

COMMENTARY FOR JUNE 2010

While the fund was down slightly for the month of June, returning -1.4%, it performed well compared to its global benchmark (-3.8%) and compared to renewable energy indices. June was a volatile month, which favoured the more defensive sectors, while energy, information technology and consumer discretionary sectors took a hit.

Positive returns from the fund's Asian stocks held up its performance. In particular, Japanese metal recycling company, Asahi Holdings, had another strong month, up 11% on better than expected results and guidance. The Asian utility stocks continue to bring stability to the fund's portfolio, with steady gains in Tokyo Gas and Osaka Gas, SMRT Corporation, and Hong Kong and China Gas.

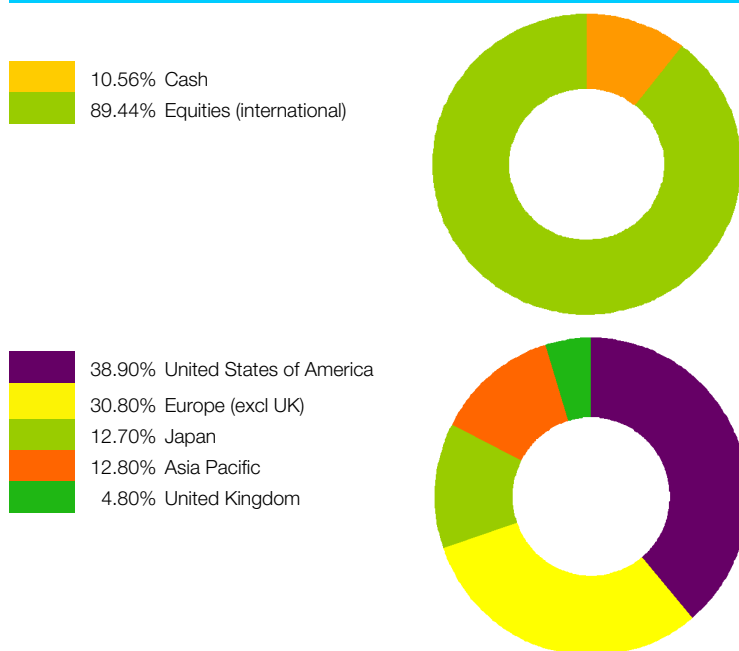
Globally, the solar sector fell 4% and the Bloomberg index of wind stocks fell 9%. But despite the solar index falling further in June, four of the fund's five solar investments were in positive territory. With the uncertainty over European subsidies mostly resolved, these stocks have continued to recover into July.

The 'Global Smart Energy' theme of the Australian Ethical International Equities Trust provides exposure to a broad range of investments focusing on both the supply and demand of clean energy. As well as clean energy supply sources such as solar, wind, and geothermal, the Trust also invests in the demand for energy efficient technologies such as smart metering, recycling and efficient transport. We believe this all-round exposure to the critical themes of climate change and energy security presents a compelling potential for long-term growth and outperformance.

PERFORMANCE

	1 month	3 months	6 months	1 year	3 years	10 years	Since inception
International Equities Trust	-1.4%	-1.9%	-3.1%	1.1%	-10.7%	n/a	-11.3%
MSCI World (AUD)	-3.8%	-5.1%	-4.1%	5.6%	-10.8%	n/a	-10.7%

ASSET ALLOCATION AND REGIONAL BREAK-UP*



THEMATIC EXPOSURE*

ENERGY DEMAND		ENERGY SUPPLY	
Smart transport	21.0%	Solar	15.0%
Recycling	14.0%	Wind	13.0%
Efficiency	13.0%	Utilities/n.gas	14.0%
Smart grid	4.0%	Geothermal	4.0%
Total	54.0%	Total	46.0%

BEST SIGNIFICANT PERFORMERS*

Asahi Holdings	+11.0%
Hong Kong & China Gas	+12.4%
Shimano	+2.1%

WORST SIGNIFICANT PERFORMERS*

Adobe	-17.6%
American Superconductor	-12.9%
Aixtron	-10.6%

FUND SIZE

\$110.1m

GICS SECTORS

Sector	% of portfolio*	% of S&P Global 1200**
Industrials	35.9%	10.6%
Utilities	23.9%	4.3%
Information technology	25.6%	12.5%
Consumer discretionary	13.6%	9.3%
Materials	1.0%	7.6%
Health care	0.0%	9.7%
Financials	0.0%	20.0%
Consumer staples	0.0%	10.9%
Energy	0.0%	10.2%
Telecommunication services	0.0%	4.9%

TOP TEN HOLDINGS

Asahi Holdings Inc
Shimano Inc
LKQ Corp
SMA Solar Technology AG
First Solar Inc
American Superconductor Corp
ITRON Inc
Accell Group
Aixtron AG
Hong Kong China Gas

INVESTMENT PROFILES

The **Hong Kong and China Gas Company** was founded in 1862, and was the first public utility in Hong Kong. The company supplies natural gas to over 1.7 million customers in the territory. The company has been diversifying into a range of green businesses including gas filling stations and landfill gas. The human rights implications of the company's joint ventures in mainland China continue to be monitored.

Shimano's primary products are bicycle components and recreational fishing equipment. The company's motto is 'Closer to Nature...Closer to People', which it attempts to achieve through promoting the social and environmental benefits of cycling and fishing. Cycling has been shown to reduce global warming, pollution and traffic congestion, while improving the health of riders. Shimano believes its products make a contribution by enabling people to fulfil their desire for a better lifestyle.

KEY INFORMATION

Responsible entity	Australian Ethical Investment Ltd
Minimum investment	\$20,000
Distribution	Half yearly
APIR	AUG0006AU
ARSN	124 861 338

Contribution fee	
– Standard (non-electronic) investor	3.60%
– Electronic investor	2.00%
<i>The fee is reduced for direct investments of \$35,000 and above</i>	
Withdrawal fee	Nil
Performance fee	Nil
Indirect cost ratio	1.74%

OBJECTIVE

The **australianethical** International Equities Trust aims to provide long-term growth through investment in overseas companies which meet 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.

* Excluding cash

** S&P Global 1200 is used as a proxy for the MSCI World (AUD).

° The performances are ranked based on the effect within the Trust, rather than on the percentage movement within the price. The percentages shown are the individual shares change in price over the course of the month.

Past performance is not a reliable indicator of future performance. Performance figures are calculated using exit prices. Performance figures take into account ongoing management fees and trust expenses. Performance figures are calculated as if distributions of income have been reinvested. They do not take into account tax that may be payable on the distribution of income. Neither the return of capital nor the performance of a trust is guaranteed. Figures showing a period of less than one year have not been adjusted to show an annual return. Figures for periods of greater than one year are on a per annum compound basis. The latest available performance figures can be obtained from our website www.australianethical.com.au or by calling 1800 021 227. Units in the trusts are offered and issued by Australian Ethical Investment Ltd ABN 47 003 188 930, AFSL 229949. A product disclosure statement is available from our website or by phone and should be considered before deciding whether to acquire, or continue to hold, units in the trusts. This information has been prepared without taking account of your individual investment objectives, financial situation or needs. Before acting on it, you should consider its appropriateness to your circumstances. **australianethical**® is a registered trademark of Australian Ethical Investment Ltd.