

COMMENTARY FOR JUNE 2010

The Large Companies Trust recorded a negative return of 3.0%, outperforming the melded benchmark's negative return of 3.4%.

Domestic holdings in the fund underperformed the local index. While most healthcare stocks performed well, there was a negative market reaction to Pharmaxis' latest Bronchitol trial results and the company's share price fell 33% in the month of June. Pharmaxis fell heavily after announcing six month data from its second Phase 3 clinical trial. The data actually demonstrated improved lung function compared to its prior clinical trial, but narrowly missed the 5% target statistical significance level. We remain confident that Bronchitol will be approved for sale to treat cystic fibrosis in Europe later this year, followed by USA in 2011.

The underweight position in consumer staples and the poor performance of two stocks in particular, Sims Group (materials) and Brambles (industrials), also detracted from the fund's June performance.

The largest positive contributors to relative performance were the underweight position in financials and the overweight positions in information technology and energy.

Units held in the **australianethical** International Equities Trust significantly outperformed in the month and this allowed the fund to outperform overall.

PERFORMANCE

	3 months	6 months	1 year	3 years	5 years	10 years	Since inception
Larger Companies Trust	-8.7%	-7.9%	4.4%	-8.4%	0.6%	4.3%	7.5%
Melded benchmark ¹	-9.1%	-7.9%	11.6%	-10.2%	0.9%	1.8%	5.6%

¹ 65% ASX 200 Industrials & 35% MSCI World (AUD)




GICS SECTORS

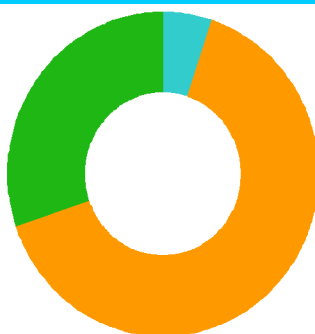
Sector	% of portfolio	% of S&P/ASX 200 index
Energy	4.9%	7.2%
Materials	3.3%	25.4%
Industrials	11.5%	5.9%
Consumer discretionary	4.9%	4.1%
Consumer staples	0.0%	9.0%
Health care	26.1%	3.6%
Financials	24.9%	35.1%
Information technology	6.3%	0.7%
Telecoms. services	1.2%	4.0%
Utilities	4.9%	1.4%

TOP HOLDINGS

Commonwealth Property Office Fund
Westpac
CSL Ltd
Origin Energy Ltd
QBE Insurance Group
Insurance Australia Group
ResMed Inc
Brambles Ltd
Sims Metal Management Ltd

ASSET ALLOCATION

	Cash and options (foreign currency)
	Equities (AU & NZ)
	Equities (international)



BEST SIGNIFICANT PERFORMERS

Telstra Corporation Ltd	+10.5%
Ansell Ltd	+5.0%
Australian Pipeline Trust	+3.4%

WORST SIGNIFICANT PERFORMERS

Pharmaxis Ltd	-33.1%
Brambles Ltd	-17.9%
Transpacific Industries Group	-16.7%

FUND SIZE

INVESTMENT PROFILES

APA Group owns and manages gas transmission and distribution assets across all Australian states and territories. With its 12,000km of gas transmission infrastructure and 2,300km of gas distribution networks the company is the country's largest natural gas transporter. APA Group delivers more than half of Australia's annual gas needs. Natural gas is a low emission energy source which provides an affordable and quick transformation from conventional fossil fuels such as coal.

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

Responsible entity	Australian Ethical Investment Ltd
Minimum investment	\$5,000
Distribution	Half yearly
APIR	AUG0004AU
ARSN	089 919 166

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	2.15%

OBJECTIVE

The **australianethical** Larger Companies Trust aims to provide long-term growth through investment in larger listed companies on Australian and overseas stock exchanges that 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.

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.