

Listed Investment Companies

Fact Sheet



ASX

AUSTRALIAN SECURITIES EXCHANGE

Listed on ASX for over 80 years, Listed Investment Companies (LICs) are a popular way for investors to get exposure to a diversified portfolio. Unlisted managed funds have traditionally dominated this area, but as investors continue to seek lower cost alternatives, LICs have grown in popularity.

What are LICs?

LICs provide investors with exposure to a professionally managed and diversified portfolio of assets. These assets may include Australian shares, international shares, fixed income securities, property, with some funds offering 'packaged strategies'.

An investor's exposure is very similar to a traditional managed fund with some up to 200 different shares in their portfolios.

LICs listed since 2003 typically use different investment strategies to their more traditional counterparts. Traditional LICs use a 'buy and hold' approach with diversification across a large number of shares. More recent additions to the LIC list have adopted active management styles, and a more concentrated portfolio philosophy.

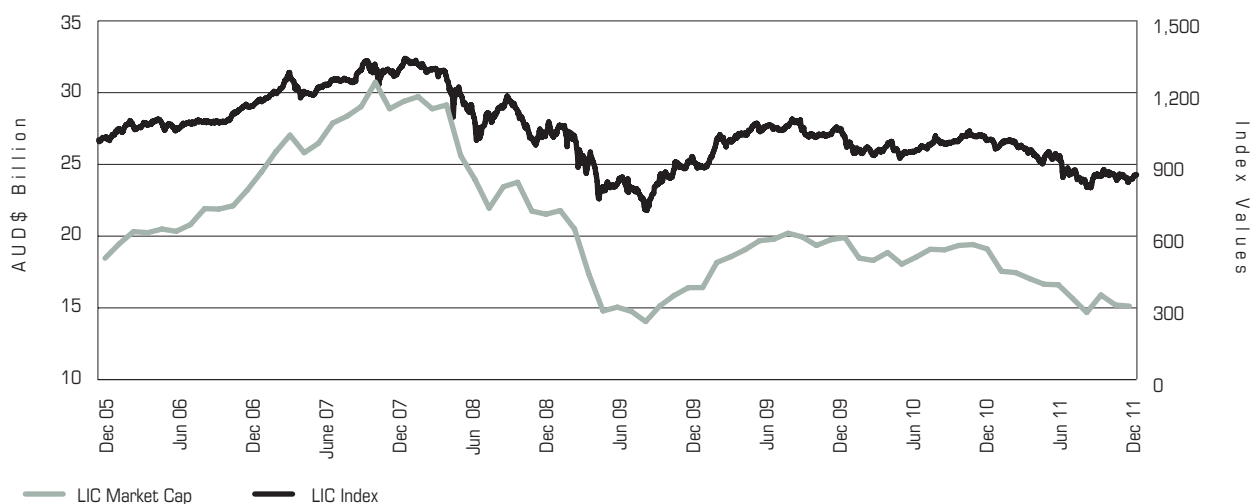
Most LICs distribute income in the form of fully franked dividends. For LICs with a dividend reinvestment plan, investors can choose to increase their investment exposure rather than receiving cash.

LICs can trade at a premium or discount to the underlying value of their investments. Trading at a premium to the value of its underlying assets is where investors are willing to pay more per share than the value per share of the underlying investment.

Because LICs have a company tax structure, returns are after tax while unlisted managed funds pay untaxed returns.

There is a wide selection of LICs to choose from that can be bought anytime during ASX trading hours, through a licensed adviser or internet broker.

LIC Market Cap and LIC Index



LICs LMI Fact Sheet

What are the benefits of LICs?

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

Low cost

Since LICs are typically able to achieve lower operating costs, the management fees may be lower than some other investment vehicles. Management fees will vary between LICs with some charging a performance fee.

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

Over the long-term, an LIC price may increase as the value of its portfolio increases. Investors benefit from regular dividends that are in most cases fully franked.

Exposure to specific investment sectors

Some LICs invest in particular areas or assets, including resources and international shares.

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. Additionally as tax is paid at the company tax rate, investors may be able to receive a tax refund on the difference between the company and their own tax rates.

Buying and 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 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 (T+3)
- Should your transaction (or holding) be subject to fraud or insolvency of your ASX broker during the T+3 period, 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 manager risk and market risk. You should obtain independent advice from a professional adviser prior to making any financial decision. ASX offers a broker referral service via www.asx.com.au/findabroker

Additional information

- Consult your adviser or visit the LIC section of the ASX website at www.asx.com.au/lics for 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 2012 ASX Limited ABN 98 008 624 691. All rights reserved 2012.

www.asx.com.au

