

Commentary for December 2011

Over the month of December the Climate Advocacy Fund fell 0.5 per cent, outperforming the benchmark S&P/ASX 200 index (which fell 1.4 per cent) by 0.9 per cent.

Although the Reserve Bank cut the official cash rate by 0.25 per cent in both November and December, it was insufficient to encourage consumers, with the retail sector continuing to suffer. The worst hit were Billabong which fell 52 per cent, JB HiFi which fell 27 per cent, Kathmandu which fell 30 per cent, and David Jones which fell 15.7 per cent. Positive performance was gained through being overweight in Telstra which rose 5.4 per cent.

On the global front equity markets stabilised somewhat in December after initiatives in the Eurozone countries were taken, however nervousness continues impacting on all markets.

Australian Ethical continues to review several companies for climate change related advocacy in early 2012 and will advise investors of these in due course.

Performance

	1 month	3 months	6 months	1 year	Since inception (18 February 2010)
Australian Ethical Climate Advocacy Fund	-0.5%	2.9%	-8.4%	-10.6%	-1.5%
S&P/ASX 200 Accumulation					
Benchmark Index	-1.4%	2.1%	-9.7%	-10.5%	-2.8%

Asset allocation



93% Australian shares
7% Cash*

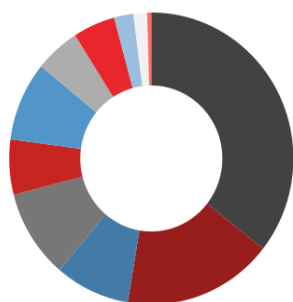
* includes cash at bank plus miscellaneous receivables and payables

Top holdings

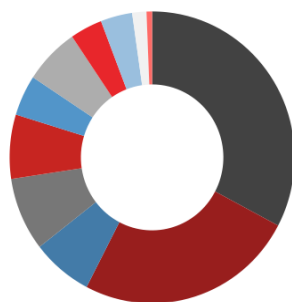
	Climate Advocacy	S&P/ASX 200
BHP Billiton	9.5%	11.4%
Telstra	7.2%	4.3%
Commonwealth Bank	7.0%	8.0%
National Australian Bank	6.8%	5.4%
Westpac Banking Corporation	6.1%	6.3%
ANZ Bank	5.3%	5.7%
Wesfarmers	4.0%	3.5%
Woolworths	3.8%	3.2%
Westfield	2.1%	1.7%
Suncorp	2.1%	1.1%

GICS sectors

Climate Advocacy Fund



S&P/ASX 200



Financials ex Property Trusts
Materials
Industrials
Consumer Staples
Energy
Telecommunication services
Property Trusts
Consumer Discretionary
Health care
Utilities
Information Technology

Key information

Responsible entity	Australian Ethical Investment Ltd	Contribution fee	Nil
Minimum investment	\$5,000	Admin and investment management fee	
Distribution	Half yearly	– Standard	1.10%
APIR	AUG0008AU	– Investments over \$50,000	0.85%
ARSN	140 444 211	Withdrawal fee	Nil
		Buy/sell spread	0.2% each side
		Indirect cost ratio	1.09% at 30 Jun 11

About the fund

Objective

The Climate Advocacy Fund aims to encourage improved corporate performance on climate change issues. The fund aims to enable investors to simultaneously earn a return marginally above that of the S&P/ASX 200 and participate in climate focused corporate engagement issues.

Unlike Australian Ethical's other products no ethical screening is applied to the portfolio. Ethical objectives are pursued through the engagement process.

Suitable for

Investors looking for a passively managed low fee Australian equities product.

Management

The portfolio consists of a beneficial interest in S&P/ASX 200 shares weighted according to economic footprint and held via wholesale managed fund units. Economic footprint is calculated using fundamental measures of company size, such as sales, cash flow, gross dividends and book value. Realindex Investments, a wholly owned subsidiary of Colonial First State, is used to provide the economic footprint portfolio construction.

Contact

The responsible entity is Australian Ethical Investment Ltd, a publicly listed funds manager that invests clients' money while seeking benefits for society and the environment. The Climate Advocacy Fund is structured to engage with company management and to place resolutions at company AGMs. The engagements aim to encourage better climate performance from listed companies.

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Return of capital and the performance of your investment in the Fund 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.climateadvocacyfund.com.au or by calling 1800 021 227. Units in the Fund are offered and issued by the responsible entity, Australian Ethical Investment Ltd ABN 47 003 188 930, AFSL 229949. Our Product Disclosure Statement 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. Climate Advocacy Fund® and Australian Ethical® are registered trademarks of Australian Ethical Investment Ltd.