

australianethical

AIM HIGH

Summer 2012

Increasing support for the community

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Carnegie Energy Wave and Tennant**

25 years of investing ethically

The truth behind the mining boom

25 YEARS
OF ETHICAL INVESTMENT

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australianethical 
investment + superannuation

Increasing support for the community



A family in Poipet, Cambodia involved in the Carpets for Communities scheme

Australian Ethical has donated more than \$150,000 to 22 charities through its 2011 community grants scheme. This brings the total amount gifted to communities over the last 11 years to more than \$1.28 million.

Australian Ethical donates 10 per cent of its company profit each year – one of the highest levels of corporate giving in Australia based on percentage of profits.

This year's grants range in size from \$3600 to \$35,000 and include donations to charities that work across Australia and overseas. The successful organisations were chosen from more than 300 applicants.

Two major project grants of \$35,000 each were made to Carpets for Communities and Men of the Trees.

Carpets for Communities

Carpets for Communities helps families in Poipet, Cambodia out of poverty through the creation of a social enterprise – making carpets for sale commercially. This scheme offers an alternative source of income to Cambodian families which have children working or begging in the local flea markets – activities that can lead

to human trafficking, prostitution and other child exploitation.

Their \$35,000 grant will be used to enable ten mothers to join the program. The funds will cover vocational, business and financial literacy training, as well as complementary education and development programs. The funding will assist them to get to a base level of income stability within their family.

By allowing the mothers to start producing carpets within a very short time frame, the scheme provides an immediate intervention solution to allow their children to return to school. Within 48 hours of a mother entering the program, their children can be off the streets and back in school.

Any profits generated in the sales of the goods will go back into bringing more families into the program.

Men of the Trees

Men of the Trees have been working with West Australian farmers since 1979 to implement large-scale revegetation projects in the wheatbelt. Since that time it has planted more than 11 million seedlings to prevent the spread of deserts, erosion and salinity.

Men of the Trees will use their \$35,000 grant to fund revegetation of a highly degraded landscape in the wheatbelt of Morbinning, east of Perth. The project involves five neighbouring land managers who want to revegetate and protect a creek that runs through their properties. The funding equates to \$3.50 per seedling to cover one-on-one support to individual farmers, purchasing the seedlings, site preparation, transportation and development of a communication plan.

Men of the Trees is not only a tree planting organisation – it also delivers an environmental and socially responsible program. This involves field officers working with farmers and designing the best natural resource management outcomes while fitting in with farming practice. Site preparation and back-up maintenance aids the success of revegetation.



Volunteers planting in the Morbinning wheatbelt

2011 community grants

Major project grants – \$35,000

Carpets for Communities
Men of the Trees

Project grants – up to \$5000

ACT Eden Monaro Cancer Support Group
Animal Rescue Queensland
Arthritis and Osteoporosis Association of Northern Territory
Australia Zoo Wildlife Warriors

Australian Afghan Hassanian Youth Association

Australian Platypus Conservancy
Barefoot Economy

Bikes for Humanity
Brighter Future 4 Kids Foundation

Children's Hospital Westmead
Cranbourne Police Senior Citizens Register

Dhimurru Aboriginal Corporation
Diamond Valley Foodshare

Environment Victoria

Free the Bears Foundation

Kokoda Track Foundation

Liverpool Plains Land Management

Rainforest Rescue

Room to Read Australia Foundation

Royal Guide Dogs for the Blind Association

Summaries of grant projects are available from australianethical.com.au/supporting-community

Employer profile – Food Connect Sydney

Food Connect Sydney aims to become a leader in making ethically grown food from local farmers accessible to any household in Sydney.

Food Connect is based on the principles of community-supported agriculture, an increasingly popular type of community food system that links regional growers directly with city people seeking fresh, organic and chemical-free fruit and vegetables.

Enterprise Coordinator, Julian Lee founded Food Connect Sydney in early 2010 following his experiences as a biodynamic gardener in the Hunter



Farmers Matt and Sue from Swallow Creek

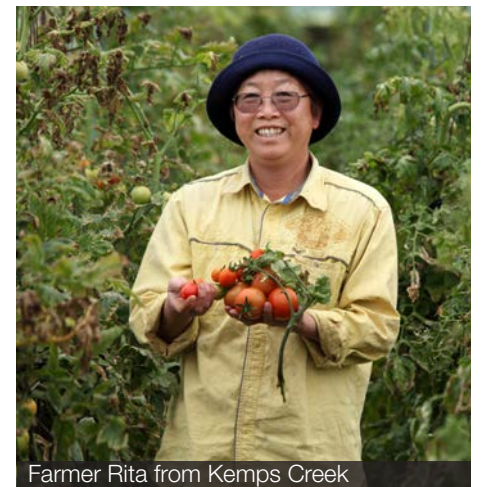
Valley. He saw a need to offer farmers a better deal and to give consumers an opportunity to learn more about who grows their food and how it is grown.

Instead of being solely profit driven, Food Connect Sydney is paying farmers fairly (40 cents out of each \$1 of purchased produce), reducing environmental impact by sourcing produce locally and seasonally, and focusing their profits on feeding Sydney's less fortunate through wholesale donations to other charities.

Food Connect has an inclusive and socially minded approach to food – it is not only about the produce and the food, it is about what the food can do to establish strong communities and have a positive impact on people's lives.

When subscribers pick up their produce box from one of the city pick-up spots, there's an opportunity to mingle with like-minded people, share information and build relationships. It's part of a broader aim to nurture community.

This model also drastically reduces the food miles and carbon footprints associated with mainstream and supermarket channels of food distribution.



Farmer Rita from Kemps Creek

It is based on the successful business model developed by Food Connect Brisbane that has been in operation for six years.

Find out what will be filling the weekly produce box on the Food Connect website:

www.foodconnect.com.au

→ *Food Connect Sydney and Brisbane use Australian Ethical as their default super fund for employees.*

Investor profile – Leyla Acaroglu, Eco Innovators

Australian Ethical super investor Leyla Acaroglu talks about the work she is doing to encourage sustainability.

How do you get people interested in sustainable consumption? That's exactly what I am trying to do through creative projects with Eco Innovators, my environmental consultancy and creative social innovation agency.

I am on a mission to engage people with the hidden environmental impacts of everyday things so that better design, production and consumption decisions can be made. In 2010 I launched 'The Secret Life of Things' project which involves a short animation of a little mobile phone's hidden life cycle. The project also includes a free sustainability education curriculum and is being used around Australia as a way of exploring the environmental impacts of everyday things. The project was awarded a Melbourne Design Award in 2010 and I was a finalist in this year's Melbourne Awards.

Keeping with my innovative approaches to engaging people around sustainability, I recently launched the Eco Innovators Mythbusting Sustainability iPod app. The multiple-choice style game challenges players to debunk myths about what really makes something green.

Aside from the social engagement projects, I provide businesses with strategic sustainability advice based on the best practice methodology of life cycle assessment.

Taking a scientific approach to understanding the environmental impacts of business activities allows for more effective and quantifiable improvements to be made. All too often people don't embrace change because they think it will be difficult or cost more – but in most cases it can actually save you money!

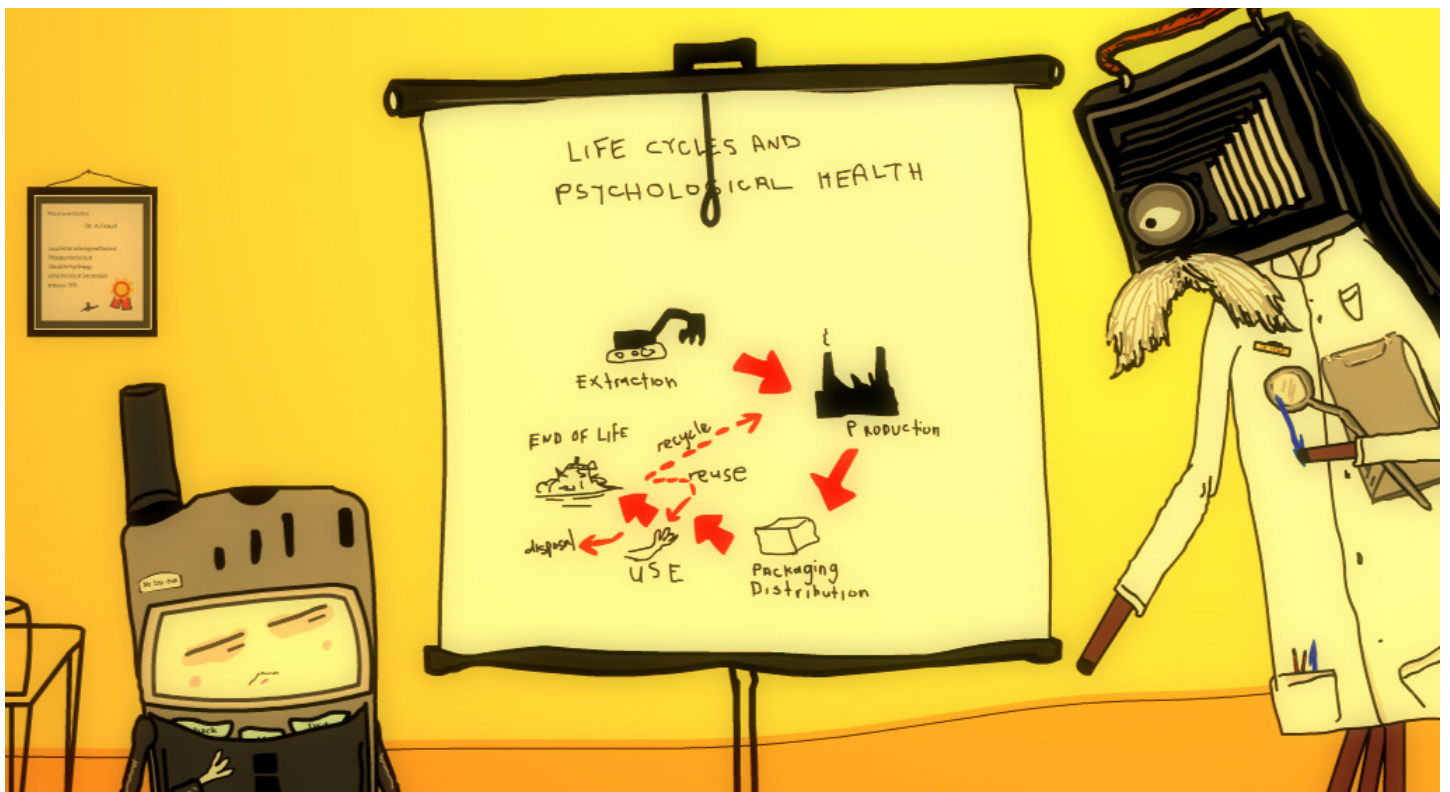
I am a passionate proponent of social and environmental decisions being a core part of our everyday actions and I am dedicated to assisting people and business embrace this change.



Leyla Acaroglu, Director, Eco Innovators

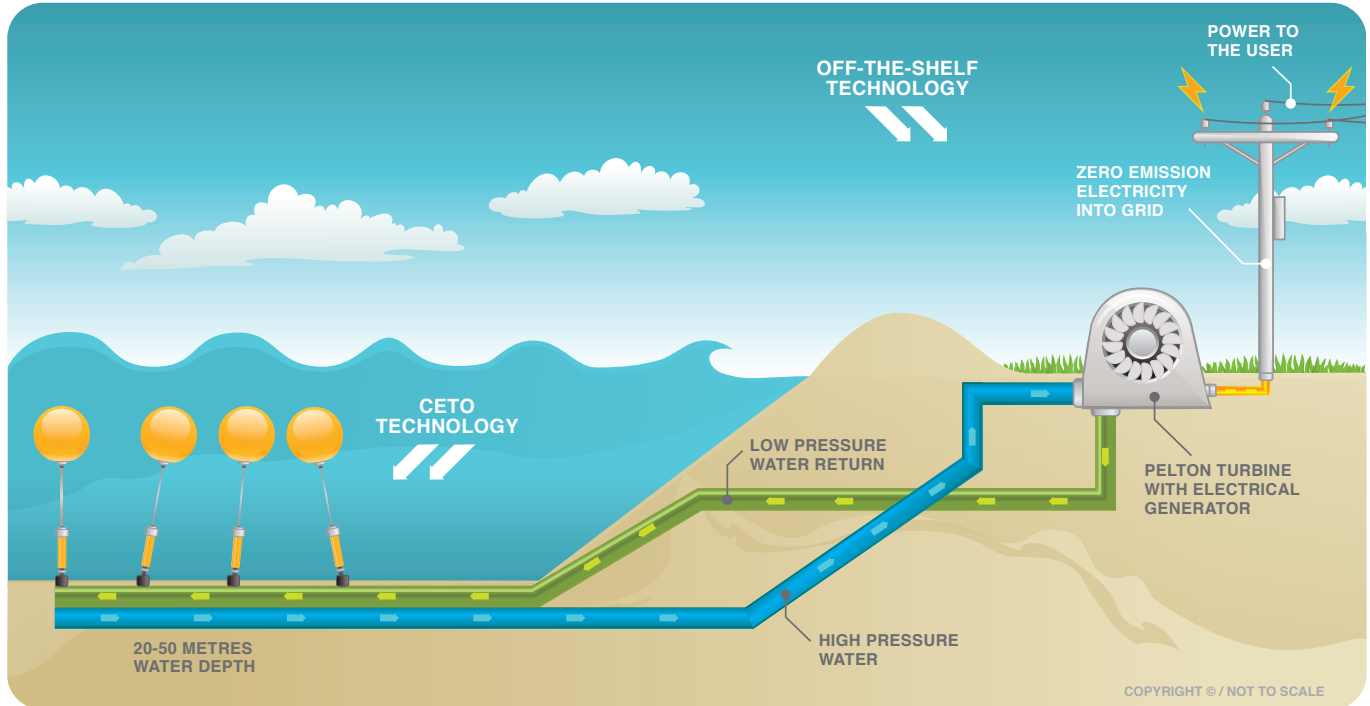
Visit the Eco Innovators website for more information:

→ www.ecoinnovators.com.au



A still from the animation 'The Secret Life of Things' – see it in full at www.theseconlifeofthings.com

New investments – Carnegie Wave Energy and Tennant



Carnegie Wave Energy

Carnegie Wave Energy is a wave energy technology developer. Its proprietary CETO wave energy technology generates renewable energy from the natural motion of waves. The company has just begun producing electricity at what is the southern hemisphere's first commercial scale wave power farm located near Garden Island off the West Australian coast.

Carnegie's CETO wave energy system is distinct from most other wave energy systems in that it is anchored to the sea floor and cannot be seen from the shore (see diagram above). Submerged buoys are tethered to seabed pump units. When waves cause the buoys to move, this drives the pumps, which in turn pressurise water that is delivered ashore through a pipeline. The high-pressure water drives hydroelectric turbines, generating electricity.

The potential worldwide usable energy that could be extracted from waves has been estimated at two terawatts, equivalent to the current worldwide installed capacity for electricity generation. Only a tiny fraction of this is

currently being used. The World Energy Council identified Australia's southern coast (from Perth to Hobart) as one of the world's most promising sites for wave energy generation.

→ www.carnegiwave.com

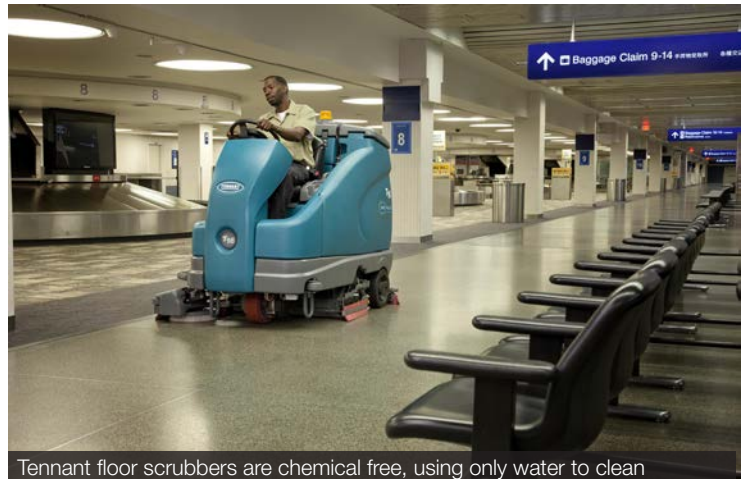
Tennant Company

Tennant Company was founded in 1870 in the USA and engages in the design and manufacture of cleaning solutions worldwide. Tennant's vision is to be a global leader in chemical-free cleaning and other technologies to help create a cleaner, healthier world.

Tennant is in the business of 'green cleaning' without chemicals. The eco-cleaning segment appears to be the focus and fastest growing area for the business.

Tennant patented the ec-H2O chemical-free cleaning technology which uses only water to clean. The ec-H2O option is available on many of Tennant's scrubbers and sweepers and has driven a 65 per cent rise in sales from equipment with this option. There is no need for chemicals and the system is an efficient use of water for cleaning purposes, keeping potent chemicals out of waterways and public spaces.

→ www.tennantco.com



Tennant floor scrubbers are chemical free, using only water to clean

25 years of investing ethically

In August this year Australian Ethical celebrated its 25 year anniversary – an amazing achievement for a niche investment company. It has been a long journey for those behind the fund to grow it from an idealistic concept to a vehicle with almost \$700 million in funds under management.

In 1985 a group of committed environmental entrepreneurs came up with the concept of creating a fund that would base its investments on ethical principles. The group raised capital among friends and associates and about 50 people invested between \$2000 and \$50,000 each.

The group used permaculture ideas to set up a system for investing money – they wanted to know what their money was doing so they could use the returns from one ethically sound business to sustain other projects.

By 1987 a private investment trust was created with an investment philosophy based on the ethical charter still in use today. Reflecting on those early years, former director James Thier said it was hard going.

‘The fund first operated out of an office in Broadway in Sydney. We had initial inflow projections that we would receive \$10 million of investment in the first six months but it ended up taking six years to get to that level.

‘Although the fund’s investments were sound, the operating costs were onerous. We almost went out of business in 1991. There were a lot of people who loved the company but who didn’t have the abilities or knowledge to run it as an investment company.’

The board was revamped in 1991 and the headquarters moved to Canberra. Capital was raised twice and by 1994 the company was on a sound footing with funds under management escalating.

Considering the low starting base, growth has been exponential. In 1987 funds under management were \$500,000. By 1989, this had grown



Quantum was one of the early investments for Australian Ethical. It was a prime example of putting the ethical charter into practice – not only was the company successful, but the investment directly benefitted many thousands of children and adults who were blind, had low vision or a learning disability.

to over \$2 million. The figure is now almost \$700 million.

Thier says Australian Ethical is still one of the few companies dedicated to sustainability issues for retail investors in both managed funds and superannuation.

‘Its deep green credentials make it unique. Australian Ethical has always been about the values premise, but it is equally about the business case.

‘Most other funds which now label themselves socially responsible or sustainable are spun off from a parent fund from a mainstream institution. Most funds still only invest in large listed companies but we invest in smaller companies as well, internationally and locally. We also invest in some unlisted private companies and property.’

The aim of Australian Ethical was also to influence investment thinking and practices of mainstream companies. This could range from active

engagement with company directors through to an actual divestment in a company based on their unethical practices. A recent example of this approach has been the creation of the Climate Advocacy Fund, where Australian Ethical constructively engages with listed Australian companies to improve corporate behaviour, financial performance and sustainability.

Thier says Australian Ethical has never been one to shy away from engagement to influence change for the better of society and the environment.

‘Initially, people used to tell us that government should be responsible for influencing the ethics of companies. We think people are meant to do it. As anthropologist Margaret Mead said: *Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it’s the only thing that ever has.*’

The truth behind the mining boom

Much has been said about the changing face of the mining industry, where the effects of the boom have been both substantial and positive. But until very recently there has been far less discussion of the impact of the mining boom on the rest of the economy, including those areas which have suffered as a result.

While one might assume that any expansion in the mining industry simply adds to the overall size of the Australian economy, in reality the operation of the macro economy is far more complex. Indeed, much of the growth in mining comes at the direct expense of expansion in other parts of the economy.

According to the findings of a survey by the Australia Institute the average Australian thinks that 16 per cent of Australian jobs are in the mining industry and that 34 per cent of GDP comes from mining. In reality only 1.9 per cent of people work in mining and they produce less than 10 per cent of GDP.

The mining industry has undergone a huge boom in the past decade with its employment surging from 78,400 in 2001 to around 210,000 today. To put that in perspective, however, there are around 22 million Australians. In Western Australia 88,000 people are employed in mining, and in Queensland it's around 62,000 or put another way, 97 per cent of Queenslanders don't work in the mining industry.

Nationwide the mining industry employs slightly fewer people than the leisure and recreation services industry, around one third of the number of people who work in the community sector and about one fifth of those who work in manufacturing.

Of course the mining industry also creates indirect jobs – but there is

much less acknowledgement of the indirect jobs that are also created when teachers, nurses and retail workers spend their earnings.

But while the mining industry is keen to claim credit for the indirect jobs it creates in other industries, it is not so keen to accept responsibility for the impact of the mining boom on the exchange rate and for the decline in employment in other industries.



An open pit gold mine in Kalgoorlie, Western Australia

As the world's demand for our resources has boomed so too has our exchange rate which has risen from an average US\$0.74 in 2004 to over US\$1 this year. There has been much said about the potential impact of a carbon price on competitiveness but the increase in the exchange rate has been devastating for major parts of the manufacturing, tourism, education and agriculture industries.

The mining boom is also largely to blame for Australia's relatively high interest rates. When the RBA increases interest rates its goal is not to slow down the mining industry but to slow down the rest of the economy in order to make room for the expansion of the mining industry.

This means that both small businesses with an overdraft and families with a mortgage are paying a high price for the big profits of the mining companies. The fact that 83 per cent of those profits are actually paid to foreigners, like the fact that the mining industry pays one of the lowest rates of corporate tax, is strangely absent from the glossy mining advertisements.

So what, if anything, can government do to insulate the bulk of the economy from the surging exchange rate?

The government could broaden the base of its proposed mining tax to include, for example, the enormous profits being made by gold miners.

Having done so, if the government were to create a sovereign wealth fund which invested heavily offshore the short-term outflow of money would take some pressure off the exchange rate. By moving money offshore when the exchange rate is high, Australians will receive a substantial capital gain when the money is brought back onshore when the boom begins to bust.

They could also slow the rate of mining expansion. The mining industry is currently planning massive new investments in coal, iron ore, coal seam gas and other mineral extraction.

The faster this expansion occurs the greater the pressure on our exchange rate and interest rates will be. That is, the faster the mining boom is allowed to proceed the greater the risks to the broader community will be.

The Australia Institute has published an analysis of the mining boom – Mining the truth: the rhetoric and reality of the commodities boom, available in full at:

→ www.tai.org.au

*Dr Richard Denniss, Executive Director
The Australia Institute*

No fees on super rollovers

Contribution fees will be removed on direct rollovers into our super fund from 14 November 2011.

This is a fantastic opportunity for members to switch all their superannuation arrangements into Australian Ethical Super. To consolidate quickly and easily, complete the rollover form on our website:

→ australianethical.com.au/forms-individuals

Annual reports now available

Super and managed funds annual reports are available online:

→ australianethical.com.au/annual-reports-superannuation

→ australianethical.com.au/annual-reports-managed-funds

Australian Ethical

We help people invest their super and savings in an environmentally and socially positive way.

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AIM High

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Save paper

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Spread the word

Pass AIM High on to friends and relatives and share the message of ethical investing.

Returns to 30 September 2011

Super	3 month return (%)	1 year return (%)	3 year return (% pa)	5 year return (% pa)	10 year return (% pa)	Since inception
Defensive	0.8	3.6	3.6	4.0	4.1	3.9
Conservative	-1.9	1.9	-	-	-	2.7
Balanced	-4.2	-3.0	-1.5	-0.9	3.8	5.0
Growth	-8.9	-11.2	-6.0	-4.2	3.6	6.1
Smaller Companies	-10.4	-7.3	-0.2	2.7	6.0	7.7
International Equities	-14.9	-17.6	-12.3	-	-	-12.2
Climate Advocacy	-9.1	-8.2	-	-	-	-4.9
Managed funds						
Balanced	-4.9	-3.1	-1.5	-1.0	4.1	6.0
Smaller Companies	-11.7	-8.0	0.1	3.0	6.4	8.3
Larger Companies	-12.0	-14.4	-7.0	-5.1	3.4	5.9
International Equities	-17.5	-21.2	-14.1	-	-	-13.3
Income	0.9	4.9	4.4	4.7	4.8	4.6
Property	1.7	0.6	-	-	-	1.8
Climate Advocacy	-11.0	-10.7	-	-	-	-3.4

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 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. 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 relevant PDS should be read before making an investment decision.