



Zurich Investments

Invest in the success of Australian businesses

When you invest in shares you are investing in the businesses of others. You become a part-owner and share in the success or otherwise of that business.

So, it is important to ensure that you are investing in quality businesses that have profitable products or services and that pay consistent dividends to shareholders.

You can purchase shares directly through stockbrokers or online brokers, or you can benefit from the professional experience of fund managers by investing in managed funds. We've outlined some key things to know and understand about investing in shares.

Sharemarkets continue to trend upwards

We have experienced volatile markets in the past and will, no doubt, see them again in the future. One of the trends we've witnessed time and again under these conditions is a panic and run reaction, however it is important to keep in mind that often these periods of negative returns are short lived and you should not abandon your long term investment strategy. It is important to keep in mind that in the past twelve years, there have only been five occasions when Australian or international shares were not the best annual performers.

The following table shows the annual calendar year performance of each of the major asset classes for the past twelve years.

Australian and international shares have performed the strongest in six of the past ten years (%pa)

Year	Australian shares	International shares	Property	Australian fixed interest	Cash
1994	-9	-8	-6	-5	5
1995	20	26	13	19	8
1996	15	6	14	12	7
1997	12	42	20	12	6
1998	12	32	18	10	5
1999	16	17	-5	-1	5
2000	4	2	18	12	6
2001	10	-10	15	5	5
2002	-8	-27	12	9	5
2003	16	-2	9	3	5
2004	28	10	32	7	6
2005	22	17	13	6	6

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Source: Zurich Investments. Returns to 31 December each year. Asset class performance represented by following indices: Australian shares – S&P/ASX 300, International shares – MSCI World Index ex-Australia, Property – S&P/ASX LPT 300 Index, Australian fixed interest – UBSA Composite Bond All Maturities, Cash – UBSA Bank Bill Index.

Diversification within a share portfolio is important

Share prices are influenced by many things, including:

- company profits
- the competitiveness of a company's products and services
- the performance of the industry the company operates in, and
- political and social factors.

When choosing a portfolio of shares, it is important to ensure that you have a wide range of industries and companies represented, to minimise the result of any negative impacts affecting these companies.

An alternative to investing in shares directly is managed funds, which give you the opportunity to invest in a large number of companies and can provide access to smaller companies that can be difficult to research.

When you invest in managed funds you benefit from the professional expertise of fund managers and you can invest in a large number of companies giving you much broader diversification.

Australian shares provide tax benefits which increase your returns

Australian companies pay tax on their profits, and then distribute some or all of these profits to investors in the form of dividends. Investors receive a tax credit for the tax already paid by the company. This process is known as dividend imputation and you can benefit regardless of whether you invest in shares directly, or via a managed fund.

The following table shows the after-tax difference of receiving \$500 worth of dividends from an Australian share fund compared to the same amount of interest from a term deposit.

Australian shares offer additional tax benefits through dividend imputation

Initial investment	Shares \$10,000	Term deposit \$10,000
Dividend income return of 5% fully franked	\$500	–
Interest return of 5%	–	\$500
Plus imputation tax credit	\$214.29*	–
Taxable income	\$714.29	\$500
Tax payable at 46.5%**	(\$332.14)	(\$232.50)
Imputation tax credit	\$214.29	–
Tax payable	(\$117.85)	(\$232.50)
After tax income	\$382.15	\$267.50

Source: Zurich Investments.

* Tax credit on grossed-up income assuming corporate tax rate of 30%.

** Highest Marginal Tax Rate from 2006/2007 financial year includes Medicare Levy of 1.50%.

So, by investing in Australian shares, in addition to benefiting from capital growth, you can also receive a tax-effective income. If you do not need an income and choose to reinvest your dividends (which is a great way to grow the amount you have invested), you still receive the tax benefits.

How to invest in shares

You can invest in Australian shares directly, or you can invest via a managed fund, a superannuation fund or an allocated pension. The best option will depend on your circumstances and the time you have available to research and manage your portfolio.

Your financial adviser can assist you in assessing the full range of investment options as well as appropriate tax-effective strategies.

Zurich Investments offers a range of Australian share options. For more information please ask your financial adviser or call Zurich Investments on 131 551, or visit our website, www.zurich.com.au.

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DAMO-65H93W-2006 - ZU07727