

November 2011

Dear <Investor Name>,

### **Changed arrangements for our larger and wholesale investors**

As a wholesale or larger investor, you have been receiving reduced fees on your investment in some of our managed funds.

We have been looking at how we can improve the way reduced fees are provided to you.

Currently your reduced fees are provided on a quarterly basis either through the issue of additional units in the fund or through the payment to you of a cash rebate.

In future, we are intending to establish a wholesale class of units within our managed funds. This means that reduced fees will no longer be rebated through quarterly payments, but rather will be reflected directly into the unit price of the wholesale class.

#### ***Why are we moving to a wholesale class of units?***

Introducing a wholesale class of units has the following benefits:

- it allows us to easily and transparently provide fund investment performance for wholesale and larger investors;
- administration for our clients is reduced as there will no longer be a need to reconcile cash payments or unit issues;
- underlying investors of some platforms will now receive the benefit of the reduced fees

#### ***Is there any impact on the underlying investments of the managed fund?***

No, the investment portfolio of the managed funds will not change – so wholesale and non-wholesale unitholders will continue to hold units in the same fund, and the fund will continue to hold the same portfolio of assets.

**What will the changes mean for my investment?**

There will be no change to the reduced fee that you currently receive – you will continue to receive the same benefit as you do now.

Your current unit holding will be classified as wholesale units.

You will no longer receive a quarterly cash payment or be issued with additional units in satisfaction of the rebate.

Instead, the unit price of your wholesale units will directly reflect the reduced fees and costs applicable to your investment.

So, your management fees and expenses (which comprise the indirect cost ratio) will be held at a fixed level as set out in the following table (provided the conditions are met):

<b>Trust</b>	<b>Fixed Indirect Costs Ratio</b>	<b>Conditions</b>
Smaller Companies	1.35% per annum	Investor must maintain minimum \$500,000 investment across Australian Ethical's Managed Funds and a minimum investment of \$50,000 in the specific fund. Criteria will be reassessed at least annually. Conditions do not apply to wholesale investors such as platforms or superannuation master trusts.
Larger Companies	1.35% per annum	
Climate Advocacy Fund	0.85% per annum	Investor must maintain a minimum investment in the fund of \$50,000. Criteria will be reassessed at least annually. Conditions do not apply to wholesale investors such as platforms or superannuation master trusts.

You will continue to receive the same type of transaction confirmations, distribution statements, tax statements and periodic statements as you do currently – the only difference will be that your units will reflect your wholesale status. Similarly, you will have the same online access arrangements as at present.

The change will not have any taxation implications for you.

The wholesale class of units will have their own APIR code. Information about unit prices and performance for the wholesale class will be provided to relevant advisers, institutions and research houses.

**When will these changes happen?**

We have not yet set a firm date when your current units will be classified as wholesale units. At this stage, that could occur either late this year or early next year. When we have a firm date for this change, we will contact you again.

You will also receive a confirmation once the units have been classified as wholesale units. At around the same time, we will make a final payment or make a final issue of units under the existing rebate arrangements.

***Can I talk to someone about these changes?***

Yes. If you want clarification or more information, please contact the following people:

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