

COMMENTARY FOR DECEMBER 2011

Over the month of December the Smaller Companies Trust fell 1.7 per cent, outperforming the benchmark ASX Small Industrials index (which fell 2.3 per cent) by 0.6 per cent.

The leading contributor to performance was Avita Medical which rose 25 per cent. The regenerative skin therapy company benefited from simplifying its intellectual property holdings as well as being granted a further patent in Hong Kong. The share price of risk management consultancy business Greencap also rose by 30 per cent after selling its laboratory testing business and now being largely debt free.

The detractors to performance included some of the IT services names. This sector has been heavily sold-down by the market as IT services are viewed as cyclical businesses where earnings are exposed to economic downturns. We don't believe these earnings will be as cyclical as implied in share prices today.

On the large-cap Australian equities side Cochlear was the strongest performer, benefitting from the announcement that it had discovered the source of the problem in its N5 implant.

The International Equities Trust (themed around Global Smart Energy) which represents approximately 6.5 per cent of the Trust fell 2.2 per cent, underperforming the benchmark MSCI World Index (which remained steady at 0 per cent) by 2.2 per cent.

PERFORMANCE

	1 month	3 months	1 year	3 years	5 years	10 years	Since inception (19 September 1994)
Australian Ethical Smaller Companies Trust	-1.7%	4.0%	-12.5%	4.9%	1.1%	5.6%	8.4%
S&P/ASX Small Industrials Benchmark Index	-2.3%	0.0%	-12.8%	8.9%	-8.0%	3.6%	5.4%

GICS SECTORS

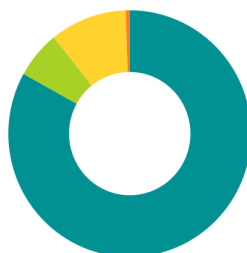
Sector	% of portfolio
Energy	0.5%
Materials	4.5%
Industrials	15.0%
Consumer discretionary	0.6%
Consumer staples	0.0%
Health care	18.0%
Financials	20.1%
Information technology	12.8%
Telecommunication services	8.2%
Utilities	9.3%
Property trusts	0.0%

TOP HOLDINGS

Company	% of portfolio
Transpacific Industries Group	5.7%
Westpac	5.4%
Pharmaxis	4.8%
Sims Metal Management	4.3%
Energy Developments	4.1%
Bendigo and Adelaide Bank	4.0%
Cochlear	3.7%
Bank of Queensland	3.6%
Macquarie Telecom Group	3.4%

ASSET ALLOCATION

	83.1% Australian listed shares
	6.2% International listed shares
	10.2% Australian cash
	0.5% Australian other (unlisted shares)



BEST SIGNIFICANT PERFORMERS\*

- Avita Medical
- Greencap
- Neuren Pharmaceuticals

WORST SIGNIFICANT PERFORMERS\*

- Symex Holdings
- Somnomed
- GBST Holdings

FUND SIZE

\$219.9m

INVESTMENT PROFILES

**Avita Medical** is an Australian Biotechnology Company currently focussed on the provision of skin regenerative products. The company's products are based on the "spray-on-skin" technology developed by former Australian of the Year – Fiona Wood. The company's "ReCell" product can be used to treat burns, wounds and skin conditions such as Vitiligo.

**Greencap Limited** is a listed Australian company and the parent entity to a number of successful businesses in the risk management area. Company subsidiaries offer services that assist companies manage operational risk in a range of areas including environment, health and safety, property risk management, fire safety and communication services. The strategic objective of the company in the short to medium term is to build a national risk management group.

## KEY INFORMATION

Responsible entity	Australian Ethical Investment Ltd	Contribution fee	
Minimum investment	\$5,000	– Standard (non-electronic) investor	3.6%
Distribution	Half yearly	– Electronic investor	2.0%
APIR	AUG0002AU	<i>The fee is reduced for direct investments of \$35,000 and above</i>	
ARSN	089 919 175	Withdrawal fee	Nil
		Performance fee	Nil
		Indirect cost ratio	2.14% at 30 Jun 2011

## OBJECTIVE

The Australian Ethical Smaller Companies Trust aims to provide long-term growth focusing on smaller Australian and overseas companies that meet 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.

\* 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.  
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. [australianethical@](mailto:australianethical@) is a registered trademark of Australian Ethical Investment Ltd.