

australianethical

AIM HIGH

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Australian Ethical launches green property fund



64 Allara St Canberra

Australian Ethical Investment has officially launched the Australian Ethical Property Trust.

The Australian Ethical Property Trust is an exciting new fund that became available for retail investment on 1 October 2009. The fund will invest in energy-efficient buildings, with a minimum 5 Star Green Star rating, as well as in medical and allied health facilities and social infrastructure.

The Australian Ethical Property Trust was officially launched by Member of the ACT Legislative Assembly Caroline Le Couteur, at a ceremony held at 64 Allara Street, Canberra, on 8 October. Caroline was an executive director of Australian Ethical until being elected as an MLA in 2008. She remains a shareholder.

The Allara Street building is the flagship investment of the new fund. Completed in November 2008, it is an attractive small-scale A-grade property in Canberra's central business district. The building has been designed to achieve a 5 Star Green Star rating and a 4.5 NABERS

rating. A 5 Star Green Star rating from the Green Building Council of Australia (GBCA) certifies Australian excellence in environmentally sustainable design.

The portfolio manager for the Property Trust is Robert Sharf. Robert has been an investment analyst with Australian Ethical for almost 10 years, specialising in loans and property investment. More information on the Property Trust is available in our new Product Guide (Short Form PDS) – download from www.australianethical.com.au or phone 1800 021 227.

The Property Trust aims to provide long-term capital growth and moderate income. It will aim to deliver returns at 3% above the annual consumer price index (CPI) over five-year periods, with low volatility against the return benchmark.

At the fund's launch, Australian Ethical's CEO, Anne O'Donnell, said 'Australian Ethical is very excited about the launch of the Australian Ethical Property Trust. Investing in green buildings is not only good for the environment, but it is a smart business decision as well'.

CEO of the GBCA, Romilly Madew, congratulated Australian Ethical's strong leadership, saying that it will support green buildings that are both environmentally and economically sound investments.

'A range of independent studies has confirmed that green building practices improve an asset's value by securing tenants more quickly; commanding higher rents or prices; enjoying lower tenant turnover; costing less to operate and maintain; attracting grants, subsidies, and other inducements; and improving business productivity for occupants, which affects churn, renewals, inducements, and fitting-out costs. Clearly, investors wanting to do the right thing by the environment will also do the right thing financially.'

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investment + superannuation

2009 Community grants

australian**ethical** has donated \$140,868 to 25 social and conservation projects in its 2009 round of community grants.

The largest grant, of \$45,000 to Co-Operation In Development, will build a combined primary and secondary school in one of the poorest areas of Bangladesh.

Funding also went to 24 other social and conservation community organisations working throughout Australia and overseas.

In a difficult period in which many companies are cutting back on philanthropy, Australian Ethical continues to set the benchmark for corporate giving. Each year, australiane**thical** donates ten per cent of its profits to conservation and charity organisations. Over the last decade, Australian Ethical has donated nearly \$1 million back into the community.



School built by CO-ID at 5 Doors Bhola Island

Building schools, bringing hope

Co-Operation In Development (CO-ID) received a grant of \$45,000 for its building schools, bringing hope project in Bangladesh.

Bangladesh is a country where 150 million people live in an area two-thirds the size of the state of Victoria. It is one of the poorest countries on Earth, and everyday life can be a constant struggle. The majority of Bangladeshis are illiterate. Basic skills such as learning to read and write are only for the most fortunate.

For 18 years, CO-ID has been building schools and student-care centres in Bhola Island, one of the poorest areas of Bangladesh. Bhola Island is the largest island in the Ganges Delta, with a population of more than five million. The island is plagued by devastating flooding and poor infrastructure. Only recently have roadways been built, and a power supply is now being installed.

To date, CO-ID has built 41 schools on Bhola Island and has educated more than 50,000 children. The schools focus on providing free basic education in reading, writing, and maths to both boys and girls. CO-ID battles the perception that education is wasted on girls, and provides equal opportunities to both sexes in the classroom. Parents who want to send their sons to a CO-ID school must also send their daughters.

CO-ID schools have been successful in helping to increase literacy and numeracy skills to give better life opportunities in Bangladesh. The education provided to these children has cleared a path to sustained development and a brighter future.



There was a very successful CO-ID primary school in the 5 Doors area of Bhola Island, but it is under threat following the partial collapse of the levee. CO-ID will use Australian Ethical's grant to rebuild a new combined primary and secondary school with a more elevated mud wall to protect the school from flooding.

The grant will also support CO-ID to construct a new style of school that will provide the base for expanded education over the next twenty years. The new school will enable CO-ID to provide free education and training to more students, and the grant will cover some of the school's stationery needs as well as other necessities. Evening education will be made available to senior students aged nine or more who have left school to enter the workforce. This will be made possible through the provision of solar lighting, as there is no power supply currently installed.



Students at 5 Doors School



If you can reach your left ear with your right hand, you're old enough for school

Grants to community organisations

\$45 000

Co-operation in Development Organisation (see previous page).

\$40 000

An Australian Ethical initiated mini-documentary competition on the theme 'Corporate Responsibility and the Environment'.

\$5000

- ACT Eden Monaro Cancer Support Group
- Australian Marine Conservation Society

\$2800

- ACT Frogwatch
- Alzheimer's Australia NSW
- Australian Red Cross
- Barefoot Economy
- Bush Heritage Australia
- Free the Bears Fund
- Pedal Power ACT
- Sydney Cochlear Implant Centre
- The Grey Man
- Wildcare Queanbyan

\$1500

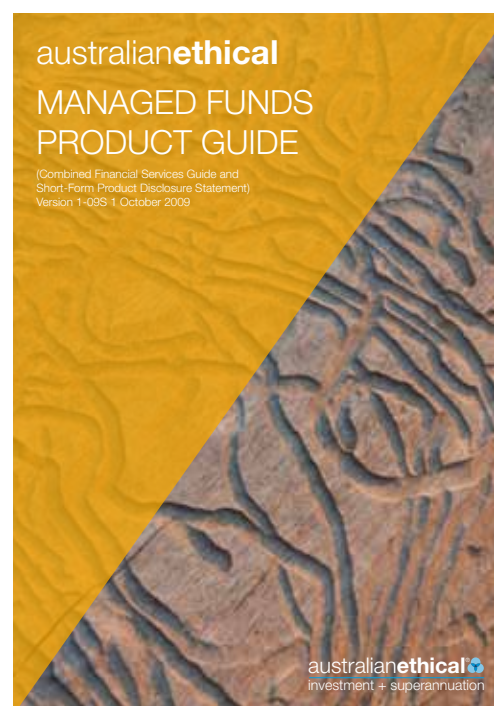
- CARE Australia
- Condobolin and Districts Landcare
- East Timor Women Australia
- Hope Street - Urban Compassion
- International Women's Development Agency
- New Internationalist Publications
- NSW Wildlife Information Rescue & Education Service
- Sea Turtle Foundation
- Spinal Cord Injuries Australia
- The Cerebral Palsy Foundation
- WaterAid Australia

A full description of all the grant recipients is available on our website www.australianethical.com.au

A whole lot of 'new' at Australian Ethical

An easy-to-understand investment document and website user-friendliness are the focus of a new product guide (PDS) and website launched in October.

australianethical has worked hard to make investing a lot simpler and easier to understand, using feedback received from clients and website users to improve the relevance and quality of information.



The new managed funds product guide and website incorporates our new branding; the new Australian Ethical Property Trust; a restructured fee schedule; and the unit registry changeover to Registries Limited.

There is also a greater push to encourage investors to utilise technology for convenience and reduced paper use. **australianethical** has introduced an 'electronic investor' option, which provides a lower contribution fee when investments are made using BPAY or direct debit. An online application form has been added to the website, to make the application process a lot more efficient.

Visit the new website at www.australianethical.com.au. To receive a copy of the managed funds' product guide, please visit the website or call 1800 021 227.

Printing vs online - which is better?

Which is better from an environmental point of view: to read an article or document online or in print? The answer is far from clear-cut.

In the Winter 2009 issue of Aim High, we wrote about green IT and the considerable environmental effects, both positive and negative, that unprecedented adoption of information and communication technology has heralded. Distributing information online won't always have a lesser environmental effect than printing.

A 2007 study by the KTH Centre for Sustainable Communications, in Stockholm, found that the greatest environmental effect of each news-reporting method was:

- for printed news — the production of the paper itself;
- for online reading — the energy used to power the computer while reading;
- for an e-tablet — the production of the device itself.

Like most things, though, it's not that simple. According to journalist-blogger Matthew McDermott, production location and inputs can change the balance. First, electricity generation in Sweden has much lower carbon emissions than in other countries.

Second, a web-based newspaper with a shorter reading time (10 minutes) had lower environmental cost than the printed version, but with a reading time of 30 minutes per day, the effect of the web-based article was in the same range as that of the printed newspaper. However you read your news and documents, it is a relatively small part of a person's individual carbon footprint (based on per capita CO2 emissions).

Obtaining reliable data for comparative estimates is a challenge. A Harvard University physicist has estimated that a Google search has a definite environmental impact, producing about 7 grams of CO2. Viewing a web page generates between 0.02g and 0.2g of CO2 per second. As a comparison, boiling a kettle generates about 15 grams.

Many printing companies have made impressive achievements in terms of green printing. When Australian company Finsbury Green set out to become carbon neutral, it implemented a number of steps, including limiting the use of chemicals and solvents that generate volatile organic compounds; reducing waste sent to landfill; investing in technology that reduces time, waste, and energy; limiting energy usage and emissions from buildings, equipment, and processes; and offsetting the remaining emissions that cannot presently be avoided, through a certified Greenhouse Friendly company.

From Australian **ethical's** perspective, we know that not all our investors like to read electronically. For us, the most important aim is to spread the idea of ethical investment widely in a variety of formats so that people will invest their funds in a considered way to have a greater overall positive environmental impact.

At the recent launch of our new website and managed funds product guide, Anne O'Donnell, CEO of Australian **ethical**, pointed out that there is a greater push to encourage investors to utilise technology for convenience and reduced paper use. 'We have introduced an electronic investor option, which provides a lower contribution fee when investments are made using BPAY or direct debit. We've also introduced an online application form on our website, which will make the application process a lot more efficient.'

Green Mountain Coffee Company – new ethical investment

Green Mountain Coffee Roasters is an American-based supplier of coffee, tea, cocoa, brewing machines, and associated paraphernalia. Almost one-third of the coffee sold is Fair Trade certified, and it also sells a range of certified organic coffees.

The company has been consistently recognised as a global sustainability leader for its commitment to its corporate responsibilities, and demonstrates a strong commitment to providing grants and charitable donations through its Brewing a Better World Fund. These grants ensure that coffee growers do not need to resort to selling to exploitative coffee middlemen below market prices, by providing grants and credit lines to farmers. In a typical short-term-focused cash economy, there is no capacity to maintain the systems or make the investments that allow for the development of sustainable agriculture. Credit not only allows coffee-processing organisations to pay farmers for their crop

immediately but also acts as a source of long-term funding in socially, environmentally, and commercially valuable practices.

The company also provides its workers with 52 hours per year of leave to volunteer with an approved charitable organisation, as well as matching employee donations up to \$500 per year to any approved charity.

In February 2009, the company announced that it will build Vermont's largest solar farm, on the roof of its distribution centre. The company also offsets its carbon dioxide emissions through the purchase of renewable-energy certificates.

In response to the increasing use of non-biodegradable disposable coffee cups, the company developed a fully biodegradable insulating disposable cup called the 'ecotainer'. It is made from paper obtained from sustainably managed plantations and has a waterproof coating made from corn starch.

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WARNING: This newsletter is not advice and provides you with general information only. This document does not take into account your personal investment objectives, financial situation or needs and, because of this, you should consider the appropriateness of the content to your circumstances before making an investment decision. You should also obtain a copy of our current product disclosure statements and consider seeking independent advice from an accredited financial adviser.

Good news from our ethical companies



Solar power for the Pope

The home of the Pope is now also a home for green power. More than 2000 solar modules produced by German company **SolarWorld** are generating clean energy on the roof of Vatican City's Audience Hall. The papal power plant will generate 300,000 kilowatt hours of clean power each year.

SolarWorld Chairman Frank Asbeck said, 'The solar generating plant right next to St Peter's Cathedral possesses a powerful symbolism. The most advanced technology is located next to imposing beauty and one of the most frequently visited places in the world'.

The aesthetically sophisticated plant, which was fitted into the historic ensemble of Vatican City, has received the European Solar Prize.

Whole Foods Market launches healthy school lunch campaign

Whole Foods Market, a leader in natural and organic foods, has launched its 'School Lunch Revolution' campaign. The campaign aims to enable schools across the US to improve the way in which their students eat. The free website, thelunchbox.org, provides the necessary resources for food-service directors to make tangible changes in their cafeteria menus.

'With proper nutrition playing such a critical role in improving a child's behavior, school performance, and overall cognitive development, Whole Foods Market has been searching for the next important way to do our part to improve children's diets. Our goal is to give schools easy access to the tools they need to serve fresher, healthier meals', said Walter Robb, co-president of Whole Foods Market.



Herman Miller recognised for corporate responsibility

U.S. based furniture company **Herman Miller** continues to dominate awards for corporate responsibility by being named as 2009 Corporation of the Year by the Michigan Minority Business Development Council; achieving its third consecutive perfect score in the Human Rights Campaign Foundation's Corporate Equality Index; and being cited by FORTUNE magazine as the 'most admired' in the industry as well as being among the '100 best companies to work for'.

Herman Miller is noted for its dedication to a people-focused employee culture and for producing ecologically sound products. The company has a focus on energy-efficient manufacturing and the use of recycled materials.

Big themes, mini-documentaries

australian**ethical**, in association with Documentary Australia Foundation, is calling for film makers to submit a mini-documentary piece on the theme of 'corporate responsibility and the environment'.

Documentary Australia Foundation is a charitable organisation committed to encouraging and enabling partnerships between philanthropic organisations, charities and documentary filmmakers. This mini-documentary film competition is being funded through one of Australian Ethical's 2009 community grants.

The winning documentary piece will be awarded \$12,500 in prize money, which will be presented at the Australian International Documentary Conference on 24–26 February 2010.

The theme is based on promoting a better public understanding of the link between corporate actions and the state of the natural environment. Documentary entries are to:

- explore specific local or Australian environmental issues or broader, world-wide environmental issues;
- aim to enhance awareness of the connection between corporate decisions and the state of the natural environment;
- not focus solely on government policy issues, but can deal with the link between corporate influence and government policy; and
- be no longer than two minutes.

Further details available online at www.australianethical.com.au/document/documentary-film-entry-terms-and-guidelines. The closing date for entries is 10 February 2010.

Staff profiles



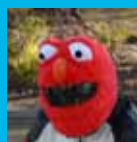
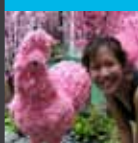
Krystle Tee

Krystle joined the **australianethical** marketing department in August 2007 and enjoys coming up with creative solutions and ideas to communicate the **australianethical** story. She focuses on online communications, sponsorships, trade shows, and development of marketing material and reports.

Krystle graduated from the University of Canberra with degrees in advertising/marketing communications and law, but chose to pursue her strengths and interests that use the right side of her brain.

Outside **australianethical**, Krystle uses her classical piano training to teach kids and to play at her church. She also writes and records her own music, and imagines seeing her name in film-score credits.

Whilst she loves to make music, Krystle also loves to dance to it. She is undertaking hip-hop classes, but wouldn't dare try out for the next So You Think You Can Dance season, let alone perform in public.



Bevan Hussey

Bevan joined **australianethical** in July 2007 and works as it's Network Operations Officer. He is originally from Cape Town, South Africa, and came to Australia to study in 2006. He juggled his studies with working at **australianethical**, and graduated in May 2008 with a Diploma in Information Technology (Network Engineering).

Bevan has always worked in IT, having previously worked as a document management administrator for Sanlam, an insurance, banking and asset management company in Cape Town.

Bevan had a major motorcycle accident in September 2008 and is now a paraplegic. On a positive note, Bevan says he now gets great parking.

The only sport that interests Bevan is motorsport. He has been involved with motorsport since he was a kid, racing karts professionally as well as racing a car he built to take part in circuit-racing events. In his free time, he is currently working on another race car which will be fuelled by pure methanol. Just because Bevan is in a wheelchair doesn't mean he won't be driving the race car when it's built. He says that merely being in a wheelchair doesn't mean it is the end — anything in life is still possible.

Bevan hopes to one day meet David Koch, and can't start his day without hearing one of his jokes. Bevan is single and has an idea for a new television series called A Para Wants a Wife. He thinks it will be a big hit.

Ethical investment and human rights



Globalisation has enhanced the ability of companies to support and protect international human rights. In that context, a lack of wider market attention to human rights makes them an important consideration for ethical investors.

Globalisation can bring both positive and negative impacts. For example, the free flow of information and ideas can bring about improved living standards for poorer communities and improve governance and transparency in regimes where basic human rights are not recognised. Engagement with companies operating in areas where human rights cause international concern can play a part in heightening corporate awareness around matters such as sweatshops and child labour.

Investors should note that there is a key difference between supply-chain and human-rights issues. For instance, a company may only operate in countries with open and representative governments, but have problems in specific supplier factories that expose the company to supply-chain risk. Conversely a company may have strong supply-chain policies and management systems in place, but if its factories are based in a country with an oppressive government, its operations may still be contributing to the inhibition of human rights.

Many multinational enterprises have budgets bigger than some developing nations, whose laws protecting human rights may be weak or vulnerable to commercial pressures. A company's assertion that it obeys national laws may therefore be a less than adequate response to international concerns for human rights in regimes that are oppressive, weak, corrupt or embroiled in intractable conflicts.

The debate about responsibility for human rights continues to evolve, leaving the scope of a company's obligations uncertain. Multilateral instruments are increasingly being

drawn up specifically to help businesses address such issues. The Organisation for Economic Cooperation and Development (OECD) Guidelines for Multi-National Enterprises includes a statement that enjoins enterprises to respect the human rights of those affected by their activities. Similarly, signatories to the UN Principles for Responsible Investment need to consider the issue of human rights.

Allegations of breaches of international principles can damage a company's reputation and brand value. Investors may use such information to engage with companies to try to improve their performance in this area. This information is also relevant to trade-union or state-linked super funds pressured to avoid investing in companies facing allegations of breaches of international labour standards.

In terms of the performance of global companies in this area, there is a considerable amount of unmanaged risk. The table below shows the percentage of companies operating in areas that are considered a human-rights risk and that have good human-rights policies in place:

| Investment Market | % companies in poor HR countries | % companies with good policy |
|-------------------|----------------------------------|------------------------------|
| Australia | 24.9% | 0.8% |
| United Kingdom | 32.4% | 4.8% |
| United States | 46.4% | 0.7% |

Table courtesy of CAER and EIRIS

Having a public policy on an issue is the first step in managing this risk. One can also look for evidence that a company is taking pro-active steps to reduce its exposure or mitigate its human-rights risk. For example, the company may start establishing management systems and publishing performance data covering human-rights issues.

The potential negative effects of operating in high-risk areas of the globe can vary. For example, companies operating in Burma through the recent government crackdown may be exposed to sanctions imposed by the international community against that regime. US internet companies operating in China have faced criticism due to their willingness to share data with Chinese authorities that enabled them to arrest dissidents.

The Australian Ethical Charter requires Australian **ethical** to avoid investment that inhibits human rights and to seek investments that provide for human happiness, dignity, and education. Australian **ethical** is also a signatory to the UN Principles of Responsible Investment.

Returns to 31 October 2009

| | 6 month return (%) | 1 year return (%) | 3 year return (% pa) | 5 year return (% pa) | 10 year return (% pa) | Inception year |
|------------------------|-----------------------|----------------------|-------------------------|-------------------------|--------------------------|-------------------|
| Trust | | | | | | |
| Balanced | 6.0 | 3.9 | -1.6 | 3.3 | 6.3 | 1989 |
| Smaller Companies | 14.8 | 24.3 | 6.7 | 10.1 | 9.4 | 1994 |
| Larger Companies | 11.3 | 7.6 | -3.6 | 4.2 | 6.9 | 1997 |
| International Equities | 1.8 | -6.5 | - | - | - | 2007 |
| Income | 3.6 | 3.9 | 4.7 | 4.8 | 4.9 | 1997 |
| Super | | | | | | |
| Balanced | 5.0 | 2.9 | -1.4 | 3.0 | 5.7 | 1998 |
| Equities | 12.8 | 20.2 | 5.9 | 9.1 | 8.6 | 1998 |
| Large Companies | 9.5 | 5.8 | -3.2 | 4.0 | 6.4 | 1998 |
| World | -0.1 | -6.8 | - | - | - | 2007 |
| Income | 2.9 | 3.1 | 3.8 | 3.8 | 3.9 | 1998 |
| Pension | | | | | | |
| Balanced | 5.9 | 3.8 | -1.7 | 3.3 | 6.3 | 1999 |
| Equities | 14.9 | 22.0 | 6.0 | 9.8 | 9.3 | 1999 |
| Large Companies | 11.4 | 7.4 | -3.9 | 4.0 | 6.5 | 1999 |
| World | 0.4 | -8.8 | - | - | - | 2007 |
| Income | 3.6 | 4.0 | 4.6 | 4.7 | 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.

Have your say... Our triennial survey is underway once again

australian**ethical** conducts a survey every three years to better understand the views of ethical investors. The survey lets australiano**ethical** know about your key ethical concerns and how they influence your investment decisions.

Australian Ethical will donate \$1 to your choice of one of three charities for every survey that is completed.

Complete the survey at www.australianethical.com.au/news/triennial-survey-2009

Survey closes 1 February 2010.

*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.

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AIM HIGH is published by Australian Ethical Investment Ltd, whose directors appreciate feedback of all kinds. Please make your views known to them.

POST GPO Box 2435 Canberra ACT 2601
 PHONE 1800 021 227
 EMAIL trustadmin@australianethical.com.au
 WEB www.australianethical.com.au