

Australian shares continue to provide best net returns over 20 years, says Russell Investments /ASX report

2011 Russell Investments/ASX Long-Term Investing Report encourages investors to consider investment returns on an after-tax basis and stick with a long-term strategy

SYDNEY, 29 June 2011 – Australian shares have outperformed residential investment property to take the mantle of best performing asset class over a 20 year period, according to this year's Russell Investments/ASX Long-Term Investing Report.

The 13th edition of the annual report, commissioned by the Australian Securities Exchange (ASX) and prepared by Russell Consulting has found growth assets including Australian shares and residential property continue to deliver superior returns to more conservative asset classes such as cash and fixed income, over the 10, 20 and 25-year periods to 31 December 2010.

The Report considers the real-life impact of tax, costs and borrowing on ultimate investment returns. The aim is to provide investors with insight into how different investments have performed over the medium to long-term after-tax and expenses.

Over the 20-year time period, Australian shares returned on an after-tax basis at the lowest and highest marginal tax rates, 11.2% and 9.0%, respectively. Over the same period residential investment property generated returns of 9.2% and 7.7% at both marginal tax rates.

Residential investment property however outperformed all asset classes over the 10-year period on both marginal tax rates but was outperformed on an after-tax basis by Australian shares at the 25-year mark.

Will Wilson, General Manager of Sales and Marketing at ASX said market volatility continues to test the resolve of many investors: "This Report offers investors some practical guidance on the benefits of ASX-listed investments compared to other categories of investments, and, in particular, underlines the importance of investing for the long-term."

After-tax returns make a difference

With the government considering mandatory after-tax reporting as part of its Stronger Super reforms, the Report emphasises the need to be mindful of the impact tax plays on investor returns.

Director of consulting and advisory at Russell Investments, Greg Liddell, says it is an issue retail investors also have to address given the added cost tax adds to investing.

"Pre-tax returns only tell half the story. What funds retirement incomes is post tax, post fee returns. On a sizable balance and over many years the variance in tax efficiency of different investment strategies is significant." Mr Liddell said.

Illustrating this point, the report showed on a pre-tax basis, residential investment property had the highest return of 11.6% over 25 years. However at both the lowest and highest marginal tax rates, Australian shares in fact provided better after-tax returns over the same period.

Overseas equities take a hit

According to the report, overseas equities were the worst performing asset class over the last 10 years.

“Global equities were impacted by the GFC and now the relentless strength of the Aussie dollar, which has eaten into the returns from those assets. However I’d expect this return will level out as global markets normalise,” Mr Liddell said.

Extension of the analysis of overseas equities to 20 years shows that results do fall more in line with the other growth assets.

Discipline needed to stay the course

Looking back over the last 25 years Russell has been operating in the Australian market, Mr Liddell says there have been periods of heightened performance for all asset classes, however the impact of these events is stabilised over the long term.

“Between the years of 1986 to 1991 we saw high yields on cash and fixed interest investments, Australian shares had their run during the 2000s and the residential property market hit its stride from the mid 90s to 2003, with a relatively modest downturn, compared to shares, during the GFC.

“However when you take a long term view, the impact of these events on returns shows the numbers are relatively stable and the long term returns change quite slowly. Growth assets, particularly Australian shares and residential property, despite their shorter term volatility, do appear to show better long term performance. Investors with disciplined long term investment strategies should take comfort from these numbers,” Mr Liddell concluded.

The Russell Investments/ASX Long Term Investing Report can be found here:

<http://www.asx.com.au/resources/documents-and-publications.htm>.

Please contact Honner Media if you would like any more information.

About the ASX Group

The ASX Group (ASX) is the overarching name for ASX Limited, the listed holding company with a range of services linked by a common purpose: to provide the core financial markets infrastructure necessary to meet the needs of a wide range of financial markets stakeholders and for a globally competitive and vibrant Australian economy. ASX is a multi-asset class, vertically integrated exchange group, ranked one of the world’s top-10 largest by market capitalisation. Its activities span the markets for corporate control, capital formation and price discovery and it functions as a market operator, clearing house, payments system facilitator and central securities depository. It oversees compliance with its operating rules, promotes standards of corporate governance among Australia’s listed companies and helps to educate retail investors.

The diverse domestic and international customer base of ASX includes issuers (such as corporations and trusts) of a variety of listed securities and financial products, investment and trading banks, fund managers, hedge funds, commodity trading advisers, brokers and proprietary traders, market data vendors and retail investors.

More information on ASX can be found at www.asxgroup.com.au



About Russell Investments

Russell Investments is an independent, global financial services firm that provides strategic advice, investment solutions, implementation services and global performance benchmarks that are customized to meet the unique needs of institutional investors, financial advisors and individuals.

Celebrating its 75th anniversary in 2011, and 25 years in Australia, Russell has pioneered innovations that have come to define many of the practices that are standard in the investment world today, and has four decades of experience researching and selecting money managers globally.

Russell has about US\$161 billion in assets under management (as of 3/31/11) and works with 2,300 institutional clients, 530 independent distribution partners and millions of individual investors globally. As a consultant to some of the largest pools of capital in the world, Russell has \$2 trillion in assets under advisement (as of 12/31/2010) and traded \$1.5 trillion last year through its implementation services business. Russell provides leading administration and member services to over 220,000 individuals through its Australian Member Administration Centre. The Russell Global Indexes calculate over 50,000 benchmarks daily covering 63 countries and more than 10,000 securities.

Founded in 1936, Russell is headquartered in Seattle, Washington, USA and has offices in Amsterdam, Auckland, Chicago, London, Melbourne, Milan, New York, Paris, San Francisco, Seoul, Singapore, Sydney, Tokyo and Toronto. For more information about how Russell helps to improve financial security for people, visit www.russell.com/au

Contact:
Rachel Caton
Honner Media
rachel@honnermedia.com.au
T: 02 8248 3745 or
M: 0439 872 221

###

Issued by Russell Investment Management Ltd ABN 53 068 338 974, AFS Licence 247185 ("RIM"). This document provides general information only and has not been prepared having regard to your objectives, financial situation or needs. Before making an investment decision, you need to consider whether this information is appropriate to your objectives, financial situation and needs. This information has been compiled from sources considered to be reliable, but is not guaranteed. Past performance is not a reliable indicator of future performance. Any potential investor should consider the latest Product Disclosure Statement ("PDS") in deciding whether to acquire, or to continue to hold, an investment in any Russell product. The PDS can be obtained by visiting www.russell.com.au or by phoning (02) 9229 5111. RIM is part of Russell Investments ("Russell"). Russell or its associates, officers or employees may have interests in the financial products referred to in this information by acting in various roles including broker or adviser, and may receive fees, brokerage or commissions for acting in these capacities. In addition, Russell or its associates, officers or employees may buy or sell the financial products as principal or agent.

Copyright 2010 Russell Investments. All rights reserved.

MKT/2493/0510