

ASX Announcement

ASX Code: AEF

Date: 22 September 2008

Employee options and employee share scheme buyback

On 21 September 2008, 36,080 options issued to employees under the company's employee share ownership plan became exercisable (code AEFAQ). The options are exercisable from 21 September 2008 through to 20 December 2008. The exercise price of the options is \$24.82.

Similar to last year, the company has decided to institute an employee share scheme buy back to buy back up to a maximum of 27,060 shares issued to employees upon the exercise of the options. An Appendix 3C is attached.

/end.

Company Background

Australian Ethical is a funds manager that specialises exclusively in ethical funds management. It offers managed investment schemes and corresponding superannuation strategies (for accumulation and pension accounts). The Australian Ethical Charter is the foundation of the investment process. It aims to avoid harmful investments and actively seeks investments that benefit society and the environment. Uniquely, the company's constitution requires that 10% of profit is donated to charitable and conservation initiatives.

Appendix 3C

Announcement of buy-back (*except minimum holding buy-back*)

Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/9/99. Origin: Appendix 7B. Amended 13/3/2000, 30/9/2001.

Name of entity	ABN
<input type="text" value="Australian Ethical Investment Limited"/>	<input type="text" value="47 003 188 930"/>

We (the entity) give ASX the following information.

Information about buy-back

1	Type of buy-back	<input type="text" value="Employee share scheme buy back"/>
2	+Class of shares which is the subject of the buy-back (<i>eg, ordinary/preference</i>)	<input type="text" value="Ordinary shares"/>
3	Voting rights (<i>eg, one for one</i>)	<input type="text" value="One for one"/>
4	Fully paid/partly paid (<i>and if partly paid, details of how much has been paid and how much is outstanding</i>)	<input type="text" value="Fully paid"/>
5	Number of shares in the +class on issue	<input type="text" value="984,663"/>
6	Whether shareholder approval is required for buy-back	<input type="text" value="No"/>
7	Reason for buy-back	<input type="text" value="Support for the employee share ownership plan and to offset the overall increase in capital resulting from the exercise of options under the plan."/>

+ See chapter 19 for defined terms.
30/9/2001

Appendix 3C

Announcement of buy-back

- 8 Any other information material to a shareholder's decision whether to accept the offer (*eg, details of any proposed takeover bid*) -

On-market buy-back

- 9 Name of broker who will act on the company's behalf
- 10 Deleted 30/9/2001.
- 11 If the company intends to buy back a maximum number of shares - that number
Note: This requires a figure to be included, not a percentage.
- 12 If the company intends to buy back shares within a period of time - that period of time; if the company intends that the buy-back be of unlimited duration - that intention
- 13 If the company intends to buy back shares if conditions are met - those conditions

Employee share scheme buy-back

- 14 Number of shares proposed to be bought back 27,060
- 15 Price to be offered for shares \$35.66 per share, subject to any material change in share price prior to finalisation of buy back agreements. If the buyback price changes, a further announcement will be made.

⁺ See chapter 19 for defined terms.

Selective buy-back

- 16 Name of person or description of class of person whose shares are proposed to be bought back
- 17 Number of shares proposed to be bought back
- 18 Price to be offered for shares

Equal access scheme

- 19 Percentage of shares proposed to be bought back
- 20 Total number of shares proposed to be bought back if all offers are accepted
- 21 Price to be offered for shares
- 22 ⁺Record date for participation in offer
Cross reference: Appendix 7A, clause 9.

Compliance statement

1. The company is in compliance with all Corporations Act requirements relevant to this buy-back.
2. There is no information that the listing rules require to be disclosed that has not already been disclosed, or is not contained in, or attached to, this form.

The required notice will be lodged with the Australian Securities and Investments Commission at least 14 days prior to entry into buy-back agreements.

Sign here: Philip George, Company Secretary Date: 22/9/2008

Print name: Philip George

== == == == ==

⁺ See chapter 19 for defined terms.