

### COMMENTARY FOR DECEMBER 2011

Over the month of December the Balanced Trust fell 0.2 per cent, underperforming the Morningstar Multisector Balanced Peer Index (which fell 0.1 per cent) by 0.1 per cent.

Domestic equities which represent 30 per cent of the Trust fell 0.7 per cent, underperforming the the S&P/ASX 300 (which fell 1.4 per cent) by 0.7 per cent. The Trust was helped by its weighting to healthcare stocks, including Cochlear which rose 11.7 per cent and Fisher and Paykel Healthcare which rose 6.3 per cent. This helped offset some of the poor performance of Fairfax which fell 12.7 per cent and Bendigo and Adelaide Bank which fell 10.6 per cent.

Fixed Income securities continued to perform well with the risk aversion in the market continuing to drive longer bond yields lower. The UBS Composite Bond Index rose 0.78 per cent over the month with the Trust's fixed income assets rising 0.93 per cent. This was helped by inflation linked bonds and specific holdings like the South Australian Government fixed rate bond which rose 0.91 per cent and Telstra's fixed rate bond which rose 1.39 per cent.









The International Equities Trust (themed around Global Smart Energy) which represents 14 per cent of the Trust fell 2.2 per cent, underperforming the MSCI World Index (which rose by 0.2 per cent) by 2.4 per cent.

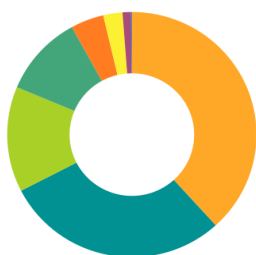
The Property Trust which represents approximately 11 per cent of the Trust rose 2.16 per cent over December, outperforming the S&P/ASX 300 Property Trust index (which fell 2.55 per cent) by 4.71 per cent.

### PERFORMANCE

	1 month	3 months	1 year	3 years	5 years	10 years	Since inception (2 August 1989)
Australian Ethical Balanced Trust	-0.2%	1.5%	-4.2%	2.2%	-1.6%	3.6%	6.0%
Morningstar Multisector Balanced Benchmark Index <sup>∞</sup>	-0.1%	2.0%	-1.4%	5.6%	0.1%	4.0%	6.5%

### ASSET ALLOCATION

	38.3%	Australian fixed interest
	29.2%	Australian listed shares
	13.9%	International listed shares
	10.7%	Australian direct property
	4.3%	Australian cash
	2.5%	Australian mortgages
	1.1%	Australian listed property
	0.1%	Australian unlisted shares



### TOP HOLDINGS

Company	% of portfolio
Westpac	6.3%
Bank of Queensland	5.3%
Suncorp Metway	4.4%
DBNGP Financial	2.6%
Electranet	2.6%
Australian Capital Territory	2.2%
Telstra	2.2%

### INVESTMENT PROFILES

**Cochlear** supplies approximately 70 per cent of the world market in cochlear implants for profoundly hearing-impaired people. Almost half of the implant recipients are children. While some in the deaf community reject the cochlear technology, Australian Ethical believes the positive aspects make the technology worthwhile in providing choice to adults and to parents with children having profound hearing impairment.

**Fisher and Paykel Healthcare** designs, manufactures and markets a range of products to assist patients with breathing difficulties, including respiratory humidifiers for adults and new-born babies, as well as devices for the treatment of obstructive sleep apnoea. The company also manufactures thermal management systems and Neonatal Intensive Care Units for new-born and premature babies.

### BEST SIGNIFICANT PERFORMERS

Cochlear  
Fisher and Paykel Healthcare  
Transpacific Industries Group

### WORST SIGNIFICANT PERFORMERS

Fairfax Media  
Bendigo and Adelaide Bank  
Iress Market Technology

### FUND SIZE

\$228.8m

## KEY INFORMATION

Responsible entity	Australian Ethical Investment Ltd	Contribution fee	
Minimum investment	\$5,000	– Standard (non-electronic) investor	3.60%
Distribution	Half yearly	– Electronic investor	2.00%
APIR	AUG0001AU	<i>The fee is reduced for direct investments of \$35,000 and above</i>	
ARSN	089 919 255	Withdrawal fee	Nil
		Performance fee	Nil
		Indirect cost ratio	2.31% at 30 Jun 2011

## OBJECTIVE

The Australian Ethical 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 Australian Ethical 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. Australian Ethical has applied its rigorous ESG investment process to its portfolios for over two decades. Beyond screening out investments that negatively impact on society, Australian Ethical uniquely seeks out investments in genuinely sustainable industries.

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Return of capital and the performance of your investment in the managed funds are not guaranteed. Past performance is not a reliable indicator of future performance. Figures showing a period of less than one year have not been adjusted to show an annual total return. Figures for periods of greater than one year are on a per annum compound basis. Total returns are calculated using the sell (exit) price, net of administration and investment management fees, gross of tax and as if distributions of income have been reinvested at the actual distribution reinvestment price. The latest available performance figures can be obtained from our website [www.australianethical.com.au](http://www.australianethical.com.au) or by calling 1800 021 227. Units in the managed funds are offered and issued by Australian Ethical Investment Ltd ABN 47 003 188 930, AFSL 229949. Our product guide (PDS) and financial services guide are available from our website or by phone and should be considered before making an investment decision. 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. Australian Ethical® is a registered trademark of Australian Ethical Investment Ltd.