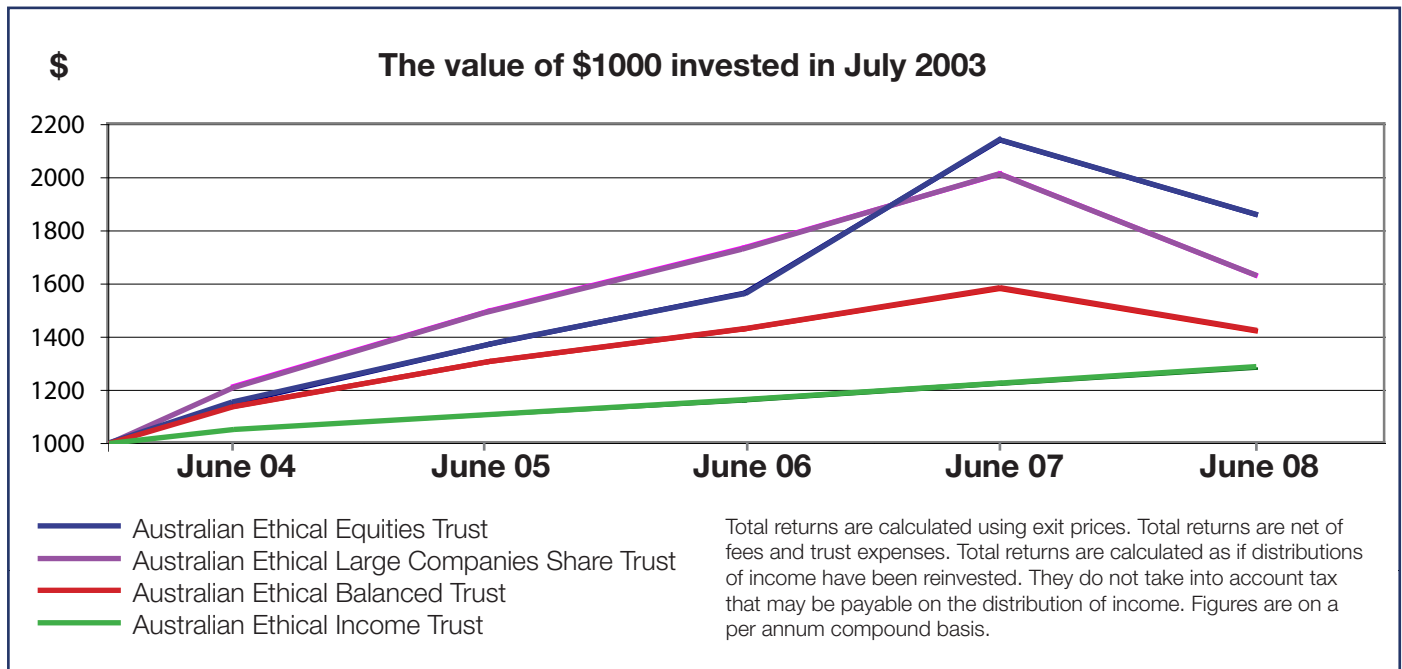


14 July 2008

## The volatile market in perspective

After four consecutive years of increasing share prices, the value of shares in most listed companies around the World fell over the year to 30 June 2008. The World Trust, launched in July 2007, endured a difficult first year in volatile world markets. It did however outperform its benchmark. The chart below shows how the value of units in Australian Ethical's other trusts has progressed over this five year period. The blue line shows how \$1000 invested at 30 June 2003 in the Australian Ethical Equities Trust grew to \$2130 over the four years to 30 June 2007 and then fell to \$1850 at 30 June 2008. The purple line shows the corresponding path for the Australian Ethical Large Companies Share Trust. The red line shows the corresponding path for the Australian Ethical Balanced trust, which grew less in the first four years and fell less in the past year because only around 60% of its funds are invested in shares and the remainder is invested in fixed interest investments. The green line shows the steady 5% per annum growth of the Australian Ethical Income Trust.



The movements in the value of units in the Australian Ethical trusts for the most part reflect widespread broad-based changes that have affected the prices of most securities traded in financial markets around the world. The growth in values in the four years to 30 June 2007 was accompanied by optimism, and by strong and widespread economic growth. Over the past year, a more pessimistic outlook has taken hold and the economic outlook in most developed economies has deteriorated.

Down phases in financial markets can be distressing, especially for those who have not experienced much growth in their capital from a preceding growth phase. Equity markets have always had ups and downs whilst providing higher long-run returns. While past performance is not necessarily indicative of future performance, we believe that the Australian Ethical trusts remain well placed to deliver sound returns commensurate with their risk profile, over the time horizons indicated in our product disclosure statement.

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