



MEDIA RELEASE

Australian shares the best long-term investment

2008 Russell/ASX Long-Term Investing Report encourages investors to look beyond current market volatility and avoid 'buy high, sell low' trap

SYDNEY, 19 May 2008 – Australian shares have edged out listed property and outperformed residential property as the investment providing the best 'real' returns for local investors over the past two decades, according to this year's *Russell/ASX Long-Term Investing Report*. To be launched in Sydney today, this year's Report also factors in superannuation tax considerations, reinforcing the positive impact of a lower tax regime on investment returns over the long-term.

The Report, commissioned by the Australian Securities Exchange (ASX) and prepared by Russell's investment strategy team, investigates the performance of various types of investments over the past 10 and 20 year periods to 31 December, 2007. The Report considers the real-life impact of tax 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, and in 'real terms' (i.e., after factoring in the impact of inflation).

Now in its 11th year, the 2008 Report found that Australian shares outperformed all other sectors, delivering the best after-tax and after-cost returns at both the lowest and highest marginal rates, and also at the superannuation tax rate, across the last 10 and 20 year periods.

The Report also investigates the impact of borrowing on investment performance, factoring in a 50 per cent gearing ratio for the most commonly geared assets – Australian shares and residential investment property. Under this scenario, Australian shares again outperformed residential investment property at both the lowest and highest marginal tax rates – with Australian shares returning 16.2 per cent after tax versus 13.4 per cent for residential property (lowest marginal rate) and 13.9 per cent versus 12.0 per cent (highest marginal tax rate). This was also the case at the superannuation tax rate.

Mr Peter van Steensel, ASX General Manager Marketing, said: "The Report reinforces the benefits that ASX-listed investments can provide to investors' long-term investment strategies. Given the volatility the market has experienced this year, it is useful to pause and reflect on those longer-term benefits and the performance advantages of listed investments over other investment opportunities."

Mr Andrew Lill, Director of Investment Strategy for Russell Investment Group, said the Report offers valuable insights about long-term investing and risk: "Investors should understand that it is not about trying to time the market, but about time *in* the market, because it is very difficult even for professionals to predict the highs and lows of investment cycles," he said.

"The good news for long-term investors is that, on average, the asset classes that experience greater volatility over the short-term also provide higher returns in the long run. We believe that it is important for investors to understand their appetite for risk and how this potentially affects their

investment returns in the long-term. Otherwise, for equities especially, investors will find themselves in a vicious cycle of buying high and selling low, which is the exact opposite of what an ‘intelligent investor’ wants.

“In times of market uncertainty, it is imperative for investors to have a diversified strategy to achieve maximum returns for the minimum amount of risk. The latest results also reinforce that super remains one of the most tax effective environments in which to invest, and that super should be considered as an important part of an individual investor’s overall investment strategy, alongside their owner-occupied property investment” Mr Lill concluded.

Andrew Lill will host a media morning tea today at 10:00am at The Westin Sydney Hotel, where he will provide a more detailed explanation of the findings in this year’s Report. Mr Lill will be joined by Linda Elkins, Managing Director of Russell Superannuation, who will discuss the Report’s superannuation and tax implications; and Patricia Curtin, Director of Russell Investor Services, who will discuss the Report’s relevance to financial advisers.

The complete Report may be found online at: www.longterminvestingreport.com along with an on-demand web-cast, supplementary materials and summary of the media briefing.

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About ASX: As one of the world’s top-10 listed exchange groups measured by market capitalisation, the ASX Group (ASX:ASX) was created through the merger of the Australian Stock Exchange and the Sydney Futures Exchange. The ASX Group operates under the brand Australian Securities Exchange.

The Australian Securities Exchange spans the markets for corporate control, capital formation and price discovery, and functions as an operator, supervisor, central counterparty clearer and payments system facilitator. The diverse domestic and international customer base of the Australian Securities Exchange includes issuers of a variety of listed securities, corporates, investment banks, trading banks, fund managers, hedge funds, commodity trading advisers, and proprietary and retail traders.

More information on ASX can be found on our website www.asx.com.au

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