account within 10 business days of being declared.

You can request to have income distributions paid to you or reinvested in the Fund. If you do not notify us of your selection, we will reinvest the distribution into the Fund. We may accept or refuse your request at our discretion.

If we elect to apply the Attribution Managed Investment Trust regime (AMIT regime) to the Fund, we have the discretion to accumulate income (instead of distributing all of the income). In that case, the accumulated income will be reflected in the unit price. We will notify you if we make this election.

Further information is contained in the Investment Guide and Responsible Investment Charter on how the Fund works.

You should read the important information about how the Fund works before making a decision. Go to [bethical.com.au](http://bethical.com.au). The material in the Investment Guide and Responsible Investment Charter relating to how the Fund works may change between the time when you read this Statement and the day when you acquire the product. You may request the most up-to-date version from us at any time.

## **03**

### **Benefits of investing in the B. Ethical Investment Fund**

#### **Professional management**

B. Financial's management brings decades of experience in successfully managing Australian equities portfolios and operating investment funds.

#### **Invest in non-ASX 100 companies**

Non-ASX 100 companies are more likely to be mispriced as they are less commonly researched by analysts. B. Financial's investment approach aims to identify mispricing opportunities and this may achieve better return outcomes after fees than the S&P/ASX Small Ordinaries Accumulation Index where company share prices move to reflect our forecast intrinsic company values.

#### **Ethical screening**

B. Financial's investment team screens all investments against the principles within our Responsible Investment Charter to exclude companies which in our view cause significant environmental or social harm.

Our Investment Guide sets out more information on how we screen investments.

#### **Encouraging social responsibility**

As active investment managers, B. Financial supports and encourages companies to act in a socially responsible manner by using our shareholder vote to advance improvements to environmental, social and governance issues or by raising ethical concerns with company management. Refer to our Investment Guide for further information.

#### **Diversity**

The Fund aims to invest in a portfolio of 15 to 30 equities and offers investors access to diversity which individual investors may not be able to achieve on their own.

## **04**

### **Risks of managed investment schemes**

All investments carry risk. Different investment strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk. Whilst B. Financial rigorously applies a disciplined, research-driven investment approach, it is important that you carefully consider the risks of investing into the Fund. Significant risks include:

- (a) market risk – the value of investments will vary over time, influenced by factors that influence the whole share market such as: investor sentiment; the economic, political and regulatory environment; inflation and interest rates; natural and manmade disasters;
- (b) variability of returns – the level of returns will vary and future returns may differ from past returns; returns are not guaranteed and the Fund may not achieve its investment return objective outline in section 05; investors may lose some or all of their money;
- (c) company specific risks – the value of a company's share price varies and is affected by both internal influences (such as the company's performance, management, operational efficiency) and external influences (such as industry competition, investor expectations and social,

- government and environmental issues);
- (d) ethical screen risks – despite best efforts, it may be possible that the Fund invests in an industry or company that causes significant environmental or social harm. We act to mitigate this risk wherever possible;
- (e) liquidity risk – the risk that an investment cannot be sold due to a trading suspension on the market or in the individual investment. A lack of liquidity may affect the amount of time it takes us to satisfy a withdrawal request;
- (f) regulatory and tax risks – laws affecting registered managed investment schemes or tax may change in the future which may affect the value of the Fund's assets or its tax treatment;
- (g) operational risks – operational failures may adversely affect the Fund and its performance such as: third-party service providers engaged by us may not properly perform their duties for us or become insolvent; a failure in IT systems or infrastructure; events beyond our control such as natural disasters; and/or we or the investment manager not being able to continue to act on behalf of the Fund; and
- (h) performance fee risks – as performance fees are charged, we may have an incentive to take greater investment risks.
- In addition to the above risks, if the Fund invests in derivatives, the following significant risks will apply:
- (a) imperfect hedging – the Fund may invest in derivatives to reduce the impact of value fluctuations on the Fund's investment/s. However, hedging may be imperfect and losses may arise;
- (b) leverage – derivatives are usually leveraged and have the potential to result in losses that are more than the money initially invested;
- (c) counterparty risk – derivatives are entered into with a counterparty and there is a risk that the counterparty will fail to meet its financial obligations under the transaction.
- It is important to consider whether the Fund is appropriate to you, the likely investment returns and your desired level of investment risk which will vary depending on your age, investment timeframe, risk tolerance and the other types of investments you hold.

## 05

### How we invest your money

<b>Fund description</b>	The Fund primarily invests in an actively managed portfolio of equities listed on the Australian share market. Investments are screened against our Responsible Investment Charter to exclude industries and companies which in our view cause significant environmental or social harm. Investments are mostly in companies but may also include trusts. Occasionally, the Fund may also hedge its exposure through the use of exchange-traded or over-the-counter derivative. The minimum suggested time frame for holding the investment is 3 years.												
<b>Ethical screening</b>	The Fund considers ethical issues when deciding to select, retain or sell investments. This includes taking into account labour standards, environmental, social and ethical considerations by screening investments against our Responsible Investment Charter. Please refer to the Investment Guide for further information.												
<b>Investment return objective</b>	The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over a rolling 3-year period.												
<b>Benchmark</b>	S&P/ASX Small Ordinaries Accumulation Index												
<b>Investment approach</b>	The investment manager uses a bottom up investment process, where by investment decisions are made by undertaking extensive proprietary research and analysis of individual investments. In general, the manager intends to invest in companies which have a proven business model and competitive edge that can expand through either organic or acquisitive growth. The manager also employs an ethical screen, which removes or reduces exposure to companies which fall short of the principles within our Responsible Investment Charter.												
<b>Indicative asset allocation</b>	<table border="1"> <thead> <tr> <th>Asset</th> <th>Min</th> <th>Max</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>Listed Australian shares</td> <td>75%</td> <td>100%</td> <td>95%</td> </tr> <tr> <td>Cash</td> <td>0%</td> <td>25%</td> <td>5%</td> </tr> </tbody> </table> <p>While the investment manager intends to be invested at the target ranges, the investment composition can and will vary within the stated ranges above.</p>	Asset	Min	Max	Target	Listed Australian shares	75%	100%	95%	Cash	0%	25%	5%
Asset	Min	Max	Target										
Listed Australian shares	75%	100%	95%										
Cash	0%	25%	5%										
<b>Risk level</b>	High – the fund is actively managed and invested in a higher risk category of equities (companies which are outside of the S&P/ASX 100 Index).												
<b>Investors which the Fund may suit</b>	The Fund may be suited to you if you: <ul style="list-style-type: none"> <li>(a) Want to invest in investments which are screened for environmental and social considerations.</li> <li>(b) Want to invest in a diversified portfolio of Australian small companies managed by a specialist investment manager</li> </ul>												

	(c) Are seeking diversification for your investment portfolio
	(d) Can tolerate fluctuations of income and can risk capital loss.

Further information is contained in the Investment Guide and Responsible Investment Charter on the Fund's investment approach and how it takes into account labour standards, environmental, social and ethical considerations through investment screening criteria.

You should read the important information about how we invest your money in the Investment Guide and Responsible Investment Charter before making a decision. Go to [bethical.com.au](http://bethical.com.au). The material in the Investment Guide and Responsible Investment Charter relating to how we invest your money may change between the time when you read this Statement and the day when you acquire the product. You may request the most up-to-date version from us at any time.

## 06

### 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% of your investment balance rather than 1% could reduce your final return by up to 20% 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 member services justify higher fees and costs.

You may be able to negotiate to pay lower fees. Ask the Fund or your financial adviser.

#### 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)** Moneysmart website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Tax implications are set out in section 07 of this document. The information in this table can be used to compare fees and costs between different simple managed investment schemes. All fees are shown inclusive of GST and net of reduced input tax credits (where applicable).

#### Fees and Costs Summary

B. Ethical Investment Fund		
Type of fee or cost*	Amount*	How and when paid
<b>Ongoing annual fees and costs</b>		
<i>Management fees and costs</i> The fees and costs for managing your investment <sup>1</sup>	1.20% <sup>1</sup> p.a. of the Fund's net asset value	The management fee is calculated and accrued daily and paid to us monthly in arrears from the assets of the Fund. Payment is due on the first business day of the month.
<i>Performance fees</i> Amounts deducted from your investment in relation to the performance of the product	If applicable, the performance fee is calculated by 15% of the amount that the Fund's return per unit (after the deduction of management fees) exceeds the unitised return of the benchmark for the quarter. See the Performance Fee section under Additional Explanation of Fees and Costs for further details including applicability.	If a performance fee is applicable, it is calculated and accrued daily and paid to us quarterly in arrears from the assets of the Fund. Payment due on the first business day of the calendar quarter.
<i>Transaction costs</i> The costs incurred by the scheme when buying or selling assets	Estimated to be 0.09% p.a. of the Fund's net asset value. <sup>2</sup>	Transaction costs <sup>2</sup> are paid as and when incurred out of the assets of the Fund to the relevant investment broker.
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the scheme)</b>		
<i>Establishment fee</i>	Nil	Not applicable

The fee to open your investment		
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	Not applicable
<i>Buy-sell spread</i> An amount deducted from your investment representing costs incurred in transactions by the scheme	Between 0 and 0.275% of an application amount or withdrawal amount. As at the date of this PDS the buy-sell spread is 0.25% on applications and withdrawals. See the Buy-sell Spread section under Additional Explanation of Fees and Costs for further details.	The buy-sell spread is not a fee paid to us, but retained in the Fund to cover the cost of buying or selling the Fund's investments. The buy-sell spread is built into the application and withdrawal unit prices and deducted at the time of application or withdrawal.
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	Not applicable
<i>Exit fee</i> The fee to close your investment	Nil	Not applicable
<i>Switching fee</i> The fee for changing investment options	Nil	Not applicable

#### Example of Annual Fees and Costs

This table gives an example of how the ongoing annual fees and costs for the Fund can affect your investment over a 1-year period. You should use this table to compare this Fund with other products offered by managed investment schemes.

Example*		Balance of \$50,000 with a contribution of \$5,000 during the year <sup>3</sup>
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
<b>Plus</b> Management fees and costs	1.2%	<b>And</b> , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment \$600.00 each year
<b>Plus</b> Performance fees	0.84% (estimate) <sup>4</sup>	<b>And</b> you will be charged or have deducted from your investment \$422.45 in performance fees each year. <sup>4</sup>
<b>Plus</b> Transaction costs	0.3314% <sup>2</sup>	<b>And</b> you will be charged or have deducted from your investment \$165.70 in transaction costs. <sup>2</sup>
<b>Equals</b> cost of B. Ethical Investment Fund		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 and costs of: <p style="text-align: right;">\$1,188.15<sup>*,3,4</sup></p> What it costs you will depend on the performance of the Fund and the fees you negotiate.

\* Unless otherwise stated, all fees and costs are stated inclusive of GST and net of any expected reduced input tax credits. They are stated without any other adjustment in relation to any tax deduction available to us.

<sup>1</sup> For certain wholesale clients (as defined by the Corporations Act 2001) and our employees, this fee may be negotiated subject to the requirements of *ASIC Corporations Instrument 2017/40* (see the Additional Explanation of Fees and Costs section for details)

<sup>2</sup> Transaction costs are shown net of any provisions created by transacting unitholders through the buy-sell spread. The amount shown is an estimate based on the transaction costs incurred in the 2019-2020 financial year and the net asset value as at 30 June 2020. This amount will differ in future years depending on the Fund's trading activity. See the Buy-sell Spread section under Additional Explanation of Fees and Costs for further details.

<sup>3</sup> This example assumes the \$5,000 contribution occurs at the end of the year.

<sup>4</sup> Performance fees are only charged if the Fund performs well. The amount shown is an estimate based on performance fees charged in the 2019-2020 financial year proportionate to that year's average quarterly net asset value. Performance fees may differ in future years depending on the Fund's performance. See the Performance Fee section under Additional Explanation of Fees and Costs for further details including applicability.

### **Additional Explanation of Fees and Costs**

#### **Buy-sell spread**

A buy-sell spread is an additional cost which you will incur if you transact in Fund units. The buy-sell spread aims to ensure that non-transacting investors do not pay the transactional and operational costs associated with an investor entering or exiting the Fund. They are charged because entering or exiting the Fund necessitates the buying or selling of the Fund's investments which results in transactional and operational costs.

The buy-sell spread is not a fee paid to us – it is retained in the Fund to cover the cost of brokerage when buying or selling the Fund's investments when incurred. Brokerage charges are usually a percentage of the trade value subject to a fixed minimum. The transaction costs shown in the fees and costs summary is net of any amount recovered by the buy-sell spread charged by us. In the 2019-2020 financial year, total gross transaction costs were \$3,805.34. Transaction costs are paid when due out of the assets of the Fund. The transaction cost is an additional cost to you where it has not already been recovered by the buy-sell spread charged by us.

The current buy-sell spread is 0.25% and is built into the entry and exit unit price. On a \$5,000 transaction, this amounts to a maximum of \$12.50.

The buy and sell spread is based on our estimate of costs incurred by the Fund to invest application money received or to sell assets to pay withdrawal payments. In circumstances where we determine that investors of the Fund are not being treated equitably, the buy/sell spread may be higher than our estimate. From time-to-time, we may vary the buy-sell spread between zero and 0.275% without ordinarily providing notice. Any change to the buy-sell spread will be publicised on [bethical.com.au](http://bethical.com.au). The discretion we use in determining the buy-sell spread is made in accordance with documented policies. You can ask us for a copy of our policies at no cost.

#### **Management costs**

Management costs for the Fund include a management fee and performance fee.

We currently do not recover operational expenses from the Fund such as audit costs, the costs of legal and taxation advice, costs of annual financial statements, reporting and distribution and marketing expenses.

#### **Management fee**

We are paid a management fee of 1.2% p.a. (inclusive of GST, net of expected reduced input tax credits) of the Fund's net asset value. The management fee is calculated and accrued daily and paid to us monthly. The amount of this fee may be negotiated by wholesale clients (as defined by the Corporations Act 2001) and our employees subject to the requirements of *ASIC Corporations Instrument 2017/40* by contacting us by email or telephone. Fee reductions are at our discretion and will be considered on an individual basis.

#### **Performance fee**

In addition to a management fee, we may receive a performance fee paid out of the assets of the Fund if the Fund's return per unit is positive, exceeds the unithised return of the benchmark for the quarter and exceeds the Fund's high watermark.

The performance fee is 15% (inclusive of GST less any expected reduced input tax credits) of the amount by which the Fund's return per unit (after the deduction of management fees and excluding any accrued investment performance fees) exceeds the unithised return of the S&P/ASX Small Ordinaries Accumulation Index. The performance fee (if any) is accrued daily during each calendar quarter and is payable at the end of the quarter (at 31 March, 30 June, 30 September and 31 December) (Performance Fee Period).

The performance fee for the relevant period is calculated monthly and reflected in the Fund's monthly unit price as if they were actually paid. Any underperformance of the Fund's return per unit relative to the benchmark (cumulative underperformance from any previous Performance Fee Period) must be recouped before any performance fee can be recognised in the Fund's unit price (high water mark). At the end of a Performance Fee Period, the Fund's return per unit and the unithised return of the benchmark are reset to zero for the start of the next Performance Fee Period. In the 2019-2020 financial year, total

performance fees paid by the Fund were \$8,037.37.

For examples of how performance fees are charged, please refer to [bethical.com.au](http://bethical.com.au).

#### **Applications during a Performance Fee Period**

If units are issued part way through a Performance Fee Period, the applicable unit price may already include an accrued performance fee which is yet to be paid at the end of the Performance Fee Period.

#### **Withdrawals during a Performance Fee Period**

If an investor withdraws during a Performance Fee Period, then the unit price used is the applicable monthly unit price. This investor effectively crystallises the performance fee yet to be paid. This crystallised performance fee is immediately payable to us.

#### **Financial adviser fees**

If you consult a financial adviser, you may pay additional fees for their advice. These fees should be set out in the Statement of Advice between you and your financial adviser.

#### **Fees to indirect investors**

The fees and costs outlined in this PDS are for the Fund only. Separate fees and costs may apply to those who invest in the Fund through an Investor Directed Portfolio Service or similar master trust or wrap-like scheme. These fees and costs should be specified in the offer document for that scheme.

#### **Incidental fees**

If we incur charges from your financial institution, we may deduct it against your application or withdrawal monies or investment balance, as appropriate. For example, electronic transfer fees or bank tracing fees (e.g. if we return, or need to find the source of, monies because we did not receive your application form or additional investment instruction or we make an international transfer on your behalf); and cheque or direct debit dishonour fees. These fees will typically not exceed \$50.

Payments from/into non-Australian bank accounts may incur currency conversion fees by your financial institution.

#### **Government charges**

Government charges such as taxes will be applied against your application or

withdrawal monies or investment balance as appropriate. If the Fund is entitled to reduced input tax credits or other tax deductions it will be applied to the Fund and reduce the costs of investing. Please see section 07 for a summary of tax implications.

#### **Soft dollar benefits**

In accordance with applicable laws, we may receive goods and services (such as third-party research) which assist us in managing the Fund paid for by brokers. These benefits are not an additional cost to you.

#### **Custodian fees**

We pay fees to the custodian for holding the assets of the Fund. These fees are paid directly by us and not by the Fund. However, in the unlikely event that we are unable to pay these fees (e.g. due to our insolvency), the custodian may seek to deduct any outstanding fees from the assets of the Fund.

#### **Changes to fees**

We may change these fees with 30 days' notice up to the maximum levels specified in the Fund's constitution, without your consent. The constitution allows for the following maximum fees to be charged:

- (a) contribution and withdrawal fees of up to 5% of the application/withdrawal amount;
- (b) performance fee of up to 25% of Fund's quarterly performance in excess of the benchmark; and
- (c) maximum management fee of 2% p.a. of the Fund's net asset value.

No prior notice will be given for changes to transaction costs or the buy-sell spread.

## **07**

### **How managed investment schemes are taxed**

Investing in a registered managed investment scheme such as the Fund is likely to have tax consequences. This section summarises some of the tax issues you should consider before investing into the Fund. It is a summary only and does not constitute tax advice. We strongly advise you to seek professional tax advice which takes into account the specific implications relevant to your situation. The taxation of registered managed investment schemes is complex and may change over time. Our comments are current as at the date of the PDS.

#### **Taxation of Australian resident investors**

Registered managed investment schemes do not pay tax on behalf of investors. Rather, investors are assessed for tax on any income and capital gains generated by the scheme.

Distributions from the Fund may contain various components which may be treated differently for tax purposes. For example, in addition to investment income, a distribution may also comprise of a net capital gains tax (CGT) component and a CGT concession component.

We provide annual tax statements to investors (generally in July) indicating components of distributions and any tax withheld. You should include the proportion of the Fund's net earnings distributed to you (and may have been reinvested) in your tax return in the year you are presently entitled to it.

The unit price of units issued before a distribution will include income accumulated in the Fund. The income that has been accumulating will generally be distributed. You may potentially have taxation liabilities on that income.

When you withdraw from the Fund, an income or capital gain may arise, depending on your circumstances.

#### **Tax position of the Fund**

The Fund is an Australian resident trust estate. The Fund's investment activities are consistent with the definition of "eligible investment business" in section 102M of the Income Tax Assessment Act 1936. This means that the Fund should not be treated as a "public trading trust" and should not be taxed as a company.

Generally, no Australian income tax will be payable by the Fund on the basis that investors will be presently entitled to all distributable income of the Fund each year. Any net losses are retained by the Fund and, subject to meeting certain conditions, used to offset future matching gains.

#### **AMIT regime**

Subject to the Fund meeting eligibility requirements, the Fund may irrevocably elect into the attribution regime for the taxation of managed investment trust. The Attribution Managed Investment Trust (AMIT) regime is intended to provide greater certainty around the tax treatment of managed investment trusts and reduce administrative burdens and

inefficiencies which is consistent with the best interests of investors. There are a number of advantages if the Fund elects to be an AMIT.

The Fund can:

- (a) use an attribution method of taxation (instead of the existing present entitlement to income method);
- (b) carry forward under- and over-estimates of tax amounts into the discovery income year, generally without adverse tax consequences;
- (c) be deemed to be a fixed trust, subject to eligibility requirements; and
- (d) allow investors to make, in certain circumstances, both upward and downward adjustments to the cost base of their unit holdings to eliminate double taxation that may otherwise arise.

Under the attribution method of taxation, for income tax purposes, the Fund can attribute assessable income, exempt income, non-assessable non-exempt income and tax offsets to investors on a fair and reasonable basis. We may also allocate realised capital gains and a proportion of undistributed income. For example, if a large withdrawal requires the sale of Fund assets, the associated capital gains can be attributed to that investor as well as undistributed income.

If we elect into the AMIT regime, investors will be given an AMIT Member Annual Statement within 3-months of the end of the income year which includes the amounts attributed to them during the income year and any cost base adjustment.

We may be liable for tax if we fail to allocate income, or over allocate tax-offsets, to investors and may also face administrative penalties where mistakes are found to be reckless or intentional.

#### **Goods and services tax (GST)**

GST should not be payable on your investment in the Fund. GST will apply to the management and performance fees charged by the Fund.

GST will apply to the fees and costs charged to the Fund. However, in respect of some of these fees and costs, the Fund may be entitled to reduced input tax credits. GST will not be applicable to the buy/sell spread payable in relation to the Fund.



### **Non-residents**

Non-residents may be subject to non-resident withholding tax. The amount of withholding tax depends what type of entity the non-resident is, the income type and the country of residence.

Taxation and distribution statements are prepared from an Australian resident investor perspective. Non-residents should seek professional taxation advice to clarify their specific circumstances.

### **Tax file numbers**

We are authorised under the Income Tax Assessment Act 1936 to ask for your tax file number (TFN) and disclose it to the Australian Tax Office (ATO). It is not an offence if you don't provide us with your TFN. However, if you don't, withholding tax may be deducted at the highest marginal tax rate (plus applicable levies) from any income distributions payable to you.

### **Closely held trust**

If the Fund's top 20 investors own 75% or more of the Fund's issued units, it will be deemed to be a "closely held trust". If this occurs, we will need to provide the ATO of details of each investor who is a trustee of a trust including that investor's TFN. If the trustee investor does not provide these details or provides incorrect details, we may be charged trustee beneficiary non-disclosure tax which is currently at the highest marginal tax rate (plus applicable levies) from income distributions. If a trustee investor does not provide the required details, we are entitled to either withhold or recover this amount from the trustee investor.

## **08**

### **How to apply**

To invest, please complete an Application Form for the Fund and send it to us with your identification documentation as applicable. The Application Form is available on [bethical.com.au](http://bethical.com.au).

Please also transfer application monies to the bank account detailed below:

Account:

Perpetual Corporate Trust Limited ACF  
B. Ethical Investment Fund  
BSB: 062-000

Account number: 19885095

**You must include your full name as the payment reference so we can identify your payment (or your**

### **Investor ID if you are an existing investor).**

We cannot process your application until the custodian has received your application money as cleared funds.

### **Privacy**

We collect your personal information to provide you with our products and/or services which we may not be able to provide without your personal information. We may disclose your information to entities within our corporate group, persons who act on our behalf or our service providers. These entities may be based overseas. Please see our privacy policy, available on [bethical.com.au](http://bethical.com.au), for further information including how you can access or correct the personal information we hold, the countries we may send your information to and how you can complain about a privacy issue.

### **AML, FATCA and CRS**

We are required to comply with the Anti-money Laundering and Counter-Terrorism Financing Act 2006, Foreign Account Tax Compliance Act and the Common Reporting Standard (Subdivision 396-C of the Taxation Administration Act 1953). This may require us to collect additional information about you or persons acting on your behalf and disclose this information to regulatory bodies such as the ATO and AUSTRAC.

### **Cooling off**

Unless you are a 'wholesale client' (as defined in the Corporations Act 2001), you have a 'cooling-off right' whereby you can change your mind about your initial investment in the Fund and ask for your money to be repaid.

The cooling-off right must be exercised by writing and received by us within 14 days from the earlier of:

- (a) when you receive confirmation of your investment, or
- (b) the end of the fifth business day after the day on which your units were issued to you.

Your cooling-off right terminates immediately if you exercise a right or power under the terms of the Fund, such as withdrawing or transferring part of your investment.

Cooling-off rights do not apply to any additional contributions you make to your investment (including those made under any distribution reinvestment election).

Any repayment of your investment under the cooling-off right is subject to an adjustment for market movements (both positive and negative), taxes, buy/sell spreads, and fees and other costs referred to in section 06 of the PDS.

### **Resolving complaints**

If you have a complaint in relation to any of our products or services, please contact us by email or telephone and we will do our best to resolve your concern.

If you are unhappy with this resolution, you may contact us in writing at [hello@bethical.com.au](mailto:hello@bethical.com.au). We will work with you to address your concern quickly and keep you updated until your concern is resolved.

If you are not satisfied with the steps we have taken to resolve your complaint, you may lodge a complaint with the Australian Financial Complaints Authority (AFCA). Please note AFCA generally requires you to first provide us with the opportunity to address your complaint before they will review your complaint.

AFCA

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

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

Phone: 1800 931 678

Mail:

Australian Financial Complaints  
Authority  
GPO Box 3  
Melbourne VIC 3001

### **Glossary**

When used in this PDS, the following words have the corresponding meanings:

**B. Financial** means B. Financial Group Pty Ltd (ACN 66 627 465 838).

**Business day** means days other than a Saturday, Sunday or public holiday in Adelaide, South Australia.

**Constitution** means the Constitution for the Fund dated 19 February 2019.

**Perpetual** means Perpetual Corporate Trust Limited (ABN 99 000 341 533).

**Us, we, our** means B. Ethical Funds Management (ACN 613 975 812)

B. Financial and Perpetual has given its written consent to all statements made about them in this PDS.

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