MEDIA RELEASE

Local listed securities provide best real returns over past two decades

ASX/Russell release annual Long Term Investing Report

SYDNEY, 26 May 2006 – Australian listed property and Australian shares have provided the best 'real' returns for investors over the past two decades, with Australia's tax treatment of various asset classes continuing to favour equity investments, according to this year's *ASX/Russell Long Term Investing Report.*

The Report also strongly reinforces the case for investing in superannuation as one of the most tax-effective long term investment options, particularly for higher income earners.

Officially launched by ASX Managing Director and Chief Executive Officer, Tony D'Aloisio, at today's Securities and Derivatives Industry Association annual conference, the *ASX/Russell Long Term Investing Report* investigates the performance of various types of investments over the past 10 and 20 years. As part of the performance comparison, the Report considers the impact of personal tax rates, the tax treatment of various assets, and the spectrum of cost associated with different investments – in an effort to show investors 'real' returns over time.

A key message for investors is that tax considerations make a significant difference to the end outcome of various investments – and that personal tax has a greater negative impact on fixed interest and cash investments, compared to shares.

According to the Report, Australian listed property outperformed all other asset classes at both the lowest and highest marginal tax rate, delivering average annual after tax returns of 12.6% and 10.4% respectively for the ten years to 31 December 2005. Australian shares however achieved the highest return over a longer period, delivering average annual after tax returns of 12.4% and 10.4% at the lowest and highest marginal tax rates respectively.

Australian residential property also fared comparatively well, particularly for investors who borrowed money to invest. When taking gearing into account, the Report showed Australian shares underperformed residential property at the lowest marginal tax rate, but matched property returns at the top marginal rate.

Now in its ninth year, the *ASX/Russell Long Term Investing Report* is commissioned by the Australian Stock Exchange and prepared by Russell's investment consulting team. This year the Report was expanded to include 10-year returns for global listed property, as well as three representative managed funds – a conservative fund, a balanced fund and a growth fund. These investments, in addition to overseas shares (unhedged), are not included in after-tax performance comparisons due to the differential tax treatments of overseas investments by an Australian investor in different countries.

On a before-tax basis, global listed property outperformed all other investments for the 10 years to 31 December 2005, delivering an average annual return of 14.6%. As a mix of investments, the sample managed funds predictably produced returns in between the highest and lowest performing asset classes, and exhibited less volatility than shares or property.

Mr Colin Scully, ASX Deputy CEO and Group Executive, Markets, said the report was a valuable tool for all investors and other participants in the market.

“This Report is important because it takes into account real costs as well as real returns across a range of differing asset classes, providing a unique, useful resource for all market participants. It reveals that domestic listed investments have outperformed various popular alternative investments, including residential investment property, over the previous 10 years.”

“The last decade has seen the All Ordinaries Index experience a very strong run, while the housing market experienced a well-documented upswing until 2004. Showcasing that volatility is prone to all markets, this report emphasises that diversification is needed to accommodate the inevitable rises and falls of any particular asset class,” Mr Scully said.

Mr Peter Gunning, Chief Investment Officer, Asia Pacific, for Russell Investment Group, said in addition to the obvious tax impact, the Report served to remind investors of the cyclical nature of markets, and the dangers of market timing.

“While the Report presents a useful view of long-term investment performance, it is unfortunately not indicative of how asset classes might perform in the next 10 or 20 years,” Mr Gunning said. “For example, the best long-term performing asset class during the 1990s was international shares [highest performer for the 10 years to 1991, 1992, 1993, 1994 as well as 1998, 1999, 2000, 2001] followed by Australian bonds [for the 10 years to 1995, 1996, 1997].”

“The big take-home message for investors however is the magic of superannuation. Under the Government’s proposed Budget measures, people will have more flexibility to keep adding to their super – effectively allowing high income earners to invest at 15% and reap the same improved returns of the lowest marginal tax payers,” Mr Gunning added.

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Contact

ASX Media Enquiries
Gervase Greene
Manager, Corporate Relations
Tel: +61 2 9227 0464
Email: gervase.greene@asx.com.au
www.asx.com.au/media

Russell Media Enquiries
Craig Morris
Director, Marketing
Tel: +61 2 9770 8238
Email: cmorris@russell.com
www.russell.com.au

Philippa Honner
Honner Media
Tel: +61 9230 0564 / 0407 939 543
Email: philippa@honnermedia.com.au

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