

COMMENTARY FOR JUNE 2010

The Balanced Trust fell 0.2% for June 2010 compared to a 1.1% fall in the benchmark, Morningstar Peer Group Retail Investment Trusts Multisector Balanced Index. This outperformance over the index can in part be attributed to the property holdings of the fund, which contributed 0.44% to returns following the annual revaluation of the major asset in the Australian Ethical Property Trust.

Domestic equities holdings declined 1.9%, while the S&P/ASX 200 Industrials index fell 3.2%. A major contributor to this asset class outperformance was Telstra, where the fund has an overweight position relative to the index. Telstra rallied 10.5% over the month following the announcement that it had reached a heads of agreement with the Commonwealth Government on their participation in the rollout of the National Broadband Network.

Similarly health care stocks, which form a large portion of the fund yet do not feature as strongly in the index, were broadly positive with Sonic Healthcare, CSL, and Cochlear all rising 2-3%. These gains however were offset by falls from Brambles, Sims Group, Fairfax and Infigen Energy.

The interest bearing assets of the fund were steady over the month, with little movement in credit spreads. At 0.47%, the interest bearing allocation slightly outperformed the 0.4% return of 90 Day Bank Bills.

Late in the month, the Balanced Trust purchased additional units in the Australian Ethical International Equities Trust, which has a 'Global Smart Energy' theme. This investment represents approximately 15% of the fund's assets, and it fell 1.4% against its global benchmark, MSCI World, which fell 3.8%. The outperformance was attributed to the stability and performance of the Asian stocks within its portfolio.

Following the resignation of Martin Halloran as chief investment officer in May, James Jordan was appointed to fill this role. Portfolio management of the Balanced Trust also transferred to Mr Jordan, who has been with Australian Ethical since 2006 and was previously the investment's team head of research.

PERFORMANCE

	3 months	6 months	1 year	3 years	5 years	10 years	Since inception
Balanced Trust	-2.8%	-2.0%	4.4%	-3.9%	1.5%	5.5%	6.5%
Morningstar Peer Group Retail Investment Trusts Multisector Balanced Index <sup>oo</sup>	-3.5%	-2.0%	9.9%	-3.6%	2.4%	3.8%	6.5%

GICS SECTORS

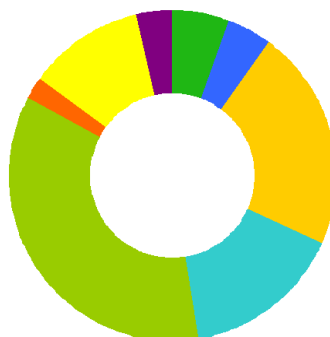
Sector	% of portfolio	% of S&P/ASX 200 index
Energy	8.4%	7.2%
Materials	5.6%	25.4%
Industrials	2.6%	5.9%
Consumer discretionary	1.9%	4.1%
Consumer staples	0.0%	9.0%
Health care	26.6%	3.6%
Financials	19.7%	35.1%
Information technology	12.2%	0.7%
Telecoms. services	11.3%	4.0%
Utilities	11.6%	1.4%

TOP HOLDINGS

Suncorp-Metway Bank Ltd
Westpac
St George Bank Ltd
Origin Energy Ltd
Bendigo & Adelaide Bank Ltd
Commonwealth Property Office Fund
Telstra Corporation Ltd

ASSET ALLOCATION

5.46% Cash
4.45% Debt equity instruments
21.86% Equities (AU & NZ)
15.67% Equities (international)
0.04% Equities (unlisted)
35.36% Interest bearing (general)
2.09% Interest bearing (loans)
11.45% Property
3.62% Equities (listed small caps)(AESCT)



BEST SIGNIFICANT PERFORMERS

Telstra Corporation Ltd	+10.5%
ING Real Estate Healthcare	+6.0%
iiNet Ltd	+4.3%

WORST SIGNIFICANT PERFORMERS

Transpacific Industries Group	-9.6%
Fairfax Media Ltd	-4.9%
Suncorp-Metway Bank Ltd	-2.0%

FUND SIZE

\$239.5m

## INVESTMENT PROFILES

The **ING Real Estate Healthcare Fund** is an ASX listed property trust that invests in properties used to provide healthcare and associated services. The Fund currently owns seven properties in Australia. The Fund invests in assets in a range of locations across all types of healthcare related real estate: hospitals, medical office buildings, medical centres, laboratories and health administration facilities.

**Commonwealth Property Office Fund** has 27 properties in its portfolio. The Fund has developed systems and processes which encourage sustainability in the context of the environment and communities in which it operates. In doing so the Fund has achieved reductions in water and energy usage and waste to landfill. It is also involved in a Carbon Bio-sequestration Initiative, which will offset carbon dioxide emissions for the Fund's property in Adelaide.

## KEY INFORMATION

<b>Responsible entity</b>	Australian Ethical Investment Ltd
<b>Minimum investment</b>	\$5,000
<b>Distribution</b>	Half yearly
<b>APIR</b>	AUG0001AU
<b>ARSN</b>	089 919 255

<b>Contribution fee</b>	
– <b>Standard (non-electronic) investor</b>	3.60%
– <b>Electronic investor</b>	2.00%
<i>The fee is reduced for direct investments of \$35,000 and above</i>	
<b>Withdrawal fee</b>	Nil
<b>Performance fee</b>	Nil
<b>Indirect cost ratio</b>	2.17%

## OBJECTIVE

The **australianethical** Balanced Trust aims to provide investors with a balance between capital growth and a moderate level of income through a diversified portfolio of assets that supports the **australianethical** Charter.

## STRUCTURE

The fund is an open ended public unit trust.

## CONTACT

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## COMPANY SUMMARY

Australian Ethical Investment Ltd is a fund manager that specialises exclusively in sustainable funds management, offering managed funds and superannuation. **australianethical** has applied its rigorous ESG investment process to its portfolios for over two decades. Beyond screening out investments that negatively impact on society, **australianethical** uniquely seeks out investments in genuinely sustainable industries.

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