

Long-Term Investing Report

Comparing 10, 20 and 25 year performance
of various investments to December 2010

FULL REPORT / JUNE 2011

A research study issued by the
ASX and Russell Investments

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Summary

This report investigates the performance of various types of investments over the past 10, 20 and 25 years. The 25 years analysis is a special addition to this year's Report in recognition of Russell's 25th anniversary in the Australian market place.

As part of the performance comparison, the report considers the real-life impact of tax, costs and borrowing on ultimate investment returns. The aim is to provide individual investors with a reasonable insight into how different investments have performed over the medium to long-term – in real terms.

Results: Before-tax but after-costs

- » Residential investment property achieved the highest return of 10.1% p.a. and 11.6% p.a. respectively for the ten and twenty-five year periods, while Australian shares returned 8.4% p.a. and 10.8% p.a. over the same periods.
- » Australian Shares achieved the highest return of 11.0% p.a. for the twenty year period, while residential investment property returned 10.2% p.a.
- » Australian bonds was the third best performing asset class over all periods analysed returning 5.8% p.a. for the ten year period, 8.2% p.a. for the twenty year period and 9.8% over the twenty-five years to 31 December 2010.
- » Global real estate investment trusts (REITs) outperformed Australian REITs over ten and twenty years respectively.
- » Overseas shares achieved the lowest return of any asset class over the ten year period with a return of -4.0% p.a., underperforming cash which returned 3.8% p.a. That said, over the two longer time periods presented overseas shares outperformed cash by 1.3% and 0.8% p.a.

Results: After-tax and after-costs

- » Residential investment property outperformed all other asset classes at the lowest and highest marginal tax rate for the ten year period with returns of 9.2% p.a. and 7.6% p.a. respectively. It has the second highest returns over twenty and twenty-five years.
- » Australian shares achieved the second highest return of 8.6% p.a. and 6.4% p.a. at the lowest and highest marginal tax rates, respectively, for the ten year period.
- » Over the twenty and twenty-five year periods, Australian shares outperformed all other asset classes at both the lowest and highest marginal tax rates.

Over the twenty year period it returned 11.2% p.a. and 9.0% p.a. and for twenty-five years 11.1% p.a. and 8.9% p.a. respectively.

- » Residential investment property achieved the second highest return of 9.2% p.a. and 7.7% p.a. at the lowest and highest marginal tax rates, respectively, for the twenty year period. It was also second over twenty-five years returning 10.5% p.a. and 8.8% p.a.
- » Once gearing has been incorporated (i.e. borrowing money to invest), residential investment property continues to outperform Australian shares at both the lowest and highest marginal tax rates over ten years. When extending the data period, Australian shares outperform residential investment property over twenty and twenty-five years (i.e. the same relative order as our analysis without gearing).
- » Australian bonds outperformed global REITs, Australian REITs, cash and overseas shares on both the lowest and highest marginal tax rates for the ten year period. This was also the case at the lowest marginal tax rate over twenty and twenty-five years. However, at the highest marginal tax rates Australian and global REITs outperformed Australian bonds due to the concessional taxation of capital gains as opposed to returns distributed as income. (Refer to page 9 for more details.)

- » Over twenty and twenty-five years, cash returned lowest on both the lowest and highest marginal tax rates.

Diversified Managed Funds

- » The sample managed funds will naturally always lie in-between the lowest and highest performing asset classes as they are a weighted combination of these assets.
- » The higher allocation to overseas shares (the worst performing asset class over ten years) by the growth and balanced managed funds was a major contributor to the outperformance of the conservative managed fund.

Tax Implications for Investors

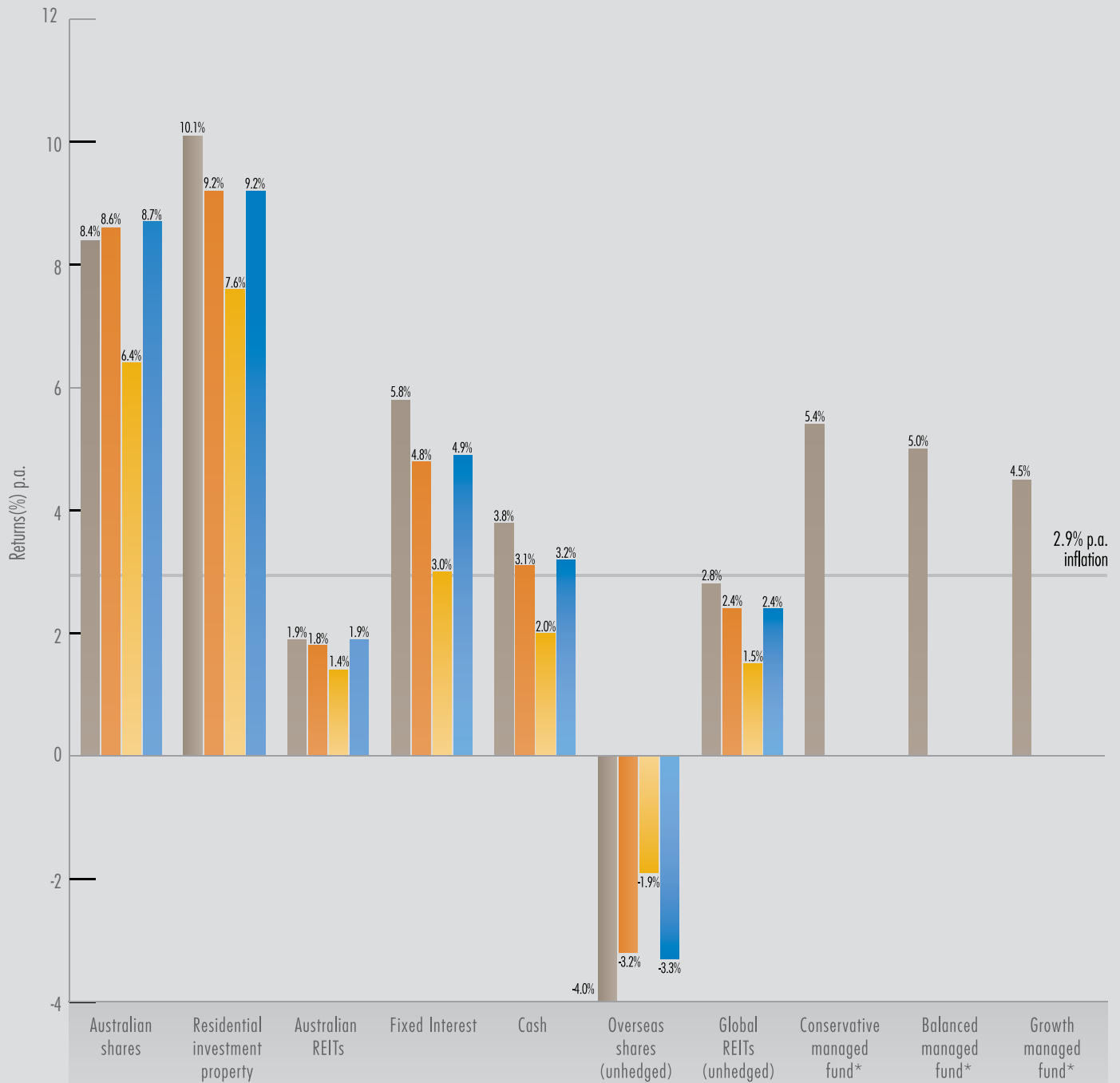
- » The results of this study show that tax makes a significant difference to the end outcome for various investments. It also shows that the way returns are distributed to investors (i.e. as capital gains or income) can also affect the outcomes.
- » Superannuation calculations have also been taken into account, demonstrating that investing in superannuation can provide significant tax advantages which may increase net returns compared to investments outside of superannuation.
- » Personal taxation has a greater impact on Australian bonds and cash investments.
- » The impact of personal taxation on Australian shares returns has been less significant, due to franking credits.
- » At the lowest marginal tax rate, the tax credits from dividend imputation results in the after-tax return being slightly greater than the before-tax return.
- » The impact of personal taxation on residential investment property has also been less significant as a result of the tax deductibility of expenses related to residential investment property.
- » Lastly, the tax deferral of a portion of REITs distributions has also resulted in a reduced impact of personal taxation on Australian REITs returns.

Effect of Gearing

- » Borrowing money to invest (i.e. leverage) over the past ten, twenty and twenty-five years has effectively increased the after tax return of both Australian shares and residential investment property.
- » The increase in performance of the two asset classes has more than offset the borrowing costs over these periods. In simplified terms, if returns were below borrowing costs then gearing would have a detrimental effect on the performance of a geared asset.

Exhibit 1

Investment returns for the ten years to December 2010.



- Gross return
- After-tax lowest marginal tax rate
- After-tax top marginal tax rate
- Super
- CPI

* Only before-tax return has been calculated

Note: all returns are net of costs

Past performance is not a reliable indicator of future performance

Long-Term Investing Report

This year again showed how investment markets move in cycles. The impressive equity returns of 2009 in Australia have been followed by still positive but lower than cash figures. The importance of currency exposures were highlighted through 2009 with a hedged overseas equity exposure returning over 13% and its unhedged counterpart -2%. This led to the hedging decision being a high priority of many Australian investors throughout the year. What this also tells us is that a long-term strategy is the preferred approach to investing and that attempts to time the markets are fraught with danger.

This report presents a review of medium to long-term investment performance, it is not indicative of how asset classes might perform in the next 10, 20 or 25 years. Australian bonds are an example of an asset class that would not be expected to outperform 'riskier' asset classes such as real estate investment trusts over longer periods.

It is worthwhile noting (similar to the previous couple of years) that investors should look at longer term historical returns to put the events of the global financial crisis into context. Although there have been shorter term periods in history when cash has outperformed shares, over the long run, history has shown that sharemarkets have delivered superior returns.

Fair Comparison of Investment Performance

This report is designed to investigate the performance of various investments over the medium and long-term. The results are provided on a consistent net basis (i.e. after all costs and taxation) over ten, twenty and twenty-five year periods ending 31 December 2010.

Performance is calculated over these three periods for two reasons: (i) to assist those individual investors who invest for the medium and longer term; and (ii) to provide a reasonable comparison between investment sectors. The report considers the tax impact for investors at both the lowest and highest marginal rates as well as at the superannuation tax rate, to provide a more accurate indication of performance for investors at different tax thresholds. Seven major sectors are included in this report:

- » Australian shares
- » Residential investment property
- » Australian real estate investment trusts (REITs)
- » Global REITs* (unhedged in AUD)
- » Overseas shares (unhedged in AUD)
- » Australian bonds
- » Australian cash

In addition to these seven sectors, the report includes net of costs returns for three sample diversified indexed managed funds for the ten year period ended 31 December 2010:

- » Conservative (25%–35% allocation to equities and property)
- » Balanced (65%–75% allocation to equities and property)
- » Growth (75%–85% allocation to equities and property)

Performance Comparison – Before Tax

10 Year Performance

It can be observed from Exhibit 1 that residential investment property (10.1% p.a.) outperformed all other investments in the past ten years. Australian shares were the second best performing asset class returning 8.4% p.a. over the period. Both these asset classes comfortably beat inflation which was measured to be 2.9% p.a.

The sample managed funds are made up of a diversified selection of investments across a range of asset sectors. As a result, the performance of these sample funds will naturally always lie in-between the lowest and highest performing asset classes. In this study, the Conservative managed funds outperformed both the Balanced and Growth managed funds due to lower weightings to overseas shares (unhedged), which performed poorly over this period.

Australian shares have again outperformed unhedged overseas shares mainly due to the appreciating Australian dollar (hurting unhedged overseas shares investors). As noted previously hedged overseas equities returned over 13% for the year to 31 December 2010 and is 86% above its lows of March 2009.

The heightened level of volatility in equity markets has continued through 2010. It is important to note that volatile short term return patterns are a normal part of investing in growth type asset classes, such as equities, and investors with long-term horizons should not view these periods as alarming. The diversity of Australian shares and tax advantages to local investors have shown it to be an integral and core part of any portfolio for those with a focus and time horizon.

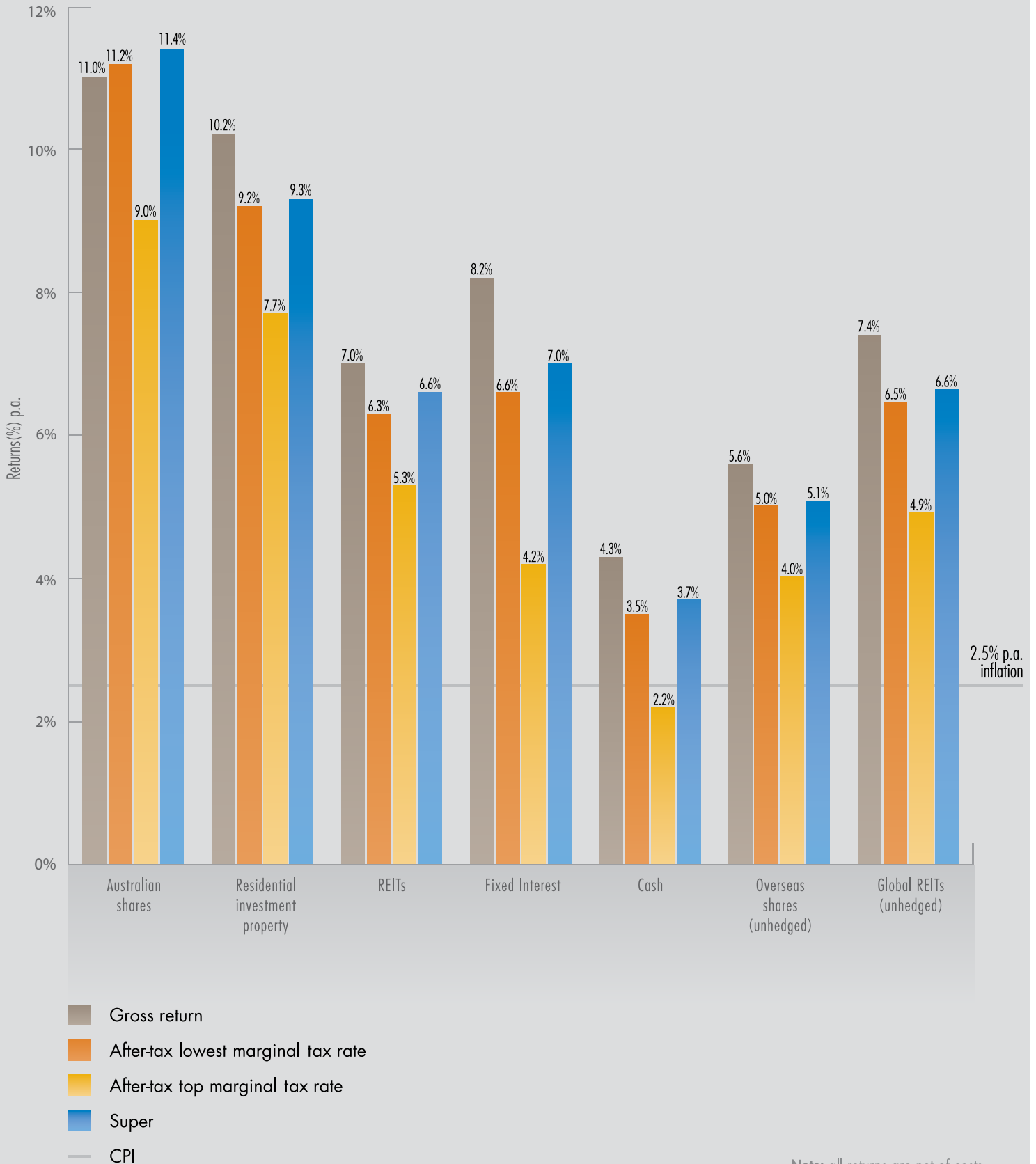
20 Year Performance

Exhibit 2 shows that in the past twenty years Australian shares (11.0%) have outperformed all other investment sectors before taxation but after costs. Residential investment property (10.2% p.a.), Australian bonds (8.2% p.a.) were also strong performers over the period. Global REITs (7.4%) outperformed their Australian equivalents (7.0% p.a.), overseas shares (5.6% p.a.) and cash (4.3% p.a.) before tax. All investments performed well above average inflation (2.5% p.a.).

* Note: reliable index data for global REITs back twenty-five years was not available. As such, this asset class will not be included in this analysis.

Exhibit 2

Investment returns for the twenty years to December 2010.



Note: all returns are net of costs
Past performance is not a reliable indicator of future performance

Long-Term Investing Report

→ continued

25 Year Performance

As was the case in the ten year performance figures, Exhibit 3 shows that in the past twenty-five years residential investment properties (11.6% p.a.) outperformed all other investment sectors before taxation but after costs. Australian shares (10.8% p.a.), Australian bonds (9.8% p.a.) were the second and third strongest performers over the period. Australian REITs (8.2% p.a.) outperformed overseas shares (6.9% p.a.) and cash (6.1% p.a.) before tax. All investments performed well above average inflation (3.6% p.a.).

Performance Comparison – After Tax

This study shows that tax (and its differing effect on capital gains and income) makes a significant difference to the end return for an investor. Overall, for the twenty year period to 31 December 2010, the effective tax rate for top marginal tax payers was;

- » Australian shares: 18%
- » Australian REITs: 24%
- » residential investment property: 25%
- » overseas shares: 28%,
- » global REITs: 34%,
- » Australian bonds and cash: 49%.

The results highlight the greater impact of personal taxation on Australian bonds and cash investments. The impact of personal taxation on Australian shares returns has been less significant, due to the introduction of dividend imputation in July 1987.

Dividend imputation allows investors to offset tax already paid by a company on profits it earns (currently at 30%) against the tax on their dividends. The impact of personal taxation on residential investment property has also been less significant as a result of the tax deductibility of expenses related to residential investment property. Lastly, the tax deferral of a portion of REITs distributions has also resulted in a reduced impact of personal taxation on Australian REITs returns. All three asset classes (Australian shares, residential property and REITs) also provide tax deferral benefits and qualify individual and superannuation investors for a capital gains tax discount on liquidation, which contributes to their after-tax attractiveness relative to Australian bonds and cash.

10 Year Performance

Turning our attention to those returns where tax has been taken into account, Exhibit 1 shows that in the past ten years, residential investment property has outperformed all other investment sectors at the lowest and highest marginal tax rates. For Australian shares, the higher after tax return for the lowest marginal tax rate (and superannuation funds) versus the before tax return is a result of the benefits of dividend imputation.

At the lowest marginal tax rate, the after-tax returns of residential investment property (9.2% p.a.), Australian shares (8.6% p.a.), Australian bonds (4.8% p.a.) and cash (3.1%) were above the average rate of inflation (2.9% p.a.) over the ten year period.

Global REITs (2.4% p.a.), Australian REITs (1.8% p.a.) and unhedged overseas shares (-3.2% p.a.) were the worst performing asset classes over this ten year period.

At the top marginal tax rate, the after-tax returns from residential investment property (7.6% p.a.), Australian shares (6.4% p.a.) and Australian bonds (3.0% p.a.) have exceeded inflation. Cash (2.0%), global REITs (1.5%), Australian REITs (1.4% p.a.) and overseas shares unhedged (-1.9% p.a.) all have returns below the rate of inflation.

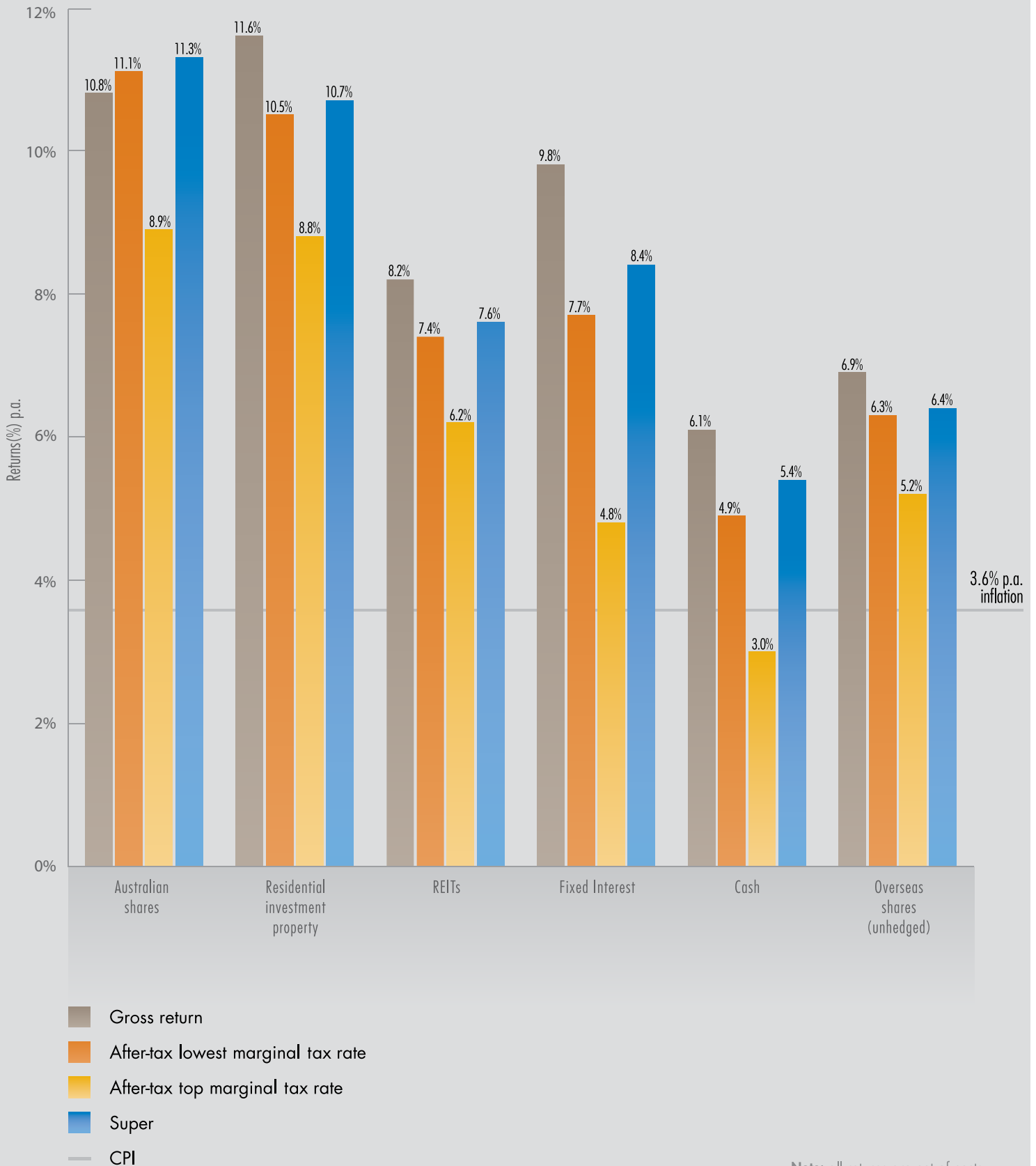
As the superannuation tax rate of 15% is slightly below the lowest marginal tax rate, and well below the highest marginal tax rate, we observe that these are the highest of the 'taxed' group of returns. Residential investment property is again unsurprisingly the top performing sector, producing returns of 9.2% p.a. This was followed by Australian shares (8.7% p.a.), Australian bonds (4.9% p.a.), cash (3.2%), global REITs unhedged (2.4% p.a.), Australian REITs (1.9% p.a.) and overseas shares unhedged (-3.3% p.a.).

20 Year Performance

Exhibit 2 shows that in the past twenty years, the Australian shares sector has outperformed all other investment sectors by a significant margin after allowing for taxation and expenses. All asset classes (except cash at the top marginal rate) have outperformed inflation over the past twenty years.

Exhibit 3

Investment returns for the twenty-five years to December 2010.



Note: all returns are net of costs
Past performance is not a reliable indicator of future performance

Long-Term Investing Report

→ continued

At the lowest marginal tax rate, the after tax and expenses return of Australian shares (11.2% p.a.) outperformed residential investment property (9.2% p.a.), Australian bonds (6.6% p.a.), global REITs unhedged (6.5% p.a.), Australian REITs (6.3% p.a.), overseas shares unhedged (5.0% p.a.) and cash (3.5% p.a.). With inflation amounting to 2.5% p.a. over the past twenty years all asset classes comfortably beat this mark.

At the top marginal tax rate, the after tax returns from Australian shares (9.0% p.a.), residential investment property (7.7% p.a.), Australian REITs (5.3% p.a.), global REITs unhedged (4.9% p.a.), Australian bonds (4.2% p.a.) and overseas shares unhedged (4.0% p.a.) have exceeded inflation. Returns from cash (2.2% p.a.) fell below the average rate of inflation.

At the superannuation tax rate, returns were slightly higher than at the lowest marginal tax rate and well exceeded those at the top marginal rate. Australian shares were again the top performing sector, producing returns of 11.4% p.a. This was followed by residential investment property (9.3% p.a.), Australian bonds (7.0% p.a.), global REITs unhedged (6.6% p.a.), Australian REITs (6.6% p.a.), overseas shares unhedged (5.1% p.a.) and cash (3.7% p.a.).

25 Year Performance

Over the period that Russell has been operating in Australia (twenty-five years), Australian shares have outperformed all other investment sectors after allowing for taxation and expenses.

On a before-tax basis, the real returns (i.e. after inflation) of all asset classes have been positive and strong.

At the lower marginal tax rate, Australian shares (11.1% p.a.), residential investment property (10.5% p.a.), Australian bonds (7.7% p.a.), Australian REITs (7.4% p.a.), overseas shares unhedged (6.3% p.a.) and cash (4.9% p.a.) were well above the average rate of inflation (3.6% p.a.).

At the top marginal tax rate, Australian shares (8.9% p.a.), residential investment property (8.8% p.a.), Australian REITs (6.2% p.a.), overseas shares unhedged (5.2% p.a.) and Australian bonds (4.8% p.a.) have exceeded inflation. Returns from cash (3.0% p.a.) fell below the average rate of inflation.

At the superannuation tax rate, returns were slightly higher than at the lowest marginal tax rate and well exceeded those at the top marginal rate. Australian shares were again the top performing sector, producing returns of 11.3% p.a. followed by residential investment property (10.7% p.a.), Australian bonds (8.4% p.a.), Australian REITs (7.6% p.a.), overseas shares unhedged (6.4% p.a.) and cash (5.4% p.a.).

Effects of Gearing

The effect of borrowing on investment performance has also been considered. Of the asset classes under analysis, gearing (borrowing money to invest) is most common amongst investments in Australian shares and residential investment property.

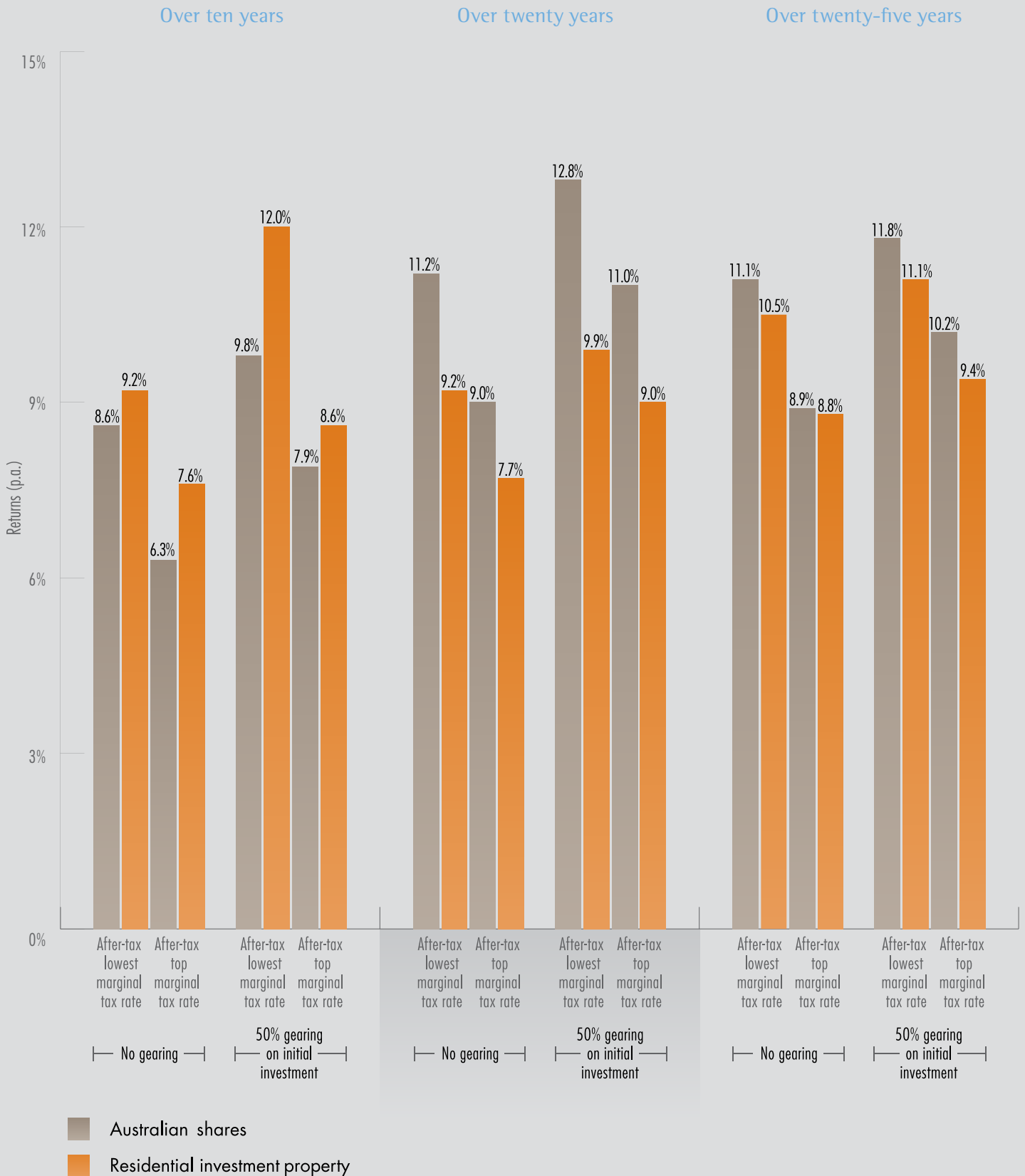
Exhibit 4 compares the ten, twenty and twenty-five year investment return of Australian shares and residential investment property, on an after-tax basis, with and without gearing. In calculating the after-tax returns with gearing, the following assumptions have been applied:

- » 50% of initial investment is borrowed (i.e. initial gearing ratio of 0.5). Although higher gearing levels are usually seen with residential investment property, there are usually limits with gearing levels on Australian shares.
- » Gearing arrangements involve interest-only loans.
- » Indicative home loan interest rates (for residential property) are on average 1.2% p.a. lower than margin lending rates (for Australian shares over ten years). In calculating the after-tax returns, allowance has been made for the tax deductibility of interest costs.

The exhibit shows that the use of leverage over the past ten, twenty and twenty-five years has magnified the after tax return of both Australian shares and residential investment property. The results reflect that the performance of the two asset classes have more than offset the borrowing costs over the ten year period. At both the lowest and highest marginal tax rates, geared residential investment property has outperformed geared Australian shares over ten years, partly as a result of lower lending rates achievable in relation to residential investment property versus Australian shares.

Exhibit 3

Investment returns for the ten, twenty and twenty-five years to December 2010.



Note: all returns are net of costs

Past performance is not a reliable indicator of future performance

Conclusion

Based on the findings of this report, investors should be cognisant of their tax situation and the method that returns are delivered (e.g. capital gains or income) as this can further affect their return.

Investors should also be aware that over sufficiently long periods of time (represented by twenty and twenty-five year returns in this report) riskier assets will generally outperform those less risky asset classes.

The after-tax return is the return investors actually receive; tax can also be classified as a form of 'fee' when calculating the cost of investing. Tax affects different investors and asset classes in different ways. With the Australian tax system providing discounts to returns distributed as capital gains (this is the predominant form of return for equities) whereas those paid out as income (e.g. cash and

fixed income) are generally taxed at an investor's marginal rate. Moreover, we can observe this difference in asset classes when analysing the effective taxation rate of those investor in the top marginal tax bracket over the past twenty years:

- » Australian shares: 18%
- » Australian REITs: 24%
- » residential investment property: 25%
- » overseas shares: 28%,
- » global REITs: 34%,
- » Australian bonds and cash: 49%.

The second point is illustrated by the return experience of overseas equities presented in the report. Over the past ten years it was the worst performing asset class due to its poor performance through the global financial crisis. However, a rebound in equity markets in 2009 as well as extending the analysis period to twenty years results in overseas equities returns being more in-line with other growth assets. That said, it still underperforms fixed interest which has been a top performing sector in recent years. Investors need to be patient and not be 'put-off' their long-term strategies by short term volatility in returns.

This analysis has been conducted on the following basis:

Investment Comparison

- » All investment returns are determined after taking into account expenses relating to the acquisition, management and disposal of the asset. **Gross returns** are calculated before-tax but after-expenses. **Net returns** allow for the taxation treatment of each investment over the period of analysis. This aims to represent a realistic method of comparing the different asset classes for an investor.
- » **Compound returns** are calculated over a ten year period from 1 January 2001 to 31 December 2010, over a twenty year period from 1 January 1991 to 31 December 2010 and over a twenty-five year period from 1 January 1986 to 31 December 2010. The returns are equivalent to the per annum compound returns that investors would have received for an investment in the particular asset class if they invested in an equivalent portfolio over the two periods.

Income Tax

- » The lowest and highest **marginal tax rate** are currently 16.5% and 46.5%, respectively. These rates have varied slightly over the ten and twenty years due to changes in **taxation policy** and the **Medicare levy**. These variations have been taken into account in the calculation of after-tax returns. Both bottom and top marginal rates include the **Medicare levy** of 1.5%.

- » The **corporate tax rate** was reduced from 34% to 30% from July 2001. The corporate tax rate has varied slightly over the past ten years due to changes in taxation policy. These variations have been taken into account, including the impact on the calculation of franking credits, which have an impact on after-tax returns for Australian shares.

Capital Gains

- » Generally, assets acquired on or after 20 September 1985 are subject to the capital gains tax provisions. For the calculation of ten, twenty and twenty-five year returns, capital gains tax is calculated on both the initial investment and any subsequent reinvestment of income. Cash is not subject to capital gains tax as all gains are taxed as income, therefore, subject to marginal rates. For ease of calculations and lack of Australian bonds coupon and capital data, the report assumes returns from Australian bonds are treated as income.
- » Assets acquired prior to 21 September 1999 and held for over twelve months can be assessed for capital gains tax in one of two ways. Private investors can choose to pay capital gains tax (at their marginal tax rate) on either 100% of the capital gain (with indexation of the tax cost) or 50% of their capital gain (with no indexation).

In this report, we have presented sector returns based upon the calculation method that provides the higher after-tax returns. The discounted capital gain method (as opposed to indexation) has provided the higher after-tax returns in all cases.

Capital Losses

- » **Capital losses** may be carried forward indefinitely and offset against other capital gains in future periods. An assumption has been made that the investor has other investments, either today or in the future that have, or will, produce **capital gains** to which capital losses may be offset.

Imputation Credits

- » Since July 2000, low tax rate investors with imputation credits remaining after offsetting all tax have been able to claim back the excess as a refund from the Tax Office. Previous to this, the excess could only be off-set against income tax from other sources. An assumption has been made that previous to July 2000, the investor has other sources of income to offset this excess against.

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Gearing

- » After tax returns with **gearing** have also been calculated for Australian shares and residential investment property over the ten year period from 1 January 2001 to 31 December 2010, over a twenty year period from 1 January 1991 to 31 December 2010 and over a twenty-five year period from 1 January 1986 to 31 December 2010. Half of the initial investment is assumed to be borrowed and gearing arrangements are assumed to involve interest-only loans (i.e. periodic payments do not include any repayment of principal). In addition, allowance is made for the deductibility of interest costs.
- » **Borrowing costs** are based on data from the Reserve Bank of Australia ("RBA") bulletin. For residential investment property the standard variable rate for housing loans is used, while for Australian shares the margin loans rate is used.

Superannuation

- » The investment earnings of a complying superannuation fund or retirement savings account are taxed at a rate of 15 per cent as of 1 July 1988. Prior to this, there was no tax on superannuation earnings. The capital gains tax discount for superannuation funds is one third of the capital gains included in a superannuation fund's assessable income. The tax that a superannuation fund pays on its assessable income (earnings and taxable contributions) can be reduced through the use of imputation credits.
- » In the Superannuation example, it is assumed the investor is over the age of 60 when redemption of assets occur, thus no tax is payable on a superannuation lump sum or income stream benefit payments.

Investment Measures

- » The **residential property** measure is a population weighted average return across major capital cities. Increases in value are based on median house prices obtained from the Real Estate Institute of Australia. Data from the Australian Bureau of Statistics are used to make adjustments for capital improvements. Net rental income allows for vacancy rates, maintenance expenses, management fees, government charges, land tax and insurance. Acquisition and disposal costs include conveyancing, stamp duty and agents' fees.
- » The **cash** measure assumes an investment of \$50,000 in Cash Management Accounts at banks (averages of the five largest banks' rates) sourced from the RBA.
- » The **Australian shares** measure is based on investment in listed shares with price movements and dividend reinvestment consistent with the S&P/ASX All Ordinaries Accumulation Index. Allowance is made for brokerage and stamp duty (where applicable) on acquisition and disposal. Stamp duty ceased to apply from 1 July 2001 to transfers of marketable securities quoted on the Australian Stock Exchange. Dividend franking is taken into account in determining the impact of tax on dividends.
- » The **Australian bonds** measure is based on investment in Australian Government and corporate bonds. Returns are derived from the UBS Australia Composite Bond Index. For ease of calculation and lack of available data, price movements and coupon payments are both taxed as income.
- » The **Australian REITs** measure is based on the returns implied by the S&P/ASX 200 Property Trust (Accumulation) Index. Acquisition and disposal costs, such as brokerage and stamp duty (where applicable), have been factored into the return calculations. Assumptions have been made with respect to the tax treatment of REITs income, including the component of tax-free (abolished in July 2002) and tax-deferred income.
- » The **overseas shares (unhedged)** measure is based on investment in listed shares with price movements and dividend reinvestment consistent with the MSCI World ex Australia Gross Dividends Accumulation Index (Unhedged) in A\$. Allowance is made for brokerage on acquisition and disposal. Withholding taxes are used to off-set Australian taxes in the year the dividends are received.
- » The **global REITs** measure is based on investment in REITs securities with price movements and dividend reinvestment consistent with the FTSE EPRA/NAREIT Developed Index in A\$ (unhedged). Allowance is made for brokerage on acquisition and disposal. Withholding taxes are used to off-set Australian taxes in the year the dividends are received.

- » The **conservative managed fund** measure is based on investment in an indexed managed fund with an asset allocation consistent with the industry average for funds that have between 25–35% growth assets. Growth assets include Australian shares, overseas shares (hedged and unhedged) and property. Allowance is made for buy/sell spreads on acquisition and disposal and annual investment management fees equivalent to that of a retail indexed manager. After-tax returns are not calculated due to lack of data on distributions.
- » The **balanced managed fund** measure is based on investment in an indexed managed fund with an asset allocation consistent with the industry average for funds that have between 65–75% growth assets. Growth assets include Australian shares, overseas shares (hedged and unhedged) and property. Allowance is made for buy/sell spreads on acquisition and disposal and annual investment management fees equivalent to that of a retail indexed manager. After-tax returns are not calculated due to lack of data on distributions.
- » The **growth managed fund** measure is based on investment in an indexed managed fund with an asset allocation consistent with the industry average for funds that have between 75–85% growth assets. Growth assets include Australian shares, overseas shares (hedged and unhedged) and property. Allowance is made for buy/sell spreads on acquisition and disposal and annual investment management fees equivalent to that of a retail indexed manager. After-tax returns are not calculated due to lack of data on distributions.

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