

September 2009

Australian Ethical is making a number of important and exciting changes to its range of managed funds. These changes aim to increase the range of ethical investments available, improve client service and provide a more flexible fee structure.

These changes will all be incorporated into a new PDS due out on 1 October 2009. To receive a copy of the new PDS please contact us by email to professional@australianethical.com.au or by phoning 1800 021 227.

New Australian Ethical Property Trust

From 1 October, the Australian Ethical Property Trust will be available to investors seeking exposure to the direct property market. The aim of this specialist fund is to manage a property portfolio with investments in energy and resource efficient buildings, medical facilities, social infrastructure and properties with opportunities to retro-fit and refurbish to a 5 or 6 Star Green Star rating.

The Property Trust will aim to provide long-term capital growth and moderate income via investment in direct property and in listed and unlisted property trusts, in accordance with the Australian Ethical Charter.

The Trust aims to deliver returns at 3% above the annual Australian CPI over five year investment horizons with low volatility against the return benchmark.

The minimum initial investment amount will be \$20,000.

Australian Ethical will officially launch the Property Trust at a ceremony at 64 Allara Street, Canberra City on 8 October. This 5 Star Green Star Building is the first purchase of the new Property Trust.

Australian Ethical International Equities Trust

From 1 October 2009, Australian Ethical will also be offering the Australian Ethical International Equities Trust to retail investors. This trust was the underlying investment vehicle for the Australian Ethical World Trust, which is now closed.

The investment style and investment processes of the International Equities Trust will remain the same as the now closed World Trust. The newly available trust, however, will have several different features.

The International Equities Trust will have lower fees. The contribution fee will be 0%-3.6% and the management fee will be 1.35%.

Unlike the World Trust, the International Equities Trust is unhedged for currency risk. This will allow investors to fully participate in movements in international currencies (both positive and negative), as well as the underlying investment return.

The International Equities Trust will have a minimum initial investment amount of \$20,000.

The Australian Ethical World Strategy will remain open for superannuation investors.

Changes to our current managed funds

From 1 October 2009 two of the Australian Ethical managed funds will have a change of name to better reflect they type of investments they hold.

The Australian Ethical Large Companies Share Trust will become the Australian Ethical Larger Companies Trust.

The Australian Ethical Equities Trust will become the Australian Ethical Smaller Companies Trust.

Australian Ethical will also be making some small changes to the asset allocation ranges for three of our managed funds. The new asset allocation ranges are set out in the table below. The most important changes are:

Balanced Trust – an increase in the asset allocation range for property investments;

Smaller Companies Trust – reduced asset allocation to international shares;

Larger Companies Trust – increased asset allocation flexibility between Australian shares and international shares.

Investment ranges	Balanced Trust		Smaller Companies Trust		Larger Companies Trust	
	Minimum %	Maximum %	Minimum %	Maximum %	Minimum %	Maximum %
Interest bearing securities	25	60	-	-	-	-
Australian shares	20	45	65	97	50	75
Property	-	25	-	-	-	-
International shares	15	30	-	20	20	35
Cash	0.5	6	3	15	2	15
Loans	-	12.5	-	-	-	-

Australian Ethical will also be increasing the minimum initial investment amounts for the managed funds. From 1 October, the minimum initial investment will increase to \$5000. The minimum amount for additional investments will remain unchanged at \$500.

For investors starting a Regular Investor Plan, a minimum initial investment of \$1000 will be required with regular investments of at least \$100 per month.

Reduced contribution fees and introduction of a buy-sell spread

Reduced contribution fees will apply to all new contributions into the Australian Ethical managed funds after 1 October.

For most of our managed funds, the contribution fee is currently 4.1% for contributions up to \$26,000. This fee will reduce to 3.6% for contributions up to \$34,999, with larger amounts eligible for further fee reductions. See table below.

For Balanced, Smaller Companies, Larger Companies	
Investment amount	Contribution fee
\$0-\$34,999	3.6%
\$35,000-\$54,999	2.6%
\$55,000-\$249,000	2.1%
\$250,000 and over	0%

This reduced fee is a result of Australian Ethical removing its portion of the contribution fee. For advised clients, this contribution fee is entirely commission to the financial adviser. Depending on your fee structure, the contribution fee can be partly or wholly rebated to the client.

Australian Ethical will also be introducing a buy-sell spread to improve equity for investors. The buy-sell spreads are outlined in the table below. The buy-sell spread will be built into the unit price and therefore will not appear on member statements.

Managed fund	Buy spread %	Sell spread %
Balanced	0.91	0.33
Smaller Companies	0.18	0.18
Larger Companies	0.19	0.19
Income	0	0

Change of unit registry

From 1 October the administration (unit registry) of Australian Ethical's managed funds will be managed by Registries Limited. The Registries Limited system is used by many managed fund clients and should provide investors with improved online functionality.

From 1-7 October there will be a delay in processing of transactions as our records are transferred to Registries Limited.

Australian Ethical will retain its in-house investor service centre.

BB rating for Larger Companies Trust

The Australian Ethical Larger Companies Trust has received a BB rating from research house van Eyk. This is the first time an Australian Ethical trust has been rated by van Eyk.

If you would like a copy of the van Eyk report then please contact us by email to professional@australianethical.com.au or by phoning 02 6201 1926.

Smaller Companies Trust added to Asgard menu

The Australian Ethical Smaller Companies Trust (formerly the Equities Trust) has been added to the Asgard platform. If you are an adviser who uses Asgard and would like to know more about the Smaller Companies Trust, please send an email to professional@australianethical.com.au or phone 02 6201 1926.

The Australian Ethical Balanced Trust also appears on the Asgard platform.

20 year anniversary for the Balanced Trust

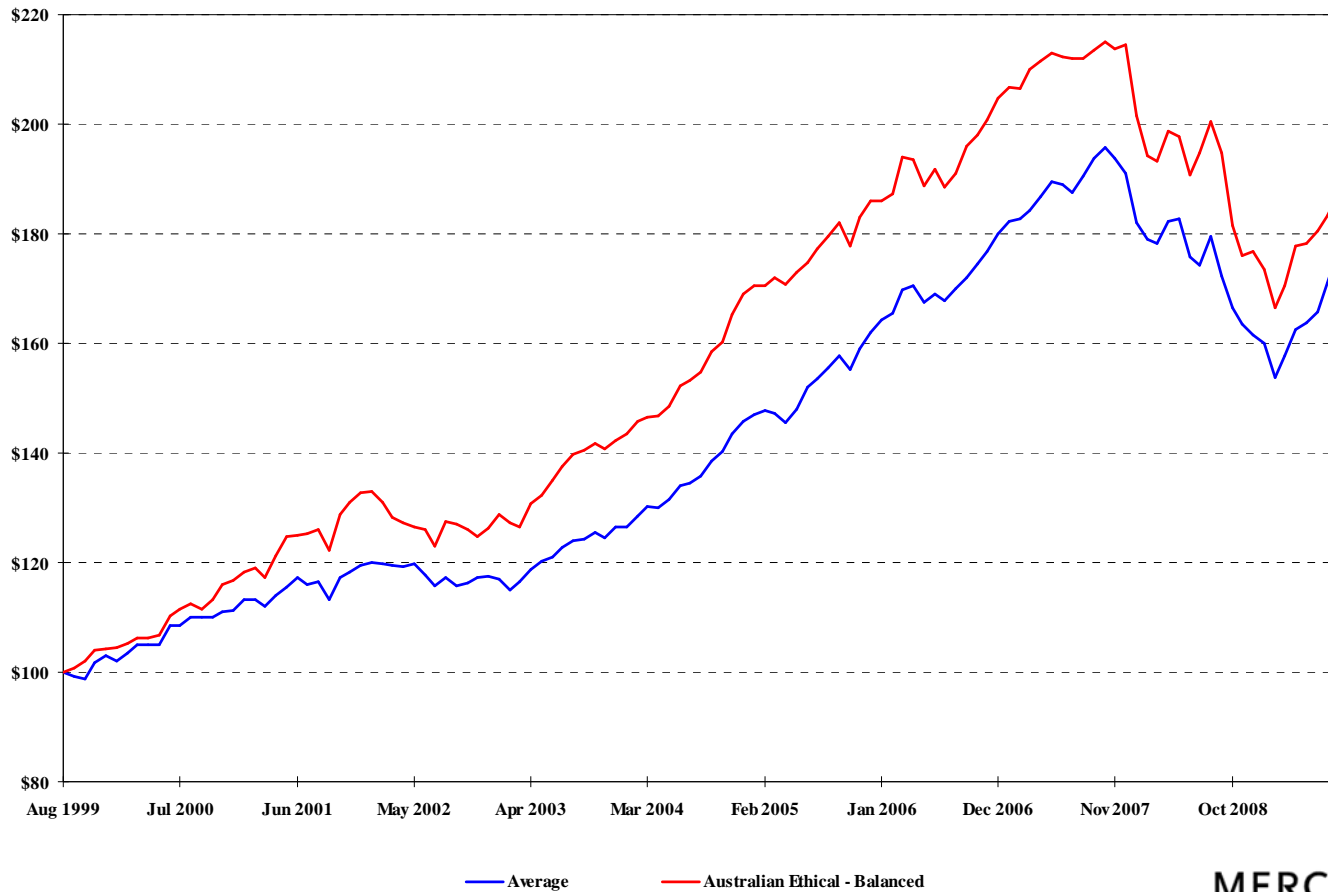
Next month will see the 20 year anniversary of the Australian Ethical Balanced Trust. The Balanced Trust was Australian Ethical's only managed fund when the company was founded in 1989, and was one of the first ethically managed funds in Australia. The Balanced Trust has grown to manage over \$230 million.

The highlight of the Balanced Trust's history was winning the 2005 Standard & Poor's Award in the Balanced Fund – Neutral category for consistent high performance over three years.

The Balanced Trust has produced a return of 6.7% per annum since inception. It is often among the top performers in its category.

The Balanced Trust's continued strong performance over a long period is demonstrated in the chart below. The graph shows the performance of the Balanced Trust against the average Multi-Sector Moderate Growth fund over the 10 years to August 2009.

Australian Ethical - Equities
Value of \$100 invested in Retail Trusts Multi-Sector Moderate Growth from Sep 1999 to Aug 2009
(before tax and after fees)



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