

### Martin Halloran comes on board as investment chief



Martin Halloran joined Australian Ethical as our new chief investment officer in August.

Martin comes to Australian Ethical with over 15 years experience in the financial services industry. He was most recently Managing Director of global markets at nabCapital, where he was responsible for developing strategies for capital management, funding and risk management.

Martin has spent much of the last year developing the traded environmental markets capacity at nabCapital and brings detailed understanding of these issues.

Managing director Anne O'Donnell said the appointment of Martin is a very positive step for Australian Ethical. Anne said: 'Australian Ethical will benefit from Martin's strengths in risk management, equity derivatives, and experience in leading teams of finance professionals. In addition, he will further add to the management of the various Australian Ethical portfolios particularly in the areas of fixed income and the Balanced Trust.'

Martin takes up the role at an interesting time with the end of a 'goldilocks' phase in financial markets. In the goldilocks phase it had seemed to many that large fluctuations in economic growth were a thing of the past and that benign financial conditions would continue indefinitely.

Many investors responded by borrowing ever larger amounts to fund the purchase of assets for which they paid ever higher prices. These assets included promises to repay mortgage borrowings by people in the US who had little chance of doing so unless house prices rose continually. A rush to offload holdings of such assets got underway causing prices of such assets to fall. Companies that had funded their holdings of these assets with short-term borrowings found themselves unable to obtain refinancing, as borrowings became a larger fraction of the now lower value of their assets.

The effects cascaded through world financial markets, as companies threatened by insolvency offloaded liquid assets to

repay short-term borrowings, so causing other asset prices to fall and insolvency problems to spread. This de-leveraging process, of assets sales and credit contraction accompanied by asset price falls, was a major feature of financial markets around the world in 2007-08.

The efforts of Governments and Central Banks to shore up liquidity has had a major structural impact on capital flows globally and has worked to the detriment of the Australian Dollar in this period. Growth in many other economies around the world, including Australia, has also slowed as the flight of investment money to emerging markets has been substantially unwound.

A feature of financial markets during 2007-08 was rising prices for energy in the face of a moderation in prices for most hard commodities. Due to our commitment to the Ethical Charter, the trusts lacked exposure to coal, oil and uranium. Most trusts benefited from investments in companies involved in the extraction of natural gas. Australian Ethical views natural gas as a transition fuel from highly polluting coal to a future focused on renewable energy.

Australian Ethical's Charter has also imparted skews in our equities portfolios so that they are very underweight banking and resource stocks and overweight healthcare stocks. We believe these skews position our portfolios well in current market conditions.

The Australian Ethical trusts have performed very well during this period of poorly performing financial markets. The Equities Trust achieved a six month return to the end of September of 7.2%, compared to the S&P/ASX Small Industrials benchmark return of -10.5% and the overall S&P/ASX 300 return of -12.3%.

The Large Companies Share Trust performance for this period of -1.0% also compares favourably to its benchmark S&P/ASX 200 Industrials result of -10.7%.

Long-term investors in the trusts have also benefited from the ethical approach to investing, with returns of 11.5% over ten years for the Equities Trust, compared to the benchmark S&P/ASX Small Industrials return of 5.4%. Likewise, the Large Companies Share Trust 10 year return of 10.4% compares strongly to its benchmark S&P/ASX 200 Industrials return of 8.4%. Returns for various periods for all trusts appear at the end of Aim High.

Visit our website for regular updates from our investment manager.

## Grants to community organisations

**\$60 000**  
 Bluegreen Films — ‘Sustainability & Co’ a three-part documentary series on corporate sustainability and governance will be produced by Bluegreen Films.

**\$50 000**  
 MSAP — University of NSW Medical Students’ Aid Project will stock a community store with school and household essentials, purchase a motorised canoe, fuel and one year’s salary for a canoe pilot to transport the products to remote riverside markets in the Congo.

**\$7945**  
 Barefoot Economy  
 Engineers Without Borders

**\$5000**  
 Australian Marine Conservation Society  
 WaterAid Australia  
 ACT Eden Monaro Cancer Support Group  
 New Internationalist Publications  
 Edmund Rice Centre for Justice & Community Education  
 Pedal Power ACT

**\$3000**  
 Fair Trade Association of Australia & New Zealand  
 Animals Asia Foundation (Australia)  
 Child Wise  
 Rainforest Rescue  
 Royal Institute for Deaf & Blind Children  
 Sustainable Maleny  
 The Qld. Society for Crippled Children  
 Asian Women at Work  
 Bush Heritage Australia  
 Clean Ocean Foundation  
 Romero Centre  
 Trees For Life  
 Broken Hill & District Hearing Resource Centre  
 Kuusa Services Centre  
 The Australian Conservation Foundation

A full description of all the grant recipients is available on the website [www.austethical.com.au/cg](http://www.austethical.com.au/cg)



Congolese women make clothes for nurses.

## Australian Ethical grants a major boost for community groups

Each year Australian Ethical donates 10% of the company’s profit to charitable and community groups. The 2008 round of grants provided \$200 891 to 25 groups. This includes major grants to supply self-sustaining medical resources to an isolated village in Congo and production of a documentary on social corporate responsibility.

Bluegreen Films has received a \$60 000 grant from Australian Ethical to produce the first episode of a three-part documentary series *Sustainability and Co*. The series will focus on corporate sustainability and governance issues.

The first episode is titled *Of Beetles and Bankers*. The documentary series will be appropriate for broad distribution to free-to-air television, Pay TV and online viewing as well as being produced as a DVD for general and educational markets.

*Of Beetles and Bankers* will examine examples of corporate behaviour and public policy with a focus on the issue of old-growth forest logging.

The program will pose the question: In the context of global warming and consistent rejection of old growth logging by the public, why has old growth logging and burning been allowed to continue in Tasmania? How are public and private governance interests negotiated? Who has controlled the narrative and how was this possible?

The documentary series will be promoted in both Australia and Europe where there is considerable interest in environmental issues and corporate governance.

The director is an award-winning Australian filmmaker and his films have previously screened on European television channels such as ARTE/ZDF. Ideally the distribution of this series locally and overseas may act to increase pressure on both corporate and public policy makers to adopt a more sustainable approach.

This is particularly important in the light of upcoming negotiations on the post-Kyoto framework agreement. It is vitally important to ensure proper accounting of forest activity, carbon emissions forms part of any agreement as this is a likely way to finally end old-growth logging.

It is expected that the complete preparation and production of the documentary will take 12 months to complete.

The Medical Students Aid Project (MSAP) is an aid organisation based at the University of New South Wales which aims to provide assistance to communities and hospitals in the developing world. MSAP has received a \$50 000 community grant for a project in the Democratic Republic of the Congo.

The village of Lotumbe is a remote regional health hub in the Congo's Equatorial Province. Lotumbe is accessible only by canoe or by foot through the world's second largest rainforest. It is 400 km from the nearest large town.

Working in collaboration with HandUp Congo and the NGO Fondation Lucie Otaenga (FLO), MSAP will use the grant to stock a community store with school and household essentials. Profits from sales at the store will be used to purchase and distribute insecticide treated nets to combat malaria, the leading cause of infant mortality in the Congo.

The grant will also be used to purchase a motorised canoe, petrol and a years salary for a canoe pilot. The motorised canoe will help to transport goods from the community store to riverside markets, which will increase income to be spent on health supplies. The canoe will also help medical workers to access isolated communities.

Grassroots income-generating projects promote community empowerment and autonomy as well as being more sensitive to the culture and needs of the community. These projects tend to be more sustainable in the long term because the local community takes ownership for the project outcomes.



Women from the village of Lotumbe in the Congo in their small sewing workshop.

## An ethical super choice

Many employees, and all employers, will have had choice of super for a number of years now.

Super choice provides a great opportunity for employers to provide an ethical default super option, such as Australian Ethical, for their staff. By making the default option an ethical one employers may be providing a popular super choice for their staff, particularly their environmentally and socially conscious staff.

Selecting a default fund which is popular with staff can save employers having to deal with paperwork for lots of different funds, reduce administration costs and increase staff satisfaction.

When selecting a default option it is important for employers to also consider things such as fees and member benefits.

We also offer personalised employer and member services including a super helpline, online access to account details, a comprehensive website and a regular newsletter.

Switching the default option is fairly simple, requiring little more than providing staff with a new standard choice form and copies of the fund's product disclosure statement.

If you'd like to find out more about using Australian Ethical as a default option please phone us on 1300 134 337.

## Improved online access for super members

Super members can now access account details online at [www.austethical.com.au](http://www.austethical.com.au). From the Client Log-in box on our homepage, click on the super member log-in. In addition to obtaining a balance, members can change address and beneficiary details, and view and change investment strategies.

Transaction histories, employer and adviser access will be available in the near future.

# Microcredit – lending money to the poorest of the poor

Microcredit is generally recognised as the process of making very small loans to poor people in developing countries to help them work their way out of poverty. Microcredit started in the 1970s and since then loans worth billions of dollars have been made. It is estimated that as many as 100 million families worldwide have been recipients of microcredit loans. The success of microcredit initiatives in developing countries has led to innovative programs targeting disadvantaged communities in developed countries.

Microcredit loans can be as little as \$100. Loans are used for a variety of purposes such as starting a clothing business, buying farm equipment, repairing rickshaws or to buy goats and cows.

Loans are often extended to women. As primary care givers assisting women allows their children to break out of poverty and gain an education. While empowering women leads to a range of positive social outcomes, it also makes business sense – women tend to be more reliable when it comes to repaying these loans.

As the very poor have no assets, loans are made without collateral. To help ensure loans are repaid in full, microcredit lenders often lend to small groups rather than individuals. The group co-guarantees the loan and the individuals support each other to ensure the loan is repaid in full. Loan repayment rates are very high. Repayment terms are generally short at around three or four months. Once small loans have been repaid the borrowers can then obtain larger loans.

Microcredit financing does involve higher costs to the financial institution. As the average value of a microcredit loan is very small, the administrative costs required for each loan (as a percentage of the value of the loan) are relatively high. The amount of due diligence work required to make a \$500 loan can be similar to the work involved in making a \$10 000 loan.

Microcredit financiers tend to use a different business model to banking practices in the developed world, where customers visit bank branches in urban areas. Teams are sent out into the local villages to meet potential borrowers and to familiarise themselves with the social and economic environment of the borrowing community. Lending staff return each week to collect the loan repayments. One of the reasons they do this is because microcredit customers would not normally have a bank account. These factors can result in comparatively high interest rates being charged on microcredit loans.

There is a lot of controversy about the appropriate rate of interest to charge. Some lenders, such as the Grameen Bank, charge reasonable interest rates while other lenders charge rates as high as 80%.

## The Grameen Bank

The Grameen Bank of Bangladesh is a leader in the field of microcredit. It has over 2500 branches serving almost 83 000



Small loans from Opportunity International Australia have helped women all over India walk out of poverty. Photo courtesy of Opportunity International.

villages in Bangladesh. Over the last 30 years, the bank has lent more than US\$7 billion in microcredit loans. Their total number of borrowers exceeds 7.5 million people, 97% of them women.

Grameen Bank is involved in numerous projects to help the poor work their way out of poverty. One innovative program in Bangladesh provides beggars with mobile phones so that they can charge people to make telephone calls and thereby make a living.

The Grameen Bank and its founder Muhammad Yunas were joint winners of the 2006 Nobel Peace Prize for their efforts to help impoverished people work their way out of poverty.

Yunas believes that every person in the world deserves access to credit. For Yunas, lending money is not so much about making money but about providing a social service to help eliminate poverty. Consequently Grameen Bank charges a modest rate of interest on loans of approximately 16%.

Yunas believes that an interest rate spread (the difference between the rate of interest charged for loans and the rate of interest the bank pays on deposits to finance the loans) of around 10% is sufficient to cover all lending related costs and make a small profit.

The Grameen Bank is 94% owned by the very people to whom the money is lent. So any profits accrued by the bank ends up in the hands of the customers who took out the loans in the first place.

There are limited opportunities for Australian Ethical to make investments in microcredit. Microcredit however, is a concept with strong alignment with our Ethical Charter. In 2008 Australian Ethical donated \$50 000 to the University of NSW Medical Students' Aid Project. The group will stock a community store with school and household essentials, purchase a motorised canoe, fuel and one year's salary for a canoe pilot to transport the products to remote riverside markets in the Congo. Profits from the store will be used to purchase insecticide-treated nets to combat malaria – the leading cause of infant mortality in the Congo.

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## Investor profile: Cecilia Macaulay



I live most months of the year in Melbourne but work wherever in the world I happen to be, designing, illustrating, and teaching Intimate Permaculture.

Bill Mollison once said 'Spend a month learning how to do something people need, then spend the rest of your life doing it'. I chose sustainable balcony gardening. If you can create a lush food forest on concrete then you become someone who can create value anywhere you go. That's the thought that motivates me.

It has actually taken years to create this job of mine and the projects I do sometimes pay grandly and sometimes hardly pay at all. Having a small but steady stream of interest coming in gave me the freedom to develop myself and my skills and to get started doing the work I want to do.

In my twenties I worked and saved money teaching English to executives in Japan. I had a knack for it and was able to bring home Yen at a good exchange rate. Some I invested with a mortgage fund, the rest with Australian Ethical. I'm really happy with both.

I spend about two minutes a year thinking about my investments. I don't know or care if other non-ethical funds are out performing my own in a given quarter. I feel proud of the firms that Australian Ethical chooses for me – Cochlear, Blackmores, Steiner Schools. They are now MY companies, even if only in a very small way.

When these companies do really well I feel great. When they do less well I don't worry as they are working hard making the kind of world I wish to live in. I am happy to be faithful to them. Either way, I win.

I think it hurts your spirit to invest promiscuously. To chase after juicy deals then discard them when they are no longer giving you roses and perfume. We force companies to be underhand when we insist they give a consistently higher return every quarter. But when we make friends with good people and stick to them, make good investments and stick to them, we can relax with first-hand evidence that we live in a loving world.

## Good news from ethical companies

### New world record set for largest recycling refund

After nine continuous hours of returning empty beverage containers through a TOMRA reverse vending machine, UKEN, a bi-annual cultural festival held in Bergen, Norway, set a new world record for the largest deposit refund receipt amount: 12 016.50 Norwegian kroner (approximately \$2750 AUD).

Volunteers working for the festival spent about a month collecting the empty beverage containers that were returned at the world record-setting event. The festival donated the deposit refund to a rain forest protection project organised by Friends of the Earth Norway.



### Solar powered racing gaining attention

Leading solar power company SolarWorld has been attracting a lot of attention at this year's international motor racing events with its fully solar-powered racing vehicle. Committed to the slogan 'No fuel, no noise, just speed' the solar-powered racing car gives racing enthusiasts an insight into the future of motor racing. 'The solar racer is a symbol of climate-friendly mobility which becomes more and more important', says Frank Asbeck, chairman and CEO of SolarWorld, 'and at the same time it shows the versatility of modern solar technology'. 'Motor racing and cars thrill millions of people all over the world. Due to the considerable use of fuel the traditional motor racing symbolises resource consumption and climate change. We want to give an example to show that this can also work out differently and that this excitement can also be sparked by a climate-friendly and clean technology'.

### Ceramic Fuel Cells achieves 50% electrical efficiency

Australian company Ceramic Fuel Cells Ltd has achieved electrical efficiency of 50% in its proprietary NetGenPlus micro-CHP (combined heat and power) system, marking a first for the fuel cell industry.

Ceramic Fuel Cells develops high efficiency and low emission microgeneration products. The NetGenPlus unit has been operating in real-world conditions for two months using fuel supplied from the natural gas pipeline and exporting 1kW of electricity to the grid at 50% electrical efficiency.

This compares very favorably to the electrical efficiency of other forms of generation such as coal-fired generation which has an electrical efficiency of about 30%.

# Australian Ethical up to our ears in awards



CEO Anne O'Donnell and Chair Naomi Edwards with the awards.

Australian Ethical has been a proud winner of a number of major awards this year.

The Australian Ethical Retail Superannuation Fund was the winner of the inaugural Infinity Award at the 2008 Conference of Major Super Funds (CMSF). The award signifies the Australian Ethical Super Fund as Australia's most environmentally and socially conscious fund and a leader in sustainable investment and sustainable business practices.

The award sets a high benchmark for the rest of the industry to work towards, as a growing number of consumers are on the lookout for super funds that align with their commitment to sustainable and socially responsible investment practices. While there are a number of funds claiming to have green and socially responsible options, many of them cover only a few issues and their selectiveness is not clearly communicated to consumers.

SuperRatings' Managing Director, Jeff Bresnahan, says there are a number of confusing messages being given to consumers and there is a need to cut through the clutter and determine those funds that are genuinely addressing all the key environmental and social issues.

The new home of Australian Ethical Investment, Trevor Pearcey House, won the 2008 Banksia Environmental Foundation award for the Built Environment. 'This is the second Banksia award we have been awarded', said CEO, Anne O'Donnell, 'and it is again an honour to be recognised for our leadership in building a sustainable Australia.'

In November 2007 Australian Ethical's refurbished Canberra headquarters became only the third building in Australia to achieve a 6-star Green Star rating. This rating from the Green Building Council of Australia classifies Trevor Pearcey House as 'world leading'.

Also, CEO Anne O'Donnell and human resources manager Gillian Harris-Mayes are both finalists in the 2008 Telstra ACT Business Women's Awards in the private and corporate sector award category. It is possibly the first time two finalists have been chosen from the same company. The winners will be announced on 21 November.

## Staff profiles



### Zorica Durcinoska

Zorica joined Australian Ethical in April 2007. She is the company's legal/compliance officer. Zorica maintains and reviews compliance reporting and documentation and advises management and the compliance committees on compliance issues. She also provides advice on financial services, corporations and superannuation law.

Zorica has completed a Bachelor of Applied Economics and a Bachelor of Laws from the University of Canberra. She recently completed a Graduate Diploma of Legal Practice which led to her getting admitted as a lawyer in April this year.

Zorica has grown up in Canberra and really enjoys working at Australian Ethical. She spends most of her free time with family and friends. She also enjoys watching movies and goes through phases of being addicted to either a particular movie or TV series. She is currently addicted to the NBC series *The Office*.

### Judy Chaffey

Judy has worked at Australian Ethical for 18 months as an Executive Assistant to the CEO, Anne O'Donnell and executive director, Howard Pender. Her other duties include organising the board, staff celebrations, editor of the internal *Greenvine* newsletter and first aid support.

Prior to working at Australian Ethical Judy worked in similar roles in Canberra, Sydney and Perth with government and in private enterprise. She enjoys working at Australian Ethical's premises in Bruce as it is close to home, she can ride or walk, there's a balcony to take in the sun, there's minimal air-conditioning and the people are great.

Judy enjoys family get togethers and has three grown-up children. Her interests include plants and gardening which has led to studying horticulture and working at a garden centre part time. Judy's other interests include bush walking, sewing, travel and camping/caravanning.

### Justin Drury

Justin has been with Australian Ethical for almost four years. He works on the computer systems used to calculate trust valuations and to keep track of investments.

He began his career at the Australian Bureau of Statistics (ABS) where he worked for 14 years. Justin took a redundancy package from the ABS and a number of relatively short-term positions followed before joining Australian Ethical.

Justin has played hockey every year since he was in primary school and this year he has been playing 3rd grade in the ACT men's competition as well as the occasional game in veterans. He has also been involved as a coach, umpire and administrator for many years.

Justin is married and has two teenage sons who keep him busy transporting them to various sporting and leisure activities. His wife's battle with leukaemia has led to involvement as a volunteer for the Leukaemia Foundation for several years.

# Ethical issue: investing in food

We all need food to sustain ourselves. Investment in agriculture is therefore fundamental to our basic food needs in modern societies today. The agricultural investment sector also has connections to the water sector, but this article will focus on different agricultural techniques and the case for investment in sustainable agricultural food production systems.

The Australian Ethical Charter guides Australian Ethical to seek out investment in activities which provide for 'the development of sustainable land use and food production'.

Australian Ethical looks at major revenue streams from key positive business activities or operations in the agricultural sector to establish whether there is the potential for an investment opportunity.

The range of ethical issues considered in the area of agriculture include animal welfare, genetic manipulation (crops made resistant to pesticides), mulesing, appropriate choice of crops or produce for the location, food miles and self sufficiency.

## Farming techniques

There are different types of agricultural techniques considered in this sector such as conventional, organic and biodynamic farming techniques. Each of these techniques offer different levels of best practice and certification that need to be taken into consideration.

Conventional agricultural techniques tend to use certain levels of chemicals, synthetic fertilisers and pesticides. This form of farming is technology and machinery focused. It aims for large scale intensive production often focusing on one or just a few crops. This form of farming has environmental impacts like the compaction of farming land, the continual loss of topsoil and a lack of biodiversity on the farmland. This is generally the result of a focus being given to increasing crop production levels above all else.

Organic farming allows use of copper and sulphur sprays (naturally occurring elements) but does not allow chemical spraying and fertilisers or the use of growth hormones, for example. Organic farming is recognised as a more sustainable approach to farming than conventional techniques.

The US is one of the largest markets for organic produce, alongside Europe and Japan. Organic sales in the US have grown around 20% per annum since 2004 and are valued at around \$US 11 billion. Conventional US food sales grew 2–3% over the same period. This has been driven by supermarkets like Whole Foods Market which has combined central distribution and marketing with the support of local, family owned organic farms.

Australian demand for organic produce has grown more than 80% since 2004 and there is currently 12 million hectares of certified organic farmland, the most of any food-producing nation.

Biodynamic farming incorporates an even deeper level of sustainability. Biodynamic farming uses homeopathic style preparations applied to the soil and plants. This technique strictly disallows any use of chemicals, pesticide spraying or use of fertilisers or growth hormones. An annual calendar dictates planting according to seasons and moon phases.

This farming technique works on improving the quality of farm soils to improve the quality of produce and the overall 'health' of the farm as a whole ecosystem. Diverse crops are used as well as companion planting (planting certain plants together) and other techniques too varied to mention here. This form of agriculture is labour intensive as opposed to technology/machinery intensive.

It is now commonly accepted that biodynamic foods have superior taste and quality and can attract a premium price. Both organic and biodynamic farming techniques undergo rigorous certification processes to facilitate product sales under certified organic or biodynamic labels.

With climate change and water scarcity taking hold in Australia and across the globe, environmental impacts from human activities on plants, animals, soil and water are becoming unavoidably apparent. The situation is particularly acute in the agriculture or farming sector. One could argue that conventionally farmed food produce is actually heavily subsidised by taxpayers because environmental degradation caused by conventional farming has to be addressed by governments using taxpayer money to deal with the environmental problems.

There are also increasing problems with food intolerances and reactions caused by metabolic imbalance and chemical residues in food and water. Some argue this is a consequence of ignoring the way conventional farming techniques and modern industrial systems impact on the food we eat and the environment we live in. Sustainable agricultural systems can offer a long-term solution to many of these problems.

Australian Ethical's investments in this sector include United Natural Foods, Whole Foods Market, Tallawarra Valley Biodynamic Farm and Candelo Bulk Whole Foods.

Whole Foods Market is the world's largest retailer of natural and organic foods with 197 stores in the US, Canada and the United Kingdom. The company has taken a proactive stance on a range of issues including food irradiation, genetic manipulation and the sustainability of seafood.

Candelo Bulk Wholefoods in Bega, NSW, sells whole foods in bulk including many organically produced products from farms managed under permaculture, biodynamic or other ecologically sustainable principles.



# Returns to 30 September 2008

	6 month return (%)	1 year return (%)	3 year return (% pa)	5 year return (% pa)	7 year return (% pa)	Inception year
<b>Trust</b>						
Balanced	0.8	-8.8	2.4	6.7	6.6	1989
Equities	7.2	-10.9	7.8	10.7	9.2	1994
Large Company	-1.0	-16.4	1.4	9.4	8.1	1997
World	-4.8	-15.9	-	-	-	2007
Income	3.4	5.1	5.1	5.0	5.0	1997
<b>Super</b>						
Balanced	0.6	-7.8	2.2	6.2	5.9	1998
Equities	6.1	-9.5	7.3	9.9	8.5	1998
Large Company	-1.0	-14.3	1.7	8.8	7.7	1998
World	-4.4	-14.7	-	-	-	2007
Income	2.9	4.1	4.0	4.0	4.0	1998
<b>Pension</b>						
Balanced	0.8	-8.5	2.6	6.9	6.8	1999
Equities	7.0	-10.6	8.4	10.9	9.5	1999
Large Company	-0.9	-16.1	1.8	9.4	8.3	1999
World	-5.2	-15.2	-	-	-	2007
Income	3.3	4.9	4.9	4.8	5.0	1999

Past performance is not a reliable indicator of future performance. Total returns are calculated using exit prices. Total returns take into account ongoing management fees and trust or super fund expenses. For the super fund, total returns are based on an investment of \$10 000 (pensions based on \$30 000) at the inception of each strategy. Performance figures for each strategy assume an investment in that strategy only. For the trusts, total returns 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. For the super fund, total returns are calculated taking into account taxation on super fund earnings and capital gains. Neither the return of capital nor the performance of a trust or the super fund is guaranteed. 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. The latest available performance figures can be obtained from our website or by calling 1800 021 227. Units in the trusts are offered and issued by Australian Ethical Investment Ltd ('AEI') ABN 47 003 188 930, AFSL 229949. Interests in the super fund are offered by AEI and issued by the trustee of the fund, Australian Ethical Superannuation Pty Ltd ABN 43 079 259 733, RSEL L0001441. The PDS should be read before making an investment decision.

## Company profiles\*

### Grifols

Grifols was founded in Barcelona, Spain in 1940 with the aim of improving people's health and well-being by offering high-quality innovative health products, respecting the environment, generating a profit for investors and promoting professional development for employees. Grifols now serves healthcare professionals and patients in over 90 countries around the world. The company is involved in research, development and manufacture of plasma derivatives, IV therapy, enteral nutrition, diagnostic systems and medical materials.

### Pentair

Water scarcity and lack of access to proper sanitation is one of the great challenges facing the world over the next few years. Pentair is a global leader in the provision of water filtration and flow technologies. The Pentair Foundation's Project SafeWater-Colon initiative is aimed at designing, fabricating and installing drinking water systems in disadvantaged communities in Honduras.

### LKQ

LKQ is the largest provider of recycled automobile parts in the US. The company buys salvage vehicles and dismantles them for recycled parts which it then sells primarily to collision and mechanical repair shops. By sourcing recycled parts the company's activities result in the use of considerably less energy and resources and reduces the amount of pollution associated with manufacturing original parts.

\*USE OF INVESTMENT EXAMPLES: By including the investment examples in this newsletter, we seek to further our transparency to investors and inform you about the nature of the Australian Ethical trust portfolios. The examples are provided by way of illustration only and you must not treat them as advice or recommendations about any particular item or asset class.

Printed on 100% recycled paper using vegetable based inks.

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