



Attention:	Companies Announcements
Company:	Australian Stock Exchange Limited
Pages:	18 (including cover)
From:	Ian Griffiths – Select Managed Funds Limited (SEM)
Date:	10 th October 2005

Dear Sir/ Madam,

Please find attached a Form 603 Notice of Initial Substantial Holder relating to Select Managed Funds Limited's recent purchase of shares in Australian Ethical Investment Limited.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "I. Griffiths", written over a horizontal line.

Ian Griffiths
Director

Form 603
Corporations Act 2001
Section 671B
Notice of initial substantial holder

To Company Name/Scheme **Australian Ethical Investment Limited**

ACN/ARSN **003 188 930**

1. Details of substantial holder (1)

Name **Select Managed Funds Limited**
ACN/ARSN (if applicable) **009 529 471**

The holder became a substantial holder on **06/10/2005**

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of Securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary Shares	114,148	114,148	12.82%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
Select Managed Funds Limited		114,148

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
Select Managed Funds Limited			114,148

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
Select Managed Funds Limited	06/10/2005	\$2,808,041	-	114,148 ordinary shares

Share Purchase Agreement

between

Ascalon Capital Managers Limited

(ACN 093 660 523)

and

Select Managed Funds Limited

(ABN 99 009 529 471)

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Share Purchase Agreement

This Agreement is made on 4th of October 2005.

Between

Select Managed Funds Limited (ABN 99 009 529 471) (the "Purchaser");

and

Ascalon Capital Managers Ltd (ACN 093 660 523) (the "Vendor");

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this Agreement, unless the context otherwise requires:

"Business Day" means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney;

"Company" means Australian Ethical Investment Limited (ACN);

"Completion" means completion of the sale and purchase of the Sale Shares under this Agreement;

"Completion Date" means the date agreed by the parties, but no later than 21 October 2005;

"Confidential Information" means all information exchanged between the parties, in the course of performing this Agreement or transactions or functions contemplated by this Agreement including but not limited to the terms and conditions of this Agreement and information regarding the Sales Shares and the Shareholders Agreement;

"Dollars" and **"\$"** means the lawful currency of Australia;

"Sale Shares" means 114,148 shares in the Company;

"Security Interest" means an interest in an asset which provides security for, or protects against default by, a person for the payment or satisfaction of a debt, obligation or liability including a mortgage, charge, bill of sale, pledge, deposit, lien, encumbrance, hypothecation, or arrangement for the retention of title (or any agreement or option to create any such interest);

"Share" means a fully paid ordinary share in the Company;

"Share Price" means \$24.60 per share;

"Third Party Interest" means any Security Interest, lease, license, option, voting arrangement, easement, covenant, notation, restriction, interest under any agreement, interest under any trust, or other right, equity, entitlement or other interest of any nature held by a third party.

1.2 Interpretation

In this Agreement:

(a) unless the context otherwise requires, a reference:

- (i) to the singular includes the plural and vice versa;
- (ii) to a gender includes all genders;
- (iii) to a document (including this Agreement) is a reference to that document (including any Schedules and Annexures) as amended, consolidated, supplemented, novated or replaced;
- (iv) to an agreement includes any deed, agreement or legally enforceable arrangement or understanding whether written or not;
- (v) to parties means the parties to this Agreement and to a party means a party to this Agreement;
- (vi) to a notice means all notices, approvals, demands, requests, nominations or other communications given by one party to another under or in connection with this Agreement;
- (vii) to a person (including any party) includes:
 - (a) a reference to an individual, company, body corporate, association, partnership, firm, joint venture, trust or Government Agency as the case requires; and
 - (b) the person's successors, permitted assigns, executors and administrators;
- (viii) to a law:
 - (a) includes a reference to any constitutional provision, subordinate legislation, treaty, decree, convention, statute, regulation, rule, ordinance, proclamation, by-law, judgment, rule of common law or equity or rule of any applicable stock exchange;

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- (b) is a reference to that law as amended, consolidated, supplemented or replaced; and
 - (b) is a reference to any regulation, rule, ordinance, proclamation, by-law or judgment made under that law;
 - (ix) to proceedings includes litigation, arbitration, and investigation;
 - (i) to a judgement includes an order, injunction, decree, determination or award of any court or tribunal;
 - (ii) to time is a reference to Sydney time;
- (b) headings are for convenience only and are ignored in interpreting this Agreement;
- (c) a warranty, representation, covenant or obligation given or entered into by more than one person binds them jointly and severally;
- (d) if a period of time is specified and dates from, after or before, a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (e) if a payment or other act must (but for this clause) be made or done on a day which is not a Business Day, then it must be made or done on the next Business Day;
- (f) the words "including" or "includes" mean "including but not limited to" or "including without limitation"; and
- (g) where a word or phrase is defined, its other grammatical forms have a corresponding meaning.

2. Sale Shares

2.1 Sale and purchase

- (a) The Purchaser agrees to purchase the Sale Shares, for the Share Price per Share and in accordance with this Agreement.
- (b) The Vendor agrees to sell the Sale Shares to the Purchaser free from all Third Party Interests as contemplated by this Agreement.

2.2 Vendor Warranties

- (a) The Vendor represents and warrants to the Purchaser (as an inducement to the Purchaser entering into this Agreement) that immediately prior to Completion:
- (i) the Vendor will be the sole legal and beneficial owner of the Vendor Shares; and
 - (ii) the Vendor will hold the Vendor Shares free from Third Party Interests.
- (b) The Vendor has full power and authority to enter into this Agreement and complete it in accordance with its terms.

2.3 Reliance

The Vendor acknowledges that the Purchaser has relied on the warranties in clause 2.2 when entering into this Agreement

3. Consideration

3.1 Sale Price

The Purchaser must pay the Share Price per Sale Share to or as directed by the Vendor on Completion.

4. Completion

4.1 Time and place of Completion

Completion must take place at the Vendor's office on the Completion Date, or at such other place as the parties may agree.

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4.2 Obligations of Purchaser on Completion

Subject to the Vendor satisfying its obligations under clause 4.3, on Completion the Purchaser must pay the Share Price per Sale Share to or at the direction of the Vendor.

4.3 Obligations of Vendor on Completion

At Completion the Vendor must:

(a) deliver to the Purchaser:

- (i) a transfer of the Vendor Shares duly executed by the Vendor in favour of the Purchaser (or its nominee), together with the share certificate(s) for the Vendor Shares (or if no share certificates have been issued in respect of the Vendor Shares, any relevant holding statements in the possession of the Vendor);
- (ii) all waivers or consents which the Purchaser may require to enable the Purchaser (or its nominee) to be registered as holders of the Vendor Shares;

(b) do all other things which are reasonably required by the Purchaser to give to the Purchaser the full possession and benefit of the Vendor Shares.

4.4 Obligations of Purchaser Post Completion

Within 2 days of Completion the Purchaser must:

- (a) provide information as required by section 671 of the Corporations Act to the Company and the Australian Stock Exchange;
- (b) lodge the transfer of the Vendor Shares with the Company's share registry.

4.5 Obligations of Vendor Post Completion

Within 2 days of Completion the Vendor must:

- (a) provide information as required by section 671 of the Corporations Act (Cth) 2005 to the Company and the Australian Stock Exchange;
- (b) provide written resignation of Ray De Lucia as director to the Company.

Ahmed B. @

4.6 Non compliance

If the Vendor has not complied with any of the provisions of clauses 4.3 at Completion, the Purchaser may at its option:

- (a) defer Completion for up to 7 days after the Completion Date (in which case the provisions of this clause 4.4 will apply to the deferred Completion);
- (b) proceed to Completion so far as is practical without affecting or waiving its rights under this Agreement; or
- (c) terminate this Agreement by notice to the Vendor.

5. Notices

5.1 Requirements

All notices must be:

- (a) in legible writing and in English;
- (b) addressed to the recipient at the address or facsimile number set out below or to such other address or facsimile number as that party may notify to the other parties:

to the Purchaser:

Address:

[]

Attention:

General Counsel and Company Secretary

Facsimile no:

[]

to the Vendor: Ascalon Capital Managers Limited

Address:

PO Box R221 Royal Exchange

Sydney NSW 1225

Attention:

General Counsel and Company Secretary

Facsimile no:

(02) 9236 1474

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signed by the party or where the sender is a company by an officer of that company or under the common seal of that company; and

- (c) sent to the recipient by hand, prepaid post (airmail if to or from a place outside Australia) or facsimile.

5.2 Receipt

Without limiting any other means by which a party may be able to prove that a notice has been received by another party, a notice will be deemed to be duly received:

- (a) if sent by hand when left at the address of the recipient;
- (b) if sent by pre-paid post, 3 days (if posted within Australia to an address in Australia) or 10 days (if posted from one country to another) after the date of posting; or
- (c) if sent by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the whole facsimile was sent to the recipient's facsimile number;

but if a notice is served by hand, or is received by the recipient's facsimile on a day which is not a Business Day, or after 5.00 pm on a Business Day, the notice is deemed duly received by the recipient at 9.00 am on the first Business Day after that day.

6. Confidentiality and publicity

6.1 Confidentiality

A party (**Recipient**):

- (a) must keep confidential any Confidential Information of another party (**Disclosing Party**) disclosed to the Recipient by the Disclosing Party, or of which the Recipient becomes aware, at any time up to the transfer date, except information which is public knowledge otherwise than as a result of a breach of confidentiality by the Recipient or any of its permitted disclosees; and
- (b) may disclose any Confidential Information in respect of which the Recipient has an obligation of confidentiality under paragraph (a) only:
 - (i) to those of the Recipient's officers or employees or financial, legal or other advisers who:
 - (A) have a need to know for the purposes of this agreement or the transactions contemplated by it; and
 - (B) undertake to the Recipient (and, where required by the Disclosing Party, to the Disclosing Party also) a

corresponding obligation of confidentiality to that undertaken by the Recipient under this clause 6.1; or

- (ii) if required to do so by law.

6.2 Announcements

Other than as required by clause 4.4 and 4.5 of the Agreement, a party must not make or authorise a press release or public announcement relating to the negotiations of the parties or the subject matter or provisions of this agreement (**Announcement**) unless:

- (a) it is required to be made by law and before it is made that party has:
- (i) notified the Purchaser and the Vendor; and
 - (ii) given the Purchaser and the Vendor a reasonable opportunity to comment on the contents of, and the requirement for, the Announcement; or
- (b) it has the prior written approval of the Purchaser and the Vendor.

7. GST

7.1 Interpretation

In this clause 7, a word or expression defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) has the meaning given to it in that Act.

7.2 GST gross up

If a party makes a supply under or in connection with this Agreement in respect of which GST is payable, the consideration for the supply but for the application of this clause 7.2 (**GST exclusive consideration**) is increased by an amount equal to the GST exclusive consideration multiplied by the rate of GST prevailing at the time the supply is made.

7.3 Reimbursements

If a party must reimburse or indemnify another party for a loss, cost or expense, the amount to be reimbursed or indemnified is first reduced by any input tax credit the other party is entitled to for the loss, cost or expense, and then increased in accordance with clause 7.2.

7.4 Tax invoice

A party need not make a payment for a taxable supply made under or in connection with this agreement until it receives a tax invoice for the supply to which the payment relates.

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8. General Provisions

8.1 Costs

Each party must pay its own costs in respect of this Agreement and the documents contemplated by this Agreement.

8.2 Effect of termination

If this Agreement is terminated:

- (a) the parties are released from the obligation to continue to perform this Agreement and any other obligations which by their nature survive termination; and
- (b) each party retains the rights it has against any other party for any past breach of the Agreement.

8.3 Counterparts

This Agreement may be signed in counterparts and all counterparts taken together constitute one document.

8.4 Further assurances

Each party must, at its own expense, whenever requested by another party, promptly do or arrange for others to do everything lawful, reasonably necessary and within their power to give full effect to this Agreement and the transactions contemplated by this Agreement.

8.5 Entire agreement

This agreement constitutes the entire agreement between the parties in connection with its subject matter and supersedes all previous agreements or understandings between the parties in connection with its subject matter.

8.6 Alterations

This agreement may be altered only in writing signed by each party.

8.7 Assignment

A party may only assign this agreement or a right under this agreement with the prior written consent of each other party.

8.8 Governing Law

This Agreement is governed by the laws of New South Wales.

Amex B 19

Executed as an agreement.

Signed for and on behalf of)
Ascalon Capital Managers Ltd)



Signature of Director

NICHOLAS BASILE
Name of Director (please print)



Signature of Director/Secretary

MICHAEL HAROLD SEE BOWMAN
Name of Director/Secretary (please print)

Signed for and on behalf of)
Select Managed Funds Limited)
)



Signature of Director

C.F. Kelaher
Name of Director (please print)



Signature of Director/Secretary

Mr. G. GRIFFITHS
Name of Director/Secretary (please print)