

ASX Code: AEF

18 May 2012

Letter to Shareholders

Dear Shareholder

You will by now have received a notice of meeting from three former employees and shareholders convening a general meeting of Australian Ethical Investment Limited (Australian Ethical). The meeting will be held on 21 June 2012.

Although dated 9 May 2012 a copy of the notice was not provided to Australian Ethical and the company only become aware of its existence today.

A copy of the notice of meeting is attached; some additional material that you received with the notice is not. The additional material contains statements that may be defamatory and the board is seeking advice in relation to it.

The board of directors respects the right of shareholders to convene a general meeting of the company. However, in this instance the shareholders concerned are doing more damage than good to Australian Ethical. The board will write to you in more detail in the coming days. Please do not vote until you have had a chance to consider all the facts.

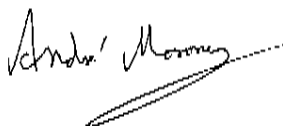
In the meantime:

**I RECOMMEND THAT SHAREHOLDERS VOTE AGAINST ALL OF THE PROPOSED
RESOLUTIONS.**

If any shareholders have questions concerning the meeting or background to it, please feel free to contact me.

We appreciate your continuing support of Australian Ethical.

Regards



Andre Morony, Chairman
Australian Ethical Investment Ltd

E amorony@australianethical.com.au

Notice of a general meeting of shareholders

A general meeting of the shareholders of Australian Ethical Investment Ltd ("the Company") will be held at:

The Hall, University House
The Australian National University
Cnr Balmain Cr & Liversidge St
ACTON, Canberra ACT

on Thursday 21 June commencing at 6.30pm. Please arrive in time to ensure a timely start.

Nature of Business

11 motions will be proposed as ordinary resolutions. Explanatory material for the business to be conducted is attached to and forms part of this Notice and should be read carefully. For convenience the resolutions are set out under 3 headings.

Resolutions in regard chair of meeting and board

1. That, because a substantial group of shareholders has lost all confidence in the officer who is Chair of the board, that officer not chair this meeting, rather a chair for this meeting be selected from the shareholders present.
2. That Mr Andre Morony, who currently holds office as a director of the Company be removed from that office immediately.

Resolutions to elect directors

3. That Mr Timothy Xirakis, who has been duly nominated in accordance with clause 11.3 of the Company's Constitution and, being eligible, offers himself for election, be elected as a director of the Company.
4. That Ms Penelope Le Couteur who has been duly nominated in accord with clause 11.3 of the Company's Constitution and, being eligible, offers herself for election, be elected as a director of the Company.
5. That Mr James Thier, who has been duly nominated in accordance with clause 11.3 of the Company's Constitution and, being eligible, offers himself for election, be elected as a director of the Company.
6. That Ms Suzanne Jones who has been duly nominated in accord with clause 11.3 of the Company's Constitution and, being eligible, offers herself for election, be elected as a director of the Company.
7. That Mr Stephen Hyam who has been duly nominated in accordance with clause 11.3 of the Company's Constitution and, being eligible, offers himself for election, be elected as a director of the Company.

Resolutions to remove directors

8. That Mr Phillip Vernon, who currently holds office as a director of the Company be removed from that office immediately.
9. That Mr Stephen Newnham, who currently holds office as a director of the Company be removed from that office immediately.
10. That Ms Louise Herron, who currently holds office as a director of the Company by virtue of her appointment pursuant to clause 11.4 of the Company's Constitution and, being eligible, has offered herself for election in accord with clause 11.4 of the Company's Constitution NOT be re-elected a director of the Company and be removed from that office immediately.

11. That Ms Justine Hickey, who currently holds office as a director of the Company be removed from that office immediately.

This meeting has been called by three shareholders, founders of the company (who hold approximately 15% of the votes that may be cast at the meeting) pursuant to section 249F of the Corporations Act. All of the candidates can be contacted by email on contact@aeifounders.com.

Additional information

Proxies

A shareholder (member) has the right to appoint a proxy, who need not be a shareholder of the company. If a shareholder is entitled to 2 or more votes they may appoint 2 proxies and may specify the percentage of votes each proxy is appointed to exercise.

To appoint a proxy, ordinary shareholders should complete the proxy form distributed with this notice of meeting. The proxy form should be delivered as set out in the table below not later than 48 hours before the commencement of the meeting (ie by 6.30pm on 19 June 2012). Any proxy received after that time will not be valid for the scheduled meeting.

Proxies can be delivered as follows:

By hand	By mail	By facsimile
Australian Ethical Investment Ltd Trevor Pearcey House (Block E) Traeger Court, 34 Thynne Street Bruce ACT 2617	Australian Ethical Investment Ltd GPO Box 2435 Canberra ACT 2601	02 6201 1987

Please ensure you send your proxy sufficiently in advance so that it arrives by the required time.

In appointing a proxy, ordinary shareholders should consider how they wish to direct the proxy to vote. A shareholder can direct a proxy to vote "for" or "against" or to abstain from voting on each proposed resolution; or they can leave the decision to the appointed proxy after discussion at the meeting. If you do not mark any of the boxes on a resolution your proxy may vote as they choose.

It would assist us if you would, in addition, scan your proxy and e-mail the image to contact@aeifounders.com.

Attorney

Pursuant to clause 10.20 of AEI's constitution a member may appoint an attorney to act on the member's behalf at this meeting or more generally.

Voting Entitlements

The shareholders convening the meeting have determined that the shareholding of each shareholder for the purpose of ascertaining the voting entitlements for this general meeting will be as they appear in the share register at 6.30pm on Tuesday 19 June 2012. (Refer Section 1074E and Regulation 7.11.37 Corporations Act 2001 and also to reflect ASTC settlement rules.)

The following explanatory material (which forms part of this notice) has been prepared for all shareholders by the 3 founder shareholders calling the meeting.