

ASX Announcement

ASX Code: AEF

Date: 22 December 2008

1st half profit expectation

Australian Ethical Investment Limited advises that profit for the first half to 31 December 2008 is expected to be approximately \$570,000, a decrease of 47% on the previous corresponding period. The profit expectation is based on unaudited management accounts to end November 2008 and on estimates for the December 2008 month.

The result reflects the difficult market conditions which have existed throughout the period and which have negatively impacted the company's funds under management, predominantly through falling equity markets. It is also a reflection on the strong first half result to 31 December 2007, which largely preceded the significant market volatility and downturn experienced through 2008.

As at 31 December 2007, the company had \$643M funds under management. As at 1 July 2008, funds under management were \$556M. Currently funds under management stand at \$496M. While the drop in funds under management has obviously been disappointing, the 22% decline from 31 December 2007 has been a relatively good performance compared to the fall in markets generally over the same period (e.g. the S&P/ASX 200 index has declined 43% over the same time).

As indicated at the Annual General Meeting, the company expects that the current difficult conditions will continue through the remainder of the 2008/09 year.

The company continues to closely monitor its expenditures. Positives for the company during this difficult period are:

- a strong balance sheet – no debt, no intangibles and net tangible assets are held in cash, fixed interest securities and the company's premises. There is no current need to raise capital to strengthen the balance sheet;
- no significant change in historic outflow (redemption) patterns for the managed funds; and
- excellent relative performance of the majority of the company's managed funds.

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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.