

Listed Managed Investments

Listed Investment Companies, Property Trusts,
Infrastructure Funds, Pooled Development Funds,
Exchange Traded Funds, Absolute Return Funds



ASX
AUSTRALIAN STOCK EXCHANGE

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Listed Managed Investments – choice and transparency

Supervised by the Australian Stock Exchange, Listed Managed Investments (LMIs) are a simple, transparent and cost-effective way to invest across a number of asset classes and investment styles.

LMIs can achieve a variety of goals for investors, from the accumulation and preservation of wealth to providing taxation advantages or a regular income flow. LMIs enjoy the benefits of employing professional investment managers from a number of well-known institutions at a lower cost than might be expected. Listed Managed Investments can also offer instant diversification, reducing risk without sacrificing returns.

While many have been around for decades, they are less than sedentary. To the contrary, LMIs have experienced a rising wave of interest, with investors now able to access such diverse investment products as:

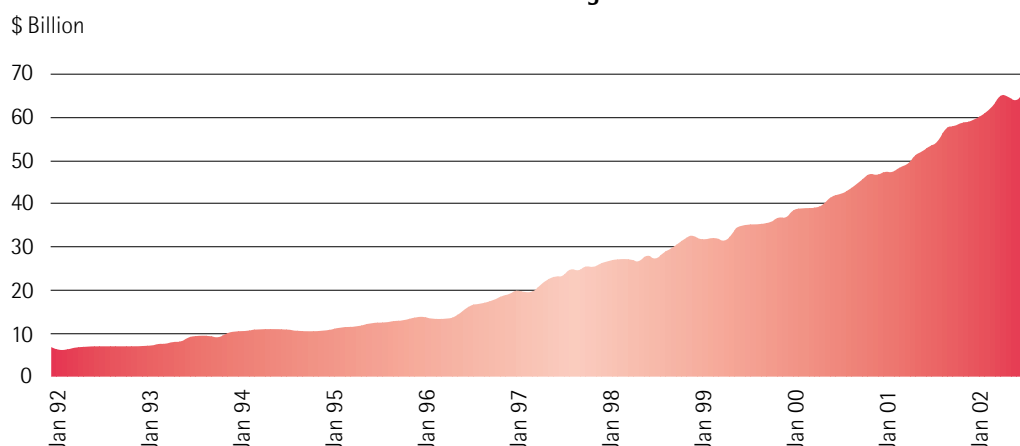
- Listed Property Trusts
- Listed Investment Companies
- Exchange Traded Funds

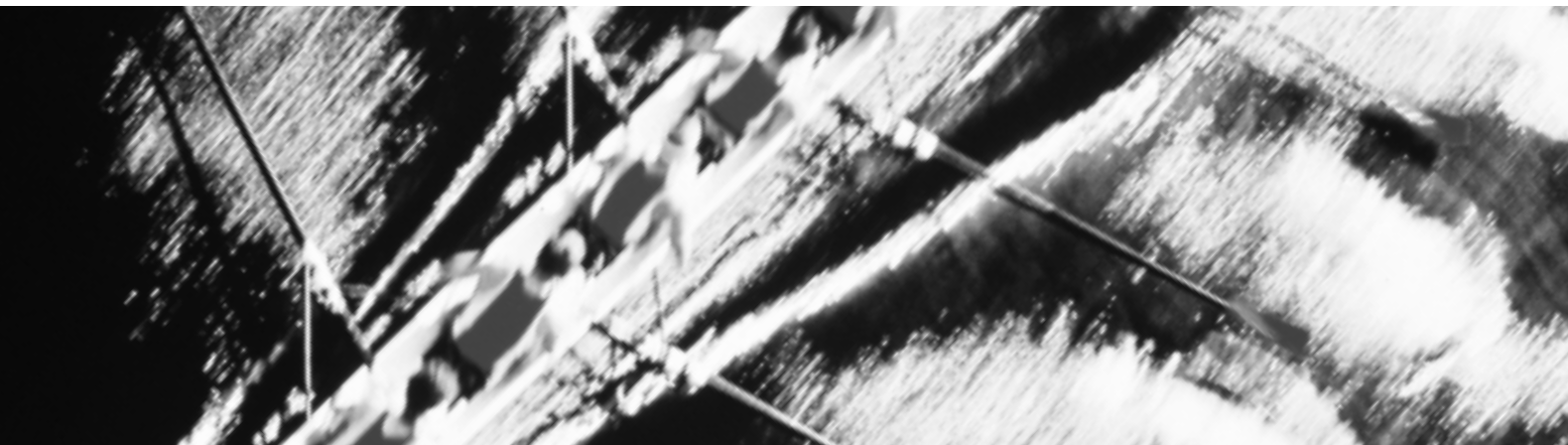
- Pooled Development Funds
- Infrastructure Funds, and
- Absolute Return Funds (Hedge Funds)

Many of the assets held by LMIs are only normally available to large institutions. Therefore, these investments give individual investors access to these assets, such as portfolios of airports and toll roads, while also allowing investors to trade into and out of those portfolios as easily as shares.

Although use of LMIs has grown recently, they have been trading successfully for more than 70 years, making them some of the oldest companies listed on the Australian Stock Exchange (ASX). Now, depending on the investor's individual requirements, Listed Managed Investments present the opportunity to invest in over 110 established listed funds with more than \$65 billion in assets.

Growth in ASX Listed Managed Investments





These investments may suit:

- Small investors looking for professional investment management without an up-front entry fee (brokerage will generally apply);
- Independent investors interested in low-cost, simple to track, investment choices;
- Experienced investors looking for robust products offering liquidity and profitability potential, or products not otherwise available to individual investors;
- Investment advisers interested in giving clients high levels of diversification at low cost;
- Large institutional investors searching for attractive investment opportunities or inexpensive ways to reduce risk in their portfolio;
- Charitable organisations and foundations looking for growth and/or income;
- DIY Superannuants interested in investing in a range of asset classes;
- Retirees looking for strong dividend yields.

All LMIs are listed on and supervised by the Australian Stock Exchange, meaning they need to comply with strict rules dealing with their disclosure of information and general conduct.

A more detailed examination of these different products and the risks associated with them are included on the following pages and should be read before making an investment.

Listed Managed Investments offer an exciting and diverse array of opportunities for a wide range of investors.

They provide choice, transparency and simplicity to assist investors in reaching their financial goals.

What Are LMIs?

LMIs provide investors with an interest in a professionally managed portfolio of assets. These investment portfolios consist of domestic or international shares, bonds, cash, real estate and other assets, or a combination of these. Investment professionals manage them on behalf of their investors, with their size allowing them

to invest in assets or securities that would otherwise be unavailable to the public.

There is a wide variety of management styles employed, ranging from very conservative to aggressive. Investors benefit from any profits and distributions made, but can also be subject to any losses in value as well.

There are several ways an LMI may be structured:

- As a company, where investors are issued shares and dividends are generally fully franked.
- As a trust, where investors own units. Distributions and franking credits are passed through to investors in the year they are received and based on the underlining assets.
- As a stapled security, where investors own two or more securities which trade in tandem, as if they are 'stapled' together.

Their ongoing popularity can be attributed to:

Transparency

Information on investments is available through daily newspapers and through many websites, including www.asx.com.au. This includes prices, volumes traded, the high/low price, news, and graphs of performance.

Diversification

LMIs allow investors to decrease the risk in their portfolio in three ways:

- Investors become part of a much larger portfolio that can access many assets. This diversification decreases the individual investor's risk by limiting their exposure to any one asset or security.
- Diversification across asset classes. By holding investments in multiple asset classes the investor may reduce their risk to one asset class performing poorly.
- Access to a range of investment styles. Investors can alter their portfolio of LMIs to match their risk profile reducing exposure to any one investment style.

Low Cost

As investors in listed managed investments are part of a large fund pool, they can typically access lower rates of fees and administration than may otherwise be available.

Investment Ease and Flexibility

There is easy and immediate access to buy and sell LMIs. Purchases and sales can be conducted immediately through any ASX broker (full service, discount or online) and many financial planners during normal ASX trading hours (10am to 4pm on Business Days). As is the case with shares, investors can buy

and sell 'at limit' to give greater protection against short-term price fluctuations. Transactions are settled in three business days, providing quick access to sale proceeds.

Security and Supervision

All LMIs are required to satisfy the listing requirements of ASX and are supervised on an on-going basis. Supervision by ASX allows investors access to detailed information about these investments.

The integrity of LMIs is heightened by initial and on-going scrutiny of ASX Listing Rules, while transactions in these securities are subject to ASX Business Rules. In the case of fraud or insolvency of a stockbroker, under certain circumstances the Securities Exchange Guarantee Corporation Ltd's, \$160 million (as at 31/12/01) National Guarantee Fund may cover investors.

Convenience

Investors have the benefits of a diversified portfolio through one easy to track investment, reducing the amount of paperwork and taxation calculations.

Access

Investors can access opportunities that may otherwise be unavailable. Investors can access assets such as office buildings, toll roads and private equity, among others, that are usually not available to retail investors.

Many LMIs have related securities such as convertible notes, options and warrants, that offer investors the ability to gain exposure in a variety of ways or adopt more sophisticated strategies such as gearing or hedging.

As LMIs are transacted and settled through ASX, they can be easily integrated into a portfolio with other investments. Brokerage and margin lending accounts can include these investments, while most of the major providers of portfolio services like master trusts and wrap accounts can also accommodate them.

You can invest with as little as a few thousand dollars.

Periodic Distributions

LMIs declare distributions based on the performance of their underlying investments. Although the frequency and size of these distributions depends on the individual product, managers commonly make them on a regular basis – monthly, quarterly, yearly. This can allow investors to better manage their personal cash flow.

Dividend Re-investment Plans

Many LMIs offer dividend re-investment and share purchase plans. These plans allow investors to increase their investment without brokerage and generally at a discount to market prices.

Taxation Advantages

LMIs can improve investors' taxation outcomes. Distributions from LMIs can be fully franked (tax paid), or tax advantaged. Certain LMIs offer particularly attractive taxation advantages. See the attributes of individual products for more information.

A Growing Sector

LMIs have been operating in Australia since 1928, but there has been a marked increase in activity in the sector recently. There are now six types of products making up more than 110 investment choices.

Risks Associated with Investment

Like all market-related investments, investors should be aware of the risks involved when investing. These risks include:

- Market Risk – the value of LMIs can fall in line with market movements;
- Security Risk – different securities may perform differently within an asset class;
- Diversification Risk – a lack of diversification ties an investor's performance with a narrow section of the market;
- Liquidity Risk – there are two levels of liquidity risk. The first is the ability of the manager to buy and sell assets. The second is the investor's ability to buy or sell the LMI;
- Structure Risk – the individual structure and operations of an LMI may affect its performance;
- Gearing Risk – some LMIs may borrow funds to increase potential returns. This technique can magnify both gains and losses;
- Legislative Risk – the government can alter legislation.

Different types of LMIs have particular risks. These risks are described later in this booklet. If you are unsure of the risks or what they may mean, speak with your investment adviser.

Listed Property Trusts

Listed Property Trusts (LPTs) are one of the most successful investment products on the Australian Stock Exchange. When investing in LPTs, you invest in one of the largest sectors on ASX, with over \$45 billion in assets, and approximately 8% of the world's listed real estate assets (as at December 2001). The sector has provided investors with high yields, capital growth and relatively low levels of volatility over the past 20 years.

What Are LPTs?

LPTs allow investors to buy an interest in a professionally managed portfolio of real estate. LPTs offer a number of benefits over investment properties. Investors in property trusts gain exposure to both the value of the real estate the trust owns, and the regular rental income generated from the properties.

The LPT sector's investments include the following types of real estate:

- Office Buildings and Parks
- Industrial Estates
- Retail and Shopping Centres
- Hotels
- Tourism and Leisure
- Car Parks
- Warehouses
- International
- Diversified (multi-sector) Portfolios.

LPTs use a closed-end trust structure. This means that apart from new capital raisings, the units on issue in the trust remain fixed. These units are available to be bought and sold on ASX. Income and/or tax benefits of the property assets flow through to investors in the year they are earned. Moderate amounts of gearing are normally used to enhance investor returns.

There are more than 40 LPTs trading on ASX. Most trusts have external managers, although some trusts have internalised their management through a 'stapled security'. A stapled security gives exposure to both the trust via a unit and to a management and/or development company via a 'stapled' share.

LPTs can be bought and sold at any time during ASX trading hours through an accredited stockbroker or financial adviser. The same buy/sell strategies used for shares

can also be applied to LPTs, including placing orders 'at limit'.

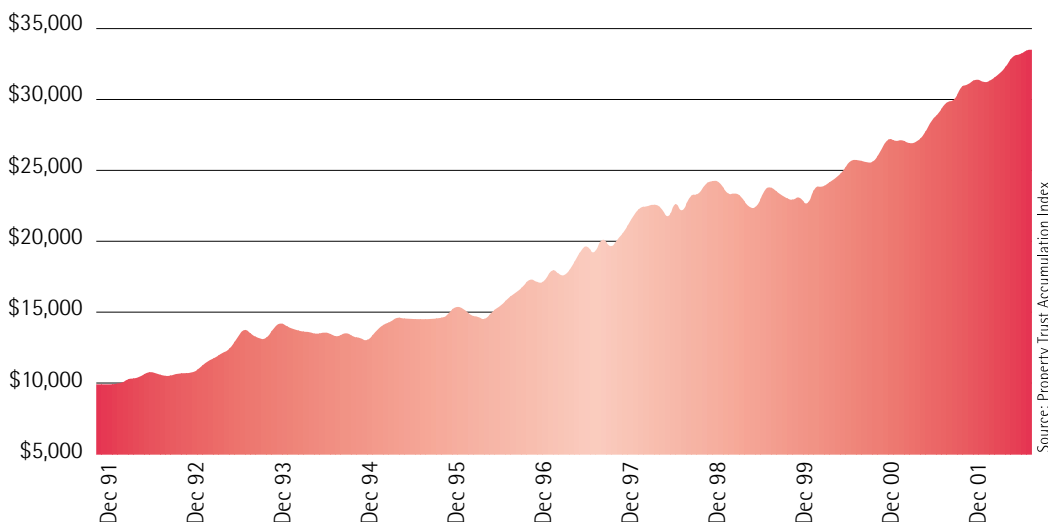
What Listed Property Trusts Can Achieve for You:

Regular Income with some Capital Growth

The distribution (dividend) yields on LPTs are between 6% and 10% a year (based on current prices), higher than most shares. The distributions are made quarterly or twice yearly, allowing investors to regulate their cash flow.

Apart from distributions, LPTs also offer the opportunity for capital growth. Rising yields, attractive valuations or movements in other markets among other reasons, can cause unit prices to rise. During periods of high inflation real estate assets have traditionally acted as an effective hedge against inflation.

Growth of \$10,000 Investment



Lower Levels of Volatility

Compared to industrial or resource companies, the price movements of LPTs generally tend to be more stable in the short term. The Listed Property Trust sector has historically been 40% less volatile than the wider share market.

Diversification and Liquidity

Most LPTs do not invest in only one property, preferring to invest across properties in a diversity of geographic regions, lease lengths and tenant types to decrease investor risk. Although listed on ASX, LPTs have been found to have a low correlation with the rest of the share market. Investments in LPTs can therefore be used to further diversify an investment portfolio.

Unlike private real estate transactions, units in LPTs can be bought and sold via any stockbroker on ASX and many financial planners, with the proceeds of sales received

in three business days.

Cost-Effective Exposure to the Property Sector

Property is one of the four main asset classes and may play an important role in an investor's portfolio. Property trusts offer access to the property market and professional investment management with low transaction and management costs.

Taxation Advantages

Due to LPT's access to tax concessions like depreciation (capital) allowances, some of the tax associated with the rental income earned by the LPT is deferred.

As an example, an investor makes a \$10,000 investment in an LPT with an 8% dividend yield of which 40% is tax deferred. For simplicity, this example assumes no changes in dividends or the tax-deferred portion of the dividends.

The tax-deferred component is generally between 15% and 100% of the total dividend. The tax-deferred portion of the dividend is passed through to investors, meaning they do not pay tax on this portion of the dividend until they sell units in the trust and then at the concessional capital gains tax rate. This can lead to attractive results net of tax.

Each year the investor holds the LPT:

- \$800 is received in dividends (\$10,000 at 8%)
- Tax is payable on \$480 (60% of the dividend)
- Original cost base is reduced by \$320 (40% of the dividend)

After 5 years the investor sells their units in the property trust at the market price of \$11,500.

The original cost base of \$10,000 has been reduced by \$320 each year for five years resulting in a new cost base of \$8,400. The sale price of \$11,500 less the new cost base of \$8,400 results in a capital gain of \$3,100. However, under the concessional capital gains tax regime 50% of capital gains are taxable. Therefore the investor will pay tax on \$1,550 (50% of \$3,100). This means the investor has earned, in effect, \$1,550 tax free due to the CGT concession. Of the \$1,550 earned tax free \$800 is from tax deferral (50% of \$1,600) and \$750 from capital growth (50% of \$1,500).

The tax can be deferred indefinitely until the investor decides to sell his or her units, meaning they can also more easily control when a tax liability will be triggered. Ask your adviser about your personal circumstances.

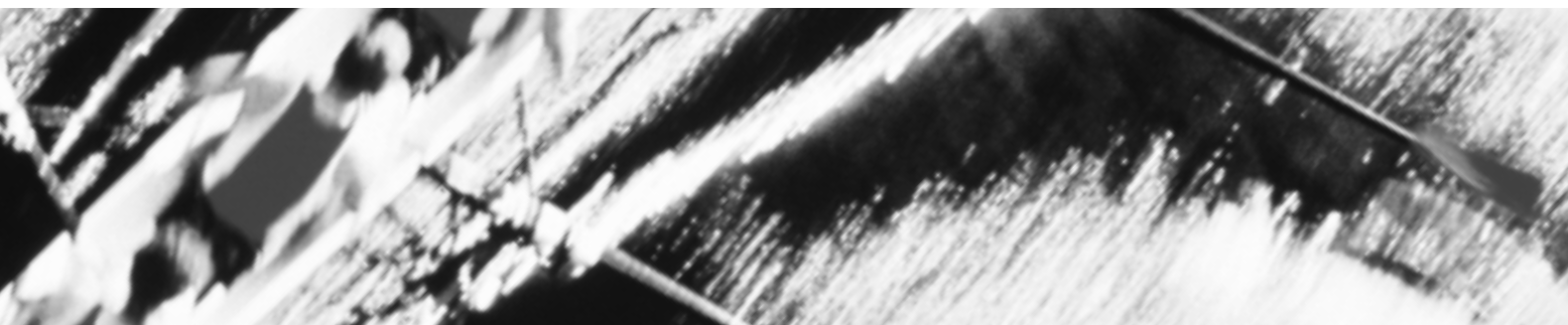
Risks Involved

Although property trusts are less volatile than many other investments, LPTs carry risks. These include:

- Interest Rates – changes in interest rates can affect the value of LPTs;
- Market Risk – the value of LPTs can fall as other assets become more attractive or the value of their underlying portfolio falls;
- Distribution Risk – future distributions are not guaranteed by the LPT or ASX;
- Security Risk – LPTs may perform differently due to the operations of their underlying assets or their structure;
- Diversification Risk – a lack of diversification within a LPT can tie an investor's performance to a narrow section of the market;
- Liquidity Risk – there are two levels of liquidity risk. The first is the ability of the manager to buy and sell properties. The second is the investor's ability to buy or sell the LPT.

The back flap of this booklet contains the details of LPTs.

See your investment adviser for more information about LPTs, or visit www.asx.com.au/LMI



Listed Investment Companies

Listed Investment Companies (LICs) are the oldest type of Australian Listed Managed Investments, with the first listed in 1928. There is a wide range of LICs, offering advantages to investors searching for a range of outcomes, from regular income flows through to providing a diversified exposure to specialised investment areas.

What Are LICs?

Investment companies and trusts invest in a portfolio of assets on behalf of their investors. Their investment techniques and appetite for risk differ substantially from one product to the next. Investment professionals manage LICs. They are closed-end, meaning they will not continuously issue new shares or cancel them to cover investors joining or leaving the fund. Instead, investors buy and sell from each other on ASX.

Listed Investment Companies can provide taxation advantages to individual investors. The net income of the LIC is taxed at the 30% taxation rate and the net income plus franking credit is passed on to investors. With some LICs capital gains may be returned gross to shareholders, who are liable for capital gains tax. Many LICs use 'buy and hold' investment strategies which reduce realised capital gains, and those capital gains are typically eligible for the 50% capital gains tax concession.

An example of this is where a LIC sells some shares that it has held for more than 12

months, producing an eligible capital gain of \$100. The LIC pays tax on that gain at the corporate taxation rate of 30%, leaving \$70 to distribute to shareholders. The shareholders add the net dividend of \$70 to the imputation credit of \$30 (for the tax already paid). Therefore, the grossed-up gain is \$100. However, due to the CGT concession, shareholders calculate tax on only \$50 (half the gain) at their marginal rate of tax. If a shareholder is at the top marginal taxation rate (48.5% including the Medicare levy), then the tax payable comes to \$24.25. This figure is then subtracted from the imputation credit (\$30), to arrive at a total tax credit of \$5.75. You should consult a qualified advisor to assess how these tax treatments affect your situation.

LICs are very convenient, as they are traded on ASX like shares. LICs can be bought and sold at any time during ASX trading hours through an accredited stockbroker and many financial planners. The same buy/sell strategies used for shares can also be applied to LICs, including placing orders 'at limit'.

The price of a LIC is ultimately determined by supply and demand for the shares on the market. Although, they can trade at discounts or premiums to the value of their investment portfolio, or Net Tangible Assets (NTA), LICs' market prices tend to revolve around their NTA. The NTA is generally declared monthly to ASX and is available to investors on the company and ASX websites.

Investment companies can be classified into four categories:

- Australian equities – investing principally in shares listed on ASX;
- International equities – investing principally in shares listed on international stock exchanges;
- Private equity – investing in Australian or international unlisted private companies;
- Specialist – investing in special assets or investment sectors such as wineries, technology, resources and telecommunications.

What Listed Investment Companies Can Achieve for You:

A Diversified Portfolio Through a Single Investment

Through investing in a LIC, investors gain exposure to a range of underlying securities. This reduces risk, as the investor's funds are not tied closely to the fortunes of one security. You can begin investing in a LIC with a few thousand dollars.

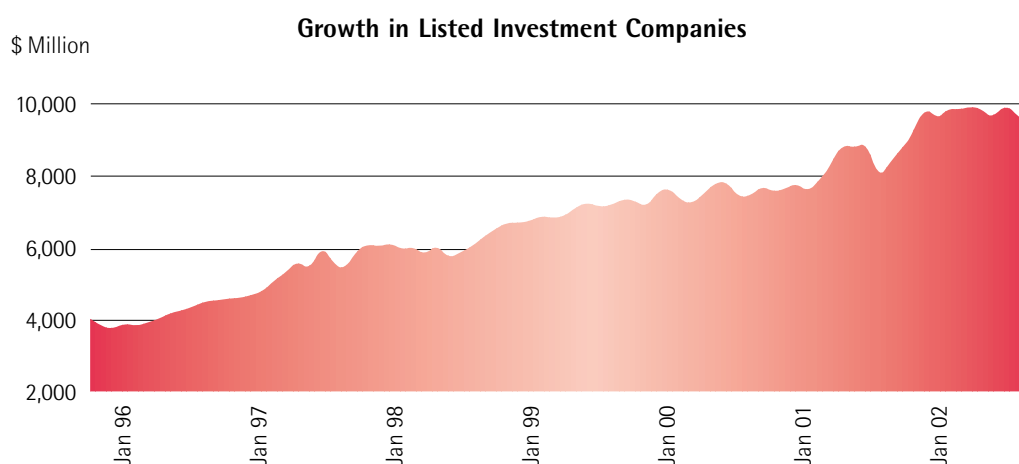
Both Capital Appreciation and Income

The philosophy of each LIC differs. However, most LICs offer the opportunity for capital appreciation as well as regular dividends. As the NTA of a fund rises, it can usually be expected that the market price of the LIC will rise as well.

Relative Consistency in Returns

The closed-end nature of LICs means their managers can concentrate on investment selection without having to factor in the effects of money coming into or leaving the fund. Research shows that this can improve investment performance. Many LICs have outperformed the Australian share market benchmark, the All Ordinaries Accumulation Index.

Due to their company structure, LICs can also hold back returns from one year to the next. This allows the ability to 'smooth out' dividend flows, making them more predictable over time.



Taxation Advantages

LIC dividends are commonly fully franked (tax paid), while trust distributions can be franked, semi-franked and unfranked. Tax advantaged dividends can reduce the amount of taxation payable by the investor on income earned (see below).

Many LICs take a 'buy and hold' investment philosophy. This allows investors in these LICs to also access the concessional capital gains tax rate. LICs that own international securities can generate franking credits for their investors.

A Concentrated Exposure to Specific Investment Sectors

Some LICs invest in particular areas of the market, including domestic and international wine assets, agriculture, biotechnology, telecommunications and technology. Investing in individual securities in these areas can be risky. Investing in a LIC may reduce risk by giving instant diversification across a range of stocks in the sector with professional management.

Transparency in a Managed Investment

It is difficult for LICs to hide bad investments. They reveal their NTA on a monthly basis and they regularly disclose their holdings.

A Low Cost Investment Method

On average LICs incur a relatively low rate of management expense compared with similar products. The investor usually pays

brokerage on the purchases and sales, but there are no entry or exit fees. Some LICs are internally managed, while others are managed by external consultants that are paid management fees.

Risks Involved

Listed Investment Companies carry risks. These include:

- Market Risk – the value of LICs can fall as other assets become more attractive or the value of their underlying portfolio falls;
- On market prices may reflect a discount or premium to the LICs' NTA;
- Distribution Risk – future distributions are not guaranteed by the LIC or ASX;
- Security Risk – LICs may perform differently due to the operations of their underlying assets or their structure;
- Diversification Risk – a lack of diversification within a LIC can tie an investor's performance to a narrow section of the market;
- Liquidity Risk – there are two levels of liquidity risk. The first is the ability of the LIC to buy and sell assets. The second is the investor's ability to buy or sell the LIC.

The back flap of this booklet contains the details of LICs.

See your investment adviser for more information about LICs, or visit www.asx.com.au/LMI



Exchange Traded Funds

Exchange Traded Funds (ETFs) are one of the most rapidly growing investment products in the world. First launched in Canada in 1989, they currently represent assets of more than \$200 billion in over 200 products listed on the North American, European and Asian markets.

Since coming to Australia, ETFs have made their mark, offering investors a choice between management styles, asset classes and investment objectives at low cost.

What Are ETFs?

An ETF is a type of investment fund that combines some of the benefits of shares and managed funds. They allow investors to access a portfolio of securities and are traded in the same way as shares. ETFs invest in a portfolio of securities, which may include Australian shares, international shares, fixed income securities, listed property trusts, or a combination of asset classes.

Investors in ETFs can be sure that they will buy at, and sell at, the value of the underlying portfolio's net assets. ETFs ensure that close price parity is maintained between the traded unit price and the net asset value of the units, giving certainty that the value of the units will very closely track the performance of the fund.

This price parity is possible because ETFs are 'open-ended' meaning they can create or cancel units as investors enter or leave the fund. The size of the ETF, rather than its price, will fluctuate based on the supply and demand for the ETF.

ETFs can be bought and sold through a stockbroker (full service, discount or online) and many financial planners during ASX opening hours and the proceeds are available in three business days.

There are three major types of ETFs:

- Classical ETFs are based on and aim to match the performance of any one of a number of indices. Classical ETFs use special off market issue and redemption procedures to increase their attractiveness to institutional investors.
- Hybrid ETFs can either be based on an index or be 'actively managed' by the fund manager selecting the securities that they favour.
- ASX World Link™ provides access to a range of international ETFs, including funds from Singapore and the US.

Most ETFs are designed to be cost-effective vehicles, charging investors comparatively low Management Expense Ratios (MERs).

What Exchange Traded Funds Can Achieve for You:

Diversification in a Single Investment

Investing in an ETF typically gains exposure to a portfolio of assets. This lessens investors' risks compared with investing in one asset alone.

Exposure to Additional Asset Classes or Sectors

Through ETFs, Australian investors can directly access Australian or international share markets at comparatively low cost. They can also access actively managed funds or funds that cover a specific sector of the market.

Transparency and Certainty

ETFs use an 'open-ended' structure and are

designed to trade at or very close to their net asset value. This means the share market price of an ETF should fully reflect the performance of the underlying portfolio, with no other factors affecting it.

Regular income distributions are made to investors based on the performance of the underlying portfolio.

A Cost and Tax Effective Investment

Although ETFs vary in investment philosophy and goals, they offer comparatively low costs. All investors can access these funds at wholesale fee rates. There are no up-front entry fees payable by the investor.

ETFs pass their earnings on to investors untaxed, with the investor then paying tax in the normal fashion. However, some of these earnings can be tax advantaged via franking credits earned by the underlying portfolio, and index based ETFs do not generate significant capital gains due to their low portfolio turnover. If the ETF is held for more than a year, the investor is also eligible for the concessional rate of capital gains tax.

Ease of Access

ETFs can be bought and sold during ASX trading days and prices are continually updated throughout the day.

The same buy/sell strategies used for shares can also be applied to ETFs, including placing orders 'at limit' and using margin loans or

instalment warrants to fund investments.

Access to a Growing Sector

ETFs are a rapidly growing investment vehicle for investors across the globe. Their ability to maintain low fees and track underlining investments has proven popular with a wide range of institutional and individual investors.

Risks Involved

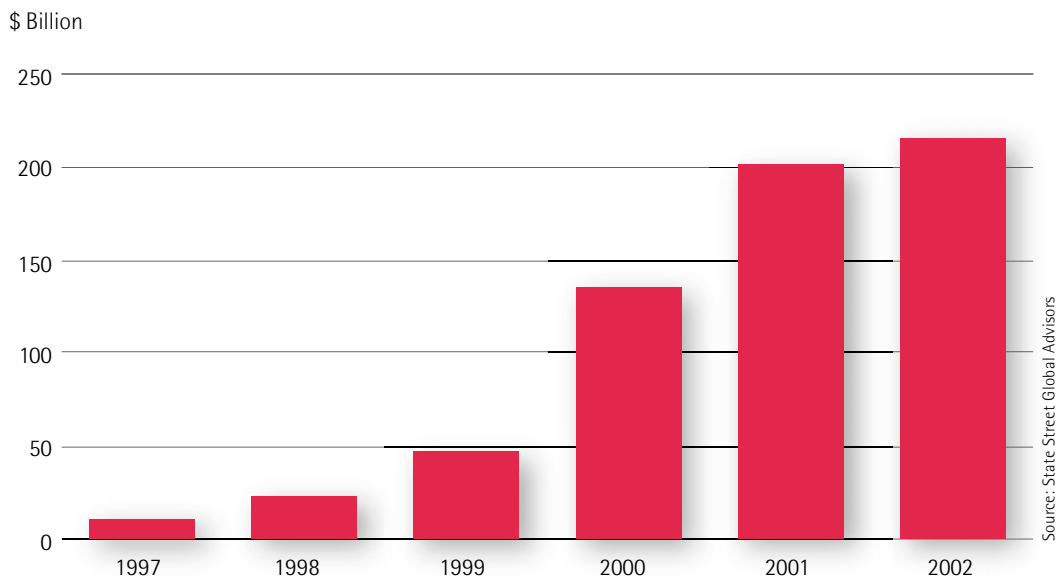
Like all market-related investments, ETFs carry risks. These include:

- Market Risk – the value of an ETF is based on the value of its individual assets and will decline if the value of those assets falls;
- Distribution Risk – future distributions are not guaranteed by the ETF or ASX;
- Security Risk – ETFs may perform differently due to the operations of their underlying assets or their structure, including the value of their assets and currency fluctuations;
- Diversification Risk – a lack of diversification within an ETF can tie an investor's performance to a narrow section of the market.

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Global Growth in Exchange Traded Funds



Pooled Development Funds

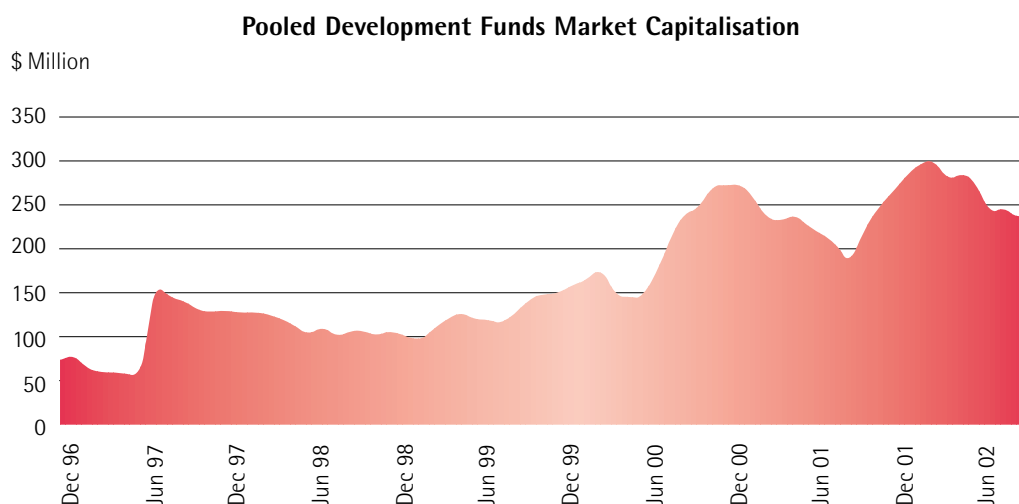
Pooled Development Funds (PDFs) offer exciting opportunities to invest in companies and technologies that would traditionally have only been accessible to institutions or the very wealthy. PDFs invest in small to medium-sized companies and/or promising technologies – the future of the Australian economy – that may or may not be listed on a share market. Although PDFs can be volatile and are long-term investments, they can offer attractive returns.

What Are PDFs?

PDFs were established through the Pooled Development Act (1992) (Cth) to encourage investment in small to medium-sized

Australian companies. The venture capital provided by PDFs allows investee companies to grow their businesses. In return, the PDFs and their investors have access to the sometimes remarkable rates of growth achieved by small companies.

Like all small companies, some organisations or technologies that receive funding from PDFs can be unsuccessful. Others may take time before substantial growth can be achieved. Therefore, the market price of a PDF can be volatile over the short term. Advisers recommend PDFs for investors with at least a five-year time horizon and with a moderate appetite for risk.



PDFs can make certain types of investments. The criteria for these investments include:

- Investments must be made in Australian companies;
- PDFs must purchase at least 10% of a company's shares;
- Investee companies must be smaller than \$50 million in assets;
- PDFs cannot invest in retail or real estate businesses.

Some PDFs specialise in one area of the market, such as biotechnology or resources while others spread their investments across a number of different industries. Some PDFs are internally managed, while others are managed by external consultants that are paid management fees.

As they provide capital to growing Australian companies, PDFs have been granted special tax concessions for both the PDF itself and its investors. See below for more detail on these concessions.

What Pooled Development Funds Can Achieve for You:

Diversification into Small Australian Companies

Historically, small and medium-sized companies have generally higher growth rates than larger companies. PDFs allow individual investors to access these high growth potential companies or technologies without the high levels of risk associated with investing in one developing company. PDFs may invest in a portfolio of small and

medium-sized companies, reducing risk via diversification while still giving investors access to returns generated by the sector.

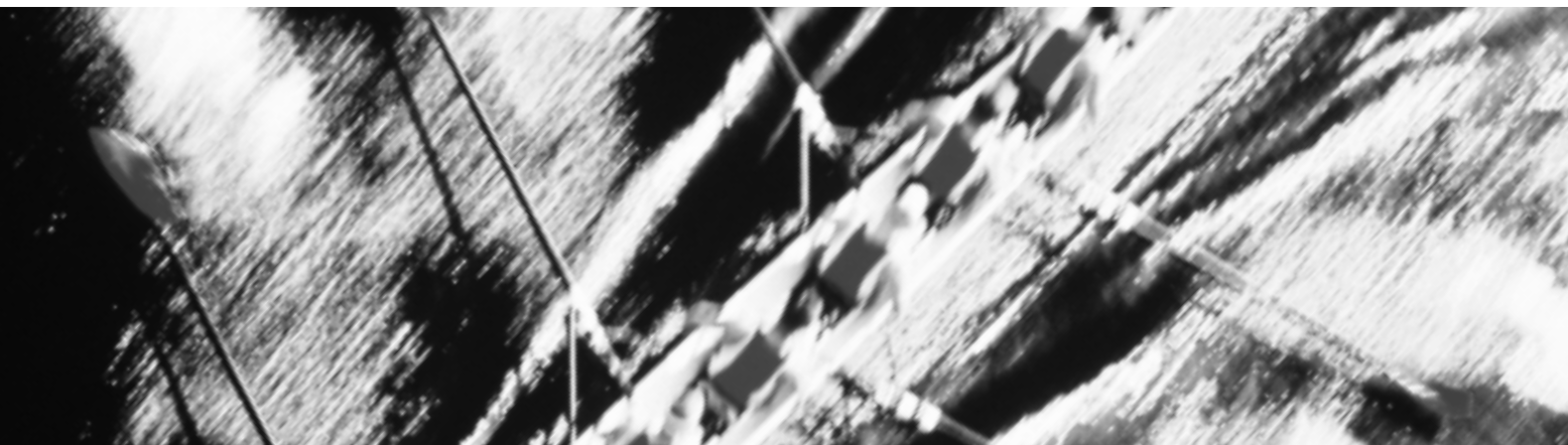
A Tax Effective Long Term Investment

As investing in smaller companies is high risk and encourages economic growth, the Federal Government offers extensive taxation concessions to the PDF and its investors. While the PDF itself benefits from a taxation rate of 15% from investments in small enterprises, and 25% in unregulated investments like cash, investors' taxation advantages include:

- Franking credits are calculated at the normal 30% corporate taxation rate, despite the PDF paying only 15%, generating additional franking credits for investors.
- Exemptions from income tax on unfranked PDF dividends. Franked dividends are treated either as exempt income (no franking credits) or assessable (taxable) but investors can claim franking benefits;
- Exemption from capital gains tax on the sale of PDF shares.

For example, a shareholder in a PDF receives \$100 in unfranked dividends. This \$100 in income is tax-free. If that dividend was fully franked (tax paid), the shareholder has the choice of electing to take the \$100 tax-free, or to take it as a fully franked dividend. If this is the case, the grossed up amount is \$142.86, with the imputation credit being \$42.86. If the shareholder decides to sell shares in the PDF, then any gains made are tax-free.

However, capital losses on PDFs cannot be used to offset gains, and the cost of gearing into a PDF cannot be claimed as an investment expense for income tax purposes. Consult an advisor on your specific tax consequences.



Potential High Returns

Specialist investment managers employed by PDFs search for investee companies and technologies that could generate significant returns over time. This may lead to a share market listing or a trade sale of the business. The gains realised by the PDF and passed on to investors can be significant, many times its initial investment.

Concentrated Exposure to One Industry

PDFs can choose to specialise in certain industry sectors, allowing investors to access an 'instant portfolio' in that sector managed by industry experts.

Risks Involved

PDFs are higher risk investments. These risks include:

- Market Risk – due to their nature, the value of PDFs can be volatile in the short term, with no guarantee of share price gains in the long term.

- Security Risk – PDFs may perform differently due to the operations of their underlying assets. The performance of PDF's share prices depends on the performance of underlying companies or technologies.
- Diversification Risk – a lack of diversification within a PDF can tie an investor's performance to a narrow section of the market.
- Liquidity Risk – there are two levels of liquidity risk. The first is the ability of the manager to buy and sell assets. The second is the investor's ability to buy or sell the PDF.

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See your investment adviser for more information about PDFs, or visit www.asx.com.au/LMI

Infrastructure Funds

Infrastructure Funds are a cousin of the more familiar Listed Property Trust, but this cousin is quickly growing up in terms of sophistication and depth. Infrastructure Funds and their investors have recognised the desire of governments around the globe to privatise assets, a trend that continues to gather pace. Infrastructure Funds allow ordinary investors to own significant assets such as airports and toll roads. Australia is a pioneer in this lucrative field, with Infrastructure Funds listed in Australia representing more than \$6 billion in assets.

What Are Infrastructure Funds?

Infrastructure funds are similar in principle to Listed Property Trusts. Instead of buying properties, Infrastructure Funds invest in assets that are used every day by companies and the public. These assets include:

- Toll roads;
- Airports;
- Communications assets such as broadcasting towers;
- Materials handling facilities such as docks;
- Rail facilities;
- Utility facilities such as electricity power lines and gas pipelines.

The distributions from Infrastructure Funds tend to be tax advantaged, and asset values are generally stable over the short term

while offering strong long term growth potential.

Specialist investment professionals who make all buy and sell decisions manage Infrastructure Funds. Managers generally seek to diversify across multiple assets, industries or geographical regions.

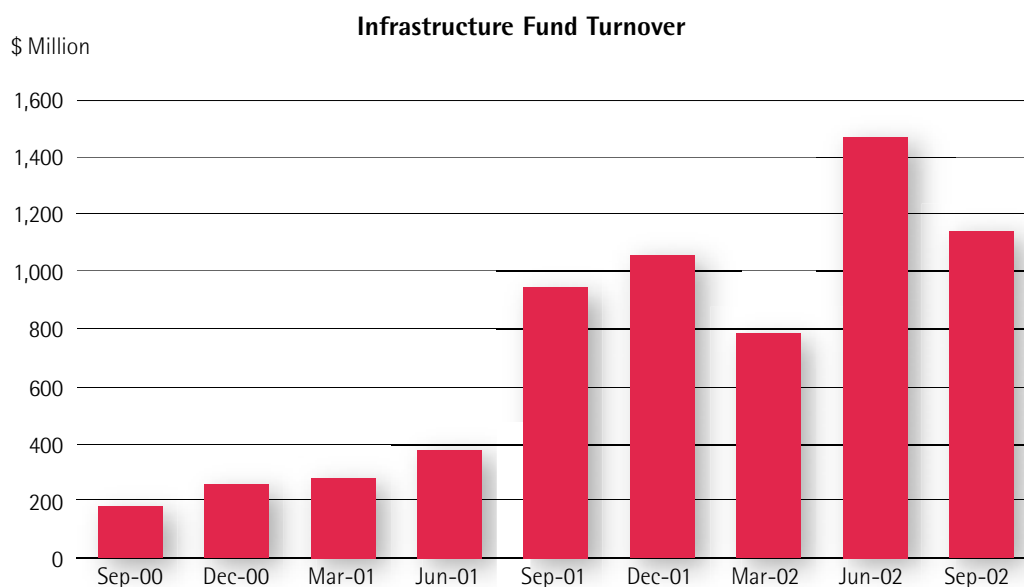
Because of the generally stable nature of infrastructure assets and therefore distributions to investors, movements in their prices are not generally correlated to price movements in other asset classes.

Infrastructure Funds are listed on the share market and can be bought and sold at any time during ASX opening hours through a stockbroker or financial planner. The proceeds of sales are available in three business days.

What Infrastructure Funds Can Achieve for You:

Diversification from other Asset Classes

Infrastructure Funds have a low correlation with more traditional asset classes, meaning they do not tend to move in the same direction as other markets. This provides the opportunity for investors to decrease portfolio risk while gaining access to assets that would not usually be available to individual investors.



Exposure to Infrastructure Assets

Governments around the globe are realising the benefits of privatising assets or, with the assistance of private investors, building new assets that may not otherwise be affordable. Infrastructure Assets are becoming an investment sector in their own right, but it is not easy for individual investors to access them. Infrastructure Funds allow investors to access a diversified range of Infrastructure Assets managed by investment professionals.

A Tax Effective Income Stream

Infrastructure Funds offer investors tax advantaged income streams as well as access to the concessional rate of capital gains tax if held for longer than a year. See example in Listed Property Trust section of this booklet.

Stability of Earnings from Essential Assets

Airports, roads, and docks – all are essential to the workings of a modern society, used everyday and are difficult to replace. This tends to decrease the volatility of funds investing in these assets, as earnings are relatively predictable.

Risks Involved

Although Infrastructure Funds invest in assets that are typically less volatile than the general share market, they do carry risks.

These include:

- **Market Risk** – the value of Infrastructure Funds can fall as other assets become more attractive or the value of the underlying assets in the portfolio decline;
- **Distribution Risk** – future distributions are not guaranteed by the Infrastructure Funds or ASX;
- **Security Risk** – Infrastructure Funds may perform differently due to the operations of their underlying assets or their structure;
- **Diversification Risk** – a lack of diversification within an Infrastructure Fund can tie an investor's performance to a narrow section of the market;
- **Liquidity Risk** – there are two levels of liquidity risk. The first is the ability of the manager to buy and sell infrastructure assets. The second is the investor's ability to buy or sell the Infrastructure Fund.

The back flap of this booklet contains the details of Infrastructure Funds.

See your investment adviser for more information about Infrastructure Funds, or visit www.asx.com.au/LMI



Absolute Return Funds

Although Absolute Return Funds have seen an explosion of interest in the past few years, they are not a new phenomenon. An Australian, Alfred Winslow Jones, established the world's first Absolute Return Fund, or 'hedge' fund as he called it, in 1949.

Since then, Absolute Return Funds have grown in number and complexity. While formerly only available to the wealthy and institutions, they can now be accessed by all investors. Although they can be difficult to understand, taking the time to investigate Absolute Return Funds and their merits can be worthwhile. Absolute Return Funds are a growing sector of the investment market offering access to strong returns with varying levels of volatility over the long term.

What Are Absolute Return Funds?

Absolute Return Funds, including hedge funds, aim to deliver returns in both rising and falling markets.

This is why they are known as 'Absolute' Return Funds, as they do not rank their performance relative to that of any particular market.

As they attempt to create positive returns in all market conditions, they use derivatives like options and futures, 'short-selling' and exotic securities. As they are not tied to a particular benchmark, such as the All Ordinaries Index for the Australian share market, they have much greater scope in their use of different investment strategies (a short list of strategies can be accessed at www.asx.com.au/LMI).

Absolute Return Funds can invest in all securities, including shares, derivatives, commodities and fixed interest. However, due to the strategies used, their performance does not typically move with the rise and fall of a particular asset class, giving investors diversification benefits.

They take one of two general structures:

- Fund of funds, where the fund invests in a variety of Absolute Return Funds;
- Direct investment, where the manager invests directly in securities.

Absolute Return Funds can be conservative or aggressive in their attitude to risk. Depending on the fund, investors can access returns from both income and capital gains. The managers of Absolute Return Funds generally use strategies such as investing their own cash in the funds and fee structures linked to the performance of the fund to ensure the investor's and manager's interests are aligned.

What Absolute Return Funds Can Achieve for You:

An Investment Offering Absolute Returns

Absolute Return Funds aim for positive returns in both rising and falling markets. Some Absolute Return Funds have shown returns of more than 40% a year, while others have experienced investment losses that have led to their closure. Rather than aiming for high short-term gains, more Absolute Return Funds now target achieving ongoing positive returns with relatively low levels of volatility.

Risk Management

While Absolute Return Funds have yet to completely shed their risky image, research has found that they tend to trade with levels of volatility similar to bonds, but provide returns superior to bonds. Some large superannuation funds are now using combinations of Absolute Return Funds in place of bonds to reduce risk while producing better returns.

Diversification and Non-Correlation with Traditional Asset Classes

Absolute Return Funds provide diversification into non-traditional financial instruments and management techniques. The diversification benefits are further enhanced by Absolute Return Funds' non-correlation with traditional asset classes. In simple terms, this means that if the share market, property market or any of the

traditional asset classes move up or down, it does not mean that Absolute Return Funds will move in the same direction. Therefore Absolute Return Funds can act as a counterbalance against falling markets.

Pricing Transparency and Liquidity in an Absolute Return Fund

With Absolute Return Funds listed on ASX, investors can buy and sell at any time during ASX trading hours through an accredited stockbroker or financial planner. The proceeds of sales are available three business days after the trade is executed.

Returns from both Income and Capital Gains

Absolute Return Funds differ in their distribution policies. However, investors can access returns in the form of income and/or capital gains.

Risks Involved

Absolute Return Funds can range from low to high risk. The general risks include:

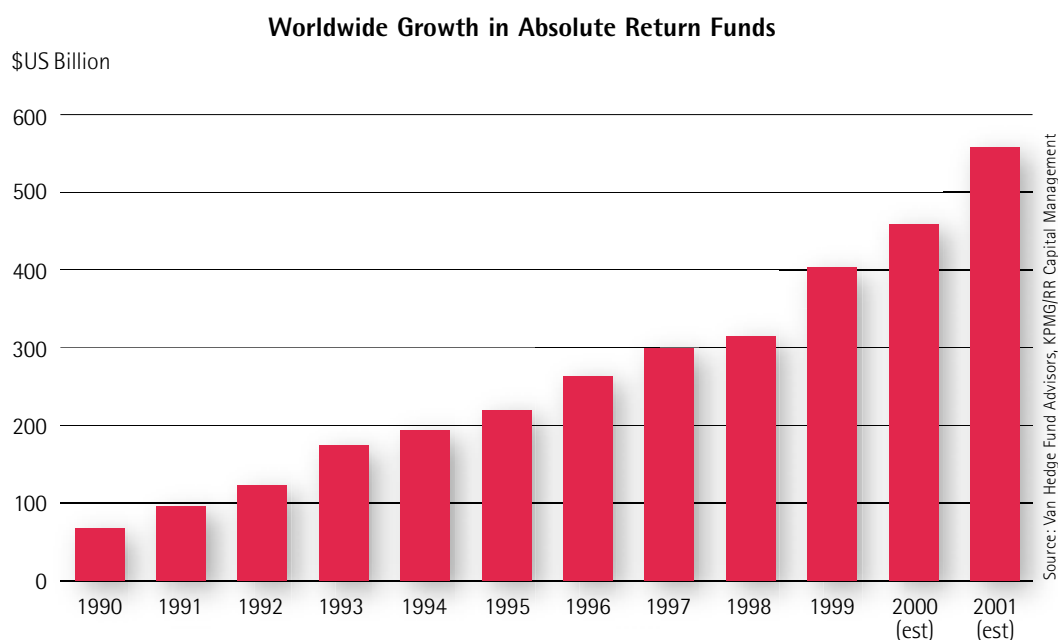
- Market Risk – the value of Absolute Return Funds can fall as other assets become more attractive or the value of

the underlying assets in the portfolio fall;

- Manager Risk – Absolute Return Funds are generally run by small groups of people using their own investment strategies. These may not be successful;
- Distribution Risk – future distributions are not guaranteed by the Absolute Return Funds or ASX;
- Security Risk – Absolute Return Funds may perform differently due to the operations of their underlying assets or their structure;
- Diversification Risk – a lack of diversification within an Absolute Return Fund can tie an investor's performance to a narrow section of the market;
- Liquidity Risk – there are two levels of liquidity risk. The first is the ability of the manager to buy and sell securities. The second is the investor's ability to buy or sell the Absolute Return Funds. This risk is lessened by funds being listed on ASX.

The back flap of this booklet contains the details of Absolute Return Funds.

See your investment adviser for more information about Absolute Return Funds, or visit www.asx.com.au/LMI



Where to go from here

Choosing Listed Managed Investments

This seven-step process may assist investors in making an appropriate investment decision:

1. Establish a goal

Knowing your investment goals, such as funding retirement, saving to pay for education or current income, is critical to finding the right managed investment. Your goal should include a timeframe and an idea of how much money you need.

2. Understand the risk/reward trade-off

With greater returns comes greater risk. Your risk profile and investment goals will determine what types of investment are appropriate.

3. Research the products

Find those products that fit your goals and risk profile. Collect information on the managed investments that interest you (see below for ways to collect information). Educate yourself about how the products work, what they invest in and their level of risk and return, as well as the taxation implications.

4. Understand the value of diversification

LIMs can be an excellent way to hold a diversified portfolio within a single investment. However, it is also important to spread your investments across multiple asset classes, thereby limiting your exposure to any one type of investment.

5. Factor in fees and taxes

The fees and taxes you pay on LIMs will impact your returns. Understand what you are paying, how it will affect your performance, and possible strategies to reduce tax or other costs.

6. Consult an investment adviser

Advisers can help you with choosing an LIM, including the place of LIMs in a diversified portfolio, the possible risks involved and the taxation implications.

7. Choose your Listed Managed Investments

Match your goals and time frame to the appropriate Listed Managed Investments.

For Further Information

Information on Listed Managed Investments is nearly as widespread as shares and can be accessed in similar ways. LIMs are very transparent in their operations so you, or your adviser, can access information on their past investment performance, share price graphs and recent announcements. The ASX website contains a variety of information on LIMs including performance, research, prices, and annual reports. This free information is available at: www.asx.com.au/LMI

Websites of the product providers and the companies who operate Listed Managed Investments are a good source of information about individual products. Links to the relevant websites can be found at the ASX site.

Daily newspapers contain details of opening/closing prices and volumes traded.

The assistance of a financial services licensee or other professional adviser can also be valuable in selecting managed investments and ensuring the investment choices you make suit your circumstances, objectives and needs.

LIMs are traded on ASX and are available through stockbrokers, financial planners, accountants, margin lenders, and many portfolio account services.

If you require assistance visit www.asx.com.au/LMI or call ASX customer service on 1 300 300 279

Listed Managed Investments – choice and transparency



ASX

AUSTRALIAN STOCK EXCHANGE