

COMMENTARY FOR DECEMBER QUARTER 2011

Over the quarter to December the Property Trust returned 3.3 per cent, outperforming the Mercer Unlisted Property Fund (which returned 2.6 per cent) by 0.7 per cent.

The Trust currently holds two properties - 64 Allara Street Canberra and Lawley House in Canberra. With both properties enjoying full occupancy the trust is well placed to perform in the future.

Property is a long term investment. As the Property Trust has only been operating for two and a half years, it is expected that future performance will more closely match the Mercer index over time.

PERFORMANCE

	3 months	6 months	1 year	Since inception
Property Trust	3.3%	5.0%	3.0%	2.9%
Mercer Unlisted Property Fund Index	2.6%	4.9%	11.4%	5.7%

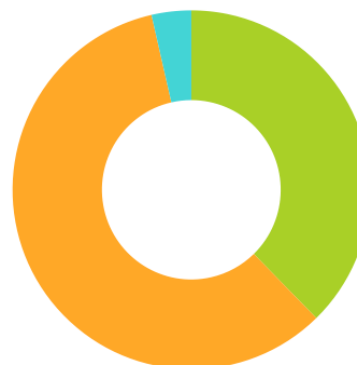
PROPERTY MARKET SUMMARY

There has been a surge in Canberra office supply over the last 5 years as government demands for 4.5 star NABERS accommodation has taken hold. This has resulted in a two-tiered market developing with new modern accommodation maintaining rental growth and yield while secondary assets have to deal with weak rental growth and volatility. Evidencing this, A-grade vacancy in the Canberra CBD sits at 8.16 per cent while B-grade is 14.46 per cent and C-grade 22.36 per cent.

Government continues to be the major employer in Canberra with 70 per cent of the white collar work force.

According to Colliers International net absorption for the six months to end of July 2011 was 27,500m² and 50,000m² for the last 12 months. Colliers expects lower net absorption over the next year as white collar employment remains sluggish.

ASSET ALLOCATION



37.68%	Allara Street
58.74%	Lawley House
3.58%	Australian cash

PORTFOLIO STRATEGY

The Property Trust is actively seeking new investment in direct property predominantly in major Australian cities.

FUND SIZE

\$35.5m

KEY INFORMATION

Responsible entity	Australian Ethical Investment Ltd
Minimum investment	\$20,000
Distribution	Half yearly
APIR	AUG0007AU
ARSN	138 276 623

Contribution fee	
- Standard (non-electronic) investor	Nil
- Electronic investor	Nil
Withdrawal fee	Nil
Performance fee	20.50%

Based on the outperformance of the trust over its benchmark.

Indirect cost ratio 6.49% at 30 Jun 2011

OBJECTIVE

The Australian Ethical Property aims to provide long-term capital growth and moderate income via investment in direct property and in listed and unlisted property trusts, in accordance with the Australian Ethical Charter.

STRUCTURE

The fund is an open ended public unit trust.

CONTACT

professional@australianethical.com.au

1800 021 227

GPO Box 2435 Canberra ACT 2601 Australia

COMPANY SUMMARY

Australian Ethical Investment Ltd is a fund manager that specialises exclusively in sustainable funds management. It offers six managed funds and five super strategies. [australianethical](http://australianethical.com.au) has applied its rigorous ESG investment process to its portfolios for over two decades. Beyond screening out investments that negatively impact on society, [australianethical](http://australianethical.com.au) uniquely seeks out investments in genuinely sustainable industries.

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 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. [australianethical](http://australianethical.com.au)® is a registered trademark of Australian Ethical Investment Ltd.