



Listed Investment Companies & Trusts

Listed Investment Companies (LICs) are the oldest type of managed investments, with the first Australian listing in 1928. More than 300,000 Australian investors own LICs, with many generating impressive returns over the long and short-term. Regular dividends and the ability to smooth out returns over good and bad years are among the many characteristics LICs may offer.

What are LICs?

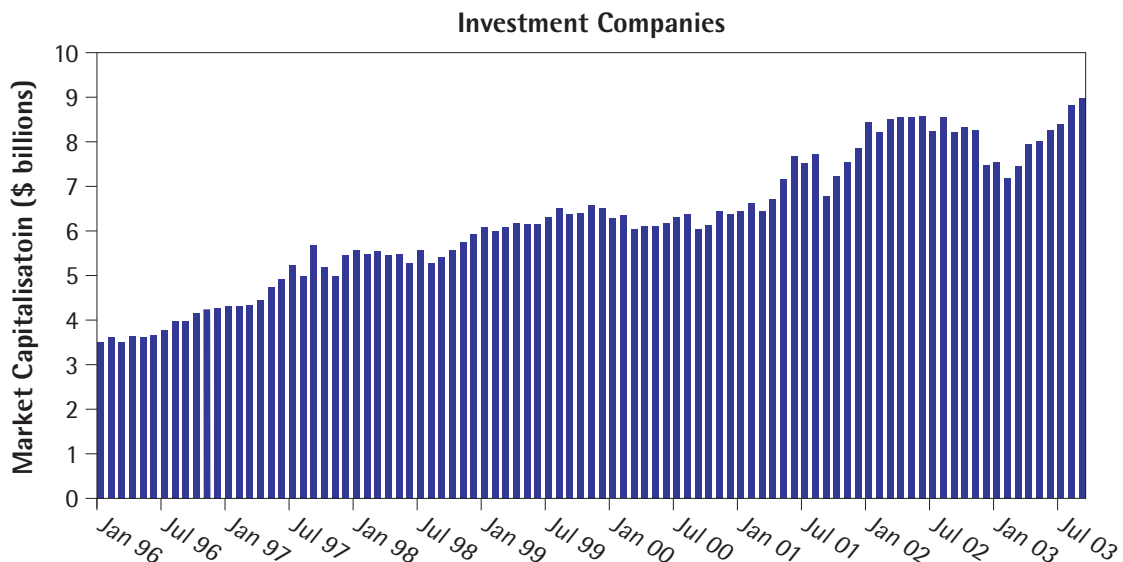
LICs provide investors with exposure to a professionally managed portfolio of assets held by the company. These assets may include Australian shares, international shares, fixed income securities, property, and unlisted private companies. LICs' investment approach can range from a long-term value focus to more active trading strategies. Shares in LICs trade on ASX in the same manner as any other company.

The 'closed end' structure of LICs means the number of shares on issue is stable and the manager does not regularly issue or cancel shares as investors enter and leave. This allows the investment manager to concentrate on the performance of the fund without having to consider any inflow or outflow of monies. Theory suggests this approach leads to better

investment returns. Investors may purchase additional shares on-market or through purchase and dividend reinvestment plans.

LIC pricing is related to the value of the assets held in the portfolio, and the market perception of the company's future earnings potential. Supply and demand factors determine prices, which can be at a discount or premium to the value of the investment portfolio held by the company.

There are more than 30 LICs listed on ASX, offering a selection of asset classes and investment styles. Their legal structure may be a company, where investors own shares or a trust, where investors own units.



What are the benefits of LICs?

LICs can differ substantially from one another, with each offering a unique set of characteristics and features based on the LIC's objectives, investment strategy, and structure.

Easy diversification

LICs provide investors with the ability to simply and cost-effectively establish a diversified portfolio of assets through a single security and may be used to complement other assets in an existing investment portfolio.

Experienced management

Many LICs have seasoned investment managers or specialists who make investment decisions on behalf of their investors.

Capital appreciation and consistent income

A LIC's price may increase as the value of its portfolio changes. Investors can benefit from regular dividends and access to the attached franking credits. LICs also have the ability to pay consistent dividends to smooth out returns over a range of investment climates.

Exposure to specific investment sectors

Some LICs invest in particular areas or assets, including wine, specialist finance, technology, venture capital, and international shares. Investing in these sectors through a LIC provides diversification, which can be less risky than investing in individual securities.

Low cost

Since LICs are typically able to achieve lower operating costs, the Management Expense Ratios (MERs) are significantly lower than some other investment vehicles. Like other shares, brokerage or an advisors fee may apply.

Taxation management

Many LICs use a medium to long-term 'buy and

hold' strategy. This may offer special tax treatments on the sale of investments, which can be passed on to investors. LICs may also use other techniques to minimise investors' tax, including consideration for the size and timing of dividends.

Buying & Selling LICs

The features of ASX listing include:

- Easy and immediate access to the LIC of your choice as purchases and sales are conducted during normal ASX trading hours
- Flexibility to use 'limit orders' to buy and sell at prices you specify
- Information on your investment is available through daily newspapers and websites
- Transactions are settled in three days
- Should your transaction or holding be subject to fraud or insolvency the National Guarantee Fund may cover losses of up to \$100 million
- LICs are subject to supervision through initial and on-going ASX requirements

Like any investment, LICs have risks you need to understand before investing. Specific risks relating to LICs include the asset classes, portfolio composition and on-market pricing. You should obtain independent advice from a professional adviser prior to making any financial decision.

For Additional Information

- For more information, consult you advisor or visit the LIC section of the ASX website: www.asx.com.au/investmentcompanies for investor education, product details, research, performance figures, news and prices.
- Alternatively, contact ASX customer service on **1300 300 279**.



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