



# australian**ethical** SHAREHOLDER NEWSLETTER

April 2010



## CEO's report

I have pleasure in writing to you for the first time as Chief Executive of **australianethical**. I am very pleased to be joining a company with such a pedigree and reputation and look forward to communicating with you regularly over the coming years.

There were a number of things that attracted me to joining the company: **australianethical** was a pioneer in socially responsible investment in Australia with a conviction to style that is unmatched here and possibly the world; we have a strong investment team and a robust investment process which have delivered consistent investment performance; we have a loyal base of investors and advisers; and, finally, your company has a terrific team of people with a strong intellectual capacity and proven ability to innovate. These strengths provide a strong foundation for growth.

As global markets thaw and investors re-enter the market, there is a discernible shift in attitude. Investors are more cautious and have a heightened concern regarding the performance of their investments, their fund managers and their advisers. At the same time they are increasingly aware of environmental and social issues and want to know that their money is being invested positively. It is against this backdrop that I am excited by the opportunities in front of us. The authenticity of our ethical analysis and the rigour of our investment process are a powerful combination for our investors that we believe are unmatched by our peers.

The business results for the six months to 31 December 2009 were very pleasing and reflected much improved conditions over the same period in the previous year. Key highlights were:

- net profit after tax was \$712,688, an increase of 33% over the previous corresponding period
- funds under management at 31 December 2009 stood at \$623 million, an increase of 20.5%
- the average monthly net inflows into the funds were \$2.9 million during this period. This compares favourably to

the six month period to December 2008 when the funds averaged a net outflow of \$0.4 million each month

- an interim dividend of 50 cents per share was declared, which compares to 15 cents in the prior corresponding period.

Looking forward, whilst market conditions have improved considerably, they remain uncertain and inflows to investment funds across the industry remain well below pre-financial crisis levels. We continue to develop the business so that it is well positioned for when market and investor sentiment fully recover.

We are launching two new products this year which are the fruit of the innovation culture I previously mentioned. Responding to the demand for investment in renewable energy and the pressing needs for energy efficiencies, we have restructured our International Equities Trust to focus on the theme of Global Smart Energy. As well, we are launching the Climate Advocacy Fund which is focused on engaging with companies to improve their climate performance. This fund is the first of its kind in Australia with real potential to influence corporate behaviour.

We are looking to improve our client service. A focus on efficiencies and, in particular, a number of outsourcing projects over the past few years has impacted aspects of our service and we are aiming to rectify this. We have created a unit specifically focused on improving the client experience across our business.

We continue to develop our capability to broaden our reach in the advised retail market. Our investment team and investment performance are increasingly being recognised by rating agencies and the ratings of our products are steadily improving.

As you can see, our team is very active and committed to growing the business and making a positive impact. I have great enthusiasm for being part of **australianethical** at this time.

Phil Vernon

## Property Trust update

The **australianethical** Property Trust was launched in October 2009.

The trust seeks to invest in energy efficient buildings with a 5 or 6 Green Star rating, as well as medical and allied health facilities and social infrastructure.

The trust is designed to provide long-term capital growth and moderate income. It will aim to deliver returns at 3% above the annual CPI over five-year time horizons with low volatility against its benchmark.

The 64 Allara Street building 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 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.

At 31 December 2009 the Property Trust had \$14 million funds under management.



64 Allara Street, Canberra.

# climate ADVOCACYfund

The Australian investment landscape has changed with the ground-breaking Climate Advocacy Fund opening for investment in mid-March.

The Climate Advocacy Fund is an exciting new way to influence corporate behaviour in Australia while achieving index returns. The fund will pursue improved climate change performance from Australia's largest companies by seeking resolutions at annual general meetings (AGMs).

While Australian Ethical's current suite of funds only invest in companies with exemplary ethical, social and environmental performance, the Climate Advocacy Fund will invest in the largest companies on the Australian share market (S&P/ASX200). The aim is to improve the climate change performance of companies with unsustainable practices, through dialogue, engagement and by seeking to put resolutions at AGMs. Rather than simply avoiding poor performers, the fund will aim to influence corporate thinking and actions.

The emphasis will be on broad-scale, climate-related issues including the reduction of direct and supply chain carbon emissions and promotion of sustainability reporting.

The Climate Advocacy Fund is an index fund with low operating costs. It has the potential to significantly boost funds under management, and shareholder returns, at a time when many investors are wary of stock picking. The fund is expected to be attractive to individual investors and super members, charities and NGOs, and institutional investors looking to tangibly demonstrate their commitment to the United National Principles for Responsible Investment.

The fund will have its own branding including logo, website and managed fund PDS.

[www.climateadvocacyfund.com.au](http://www.climateadvocacyfund.com.au)

# globalsmartenergy

The International Equities Trust has been repositioned to focus on Global Smart Energy to uniquely differentiate it amongst other international funds.

From January 2010, the International Equities Trust has targeted investment in companies involved in global sustainable energy supply and demand.

The trust now provides specialist exposure to renewable energy supply through sources such as wind, solar and geothermal, as well as exposure to efficient and adaptive technologies in areas such as electric vehicles, recycling and smart grid systems.

The trust has always invested in renewable energy, recycling, efficient transport and other smart energy companies, but this will now be the focus. The new focus will enhance the sustainability profile of the trust and allow greater potential for investment outperformance.

australian**ethical** believes that whilst renewable energy supply is growing and will become a significant contributor to lower emissions over time, large reductions in emissions can be achieved now through innovation, adaptation and consumer

preference for less energy intensive products and services.

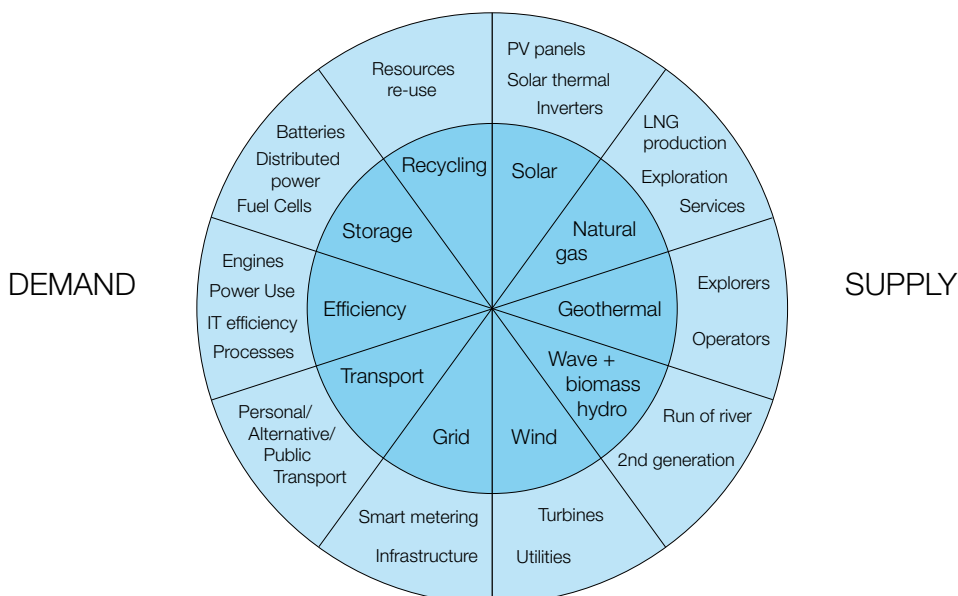
Other pure thematic funds invest only in the supply side of clean energy. Global Smart Energy has a dual focus on both the supply and demand sides of energy use, and this is what will set it apart in the marketplace.

For more details see our website at [www.australianethical.com.au/strategy/international-equities-trust](http://www.australianethical.com.au/strategy/international-equities-trust)



Portfolio Manager, Ursula Tonkin.

## globalsmartenergy concept





Money magazine award  
For the second year in a row, the Australian **ethical** Super Fund won Money magazine's Best Green Super Fund award.

## Financial report

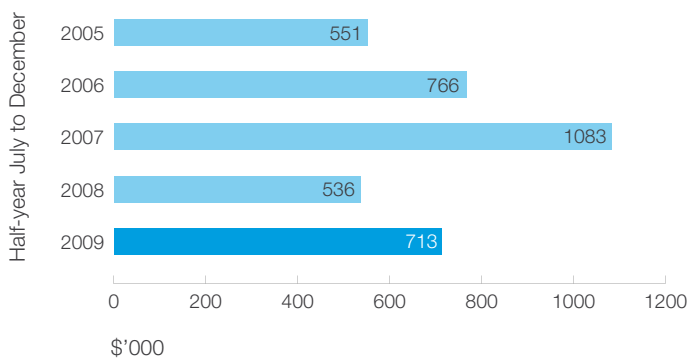
### Financial performance

Half-year	Jul to Dec 2009	Jul to Dec 2008	Jul to Dec 2007	Jul to Dec 2006
Revenue (\$'000)	7 252	6 576	7 447	5 852
Net profit after tax (\$'000)	713	536	1 083	766
Basic earnings per share (cents)	71.8	54.4	113.3	82.9

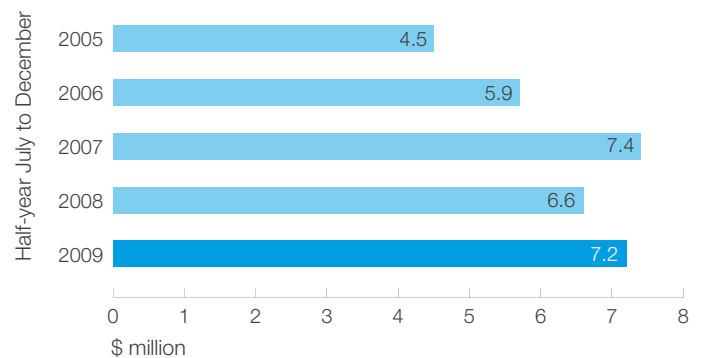
### Financial position

as at	31 December 2009	31 December 2008	31 December 2007	31 December 2006
Current assets (\$'000)	5 842	5 573	6 361	5 395
Non-current assets (\$'000)	4 627	4 573	4 790	3 678
Current liabilities (\$'000)	2 321	2 226	2 658	2 139
Non-current liabilities (\$'000)	92	108	112	74
Net assets (\$'000)	8 056	7 812	8 381	6 860

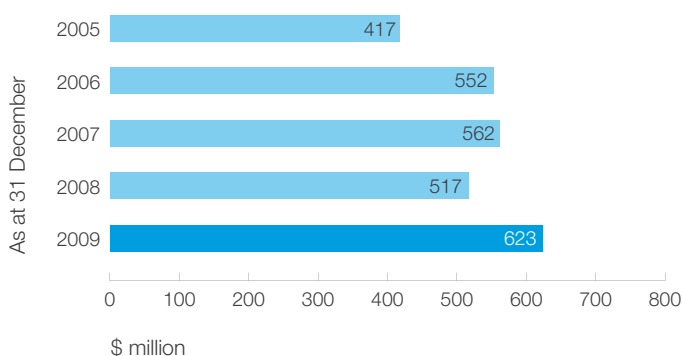
Profit after tax



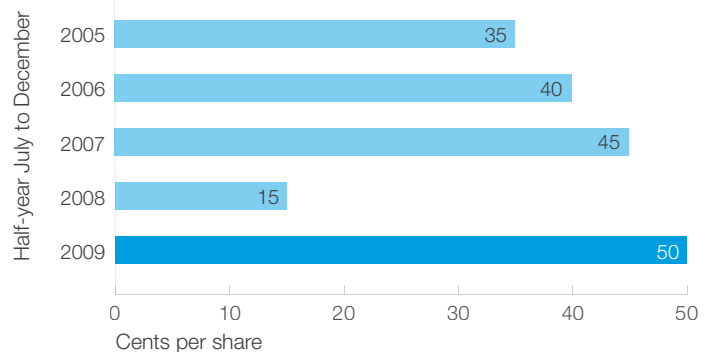
Revenue



Funds under management  
ex distribution



Interim dividends paid



2005 figures above have been adjusted where necessary for first time adoption of Australian equivalents to International Financial Reporting Standards (AIFRS).

#### Shareholder contacts:

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