

# Australian shares

Shares provide the potential for strong capital growth and income (called dividends). Shares can be volatile over short time periods, which is why they are a long-term investment (five years plus).

## What are shares?

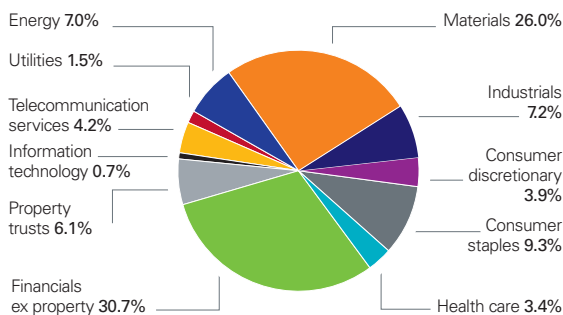
A share represents part ownership of a company. When you buy shares you become a shareholder, which entitles you to dividends and other benefits. Australian listed shares can be bought and sold on the Australian Securities Exchange (ASX).

## Which Australian shares can I invest in?

The AustralianSuper Member Direct investment option provides access to all shares in the S&P/ASX 300 Index. The S&P/ASX 300 Index includes the top 300 stocks listed on the ASX by size (called market capitalisation). It includes Australian shares across different industry sectors and includes both large and small capitalisation companies.

Stocks in the S&P/ASX 300 Index are divided into industry sectors based on the Global Industry Classification Standard.

### S&P/ASX 300 Index sector allocation as at 30 September 2011



## How do I invest in Australian shares?

AustralianSuper members can invest directly in shares through the AustralianSuper Member Direct option. You can also access a managed share portfolio in the form of Exchange Traded Funds (ETFs) and through AustralianSuper's DIY Mix investment options.

### How to access Australian shares

Direct shares	AustralianSuper Member Direct investment option
ETFs	AustralianSuper Member Direct investment option
Managed investment options	AustralianSuper DIY Mix investment options

## What are the benefits of shares?

### High long-term return potential

Although they can be volatile in the short-term, shares have historically earned higher investment returns than other asset classes over longer periods. Investment returns are divided into capital growth and income. Capital growth occurs when share prices rise, while many companies share profits (income) with investors by paying dividends.

### Tax-effective income

Shares can provide tax benefits to shareholders in the form of franking credits (also known as imputation credits). Australian companies pay tax at a rate of 30%, which is the maximum franking credit investors can receive.

Superannuation funds pay a maximum tax rate of 15% on any investment income received. Any franked dividends that have been taxed at a rate higher than 15% return an associated franking credit to members. The franking credit is equivalent to the difference between the superannuation fund tax rate and the tax rate paid by the company. Franking credits are credited back to members' accounts and can help to improve net investment returns.

### Liquidity

Listed shares can be easily bought and sold on the ASX, making them a liquid investment.

Australian share returns vs other asset classes – 20 years to 30 June 2011  
Growth of \$10,000 investment



Value after 20 years

- Australian Shares \$80,404
- Diversified Fixed Interest \$50,946
- Property \$39,342
- Cash \$33,195

Asset class returns

- Australian Shares: S&P/ASX 300 Accumulation Index
- Fixed Interest: UBSA Composite Bond All Maturities Index
- Property: Mercer Unlisted Property Index
- Cash: UBS Bank Bill Index Australian

What are the risks?

**Volatility**

Share prices can be volatile over the short term. Investors should be prepared for negative returns approximately every six in twenty years. This is why shares are a long-term investment (five years plus).

**Diversification**

Direct share investors often fail to diversify adequately, which can result in more volatile returns. Different stocks and sectors will perform better at different times. Investing in a variety of stocks across different sectors can help offset the performance of poorly performing assets. Members can increase diversification by increasing the number and variety of shares in their portfolio or investing in ETFs or AustralianSuper’s other investment options.

**Market timing**

Investors often try to pick the top and the bottom of the market so they can maximise returns. If you get these decisions wrong, you can miss out on important market gains and pay more to get back into the market once it recovers. This can impact your long-term investment returns.

Superannuation is a long-term investment, so the AustralianSuper Member Direct option is not suitable for members who want to ‘time’ the markets or make short-term investment decisions.



Quick reference

- access any stock in the S&P/ASX 300 Index through the AustralianSuper Member Direct investment option
- shares are a long-term investment (five years plus)
- franked dividends can improve net investment returns to share investors
- investors can improve diversification by increasing the number and variety of shares in their portfolio or investing in ETFs or other investment options



Seek advice before you invest

Our Financial Education and Advice Team can help you decide which AustralianSuper investment options are right for you. They can also refer you to an external licensed financial adviser for more specific advice about investment strategies and listed securities within the Member Direct investment option. Call our Financial Education and Advice Team on **1300 300 273** or visit **www.australiansuper.com** to find out more.

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