



ASX

AUSTRALIAN SECURITIES EXCHANGE

Absolute Return Funds

LMI Fact Sheet

Absolute Return Funds (or Hedge Funds) recent popularity has made them one of the fastest growing investment products in the world. Within Australia, the market capitalisation of such funds grew 55% during 2006 and there is now more than \$US2.4 trillion¹ under management in hedge fund assets globally.

What are Absolute Return Funds?

Absolute Return or Hedge Funds are managed funds that aim to produce returns in both rising and falling markets. The investment techniques adopted by an Absolute Return Fund may vary to methods employed by a traditional fund manager. Rather than the traditional 'buy and hold' approach, Absolute Return Funds have greater scope to use sophisticated trading strategies to benefit from opportunities in the market.

Although every fund is different, the underlying investments in an Absolute Return Fund may include shares, bonds, currencies, options, futures, commodities, real estate securities, and other financial instruments.

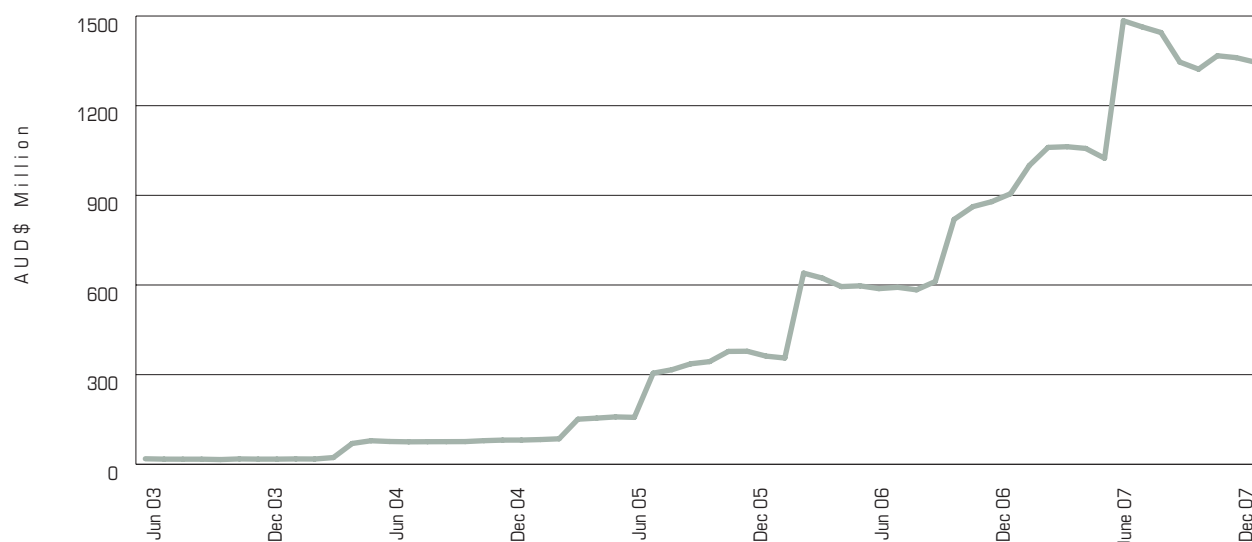
The performance of Absolute Return Funds is not generally correlated to the performance of traditional assets such as shares, property or fixed interest. However, the risk profile of Absolute Return Funds can range from very conservative to aggressive. Depending on the investment strategy employed, investors may receive returns in the form of income, capital appreciation or a combination of both.

Absolute Return Funds can follow one of two structures:

- *'Fund of fund'* – where the fund invests in a number of other Absolute Return Funds
- *Single strategy* – where the manager invests directly into securities using a particular investment strategy

There is a selection of Absolute Return Funds to choose from that can be bought or sold anytime during ASX trading hours through any licensed adviser or internet broking account.

Absolute Return Funds market growth



Updated LIC statistics can be viewed at www.asx.com.au/LMI under 'Monthly Sector Update'

¹ HedgeFund.net 2007

Absolute Return Funds LMI Fact Sheet

Returns in rising and falling markets

Absolute Return Funds have the ability to produce positive investment returns regardless of general market conditions. Rather than aiming for high short-term gains, more Absolute Return Funds now target on-going positive returns with low volatility.

Reducing portfolio risk

Absolute Return Funds investment styles typically produce returns that are not correlated to asset classes such as shares, property and fixed interest. Investors can therefore reduce the volatility and smooth the returns of their investment portfolio by using Absolute Return Funds as a counter balance.

Liquidity

With Absolute Return Funds listed on ASX, investors can buy and sell at any time during ASX trading hours in the same way as shares through their stockbroker or accredited financial planner. The proceeds of the sale are available within three business days of the transaction.

Returns from both income and capital

Investor returns are generated from a rise in the capital price of the fund and the income that is passed through to investors in the form of dividends. Absolute Return Funds differ in their dividend policies, therefore the mix of capital returns and income may vary.

Risk Management

Research has found that Absolute Return Funds tend to trade with levels of volatility similar to bonds but with superior returns. Some superannuation funds are starting to use Absolute Return Funds in place of bonds to reduce the risk in their investment portfolios.

Buying and selling Absolute Return Funds

- Easy and immediate access to the Absolute Return Fund 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, information vendors 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
- Absolute Return Funds are subject to initial and on-going ASX requirements

What are the benefits of Absolute Return Funds?

Like any investment, Absolute Return Funds have risks you need to understand before investing. The range of investment techniques employed and quality of the manager should be considered. You should obtain advice from a professional adviser prior to making any financial decision.

Additional information

- Consult your adviser or visit the Absolute Return Funds section of the ASX website: www.asx.com.au/AbsoluteReturn for investor education, product details, research, performance figures, news, and prices.
- Contact ASX customer service on 131 279 or email info@asx.com.au

Disclaimer: Information provided is for educational purposes and does not constitute financial product advice. You should obtain independent advice from an Australian financial services licensee before making any financial decisions. Although ASX Limited ABN 98 008 624 691 and its related bodies corporate ("ASX") has made every effort to ensure the accuracy of the information as at the date of publication, ASX does not give any warranty or representation as to the accuracy, reliability or completeness of the information. To the extent permitted by law, ASX and its employees, officers and contractors shall not be liable for any loss or damage arising in any way (including by way of negligence) from or in connection with any information provided or omitted or from any one acting or refraining to act in reliance on this information. This document is not a substitute for the Operating Rules of the relevant ASX entity and in the case of any inconsistency, the Operating Rules prevail.

© Copyright 2008 ASX Limited ABN 98 008 624 691. All rights reserved 2008.

www.asx.com.au

