Australian Government
Australian Trade Commission

Investment Management Industry in Australia.

austrade.gov.au

Trade. Invest. Prosper.

Acknowledgments

Basis Point Consulting Pty Ltd, David Chin, Managing Director

Mallesons Stephen Jaques, James Boynton, Partner

Date: June 2010

ISBN: 978-0-9807059-1-1

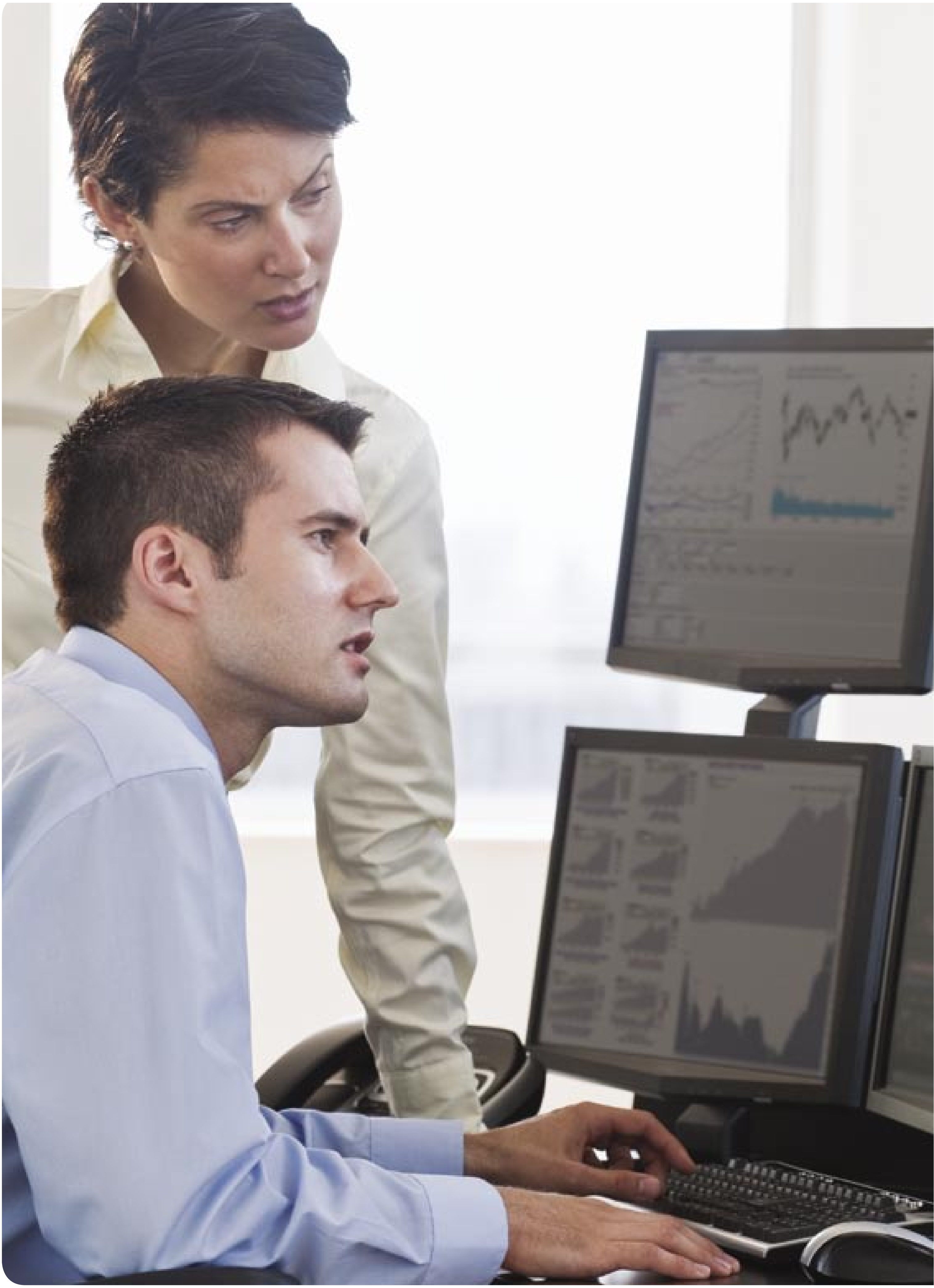
Disclaimer

This publication has been prepared as a general overview of the Investment Management Industry in Australia and does not constitute and is not intended to constitute financial product advice as defined under the Corporations Act 2001 (Cwth). Nothing in this document should be construed as a recommendation or statement of opinion intended to influence a person in making an investment decision.

The information is made available on the strict understanding that the Australian Trade Commission (Austrade) is not providing professional advice. While all care has been taken in the preparation of this publication, Austrade expressly denies liability for any loss or damage of any nature (including but not limited to any errors or omissions) arising out of or connected with reliance on the contents of this publication. Any person relying on this publication does so entirely at their own risk. Austrade strongly recommends that the reader obtain independent professional advice prior to making any investment decision.

Austrade's role in the promotion of Australian trade includes facilitating engagement by Australian financial services exporters in markets outside Australia. Austrade is not a promoter of any financial services products or investments and does not provide investment advice. Austrade assumes no responsibility however so arising for any company, product or service mentioned in this document, nor for any materials provided in relation to such products, nor for any act or omission of any business connected with such products. Investors should always make their own enquiries as to whether an investment is appropriate for their needs and should consult an independent and licensed advisor.

Contents



Executive Summary

Australia has one of the largest and fastest growing funds management sectors in the world. Its growth is underpinned by Australia's government-mandated retirement scheme (superannuation), which will increase progressively from 9 per cent to 12 per cent of salary by 2019-2020.

Further strengthening this sector is the sophistication of Australia's investor base, as well as a strong and resilient economy, a world class regulatory environment, and an innovative, multilingual skilled workforce.

The Australian Government recognises the strategic importance of financial services and has engaged in an ambitious and ongoing program of reforms designed to position Australia as a major financial services centre in the Asia-Pacific region. These include support for a range of tax reforms, the introduction of an Investment Manager Regime, and the development of an Asia Region Funds Passport.

Australia's funds management sector is well positioned to leverage these strengths and reforms to expand internationally and engage with the world's fastest growing region.

Australia's investment management/funds management industry is the largest in the Asia Pacific (ex-Japan). Its size and sophistication reflects the country's strengths in having the region's:

- largest pension fund industry, ex-Japan;
- largest stock market (ex-Japan) measured by free-float market capitalisation;
- largest markets for international debt securities;[1]
- fastest growing foreign exchange market; and
- third largest high-net-worth market after Japan and China.[2]

The Australian investment management industry also consists of:

- a hedge fund sector that is one of the largest in Asia, and which has 80 per cent of its assets deployed in global and regional markets;
- the region's largest REIT (real estate investment trust) market;
- one of the largest exchange traded investment funds market in the Asia Pacific; and
- growing Environmental, Social Governance (ESG) and Infrastructure funds sectors.

Reflecting Australia's success in developing its investment management, banking and financial markets is the nation's second place ranking (after the United Kingdom), amongst the world's leading financial systems and capital markets, in the World Economic Forum *Financial Development Report 2009*.

The growth and strength of Australia's managed funds industry has been underpinned by:

- a sophisticated investor base;
- mature and innovative financial markets;
- participation by leading global financial institutions;
- the development of innovative investment products;
- an efficient regulatory environment; and most importantly
- Australia's compulsory retirement income (superannuation) system.

1 Bank for International Settlements Statistics, *Quarterly Review*, March 2010.
2 Capgemini and Merrill Lynch *2009 World Wealth Report*, Austrade.

Internationalisation

The Australian Government is committed to working with industry to position Australia as a regional and global financial centre.

Australia's A$1.7 trillion investment fund asset pool has attracted some of the world's largest investment managers, primarily from the United States and Europe. Seventeen of the top twenty global investment managers have an established presence in Australia.[3] Of the three remaining top twenty, two have established distribution arrangements for their products into Australia.

In recent years, as the domestic market has become more sophisticated and the asset allocations of institutional and retail investors have diversified, the market has expanded into new products. This has created opportunities for managers in niche areas such as infrastructure, boutique fund managers, hedge funds, and managers from global and emerging markets .

"...we learn more from a sophisticated, demanding market like Australian then we do from many [other] markets around the world...It's very much Australia exporting ideas to the rest of the world..."

Andrew Doman, Global Chief Executive Officer, Russell Investments. (Financial Standard, 30 October 2009)

Australian-based fund managers are increasingly seeking to leverage their strong Australian base and innovative product line and workforce to expand within the region and internationally. The range of their activities extends to North America, Europe and throughout the AsiaPacific region.

Supporting these ambitions is Australia's:

- sizeable domestic economy – the fourth largest in the Asia Pacific (after Japan, China and India);
- sophisticated and diverse finance and insurance industries that generate 10.8 per cent or A$118 billion in gross real value add to the nation's GDP;[4]
- highly skilled and multilingual workforce where 1.4 million Australians speak an Asian language,[5] equivalent to around one-third of Singapore's, and one-fifth of Hong Kong's entire population; and
- advanced business and IT infrastructure, sound regulation and enviable lifestyle.

3 Based on an analysis of the P&I Watson Wyatt world's 300 largest managers, as published in Pensions and Investments, December 31 2008.
4 Austrade. Data Alert 19 January 2010, *Financial Sector – the largest contributor to Australia's economy*.
5 Austrade. *A Global Financial Services Centre Benchmark Report 2008*, Page 38.

Size and scale of Australia's Investment Management Industry

Australia's A$1.7 trillion investment management industry[6] is the largest in the region.[7]

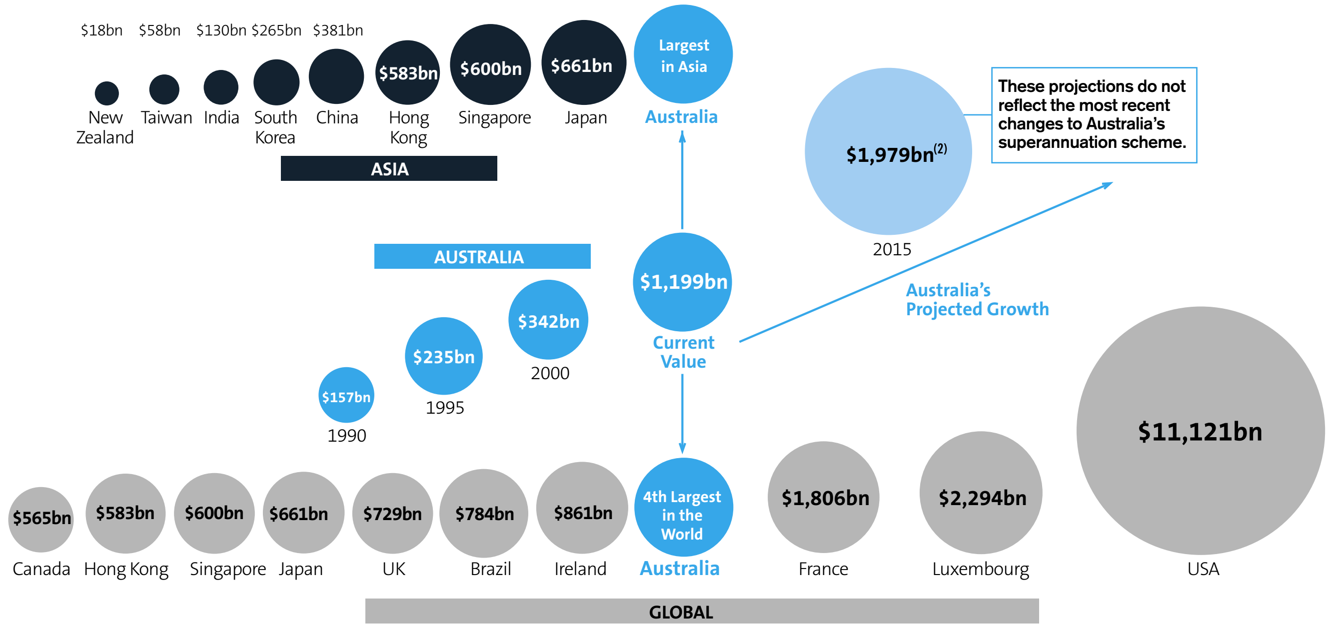
This latest figure of A$1.7 trillion represents a Compound Annual Growth rate (CAGR) of 11.9 per cent since 1994. Australia's Funds Under Management (FUM) are 20 per cent larger than the market capitalisation of the entire domestic equity market (A$1,403 billion) and represent around 135 per cent of the country's nominal GDP. Given the size and sophistication of Australia's funds management sector and related ancillary services and platforms, there is considerable scope for further development, particularly via export markets and entry or expansion of international market participants.

The chart below provides a global and regional comparison of home-domiciled funds (in US$ terms) as at December 2009.

Note that Australian figures and projection in this chart are based on a definition of managed funds that includes only collective investment institutions. Non-collective investment institutions account for approximately A$320 billion, which boosts Australia's FUM from US$1.2 trillion to US$1.5 trillion or (A$1.7 trillion).

THE GLOBAL SIGNIFICANCE OF AUSTRALIA'S INVESTMENT FUND ASSETS POOL

Investment Fund Assets[1], US$, December Quarter 2009



Note: Circles are not to scale. Data between countries is not strictly comparable.

1. Refers to home-domiciled funds, except Hong Kong, South Korea and New Zealand, which include home- and foreign-domiciled funds. Fund of funds are not included. In this statistical release 'investment fund' refers to a publicly offered, open-end fund investing in transferable securities and money market funds. It is equivalent to 'mutual fund' in the US and 'UCITS' (Undertakings for the Collective Investment of Transferable Securities) in the European Fund and Asset Management Association's statistics on the European investment fund industry.

2. Standard & Poor's Investment Consulting have assumed: A$1 = US$0.80.

Sources: Investment Company Institute, Worldwide Mutual Fund Assets and Flows, December Quarter 2009; Hong Kong's data, December 2008, sourced from Securities and Futures Commission, Fund Management Activities Survey 2008; Singapore's data sourced from the Monetary Authority of Singapore, 2008 Singapore Asset Management Industry Survey; the projected figures of Australia's investment fund assets were provided by Standard & Poor's Investment Consulting; Austrade

6 Reserve Bank of Australia, Statistical table B18, as at December 2009. Note that the most recent RBA statistics also includes other non-Collective Investment Institutions (CIIs) and funds under management sources from overseas.
7 Investment Company Institute, *Worldwide Mutual Fund Assets and Flows*, second quarter 2009. In this statistical release 'investment fund' refers to "publicly offered open-ended fund investing in transferable securities and money market funds". They compare this to "mutual funds" in the US and "UCITS" for the European investment fund industry". For Australia, the ICI survey uses the Australian Bureau of Statistics for "managed funds". The ABS definition of "Managed funds" covers funds "pooled" from "a number of investors for the purpose of investing in a particular type or mix of assets, with a view to receiving an on-going return or capital gains".
8 Australian Securities Exchange, Historical Statistics.
9 ABS cat. No. 5206.0, Time Series Workbook, *Australian National Accounts: National Income, Expenditure and Product*, Table 1, Key National Aggregates.

Industry Growth

Since the introduction of Australia's mandatory retirement income system in 1992, the investment management industry with assets under management (AUM) has grown by a compound annual growth rate of 11.9 per cent. Since 2003 the industry's AUM has nearly doubled.

AUSTRALIA'S MANAGED FUNDS – DECEMBER 1989 TO DECEMBER 2009

Source: Reserve Bank of Australia, Statistical Tables, B18 Managed Funds; Austrade

Growth Drivers

The key drivers of the growth in the managed funds sector are the nation's universal pension system; a strong insurance sector; and a growing high-net-worth and retail investor sector. All have benefited from the country's robust 3.3 per cent per annum average growth rate in real GDP from 1998 to 2009. This GDP growth has compared favourably against the USA (2.3 per cent), the UK (2.0), Hong Kong (3.2) and Singapore (4.6) over the same period.[10]

Pension funds (known locally as superannuation funds), life insurance offices, and retail investors (investing via unit trusts and cash management trusts) account for the bulk of funds flowing to investment managers (see table below).

ASSETS PLACED WITH INVESTMENT MANAGERS[1] – DECEMBER QUARTER 2009

At the end of period	Consolidated Assets A$ Billion	Placed with Investment Managers A$ Billion	Share of Assets Placed %
Superannuation Funds	846.2	481.8	57
Life Insurance Offices[2]	182.0	132.4	73
Public Unit Trusts	259.4	119.0	46
Cash Management Trusts	37.5	29.2	78
Common Funds	6.9	4.1	60
Friendly Societies	3.6	1.3	36
Other Domestic Sources[3]	305.6	317.1	104
Overseas Sources	53.5	53.5	100
Total[4]	**1,694.6**	**1,138.3**	**67**

1. Not including collective investment institutions' direct investments and assets allocated overseas.
2. Figures include superannuation funds held in the statutory funds for life insurance offices.
3. Figures, which include funds from
assets of other domestic sources due to double counting factors.
4. Total may not add up due to rounding.
Sources: Australian Bureau of Statistics, cat. no. 5655.0 Managed Funds, Australia, December 2009, Tables 1 and 8; Austrade

10 International Monetary Fund, *World Economic Outlook Database*, April 2010.

Superannuation in Australia

Superannuation is the term used in Australia to describe the setting aside of income for retirement, generally known internationally as pension or retirement products.

Australia's current 'superannuation guarantee' system was introduced in July 1992, requiring all employers to make tax-deductible superannuation contributions on behalf of their employees. The guarantee commenced with an employer contribution rate of 3 per cent of salary,[11] with increases phased-in over a ten-year period to the current minimum rate of 9 per cent.

In May 2010, the Government announced an increase in the compulsory superannutation rate from 9 per cent to 12 percent by 2020.[12]

Employers and individual employees can also make voluntary contributions to their superannuation. These contributions are subject to income tax concessions, up to certain limits.

Prior to the superannuation guarantee, most Australian's superannuation were in defined benefit funds, however today the vast majority of superannuation funds are accumulation or defined contribution. By 2005-06, 97 per cent of members were in superannuation funds that provided either accumulation benefits or a mixture of accumulation benefits and defined benefits.[13]

More information on the superannuation guarantee is available through the ATO website at www.ato.gov.au.

11 4 per cent for employers with annual payroll greater than A$1 million.
12 Detail on this change, as well as other changes to the superannuation guarantee is provided later in the document in the section on regulation and tax.
13 APRA, "A recent history of superannuation in Australia" APRA Insights Issue Two 2007.

Participants in the Investment Management Industry

Investment Managers

There are 131 investment management firms operating in Australia.[14] This number excludes the sales offices of offshore based investment management firms, and excludes the smaller hedge and boutique fund managers which are estimated to number 200 firms.[15] The top 30 investment management firms control more than 85 per cent of the industry's funds under management.

AUSTRALIAN SOURCED TOTAL FUNDS UNDER MANAGEMENT CONSOLIDATED ASSETS – DECEMBER 2009

Rank	Investment Manager	A$ Billion	Market Share %	Cumulative Market Share %
1	Commonwealth/Colonial Group	105.1	9.9	
2	Macquarie Bank Group	79.2	7.5	
3	State Street Global Advisors	78.9	7.5	
4	Vanguard Investments Ltd	72.6	6.9	
5	AMP Group	60.2	5.7	
6	BlackRock	50.4	4.8	
7	ING/ANZ Group	46.7	4.4	
8	BT Financial Group	42.4	4.0	
9	AXA Australia/AllianceBernstein	34.2	3.2	Top 10
10	PIMCO	27.9	2.6	56.5
11	Perpetual Ltd	27.6	2.6	
12	IOOF Group	23.6	2.2	
13	BNY Mellon Asset Management Aust Ltd	21.8	2.1	
14	Industry Funds Management Ltd	20.7	2.0	
15	Challenger Financial Services Group	19.4	1.8	
16	Aberdeen Asset Management Ltd	18.8	1.8	
17	BNP Paribas Asset Management (Aus) Ltd	18.4	1.7	
18	Platinum Asset Management	17.1	1.6	
19	Lazard Asset Management	16.4	1.5	Top 20
20	Dimensional Fund Advisors	15.5	1.5	75.3
21	UBS	15.0	1.4	
22	Schroder Investment Mgt Australia Ltd	14.5	1.4	
23	Goldman Sachs-JBWere Asset Management	12.1	1.1	
24	National/MLC Group[1]	11.4	1.1	
25	Tyndall Investment Management Group	11.1	1.1	
26	Suncorp	10.9	1.0	
27	GMO Australia Ltd	10.7	1.0	
28	Ausbil Dexia Ltd	10.7	1.0	
29	Australian Unity	9.8	0.9	Top 30
30	Balanced Equity Management	8.3	0.8	86.1
	Top 30	**911.4**	**86.1**	
	Other Industry Participants	**147.1**	**13.9**	
	Total	**1,058.5**	**100.0**	

1. National/MLC Group total funds under management unconsolidated assets were estimated A$79.5 billion as at December 2009.

Sources: Morningstar, InvestorSupermarket MarketWrap, Data File, Worksheet 2; Austrade

14 Estimate by IBISWorld, 17 September 2009 K7514 – *Funds Management (except Superannuation Funds) in Australia – Industry Report.*
15 Anecdotal. Estimates by a range of sources including fund incubators.

Other major Australian fund managers not in the table above include;[16]

- QIC A$65 billion (US$57.2 billion)
- Maple Brown Abbott A$12.6 billion (US$11.1 billion)[17]

Fifteen of the 30 largest investment managers in Australia have overseas origins, mainly from the US and Europe. The market share of these 15 entities accounted for around 42 per cent of the country's total consolidated fund assets in the December quarter 2009.

Of the total industry assets under management, two-thirds are sourced from wholesale (i.e., pension funds, insurance firms) investors and one-third from the retail investor market.[18]

The retail investor investment management market is dominated by large domestic institutions with 23 out of the 30 largest retail fund managers of local origin. Total unconsolidated assets of these domestic companies were almost A$390 billion, accounting for around 90 per cent of the retail market.[19]

Global Rankings

In terms of global positioning, 15 Australian investment management firms are recognised within the world's top 500 largest firms as ranked by the 2009 Pensions & Investments/Watson Wyatt global 500 survey of investment management firms.

AUSTRALIAN MANAGER GLOBAL RANKING – 31 DECEMBER 2008

Rank	Rank 2008	Rank 2007	Manager	Total Assets (US$ Million 2008)
1	122	108	Colonial First State	89,013
2	126	128	Macquarie Bank Group	85,093
3	135	137	AMP	72,478
4	152	151	NAB/MLC	57,779
5	172	157	QIC	46,665
6	237	232	Westpac/BT	26,505
7	260	301	Suncorp Metway	23,244
8	294	254	Perpetual	16,765
9	345	356	Challenger Financial	11,588
10	373	327	Perennial Investment	9,983
11	377	364	Platinum Asset Mgmt.	9,840
12	420	399	Maple-Brown Abbott	7,404
13	424	418	Insurance Australia Group	7,309
14	442	469	Lend Lease	6,489
15	487	428	Balanced Equity Mgmt.	4,688
			Total	**474,843**

Source: Pensions & Investments/Watson Wyatt global 500 survey

16 NAB/MLC does not appear due to consolidation in the list. QIC and Maple-Brown Abbott no longer participate in the Morningstar survey.
17 Sources: latest data available from individual Fund Manager's website. The US$/A$ exchange rate (A$1 = US$0.8801 @ 30 September 2009, sourced from RBA website) was used to converted to US$ values.
18 See appendix 1 Wholesale/Retail investment managers.
19 See appendix 1 Wholesale/Retail investment managers.

Boutiques and Hedge Funds

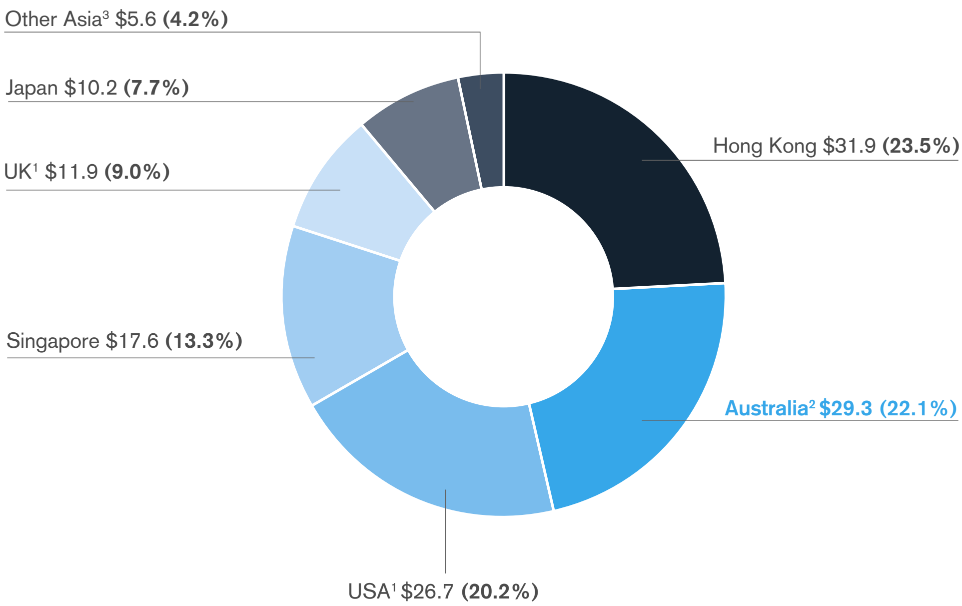
An indication of the sophistication of the Australian investment management industry is the vitality and growth of the boutique and hedge fund sectors.

Boutiques are defined as investment firms established by an individual or group of individuals. They are typically established by experienced managers who focus on a particular investment strategy or niche, and typically charge performance fees.

It is estimated that there are more than 200 boutique investment management firms in Australia.[20] There are at least 100 fund products offered in the Australia equity market alone.[21] The largest boutiques include Perennial Investment Management, Platinum Asset Management (IPO in 2008), and Maple Brown Abbot, and are increasingly regarded as large institutional investment management firms..

Hedge fund managers are either established by boutiques or by financial institutions. Hedge fund assets under management reached US$29 billion in December 2009, with Australia and Hong Kong the leading hedge fund markets in the region, ex-Japan. More than 80 per cent of Australia's hedge fund assets are deployed in markets outside the country – demonstrating the industry's international sophistication.[22]

ASIA-PACIFIC HEDGE FUND ASSETS UNDER MANAGEMENT – US$ BILLION, DECEMBER 2009



1. Deploying hedge fund strategies in Asian markets.
2. Manager assets only, excluding fund of hedge funds and Australian investor allocations to offshore managers.
3. Other countries deploying hedge fund strategies in Asian markets.

Sources: Asiahedge; Austrade

Fund Incubators

Both the boutique and hedge funds sectors are supported by incubation firms and other service providers that separate the investment activity from the sales/marketing, operational and business infrastructure aspects of an investment management manager, thereby allowing the investment team to concentrate solely on investing.

There are at least 12 incubators in the investment management industry. Most follow a model of supporting a boutique or hedge fund manager in business operations and sales/marketing, in exchange for an equity stake in the manager.

20 Anecdotal. Estimates by a range of sources including fund incubators.
21 See Appendix 3 Money Management list of top 50 Australia's large cap and top 50 Australia small cap equity funds.
22 *Alternative Investments in Australia*. The growth of the hedge funds industry has also led to a vibrant securities lending market in Australia.

AUSTRALIAN HEDGE FUND AND BOUTIQUE FUND INCUBATORS/INVESTORS

1.	Ascalon Capital Managers (owned by Westpac)
2.	Bennelong Funds Management
3.	Challenger Financial Services
4.	Colonial First State (Funding & Alliances unit)
5.	Equity Trustees
6.	Grant Samuel Funds Management
7.	Macquarie Bank
8.	Magellan Financial Group
9.	nabInvest
10.	Pengana Capital
11.	Pinnacle Investment Management (owned by Wilson HTM)
12.	Treasury Group

Source: Basis Point Consulting.

House of Boutiques/Multi-Affiliated Manager Model

A developing trend is the emergence of the multi-affiliate or 'house of boutiques' investment management model. Within this model, a large investment management institution will take a substantial equity stake in; or establish internal 'boutique' funds businesses, and provide marketing, legal and business support services. One of Australia's largest institutional investment management firms, the A$65 billion QIC, recently announced this business model. [23]

Listed Managed Investments, REITs

A sub-category of the investment management industry is the Listed Managed Investments (LMI) sector. LMIs are investment products listed on the Australian Securities Exchange (ASX) that are predominantly targeted at retail investors, and are traded like ordinary listed shares.

LMIs consists of listed property funds, known globally as real estate investment trusts (REITs), listed investment companies/trusts which pools investor funds to invest in mandated markets, exchange-traded funds and exchange-traded commodities, and absolute return funds.

LISTED MANAGED INVESTMENT (LMI) – MARCH 2010

LMI Segment	Number of Funds	Market Capitalisation A$ Billion
A-REITs	61	76.10
Listed Investment Cos & Trusts (LICs & LITs)	59	19.75
Infrastructure Funds	21	35.59
Exchange Traded Funds (ETFs)	27	3.28
Exchange Traded Commodities	5	0.60
Absolute Return Funds	13	0.65
TOTAL	**186**	**135.96**

Sources: ASX LMI Monthly Update March 2010. * A-REITs - Australian Real Estate Investment Trusts

23 QIC Press Release, 8 September 2009.

Australia is receiving growing recognition as the largest REIT market in Asia, with 61 listed funds managing a combined A$76.1 billion in assets.

GLOBAL REIT MARKET BREAK-UP

Country	%	Country	%
USA	47.4	Taiwan	0.4
Australia	12.2	Malaysia	0.3
France	11.3	Turkey	0.3
Japan	7.5	Greece	0.2
UK	6.5	Bulgaria	0.1
Netherlands	2.1	Germany	0.1
Belgium	1.4	Italy	0.1
South Africa	0.7	South Korea	0.1
New Zealand	0.5	Thailand	0.1
Total			**100**

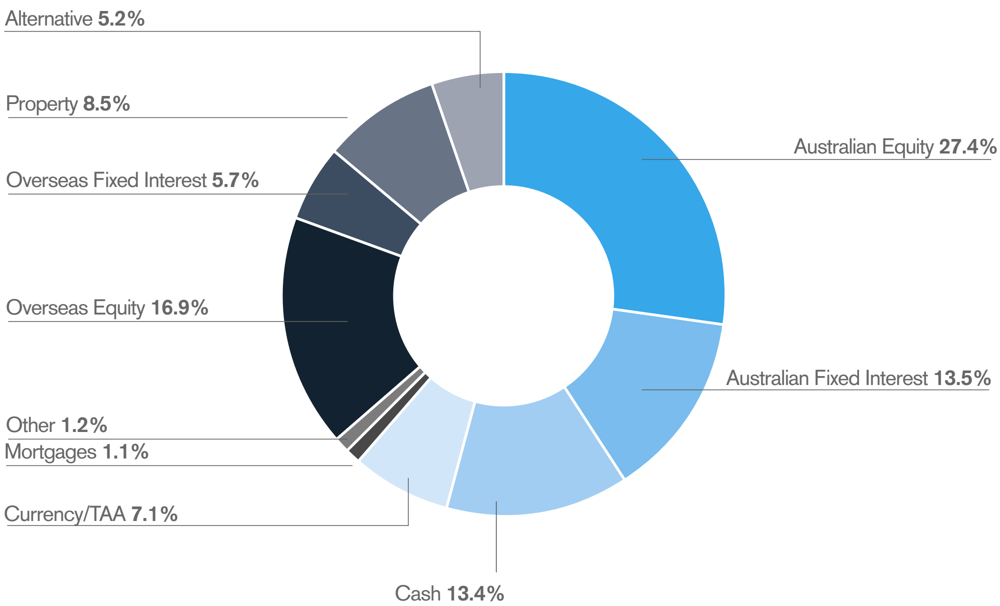
Source: European Public Real Estate Association, Global REIT Survey 2009; As at 30 June 2009

Asset Allocation

Australia's funds managers have an increasingly diverse asset allocation reflecting product innovation and the increasing sophistication of the investor base in Australia.

The chart below demonstrates that as at December quarter of 2009, Australian equities, fixed interest and cash accounted for just under 55 per cent of assets, while overseas equity and fixed interest accounted for more than 22 per cent (or A$240 billion). An indication of the sophisticated investment strategies being deployed is the 5.2 per cent allocation of funds to alternative investments and 7.1 per cent to currency/tactical assets.

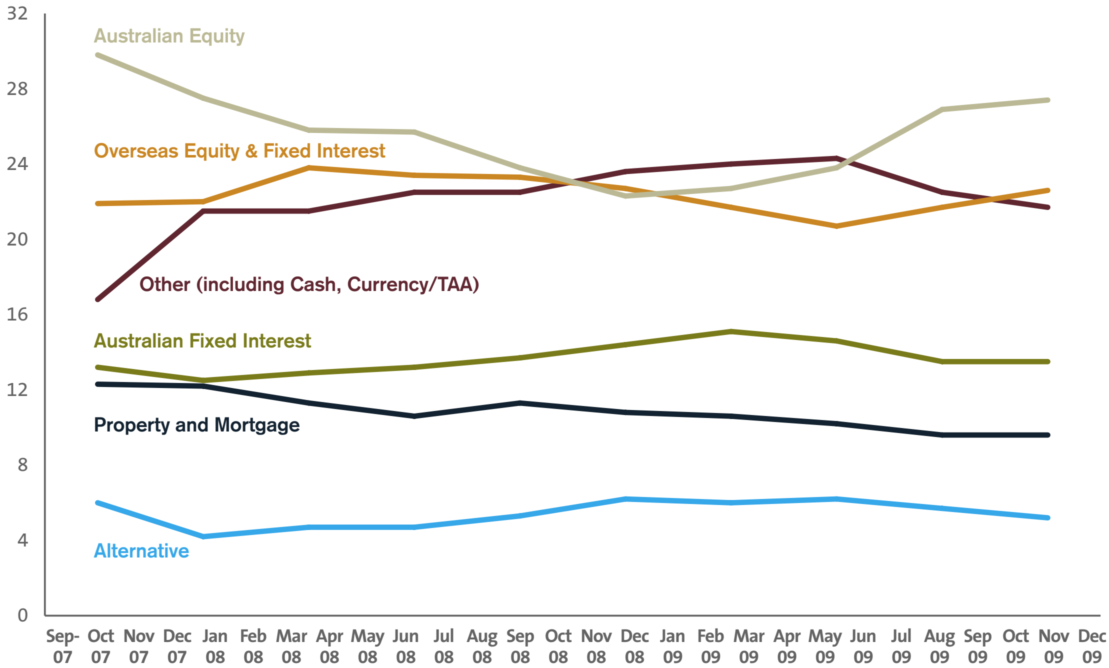
ASSET BREAKDOWN (CONSOLIDATED) OF FUND MANAGERS – 31 DECEMBER 2009



Sources: Morningstar, InvestorSupermarket Market Wrap, December 2009, Data File, Worksheet 4; Austrade

An analysis of investment manager asset allocations over the recent financial crisis shows that Australian managers maintained relatively unchanged portfolios. Alternative investments were broadly stable, having remained relatively unchanged through 2008. Similarly, overseas equity and fixed interest remained constant, although they dipped in mid-2009. Australian equities have seen the most significant downward fluctuation, which appears to be matched by increased allocations to Australian fixed interest and cash.

AUSTRALIAN INVESTMENT MANAGERS ASSET ALLOCATION – % SHARE



Source: Morningstar InvestorSupermarket, Market Wrap, December 2009, Data File, Worksheet 4; Austrade.

Products and Trends

International Investments

Allocations to global markets are significant. A total of 22.6 per cent of fund manager assets are allocated to global markets, comprising 16.9 per cent to international shares and 5.7 per cent to international fixed interest. (See chart above).

These allocations have attracted a number of offshore investment managers to establish local sales operations to capture business opportunities. Other offshore managers have used the services of locally based third party marketing firms as sales representatives.

Alternatives and Tangible Assets

Other asset categories include tangible assets and alternatives, such as hedge funds, infrastructure, real estate and private equity.[24]

This A$220 billion industry consists of the:

- A$57.6 billion hedge funds sector,[25] which is the largest in the Asia Pacific;
- A$76.1 billion Real Estate Investment Trust (REIT) sector, the largest in the world outside the USA;
- A$24.5 billion private equity and venture capital sector, which received the region's fourth largest inflows in 2008; and
- more than A$60 billion infrastructure funds industry, one of the largest in the world.

Further details are available in the Austrade report: *Alternative Investments in Australia*.[26]

Demonstrating a trend towards greater diversification in asset allocation, Australia's largest institutional investor, the A$66.2 billion Future Fund, has a 15 per cent long-term portfolio weighting given to 'Alternative Assets'.[27]

Responsible Investment (ESG) Allocations

Responsible investment is an umbrella term that describes an investment process which takes Environmental, Social and Governance (ESG) considerations into account. Globally there are now more than 500 signatories to the United Nations Principles for Responsible Investment (UN PRI), collectively managing over US$18 trillion in assets.

Australia represents the largest signatory body to the PRI, representing currently one in six signatories to the PRI on a global basis. It is estimated that more than half of all funds under management in Australia are committed to operating according to the PRI's six principles.

24 Note that different definitions of alternatives may or may not include asset classes such as infrastructure and real estate.
25 Includes hedge fund managers and funds of hedge funds managers in 2008.
26 Austrade, *Alternative Investment in Australia*.
27 FutureFund Annual Report 2008-2009, page 15. Note also that the Future Fund categories real estate, infrastructure, utilities and timber as a separate 'Tangible Assets' asset class with a 30 per cent portfolio weighting. Investments within this class can be listed or unlisted.

Investors in Investment Management Firms

Superannuation Fund Investors

Australian pension funds (referred to locally as 'superannuation' or 'super' funds) are major investors in the domestic and global capital and investment markets.

Pension fund assets totalled A$1,232 billion as at December 2009, of which 429 institutional pension funds controlled A$797 billion in assets as indicated by the table below. A further 416,000 'self managed super funds' control A$384 billion in assets. (see retail investor section for analysis)

DISTRIBUTION OF SUPERANNUATION FUNDS BY FUND TYPE – DECEMBER 2009[1]

	Assets A$ Billion	Number of Entities
By fund type		
Corporate	59.9	171
Industry	218.9	65
Public sector	172.6	39
Retail	345.7	154
Sub total	797.1	429
Pooled superannuation trusts	78.7	81
Small APRA funds	1.8	3,878
Single-member ADFs	0.0	106
Self-managed super funds[2]	384.3	416,145
Balance of life office statutory funds	48.5	
Total[3]	**1,231.8**	**420,639**

1. Asset figures for December 2009 are estimated by applying June 2009 coverage ratios and growth rates. Growth rates for 2008-09 have been applied to APRA-regulated small funds.
2. Estimated data on self-managed superannuation funds are provided by the Australian Taxation Office (ATO).
3. Total assets does not include pooled superannuation trusts.
Sources: Australian Prudential Regulation Authority, Quarterly Superannuation Performance, December 2009 (issued 11 March 2010); Austrade

Twelve Australian funds are ranked in the Pensions & Investments / Watson Wyatt 300 report with assets of almost US$200 billion. This accounts for more than one-fifth of the Asia-Pacific total ex Japan (US$932 billion).[28] The report noted that between 2003 and 2008, Australian superannuation and sovereign funds experienced the highest asset CAGR (14.4 per cent in local currency terms) of all countries in the analysis. The report also revealed that the Asia-Pacific region (with assets of US$3 trillion) is now ahead of Europe (US$2.5 trillion) while the United States remains on top with US$4.7 trillion.[29]

28 Austrade's estimate..
29 Pensions & Investments/Watson Wyatt Global 300 survey, Australian Press Release (8 August 2009). http://www.watsonwyatt.com/asia-pacific/australia/news/press.asp?ID=22241

AUSTRALIAN EQUITIES WITHIN THE TOP 300 GLOBAL PENSIONS/SOVEREIGN WEALTH FUNDS

2008 Rank	P&I Top 300	US$ Million
52	Future Fund	45,193
100	State Super	24,107
120	Australian Super	20,316
144	Qsuper	17,344
155	UniSuper	16,345
202	ARIA	12,274
205	ESSSuper	12,187
230	First State Super	10,906
251	REST	10,242
271	HESTA	9,417
272	Sunsuper	9,368
279	Construction & Building Super	8,938
	Total	**196,637**

Sources: Watson Wyatt, WW/P&I 300 Analysis, year end 2008

Australia's superannuation assets are expected to top A$2 trillion by 2014, A$3 trillion by 2019 and A$7 trillion by 2028 according to a Deloitte March 2009 report, the *Dynamics of the Australian Superannuation System: the next 20 years 2009-2028*.

Recently announced changes to the superannuation guarantee are projected to add approximately A$500 billion to this pool of superannuation savings.[30]

The nation's superannuation fund industry grew at a 14 per cent CAGR over the 10 years to 31 December 2009. This growth rate is among the fastest of 13 major pension fund industries studied.

GLOBAL PENSION ASSETS AND GROWTH RATES

	Compound Annual Growth Rate (US$ Currency) 31/Dec/1999 to 31/Dec/2009	Pension Funds Assets (USS Billion) Year-end 2009[e]
US[1]	2.6	13,196
Japan	1.8	3,152
UK[2]	2.6	1,791
Canada	6.4	1,213
Australia	13.9	996
Netherlands	9.5	990
Switzerland	6.5	583
Germany	8.1	411
Brazil	18.8	392
South Africa	10.3	201
France	9.8	178
Ireland	7.6	102
Hong Kong	14.0	85
World	**3.6**	**23,290**

1. Includes IRAs.
2. Excludes Personal and Stakeholder DC assets.
Sources: Towers Watson, 2010 Global Pension Asset Study, January 2010, pages 8 and 15; Austrade

30 Detail on these reforms is available in the Regulatory and Tax Environment section of this document.

Pension Fund Asset Allocation

The table below provides an overview of the investment strategy offered by Australian superannuation funds. The main non cash asset classes are Australia shares (29.4 percent of asset allocation), international shares (23.3 per cent), and Australian fixed interest (8.5 per cent).

ASSET ALLOCATION OF DEFAULT INVESTMENT STRATEGY – YEAR END JUNE 2008

	Corporate	Industry	Public sector	Retail	Total
	Proportion of Assets (%)				
Australian Shares	36.6	29.5	28.9	26.5	29.4
International Shares	24.0	23.5	25.1	20.0	23.3
Listed Property	3.9	2.4	3.9	3.7	3.2
Unlisted Property	3.9	10.0	6.0	4.0	7.1
Australian Fixed Interest	12.5	6.7	6.2	13.7	8.5
International Fixed Interest	6.4	5.0	8.1	4.2	5.9
Cash	5.7	5.9	9.2	18.7	9.5
Other Assets	7.0	17.0	12.6	9.3	13.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Sources: Australian Prudential Regulation Authority Statistics, Annual Superannuation Bulletin, June 2008, Table 18 (revised 10 February 2010); Austrade

Within these asset classes (as indicated in the table above) lies a wide variety of sub-categories. For example, within the Australian equities asset class, fund products on offer include Environmental, Social & Governance (ESG) funds, 120/20 funds, exchange traded funds, and infrastructure funds. An emerging trend is for long/short equity funds to be categorised within the equities asset class rather than the 'alternatives' pool.

Other Institutional Investors

Future Fund

A significant institutional investor is the Future Fund, an Australian Government fund that began investing in mid-2007. The fund had A$66.2 billion in assets as at 31 December 2009, making it one of the largest institutional investors in the region.

Insurance Offices

Life insurance offices provide superannuation and related products via their own superannuation plans and master trusts, as well as a range of services to other superannuation funds including life insurance, funds management and administrative services.

At the end of December 2009, life insurance offices were the third largest holder of managed fund assets (A$231 billion), with the majority (almost 90 per cent) of these being superannuation-based (over A$200 billion). A greater focus on the superannuation industry has led to an increase in superannuation-based business as a proportion of the total business of life insurance companies.

As at 31 December 2009 there were 32 life insurance companies operating in Australia. They managed A$242 billion in assets and received A$39.3 billion in net premium. Total industry's net profit after tax in the year ended 31 December 2009 was A$2.5 billion.[31]

The following table shows Australia's life insurance companies' premium inflows and market share trends between 2007 and 2009.

31 APRA Statistics, *Quarterly Life Insurance Performance*, December 2009 (released 25 March 2009).

TOTAL INFLOWS BY LIFE INSURANCE MARKET

A$ Millions	Year Ended Dec-09	Market Share	Year Ended Dec-08	Market Share	Year Ended Dec-07	Market Share
AMP Group	14,288.3	35.5	14,243.4	34.4	14,542.6	28.2
National Australia / MLC Group	8,471.0	21.1	8,779.8	21.2	14,241.9	27.6
ING Australia Group	6,225.9	15.5	6,600.2	16.0	9,008.0	17.5
AXA Australia Group	2,150.0	5.3	2,209.2	5.3	1,790.9	3.5
CommInsure Group	2,044.2	5.1	2,250.1	5.4	2,373.5	4.6
BT / Westpac Group	1,765.8	4.4	1,877.3	4.5	2,953.3	5.7
Suncorp Group	1,222.1	3.0	1,365.0	3.3	1,695.9	3.3
TOWER Group	1,032.8	2.6	908.8	2.2	879.9	1.7
AIA Australia	756.0	1.9	517.3	1.3	380.4	0.7
Challenger Financial Group	645.8	1.6	581.0	1.4	601.9	1.2
Macquarie Life	538.6	1.3	736.2	1.8	1,450.3	2.8
MBF Life	415.9	1.0	603.8	1.5	782.0	1.5
Zurich Group	306.0	0.8	330.4	0.8	446.4	0.9
MetLife Insurance	259.6	0.6	252.4	0.6	316.7	0.6
Hallmark Group	36.3	0.1	31.8	0.1	31.7	0.1
Allianz Australia Life	25.2	0.1	22.8	0.1	21.6	0.0
HCF Life	20.4	0.1	20.4	0.0	19.5	0.0
Cuna Mutual	15.6	0.0	14.2	0.0	14.2	0.0
IOOF Life	0.8	0.0	0.8	0.0	0.7	0.0
Combined Life	0.7	0.0	0.7	0.0	0.8	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Total	**40,221.1**	**100.0**	**41,345.7**	**100.0**	**51,552.3**	**100.0**

Note: Life Insurance Groups only refers to the Life Insurance Business of these groups and specifically excludes their non-life businesses.

Sources: Plan for Life, Media Release, Life Insurance Premium Inflows for Year Ended December 2009 (Released16 April 2010), Table 1.2; Austrade

Retail Investors

Australia has one of the world's highest percentages of individuals with direct and indirect exposures in the stock market. Approximately 6.7 million people (41 per cent of the adult Australian population) own shares, (either directly or via managed investment funds). The level of direct ownership is estimated at 36 per cent of the adult population, the same percentage as Hong Kong's population.[32]

A reflection of the size and sophistication of the retail investor market is the existence of more than 416,000 self-managed pension funds, worth a combined A$384 billion.[33]

An ASX study found that 39 per cent of these SMSFs held investments in managed funds, while 20 per cent held investments in REITs, 7 per cent in Listed Investment Companies (LICs) and 5 per cent in infrastructure funds. The same study estimated that 16 per cent of the adult population had investments in unlisted managed funds that were not part of a superannuation fund.[34]

Australian High-Net-Worth Investors

Capgemini and Merrill Lynch in its *2009 World Wealth Report* revealed that Australia has the third largest number of high-net-worth-individuals (HNWIs) in the Asia-Pacific region. Strategically, Australia offers a competitive regional location for providing wealth management services. Australia is distinguished by the strength and resilience of its economy, the size, depth and liquidity of its financial markets and the sophisticated and innovative nature of its funds management sector, underpinned by our mandatory retirement income policy.

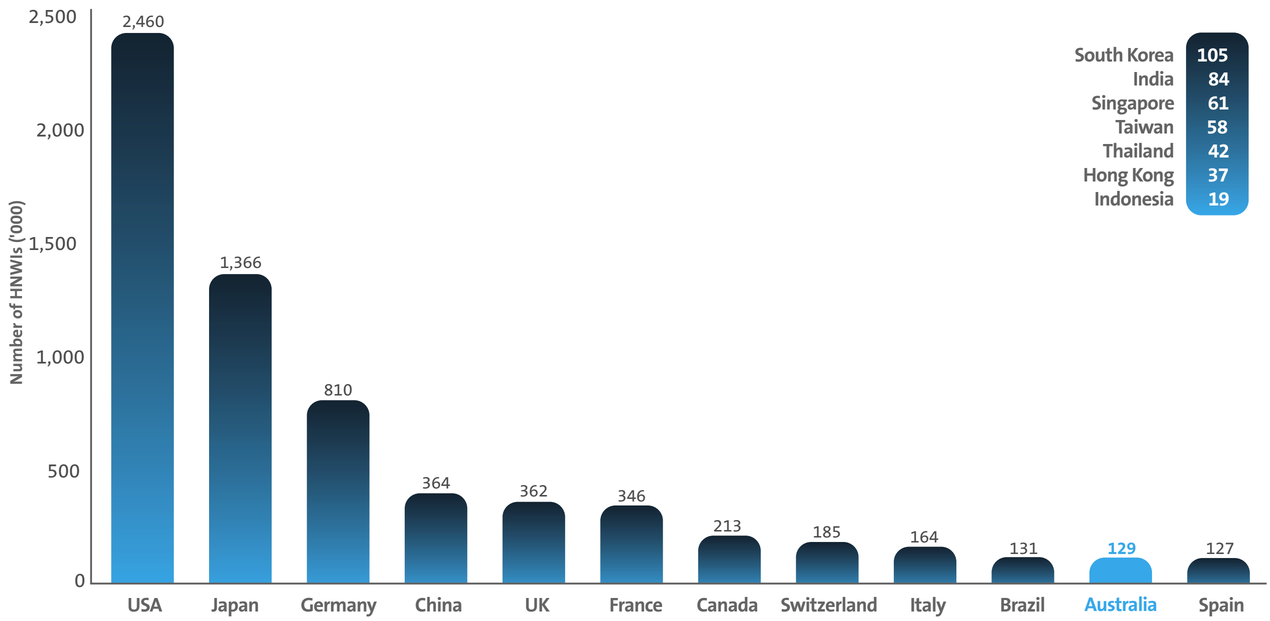
32 Australian Securities Exchange (ASX), *2008 Australian Share Ownership Study*. http://www.asx.com.au/about/pdf/2008_australian_share_ownership_study.pdf
33 See previous table in this report; *APRA 'Distribution of Superannuation Funds by Fund Type – December 2009'*.
34 Australian Securities Exchange (ASX), *2008 Australian Share Ownership Study*.

The global financial crisis has had relatively less impact on Australia's HNWI population than on that of many of our regional neighbours. The HNWI population in Australia shrank 23 per cent to 129,200, with combined financial wealth of US$380 billion. Despite our relatively small population, Australia's pool of affluent individuals (with average wealth of US$2.94 million) is bigger than those of India and Hong Kong combined, and more than one-third of the China's total HNWIs.

Another survey, undertaken by Datamonitor, highlighted that a newly emerging factor of importance in HNWI's choice of wealth managers is the financial stability of providers. Australia has generally weathered the global financial crisis better than most advanced economies. The Australian financial sector is well capitalised and Australia's four largest banks are AA rated and have recorded solid profits over the past year. The strength of Australia's regulatory framework is also recognised globally.

Datamonitor also indicated that over the next two years, the greatest demand among Australia's HNWI investors will be for direct equity investment, property trusts, deposits, savings products, and exchange-traded funds.

HIGH-NET-WORTH INDIVIDUALS BY COUNTRY[1] – 2008



1. High-Net-Worth Individual (HNWIs) are defined as those having investable assets of US$1 million or more, excluding primary residence, collectibles, and consumer durables.

Sources: Capgemini/Merrill Lynch Wealth Management, World Wealth Report 2009, Asia-Pacific Wealth Report 2009; Austrade

Distribution and marketing channels

Distribution Channels – Wholesale

Wholesale channels for new investment management entrants are typically via marketing alliances with Australian investment management managers, third-party marketers/consultants, or sales offices established in Australia. Sales and marketing is typically carried out via direct contact with institutional investors; and contact with the industry asset consultants that serve as 'gate keepers' between the investment manager and the wholesale investor.

Asset consultants include:

- Access Capital Advisers
- Cambridge Associates
- CPG Research & Advisory
- JANA Investment Advisors
- Frontier Investment Consulting
- Ibbotson Associates
- Mercer
- Quentin Ayres
- Russell Investments
- Sovereign Investment Research
- Towers Watson

Distribution Channels – Retail

Retail distribution channels are characterised by:

- deciding to conduct sales/marketing activities directly, or via a distribution alliance with an Australian investment management firm;
- deciding to target the mass market (typically minimum investments of A$1,000 by a retail client) and/or mass affluent or HNWI market (typically minimum investments of A$20,000 or A$50,000+ for HNWI);
- establishing relationships with financial planning firms and/or private banks who deal directly with the retail-end client;
- obtaining product 'ratings' from specialist fund research houses which financial planners often rely on for product assessment;
- ensuring the product is available on the dozen or so investment platforms that financial planners use for fund administration.

The major 'dealer groups' that employ financial planners are listed in the table on page 22.

TOP 50 DEALER GROUPS IN AUSTRALIA – JUNE 2009

	Dealer	Number of Advisers	Total FUA A$ Million		Dealer	Number of Advisers	Total FUA A$ Million
1	Professional Investment Services	1,444	16,676	26	AAA Financial Intelligence	158	820
2	AMP Financial Planning Pty Ltd	1,360	34,438	27	Apogee Financial Planning	158	2,146
3	Count Financial Ltd	864	10,590	28	Guardianfp Ltd t/a Guardian Financial Planning	151	N/A
4	Millennium3 Financial Services	810	6,700	29	Aon Financial Planning and Protection Ltd	150	1,450
5	Commonwealth Financial Planning	688	22,128	30	SYNCHRON	133	750
6	NAB Financial Planning	506	10,850	31	Lifespan Financial Planning	133	1,150
7	ABN AMRO Morgans Limited	487	30,500	32	Infocus Money Management	125	2,410
8	Charter Financial Planning	481	9,075	33	State Super Financial Services	120	6,934
9	MLC/Garvan FP	470	8,320	34	Shadforth Financial Group Ltd	112	7,165
10	Financial Wisdom Ltd	458	8,500	35	St George Financial Planning	146	2,544
11	Securitor	449	8,200	36	Consultum Financial Advisers	104	2,200
12	Westpac Financial Planning	407	16,438	37	Snowball Group	95	4,048
13	AXA Financial Planning Ltd	381	5,942	38	Perpetual Private Clients	91	6,813
14	Genesys Wealth Advisers	335	8,777	39	Matrix Planning Solutions Limited	89	2,400
15	ANZ Financial Planning	327	9,564	40	Macquarie Wealth Management	88	N/A
16	Wealthsure Financial Services	314	3,500	41	My Adviser	88	N/A
17	Hillross Financial Services Limited	312	9,500	42	Futuro Financial Services P/L	85	1,900
18	Lonsdale Financial Group	294	N/A	43	Total Financial Solutions Australia Pty Ltd	85	1,004
19	Australian Financial Services	222	5,500	44	Madison Financial Group P/L	76	2,300
20	Financial Services Partners	202	2,500	45	Capstone Financial Planning Pty Ltd	70	2,000
21	RetireInvest	202	7,930	46	Industry Fund Services P/L	67	2,750
22	Godfrey Pembroke Financial Consultants	182	3,677	47	Bendigo Financial Planning	62	1,010
23	Bridges Financial Services P/L	180	7,639	48	Premium Wealth Management	59	2,000
24	AFG Financial Planning P/L	173	N/A	49	Magnitude Financial Planning	58	1,818
25	WHK Group Ltd	164	7,710	50	Australian Unity Financial Planning Ltd	58	500

FUA = Funds Under Advice

N/A = Not Applicable

Source: Morningstar, ISM Market Wrap Archive, June 2009 IFA Top 100 Dealer Group Data

The main providers of fund research in the Australian market are:

- Chant West
- DEXX&R
- Lonsec
- Morningstar
- Rainmaker
- Standard & Poor's
- SuperRatings
- van Eyk
- Zenith Investment Partners

Platform Administrators

According to figures from research house Morningstar, in December 2009 A$376 billion was held by platform administrators (see table below). Like the retail managed funds sector, this area is dominated by domestic financial institutions, with the largest five players accounting for almost 70 per cent of total assets.

RETAIL FUNDS UNDER ADMINISTRATION – RETAIL PLATFORMS – DECEMBER 2009

Platform Administrator	A$ Billion	Market Share %
BT Financial Group	84.06	22.4
National/MLC Group	61.17	16.3
AMP Group	44.43	11.8
ING/ANZ Group	35.90	9.6
Commonwealth/Colonial Group	33.80	9.0
AXA Group	26.97	7.2
Macquarie Group	25.86	6.9
IOOF Group	23.46	6.2
AVIVA/Navigator Group	17.09	4.6
Mercer Investment Nominees	14.11	3.8
Perpetual Group	8.31	2.2
Suncorp	0.18	0.0
Equity Trustees	0.15	0.0
Total	**375.50**	**100.0**

Sources: Morningstar, Market Share Data, December 2009, Chapter 3c, Austrade

Other Investment Management Industry Participants

Other investment management industry participants include custodians, legal and accounting firms, PR and HR firms, and third-party marketers/consultants specialising in the investment management industry.

Custodians

Australia has a sophisticated and full service custody sector. Typical of the global model, the custodian holds assets on behalf of the investor, such as a superannuation fund or managed fund. The custodian therefore has the title to the fund assets but the powers of investment management remain with the trustees. The main benefit of a custodian is administrative efficiency. It will bring together a fund's investment portfolios, enabling a closer watch on investments. It collects income, reports on the value of assets, provides registered addresses offshore and, if the trustees of a plan are individuals, eliminates the necessity to transfer the ownership of assets to the new trustees each time there is a change. A master custodian aggregates a series of portfolios and a global custodian holds assets for clients in a number of different countries. Usually a custodian is a company (e.g. trustee company, bank or specialist custodian company).

The table below provides information on 15 of the major custodian firms operating in Australia with total assets under custody of A$1,849 billion.[35]

AUSTRALIAN INVESTOR ASSETS UNDER CUSTODY

Total Assets Under Custody for Australian Investors As at 31 December 2009 – $A1,848.48 Billion
10 % increase since 30 June 2009

Rank	Provider	Value 30 June 2009	Value 31 December 2009	% change
1	National Custodian	552.9	598.5	8%
2	JPMorgan	272.3	320.1	18%
3	BNP Paribas	198.5	229.4	16%
4	Citigroup	122.9	127.9	4%
5	State Street	147.8	124.8	-16%
6	HSBC Bank	67	93	39%
7	Northern Trust	75	81.3	8%
8	Bank of New York Mellon	65.5	72.6	11%
9	RBC Dexia	57.5	65.4	14%
10	Perpetual	51.4	52.1	1%
11	Bond St	37.5	39.9	6%
12	ANZ *	27.8	30.3	9%
13	Asteron	7.1	8.2	15%
14	Ausmaq	2.6	3.1	19%
15	Netwealth	1.5	1.88	25%
	Total	**1,687.3**	**1,848.48**	**10%**

***Note:** ANZ's custody business was acquired by JP Morgan in November 2009.

Sources: Australian Custodial Service Association, Industry Statistcs; Austrade

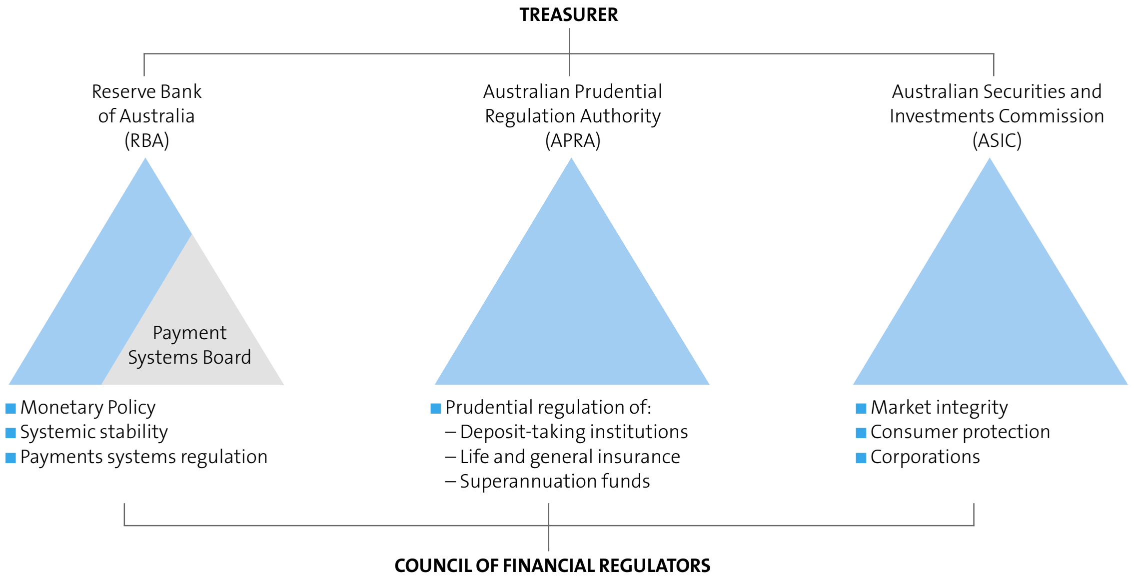
35 Note that the data reflects only those members of the Australian Custodial Service Association who responded to their survey and may not be representative of the entire industry.

Regulatory and Tax Environment

Regulatory Framework

Australia aspires to global best practice in its financial services regulatory framework. This objective was an important motivation for the significant structural changes to the regulatory arrangements enacted since 1997. These changes have cemented the reputation of Australia's financial services industry as being the most efficiently regulated in the world.

Supervision of the sector is organised along functional rather than institutional lines, with oversight effected by statutory bodies with operational independence from the government.



Note: Membership of the Council of Financial Regulators also includes the Commonwealth Treasury.
Source: KPMG 1998 Financial Institutions Performance Survey

Other regulators that directly impact the funds management industry include:

- **AUSTRAC** – the Australian Transactions Reports and Analysis Centre, responsible for administering Australia's anti-money laundering and counter-terrorism financing laws; and
- **ATO** – the Australian Tax office, responsible for administration of Australia's taxation legislation and the principal revenue collection agency.

Licensing and Registration Requirements

The primary regulation governing the managed funds industry in Australia is Chapters 5C and 7 of the *Corporations Act 2001* (Corporations Act). Supplementing the legislation and its regulations are a series of policies and guides that are released by the regulators.

The Australian Securities & Investment Commission (ASIC) is the principal regulator of fund managers in Australia and is responsible for registration of Australian managed investment schemes, the licensing of fund managers, as well as monitoring their compliance with Australia's financial services laws.

Life insurance companies, superannuation funds and banks, are also subject to specific legislation that is primarily administered by the Australian Prudential Regulation Authority (APRA).

Under the Corporations Act, any business or person operating a financial services business in Australia is required to hold an Australian financial services licence (AFSL) covering the specific financial services being provided. Subject to certain exemptions, the fund manager, distributor, custodian and possibly the investment fund vehicle, general partner or trustee may be subject to licensing requirements.

An investment fund itself may also need to be registered with ASIC if it is offered to "retail clients".

Appendix 4 provides a list of ASIC Regulatory Guides relating to Managed Investments and Licensing.

More information on the licensing and registration process and relevant obligations is available from the ASIC website at www.asic.gov.au.

It is recommended that any financial services firm seeking to operate or offer product into Australia seek legal advice to determine their licensing obligations. A representative list of financial services legal consulting firms is provided in Appendix 5.

Examples of Licensing and Registration Exemptions

Depending on the nature of the investment manager and its activities, exemptions from licensing or registration may apply. Some of the more significant exemptions are outlined below.

Generally, a fund manager that issues its product under an intermediary authorisation arrangement will not need to be licensed to issue their product to Australian investors. Under such an arrangement, the intermediary must be an AFSL holder or their authorised representative and must be authorised to arrange for the issue the particular product to the relevant Australian investor.

There are also various exemptions to the AFSL licensing requirement, particularly for foreign fund mangers seeking to provide their services in Australia. Further exemptions may be granted on an individual basis or based on class orders issued by ASIC.

The most significant form of class order exemptions applying to foreign financial services providers is where the foreign entity is already regulated in a country that is considered by ASIC to have a sufficiently equivalent regulatory regime to Australia. These exemption only cover specific financial services when they are provided to what are considered to be 'wholesale clients' and providers must lodge certain documents with ASIC for relief under the class order to apply.

In addition ASIC may negotiate mutual recognition agreements with other jurisdictions.

Most recently, in July 2008, ASIC signed a declaration of mutual recognition with the Hong Kong Securities and Futures Commission (SFC) to facilitate the sale of retail funds in each other's market. The mutual recognition is extended to authorised collective investment schemes that are regulated primarily by the SFC and managed by SFC-licensed managers, as well as ASIC-registered financial asset schemes, except hedge funds.[36]

36 ASIC, July 2008, http://www.asic.gov.au/asic/asic.nsf/byheadline/08-152+Australia+and+Hong+Kong+sign+deal+to+allow+cross-border+marketing+of+retail+funds?openDocument

Doing business in Australia: Offshore financial services companies

By Jim Boynton, Partner, Mallesons Stephen Jaques

Offshore financial services companies looking to provide services to persons in Australia need to satisfy Australia's financial services laws. This document sets out some of the key licensing implications and provides an introduction on the key concepts you will need to know.

When will a foreign entity need a licence to conduct business in Australia?

An entity that carries on a business of providing financial services in Australia must hold an Australian financial services licence (AFS licence) covering the financial services, except to the extent an exemption applies. Each foreign entity involved in providing the services needs to consider their licensing position.

Activities that can trigger a licensing requirement can include:

- issuing financial products to persons in Australia, including by distributing offer documents in Australia
- marketing to or recommending a financial product to persons in Australia
- providing market making, custodial or depository services to persons in Australia

Separate licences are also required for activities that involve operating a financial market or clearing or settlement facility.

What does it mean to carry on a financial services business in Australia?

The AFS licensing regime can apply even if activities connected to Australia are very limited, and it is not necessary to have a permanent establishment in Australia. Where retail clients are involved, a financial services business is taken to be carried on in Australia if the provider engages in conduct (including from outside Australia) that is intended to induce people in Australia to use the financial services that it provides, or is likely to have that effect. Apart from this broad provision, the position depends on the facts, and the operation of specific rules and general principles developed in case law. A person carrying on a financial services business based outside Australia but with Australian clients can run a real risk of being subject to the AFS licensing regime.

Activities which, depending on the facts, may or will result in a foreign entity carrying on a financial services business in Australia include:

- having a representative in Australia who has authority to bind the foreign entity
- conducting business trips to Australia
- developing a material client base in Australia or having retail clients in Australia
- dealing with property situated in Australia on behalf of others
- conducting a series of regular or continuous dealings in Australia
- paying or contributing to the costs of running an office in Australia or the office of an agent or representative, or
- employing staff in Australia, or paying or contributing to the salaries of staff employed by an agent or representative.

What if a foreign entity is already regulated by an overseas regulator? Is there a licence exemption available?

When a foreign entity is subject to regulation in the United States, the United Kingdom, Singapore, Hong Kong or Germany, an exemption known as the 'passporting exemption' may be available. The passporting exemption often offers one of the most cost effective forms of licence exemption for foreign entities. The exemption only covers certain specified financial services provided to 'wholesale clients'.

To qualify for the exemption, the foreign entity's primary business must be the provision of financial services, and those financial services must be provided in Australia in accordance with the laws of its home jurisdiction.

How to implement the passporting exemption

- Register or appoint local agent. Register in Australia as a foreign company or appoint a local agent for service of process.
- Deed of reliance. Give certain undertakings and notices to the Australian Securities and Investments Commission (ASIC) in the form of a deed.
- Notifications. Provide a prescribed notice to Australian wholesale clients.
- On-going compliance. Comply with the ongoing ASIC reporting and other conditions.

Are there other licensing exemptions available to a foreign entity?

There are a number of other exemptions available depending on individual circumstances. For example, there is an exemption covering the issue of financial products by appointing the holder of an AFS licence to offer to arrange the issue of financial products to clients in Australia.

More exemptions are available if financial services are provided only to 'wholesale clients'.

What are the consequences for unlicensed activities?

The potential consequences of providing services in contravention of licensing requirements can include criminal penalties (such as fines and potential imprisonment) for both the foreign entity and individuals involved in the contravention. There is also the possibility that clients might be entitled to give a notice to rescind their investment.

What other considerations does a foreign entity need to think about when carrying on a business in Australia?

There are a range of issues beyond AFS licensing that are relevant to a foreign entity doing business in Australia, they include:

- regulated offer document requirements for retail offers ('prospectuses' for securities and 'product disclosure statements' for other financial products)
- registration as a foreign company, if the foreign entity 'carries on a business in Australia'
- tax issues, particularly the tax position of investors
- anti-money laundering and counter-terrorism financing and privacy laws, and
- general prohibitions such as engaging in misleading or deceptive conduct and on using the word 'bank' in Australia.

What does a foreign entity need to do to obtain an AFS licence?

Applying for an AFS licence requires a significant commitment of time and resources. To obtain an AFS licence, it is necessary to submit an application form and supporting documentation for assessment by ASIC. In doing so, the foreign entity will need to understand which financial services it will be providing in order to select the appropriate licence authorisations, and understand and have the appropriate systems, processes, people and other resources to comply with the obligations of an AFS licensee. In particular, an applicant must nominate individuals as 'responsible managers' who meet certain education and experience requirements, and regulatory capital requirements apply.

Source: Mallesons Stephen Jaques' funds management website – www.mallesons.com/expertise/funds_management

This information is only a general outline. It is not legal advice. You should seek professional advice before taking any action based on its contents.

Taxation of Managed Funds

As in any jurisdictions, tax laws in Australia can have a significant impact on the preferred structure and competitiveness of investment management products and operations.

Australian domiciled funds are predominately structured as investment trusts. The income of an investment trust is generally taxable in the hands of the investors that are paid the income or are presently entitled to the income of the fund. Certain distributions of Australian sourced net income by Australian managed investment trusts ("MITs") to non resident investors are subject to withholding tax (at the reduced rate of 7.5 per cent from 1 July 2010, see below).

General information on tax rules is available from the Australian Taxation Office website at www.ato.gov.au.

It is recommended that investors seek tax advice when considering the structure of investment management products and operations. Appendix 5 provides a representative list of financial services legal and tax and accounting consulting firms.

Recent and Current Taxation Reforms

Withholding Tax for Managed Investment Trusts

The Government has implemented cuts to the withholding tax rate for certain distributions by MITs. Effective 1 July 2009, the withholding tax rate on "fund payments" — distributions of Australian sourced net income other than dividends, interest and royalties — to most non resident investors by Australian managed funds fell to 15 per cent. On 1 July 2010, this rate will halve to 7.5 per cent, making it one of the lowest rates in the world.

The Government is also in the process of amending the definition of a MIT for the purposes of the withholding tax rules. This legislation is designed to align the definition of MIT for withholding tax purposes more closely with the definition of MIT for the capital account election (discussed further below) and include in the definition of MIT certain wholesale managed investment schemes (MISs) and government owned MISs. These changes are expected to enable certain eligible unregistered schemes to qualify for the reduced rates of MIT withholding tax of 7.5 per cent from 1 July 2010.

This withholding tax regime only applies to income or gains with an Australian source (i.e., rental income from Australian tollway or capital gains arising from the sale of an Australian building). Capital gains on the sale of shares in Australian companies are generally not subject to any withholding tax.

New Tax System for Managed Investment Trusts

In May 2010, in response to the Board of Taxation's report on its review of the tax arrangements applying to MITs, the Government announced that it will put in place a new tax system for MITs. The proposed changes include a dedicated new tax regime for MITs that will remove longstanding investor uncertainty in the interaction between Australian tax and trust law. [37]

The key features of the new MIT tax system announced include:

- the provision of an elective "attribution" system of taxation for qualifying MITs (those with clearly defined rights) to replace the existing present entitlement system;
- establishing the ability to deal with "over or under" distributions within a five per cent cap so that trusts are not required to reissue statements and investors are not required to revisit tax returns;
- removing double taxation by allowing unit holders to make, in certain circumstances, adjustments (including upward) to the cost base of their unit holdings; and
- abolishing the corporate unit trusts rules in Division 6B of the Income Tax Assessment Act 1936, which the Board of Taxation found to be redundant, and replacing it with an arm's length rule in the public trading trust provisions in Division 6C.

The new arrangements are proposed to commence on 1 July 2011.

The Board of Taxation's report is available at www.taxboard.gov.au. The Government's response to the Board's report is outlined in Media Release No. 086 of 7 May 2010 issued by the Assistant Treasurer.

37 Media release by the Honourable Nick Sherry, Assistant Treasurer, "New Tax System for Managed Investment Trusts", 7 May 2010.

Capital Treatment Election for Managed Investment Trusts

Parliament has passed legislation implementing the Government's 2009-10 Budget measure which enables eligible Australian MITs, except trusts that are trading trusts or unit trusts taxed as companies, to make an irrevocable election to apply the capital gains tax regime as the primary code for taxing gains and losses on the disposal of certain assets, primarily shares, units and real property, with effect from the 2008-09 income year

This measure will provide investors with certainty about when they can access capital gains tax concessions on gains distributed by MITs. Resident individual and superannuation fund investors will be entitled to the CGT discount on eligible taxable gains distributed by MITs and non resident investors will be exempt from Australian tax on distributions of gains on disposal of eligible MIT assets, unless the gains relate to assets that are taxable Australian property.

If an eligible MIT does not elect capital account treatment, then gains and losses on disposal of shares and units will be treated on revenue account.

The changes also clarify that distributions on 'carried interest' units in a MIT, and disposals of such units, are treated on revenue account.

Reform of the Anti-Deferral (Attribution) Regime

In May 2009, the Government committed to reform Australia's foreign income anti-tax deferral (attribution) regime and has announced that it will:

- modernise the controlled foreign company ("CFC") provisions and rewrite them into the *Income Tax Assessment Act 1997*; and
- repeal and replace the foreign investment fund ("FIF") provisions with a specific narrowly defined anti avoidance rule.

The repeal of the deemed present entitlement ("DPE") rules and modernisation of the transferor trust rules was also announced as part of these reforms.

The repeal of the FIF regime will remove adverse Australian tax consequences for Australian investors investing in foreign funds and should make the offering of foreign funds more attractive. It is critical that the anti-avoidance rule (once enacted and which is intended to apply from the time the FIF rules are repealed) provides investors with the necessary level of certainty regarding the operation of the provisions if the changes are to be effective.

Part of the reforms will also modernise the CFC rules. In broad terms, the CFC rules are applicable to foreign companies that are directly or indirectly "controlled" by Australian residents or their associates, and generally apply to those Australian resident investors who invest 10 per cent or more in those funds. The rewrite is proposing to limit the scope of the control tests that are the gateway to the application of the CFC rules, and to significantly simplify the application of the rules which are currently highly complex. A consultation paper has been released by the Government for these purposes.

The Government has introduced legislation that will repeal the FIF and DPE rules from the 2010-11 income year. Other reforms that modernise the CFC and transferor trust rules and introduce the anti-avoidance rule will be introduced into the Parliament as soon as practicable.

The Board of Taxation's report on its review of the foreign source income anti-tax-deferral regimes can be obtained from the website at www.taxboard.gov.au/content/anti_tax_deferral.asp

The GST Margin Scheme and Financial Supplies

The Treasury has undertaken reviews of the GST margin scheme and the application of the GST to financial supplies. These reviews were designed to simplify the operation of the legislation and cut both compliance and administrative costs while retaining existing policy intent.

As part of its 2010-2011 Budget statement, the Government responded to the Treasury review on the operation of the GST margin scheme and announced that it will restructure the scheme provisions so as to clarify and simplify the provisions.

At the same time, the Government announced that it will maintain the current architecture of the financial supply provisions but will make several changes to clarify the operation of the legislation and reduce compliance and administration costs.

These new measures are to take effect from 1 July 2012.

Future Direction and Major Reviews Relevant to Funds Management

Changes to the Superannuation Guarantee

As part of its response to the Future Tax System Review, the Government also announced changes to Australia's compulsory superannuation scheme, including:

- an increase in the required rate of Superannuation Guarantee (SG) contributions from 9 per cent to 12 per cent – commencing with a 0.25 increase in 2013-14 and 2014-15, followed by 0.5 increments until the SG reaches 12 per cent by 2019-20;
- a new low income earners Government contribution. The Government will provide a contribution of up to $500 annually into the superannuation account of workers on adjusted taxable incomes of up to $37,000. This is broadly designed to refund the 15 per cent contributions tax on SG contributions – the first payment will be made in 2013-14 on the basis of contributions made in 2012-13;
- concessional superannuation contribution caps for those nearing retirement – from 1 July 2012. Workers aged 50 and over with superannuation balances below A$500,000 will be able to make up to A$50,000 in annual concessional superannuation contributions (the limit was legislated to reduce to A$25,000 from that date); and
- raising the Superannuation Guarantee age limit from 70 to 75 – from 1 July 2013.[38]

In aggregate, the measures are projected to add around A$500 billion to the existing pool of superannuation savings, and contribute to further increasing national savings by around 0.4 per cent of GDP by 2035[39]

Further information on these reforms is available at www.futuretax.gov.au.

Australian Financial Centre Forum

In September 2008, the Government announced the formation of the Australian Financial Centre Forum (AFCF), to take a whole of government approach in examining policy settings affecting the international competitiveness of the industry and identifying practical strategies to position Australia as a leading regional financial centre.

The AFCF's report – *Australia as a Financial Centre: Building on our Strengths* (also known as the Johnson report) — was released in January 2010. The Johnson report contained a total of 19 tax and regulatory recommendations, including: the introduction of an investment manager regime; an Asian regional passport for funds management based on bilateral and multilateral mutual recognition agreements between regulators in the region; a regulatory online gateway; and greater ministerial participation in financial services trade missions[40]

The Government responded to the recommendations in the Johnson report as part of its 2010-2011 Budget Statement released on 11 May 2010.[41]

For more information on the AFCF review see www.treasury.gov.au/afcf.

Appendix 6 provides an overview of the AFCF recommendations along with the Government's response.

Outlined below are some of the key recommendations of the report that relate to funds management.

Investment Manager Regime (Recommendation 3.1)

The Johnson report recommended the introduction of an Investment Manager Regime (IMR) to address uncertainty regarding the tax treatment of offshore transactions undertaken through Australia. A number of other jurisdictions, including Hong Kong, Singapore, the United Kingdom and the United States have developed IMRs or other legislative rules to provide increased certainty for cross border investors.

The AFCF recommended that the IMR should have wide application to both retail and wholesale funds and to other areas of financial services beyond funds management, but should be confined to entities operating within the financial sector.

38 Joint Media Release – Treasurer The Hon Wayne Swan MP and Minister for Superannuation The Hon Chris Bowen MP, STRONGER FAIRER SIMPLER – Superannuation banking the benefits of the boom, 2 May 2010.

39 Australian Government Fact Sheet: Superannuation — increasing the superannuation guarantee rate to 12 per cent, 2 May 2010, http://www.futuretax.gov.au/documents/attachments/6_Fact_Sheet_SG%20_rate_increase.pdf

40 Australia as a Financial Centre, Building on our Strengths, Report by the Australian Financial Centre Forum, November 2009.

41 Joint Media release of The Hon Chris Bowen, and Senator the Hon Nick Sherry, "Government Responds to Australia as a Financial Services Centre Report," 11 May 2010.

Under the IMR:

- for non resident investors using an independent resident investment advisory, fund manager, broker, exchange or agent:
  - investments in all foreign assets would be exempt from any tax liabilities in Australia; and
  - investments in Australian assets would for tax purposes be treated the same as if the investments were made directly by the non-resident without the use of any Australian intermediary.
- for non resident investors using an independent intermediary acting at arm's length:
  - investments in all foreign assets would be exempt from any tax liabilities in Australia; and
  - investments in Australian assets would be treated as they are currently, subject to an agreed de minimis exemption to cater for global investment strategies that may include a nominal portion of Australian assets. Any Australian assets under this de minimis exemption would for tax purposes be treated the same as if the investments were made directly by the non-resident without the use of any Australian intermediary. [42]

The Government has announced in principle support for an IMR and indicated that it will ask the Board of Taxation to consider the design issues relating to an IMR as part of a broader review of collective investment vehicles (which relates to Recommendation 3.3 of the Johnson Report, discussed below).

As the treatment of conduit income (income earned by non residents from offshore investments facilitated by or through Australia) is a significant aspect of the IMR, the Government also issued, on 11 May 2010, a Discussion Paper on the treatment of conduit income of managed funds. This paper also relates to Recommendation 35 of the independent Australia's Future Tax System review (discussed below). Outcomes from this consultation process will inform the Board of Taxation's consideration of the design of an IMR.

Tax Treatment of Collective Investment Schemes (Recommendation 3.3)

Another key recommendation of the AFCF relates to the tax treatment of collective investment schemes. The Johnson report recommended that the Treasurer request the Board of Taxation to review the scope for providing a broader range of tax flow-through collective investment vehicles. In its report the AFCF observes that 'Australia's tax law in effect limits the range of commercial vehicles that can be used to manage funds to that of a unit trust, because only unit trusts provide tax flow-through and only unit trusts typically meet investor protection and commercial needs'.

The Government has indicated support for this recommendation and will ask the Board of Taxation to review the tax treatment of collective investment vehicles, "having regard to the MIT tax framework and including whether a broader range of tax flow-through vehicles should be permitted." [43] As part of this review, the Board of Taxation will also be asked to examine the treatment of Venture Capital Limited Partnership Vehicles.

Regional Funds Passport (Recommendation 4.3)

The AFCF, in recognising the importance of improving market access, also recommended the development of an Asia Region Funds Passport, involving a two stage process, whereby:

- Stage one would involve ASIC negotiating bilateral mutual recognition agreements with key jurisdictions in the region; and
- Stage two would involve a multilateral Passport regime, based on bilateral agreements in place.[44]

The Government has indicated support for this recommendation and will establish a Working party under a newly established Financial Centre Task Force to progress the recommendations. In its response, the Government recognised action that ASIC is already taking in negotiating bilateral mutual recognition arrangements, including those already in place with New Zealand, Hong Kong and the United States.

42 Australian Financial Centre Forum, "*Australia as a Financial Centre: Building on our Strengths*", November 2009, pages 59-60.
43 Joint Media release of The Hon Chris Bowen, and Senator the Hon Nick Sherry, *"Government Responds to Australia as a Financial Services Centre Report*," 11 May 2010.
44 Australian Financial Centre Forum, "*Australia as a Financial Centre: Building on our Strengths*", November 2009, page 87.

Australia's Future Tax System Review

In May 2008, the Government announced a comprehensive review of Australia's tax and transfer system.

The review examined Australian and State government taxes, and interactions with the transfer system in order to make recommendations to position Australia to deal with the demographic, social, economic and environmental challenges that lie ahead.

The review was led by Treasury Secretary, Dr. Ken Henry, and provided many opportunities for people to make a submission. It also engaged the community through public meetings, focus groups and meetings with representative business and community groups.

The final report and the Government's initial response was released in May 2010.

The Review made the following recommendations of significance to managed funds:

- the taxation arrangements applying to Australian managed funds and related services should be improved to provide greater certainty that conduit income (income earned by non residents from offshore investments facilitated by or through Australia) will not be subject to Australian tax (Recommendation 35); and
- the current trust tax rules should be updated and rewritten to reduce complexity and uncertainty around their application (Recommendation 36).

The Government has responded by incorporating these recommendations into existing initiatives discussed above. Recommendation 35 (relating to the conduit income of managed funds) will be addressed as part of the design of an IMR, and recommendation 36 is to be addressed within the new tax system for MITs.

The final report and information about the review can be found at www.taxreview.treasury.gov.au. The Government's response can be found at www.futuretax.gov.au.

Super System Review

In May 2009, the government announced the 'Super System Review', charged with 'examining and analysing the governance, efficiency, structure and operation of Australia's superannuation system'. The review is expected to deliver its final report to the Government in June 2010.

The review has taken three phases: (i) governance; (ii) operation and efficiency; and (iii) structure. Each phase has involved the release of an issue paper and of preliminary recommendations following each phase. Given the importance of superannuation as a source of funds under management, many of these recommendations may have an impact on the funds management industry.

For further information on the super system review see www.supersystemreview.gov.au.

Internationalisation of Australia's Funds Management Industry

The Australian government is committed to promoting and positioning Australia as a regional and global financial centre.[45] Further internationalisation of the country's funds management sector is at the core of this commitment.

"Australia's expertise in funds management, risk analysis and asset markets is the envy of other countries. Australians with this financial know-how are sought across the world ... This expertise has also created the opportunity for Australia to become a major financial services hub in the Asia-Pacific region and in global markets. The Government believes that there is tremendous potential for increasing our export of financial services."[46]

Prime Minister Kevin Rudd, May 2010

International Fund Managers in Australia

"The Australian investment management market is cosmopolitan, highly influenced by overseas practices and very open to the new ideas overseas managers present. Indeed this is why the Australian investment management market is often described as one of the most open and hotly contested FUM (funds under management) markets in the world."[47]

Rainmaker Information Pty Ltd, June 2008

Australia's A$1.7 trillion investment fund asset pool is the largest in the region and the fourth largest globally. This pool of funds available for management has attracted some of the world's largest investment managers, primarily from the United States and Europe, including Aberdeen, Allianz, AXA, Blackrock, BNP Paribas, BNY Mellon, Amundi Asset Management, Fidelity, Invesco, Pimco, Schroders, State Street and Vanguard.

Seventeen of the top twenty global investment managers have an established presence in Australia.[48] Of the three remaining top twenty, two have established distribution arrangements for their products into Australia.

Amundi Asset Management (formerly Credit Agricole Asset Management Group)

Amundi Asset Management was formed at the end of January 2009 when major French banking groups Credit Agricole SA and Societe Generale merged their asset management businesses. The company is owned 75 per cent by Credit Agricole SA and 25 per cent by Societe Generale. With around €670 billion in assets under management, Amundi is one of the world market leaders in asset management. Amundi, as Credit Agricole Asset Management, opened a regional sales office in Sydney in January 2007.

"We found that the Australian financial services market is quite sophisticated," said Sydney-based Amundi Australia Limited CEO, Richard Borysiewicz. "People here understand complex financial products – how they work, what they can do, and how they fit within a portfolio."

Mr Borysiewicz said that back in 2007 Amundi had identified Australia as one of three strategic markets globally. "The other two are the United States and China. Although these two are giants, Australia, with only just over 20 million people, has one of the largest pension markets in the world in terms of assets, so just the sheer size of the market was attractive to us."

"We have seen positive growth since we started in Australia; 2009 was very strong for us where we grew our assets under management by 61 per cent. We will continue to focus on the institutional and multi-manager sectors with a recently launched effort towards IFA's via Platforms through high quality, innovative products." He added: "the outstanding local support we have received has been a big help."

45 Details on action that the Australian government is taking to address tax and policy impediments to the further internationalisation of the sector are provided in the regulation section of this report.
46 "Building stronger, fairer and simpler superannuation for Australians", remarks given at Investment and Financial Services Association Breakfast, Sydney, 4 May 2010.
47 Rainmaker Information Pty Ltd, "Australia's funds management global footprint: a stocktake of overseas sourced funds under management", June 2008.
48 Based on an analysis of the P&I Watson Wyatt world's 300 largest managers, as published in Pensions and Investments, December 31 2008.

Boutique and Hedge Funds

In recent years, as the domestic market has become more sophisticated and asset allocations of both institutional and retail investors have diversified, the market has seen opportunities for new products and managers, particularly in niche areas such as infrastructure, boutique and hedge funds, and global and emerging markets.

Martin Currie Investment Management – A Scottish Boutique fund Manager

Martin Currie Investment Management, the independent Edinburgh-based specialist equity boutique, has set up business in Australia. Andy Sowerby, Martin Currie's Managing Director for Sales, Marketing and Client Services, first identified Australia for expansion in 2006.

"The Australian market is strategically very important for us," he says. "The opportunity for Martin Currie is there because of the market dynamics – the high level of investor sophistication and a strong equity culture." He believes that the demand for international investing from Australia will continue to grow, both because of capacity issues in the domestic market and because of an ongoing need to diversify.

Martin Currie opened in Melbourne in mid-2008 and Kimon Kouryialas was appointed as Country Head for the Australian operation.

Mr Kouryialas explains that Australia was chosen for investment by Martin Currie because it has a sophisticated investment market, dominant equity culture and the ease of common traditions and language.

"Most importantly," he observes, "Australia has the highest per capita savings globally with one of the largest and most developed savings markets in the world. This is because Australia is one of the few countries in the world with compulsory savings in the form of superannuation."

Martin Currie's office in Melbourne is being used as a base to manage and support expansion into Asia. "We recognise that this will be one of the major growth areas of the world," Mr Kouryialas says. "Our expansion strategy is to look at markets where we see long term demand for our capabilities and put sales and client services people on the ground in those markets."

"We opened an office in Singapore in October 2009 and an office in Switzerland in January 2010. These new offices will complement our client service and sales teams in London, New York – and, of course, Melbourne."

ASK Investment Managers

ASK Investment Managers, one of India's leading discretionary private money management firms, first set its sights on Australia in 2006-7. It has recently formed a partnership with Melbourne-based financial advisory practice AFM Advisors, through which it will seek out Australian institutional investors keen to invest in the burgeoning Indian equity market.

ASK's Vice President of International Business, Sophia Monteiro (Dpenha), explained that ASK invests exclusively in listed Indian equities, with a focus on long-term wealth creation. The firm is currently managing around US$400 million in assets, with the majority – 57 per cent – sourced from overseas. Its parent company, ASK Group, manages a shade over US$1 billion in the areas of equities, real estate and wealth advisory.

According to Sophia, a key factor behind ASK's decision to invest in Australia was the size and potential of Australia's funds management sector. She added that the sophistication of Australia's financial markets also made it a desirable destination. "Australia has a very sophisticated and well regulated market, which provides an opportunity for investment firms like us to present investment options within the framework provided," she said. "Given the size of the Australian investment market, we believe there is a lot to gain for investment firms if the right investment opportunity is provided, and being well regulated guides the fund managers to be prudent in presenting the investment case to investors."

Sophia believes that ASK can assist Australian investors access valuable, untapped, investment opportunities in the Indian equities market. "Typically people looking for exposure to India do so through the MSCI Emerging Markets Index or global emerging market funds, which includes only a limited number of Indian stocks (around 7 to 8 per cent of the total) whereas there are actually 6000-plus companies listed on the Indian exchange," she said. "India's growth phase is at its very early stage and ... given its size, capability and the wide spectrum of businesses to choose from, we believe India presents a very exciting investment story."

International Expansion of Australian Fund Managers

Australian-based fund managers are increasingly seeking to leverage their strong Australian base and innovative product line and workforce to expand within the region and internationally.

Such expansion ranges from straight services exports from Australia to complex outwards investment strategies, such as opening an office/subsidiary in foreign market, acquiring a foreign operation, setting up a joint venture with foreign partner to provide services into foreign market, or investment in a distribution platform in a foreign market.

Some examples of funds management service exports would include:

- The sale of wealth management products to offshore entities;
- Winning mandates to manage funds from offshore;
- An Australian fund manager distributing an offshore fund manager's product on its platform (for a fee); and
- Custodial or other services provided to support offshore activities either of the company or for another company.

Most data on funds management exports focuses on funds under management sources from overseas clients. Estimates of the value of such funds in Australia vary widely, but it is generally accepted that there is significant scope for further international expansion of Australian fund managers.

A recent survey showed that approximately one-third of investment managers operating in Australia source funds under management from overseas clients. However, the five largest managers of overseas assets accounted for 75 per cent of this market. Leading managers of overseas funds under management include Colonial, Macquarie, MLC, AMP, Vanguard, UBS, State Street, Platinum and Aberdeen.[49]

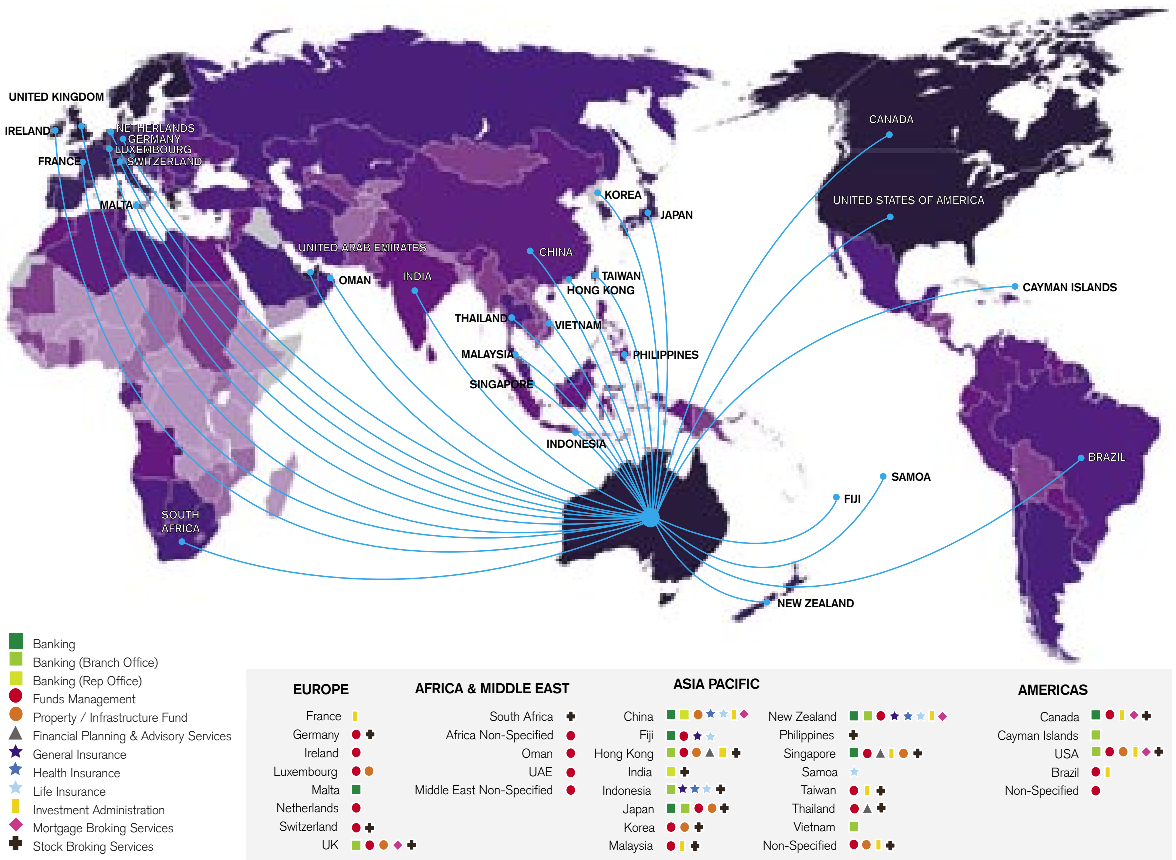
LARGEST INVESTMENT MANAGERS WITH OVERSEAS SOURCED FUM (AS AT JUNE 2008)

Rank	Manager	FUM A$Billion	Market Share (%)	Origin
1	Colonial First State Global Asset Management	43.3	26.8	Australia
2	Macquarie Banking Group	26.1	16.2	Australia
3	MLC Investment Management	23.9	14.8	Australia
4	AMP Capital Investors	15.5	9.6	Australia
5	Vanguard Investments Australia Limited	11.7	7.2	US
6	UBS Global Asset Management (Australia) Ltd	3.7	2.3	Switzerland
7	ING Real Estate Investment Management (Aust) Limited	3.7	2.3	Netherlands
8	State Street Global Advisors Australia	3.4	2.1	US
9	Platinum Asset Management Limited	3.1	1.9	Australia
10	Aberdeen Asset Management	2.3	1.4	UK
11	Portfolio Partners Limited	2.2	1.4	Australia
12	Credit Suisse Asset Management (Australia) Limited	2.2	1.4	Switzerland
13	PIMCO Australia Pty Ltd	2.0	1.3	US
14	Barclays Global Investors Australia Ltd	2.0	1.2	UK
15	Deutsche Asset Management (Australia) Limited	1.9	1.2	Germany
16	Maple-Brown Abbott Limited	1.9	1.2	Australia
17	Ausbil Dexia Limited	1.6	1.0	Australia
18	Balanced Equity management Pty Limited	1.4	0.8	Australia
19	Fidelity Investments Australia Limited	1.1	0.7	US
20	GPT Group	1.0	0.6	Australia
	The rest	8	5	
	Total Aust Sources FUM (unconsolidated)	**161**	**100**	

Source: IFSA/Rainmaker Information Pty ltd, Australia's Funds Management Global Footprint: a stocktake of overseas sourced funds under management, June 2008

49 IFSA/Rainmaker Information Pty Ltd, *"Australia's funds management global footprint: a stocktake of overseas sourced funds under management"*, June 2008.

AUSTRALIA'S FINANCIAL SERVICES INDUSTRY: GLOBAL FOOTPRINT 2009



Source: Based on survey responses from a sample of Investment and Financial Services Association members

The range of Australian Fund Managers activities extends to North America, Europe and throughout the Asia-Pacific region. The types of clients include primarily institutional investors such as pension funds, mutual funds and sovereign wealth funds.

AMP Capital Investors

With more than 45 years' experience investing in the Asia Pacific, AMP Capital Investors – a subsidiary of Australia's AMP – is one of the region's leading specialist investment managers, with A$96 billion in funds under management and more than 200 investment specialists located throughout its network of offices spanning Australia, New Zealand, China, Hong Kong India, Japan, Singapore, Luxembourg and the UK.

AMP Capital has broad expertise, with specialists operating in the disciplines of direct and listed infrastructure, direct and listed real estate, fixed income, equities, sustainable investments, as well as multi-manager and diversified funds.

AMP Capital's Chief Executive – International, Anthony Fasso, believes that a key factors behind AMP Capital's success internationally has been its long-term commitment to its selected international markets. More broadly, Fasso believes that the expertise and experience of Australian fund managers are highly regarded internationally. This is particularly the case in the area of infrastructure investment, where Australia is considered the world leader.

"The infrastructure asset management sector was really invented in Australia in the early 80s. So that has been a real success, and AMP Capital was the first infrastructure manager in Australia – and so by definition the world," he said.

He explained that while infrastructure is still considered internationally to be an emerging asset class, Australian investment managers already have 15 to 20 years experience in the field, giving them a distinct competitive advantage.

"We understand the space, and all the issues surrounding infrastructure investing – the regulatory models, the pricing models, the legal issues, the political risk and the government risk associated with these infrastructure projects – whether it's a national project, a state-based project or a PPP," he explained.

Fasso believes other factors behind Australia's expertise in the funds management field include its relatively small stock market (which has encouraged international investment for diversification) and the large and growing pool of superannuation funds. "Australia punches well above its weight compared with other countries in terms of sophistication, the size of assets, the asset classes we invest in – the total 360 degree view of asset management," he said.

Appendix 1

RETAIL AND WHOLESALE FUNDS UNDER MANAGEMENT (UNCONSOLIDATED) ASSETS – AS AT 31 DECEMBER 2009

	Wholesale Investment Manager	Australian Sourced A$ Billion	Market Share %	Cumulative Market Share %
1	Macquarie Bank Group	87.5	9.2	
2	State Street Global Advisors	78.9	8.3	
3	Vanguard Investments Ltd	71.4	7.5	
4	Commonwealth/Colonial Group	64.4	6.8	
5	BlackRock	49.2	5.2	
6	AMP Group	41.2	4.4	
7	AXA Australia/AllianceBernstein	28.7	3.0	
8	PIMCO	27.9	2.9	
9	National/MLC Group	26.8	2.8	Top 10
10	IOOF Group	26.4	2.8	53.1
11	BT Financial Group	25.7	2.7	
12	ING/ANZ Group	21.8	2.3	
13	BNY Mellon Asset Management Aust Ltd	21.8	2.3	
14	Perpetual Ltd	21.5	2.3	
15	Industry Funds Management Ltd	20.7	2.2	
16	Aberdeen Asset Management Ltd	18.7	2.0	
17	BNP Paribas Asset Management (Aus) Ltd	18.4	1.9	
18	Lazard Asset Management	16.4	1.7	
19	Dimensional Fund Advisors	15.5	1.6	Top 20
20	Funds SA	14.7	1.5	73.7
21	Schroder Investment Mgt Australia Ltd	14.5	1.5	
22	UBS	13.7	1.4	
23	Ausbil Dexia Ltd	11.1	1.2	
24	Goldman Sachs-JBWere Asset Management	10.8	1.1	
25	GMO Australia Ltd	10.7	1.1	
26	Tyndall Investment Management Group	9.7	1.0	
27	Deutsche Asset Management Australia Ltd	8.3	0.9	
28	Balanced Equity Management	8.3	0.9	
29	Wellington International Management Co	7.9	0.8	Top 30
30	Challenger Financial Services Group	7.8	0.8	84.6
	Top 30	**800.2**	**84.6**	
	Other Managers	**145.6**	**15.4**	
	Total Assets (Wholesale)	**945.7**	**100.0**	

	Retail Investment Manager	Australian Sourced A$ Billion	Market Share %	Cumulative Market Share %
1	BT Financial Group	92.7	21.1	
2	Commonwealth/Colonial Group	71.0	16.2	
3	National/MLC Group	52.7	12.0	
4	AMP Group	51.8	11.8	
5	ING/ANZ Group	39.3	9.0	
6	AXA Australia/AllianceBernstein	30.3	6.9	
7	Macquarie Bank Group	18.6	4.2	
8	Platinum Asset Management	13.4	3.1	
9	Challenger Financial Services Group	13.3	3.0	Top 10
10	Perpetual Ltd	6.8	1.5	88.8
11	Suncorp Investment Management Ltd	4.5	1.0	
12	Aviva/Navigator	4.5	1.0	
13	IOOF Group	4.1	0.9	
14	Australian Unity	3.1	0.7	
15	Zurich Australia	2.3	0.5	
16	Aviva Investors Ltd	2.0	0.5	
17	DDH Graham Ltd	1.8	0.4	
18	Goldman Sachs-JBWere Asset Management	1.8	0.4	
19	Clearview Retirement Solutions	1.7	0.4	Top 20
20	Hunter Hall Investment Management Ltd	1.7	0.4	95.1
21	Tyndall Investment Management Group	1.4	0.3	
22	Becton Investment Management Ltd	1.4	0.3	
23	Lifeplan Financial Group	1.4	0.3	
24	UBS	1.3	0.3	
25	Sandhurst Trustees Ltd	1.3	0.3	
26	Vanguard Investments Ltd	1.2	0.3	
27	BlackRock	1.2	0.3	
28	PM Capital Ltd	1.1	0.2	
29	Trust Company of Australia Ltd	1.0	0.2	Top 30
30	Equity Trustees Ltd	0.8	0.2	97.9
	Top 30	**429.7**	**97.9**	
	Other Managers	**9.3**	**2.1**	
	Total Assets (Retail)	**439.0**	**100.0**	

Sources: Morningstar, InvestorSuperMarket, Market Wrap, December 2009, Data File, Worksheet 5; Austrade

Appendix 2

AUSTRALIA'S 30 TOP PENSION FUNDS – 30 JUNE 2009

Rank	Fund Name	Net Assets A$ Million	Net Assets US$ Million
1	State Super-NSW	28,848	23,407
2	AustralianSuper	27,539	22,345
3	QSuper	23,635	19,177
4	UniSuper	22,095	17,928
5	PSS/CSS, ARIA	15,993	12,977
6	REST	14,589	11,838
7	ESSS	14,293	11,597
8	Sunsuper	12,840	10,418
9	Cbus	12,168	9,873
10	Super SA	9,463	7,678
11	Telstra SS	9,000	7,303
12	GESF-WA, GESB	7,945	6,446
13	TCorp (NSW)	7,478	6,068
14	Health Super	7,268	5,897
15	HOSTPLUS	6,600	5,355
16	VicSuper	6,124	4,969
17	Commonwealth Bank-OSF	5,874	4,766
18	APSS	5,782	4,692
19	MTAA Super	5,189	4,210
20	Qantas SP	5,059	4,105
21	LGSS-NSW	4,802	3,896
22	AUSCOAL Super	4,532	3,677
23	equipsuper	3,843	3,118
24	Vision Super	3,744	3,038
25	CARE	3,429	2,782
26	QLGSS	3,348	2,717
27	ACSRF	3,343	2,713
28	AGEST	3,116	2,528
29	RBF-TAS	3,082	2,501
30	MSBS	2,935	2,381

1. The US$/A$ exchange rate (A$1 = US$0.8114 @ 30 June 2009, sourced from RBA website) was used to converted to US$ values.

Sources: InvestorSupermarket; Austrade (data extracted 28 April 2010)

Appendix 3

TOP 50 BOUTIQUES (LARGE CAP)

Rank	Fund Name	Category	Start Date	Net Assets A$ Million	Fee %pa	Return 1 yr %	Return 5 yr %pa
1	Hayberry Australian Share Fund	Aust Large Blend	30-Sep-05	48.39	–	-21.09	–
2	Zurich Investments Equity Income Fund	Miscellaneous	3-Oct-06	69.23	1.87	-23.49	–
3	Denning Pryce Equity Income Fund	Miscellaneous	1-May-06	25.00	1.28	-24.77	–
4	Clime High Yield Underdogs Fund	Aust Large Blend	21-Dec-07	3.94	0.57	-25.05	–
5	CFS FC Ws Inv – MB Abbott/Advance Imputation Fd	Aust Large Value	23-Apr-02	17.50	1.20	-27.54	6.34
6	Armytage Enhanced Leaders Fund	Aust Large Blend	13-Jul-07	21.04	–	-29.14	–
7	Navra Blue Chip Aust Share Wholesale Fund	Aust Large Blend	28-Apr-03	23.01	1.37	-29.35	6.25
8	Investors Mutual Wsale – Industrial Share Fund	Aust Large Value	May-02	351.10	0.97	-29.56	3.96
9	Navra Blue Chip Australian Share Retail Fund	Aust Large Blend	28-Apr-03	110.01	1.72	-29.69	6.10
10	Skandia GWS-Skandia Investors Mutual Industrial Sh	Aust Large Value	14-Mar-03	31.95	1.26	-29.71	3.66
11	Skandia GIS-Skandia Investors Mutual Industrial Sh	Aust Large Value	14-Mar-03	1.10	1.76	-30.06	3.10
12	Sandhurst BMF – Sandhurst Industrial Share Fund	Aust Large Value	1-Dec-99	342.29	2.07	-30.08	3.21
13	Souls – Select Australian Share Fund	Aust Large Blend	19-Apr-06	9.00	0.70	-30.13	–
14	CFS FC WS Inv – Investors Mutual WS Australian Sh	Aust Large Value	27-Apr-04	26.41	1.20	-30.14	–
15	A&T First 200 Fund	Aust Large Blend	1-Dec-07	0.92	0.87	-30.18	–
16	Maple-Brown Abbott Australian Equity Trust	Aust Large Value	1-Jan-93	756.43	0.38	-30.46	7.07
17	Skandia OIS-Skandia Investors Mutual Industrial Sh	Aust Large Value	1-Apr-03	15.69	2.31	-30.47	2.56
18	CFS FC Inv – Investors Mutual Australian Share	Aust Large Value	1-May-04	35.16	1.85	-30.49	–
19	Investors Mutual Wsale – Australian Share Fund	Aust Large Value	15-Jun-98	1919.57	0.97	-30.62	5.62
20	Advance Alleron Aust Equity Growth Fund WS	Aust Large Growth	14-Sep-07	2.04	0.89	-30.64	–
21	Perpetual WFI IML Australian Share	Aust Large Value	29-Oct-03	11.64	2.15	-31.20	4.41
22	Prime Value Growth Fund	Aust Large Blend	10-Apr-98	107.16	1.44	-31.21	12.79
23	Integrity Australian Share Fund	Aust Large Blend	17-Oct-07	264.28	0.99	-31.29	–
24	Valuestream Australian Equities Fund	Aust Large Blend	15-Aug-01	2.63	0.92	-31.38	–
25	CFS WS 452 Australian Share Fund	Aust Large Value	15-Jan-03	400.93	1.21	-31.63	6.38
26	ING OA IP IML Aust Shr – EF/Sel	Aust Large Value	10-Sep-03	7.21	2.00	-32.24	3.87
27	BT Investment – Investors Mutual Australian Share	Aust Large Value	23-Jul-03	46.71	1.95	-32.39	4.19
28	Guild Capital Australian Equities Fund W	Aust Other Equity	2-Oct-05	8.50	1.02	-32.76	–
29	Prime Value Growth Fund – Class B	Aust Large Blend	10-Apr-98	84.20	1.23	-32.77	12.09
30	ING OA IP IML Aust Shr – NE	Aust Large Value	10-Sep-03	10.21	2.85	-32.85	3.20
31	Skandia GWS-Skandia Prime Value Growth	Aust Large Blend	2-Jul-07	1.71	4.00	-32.85	–
32	Skandia GIS-Skandia Prime Value Growth	Aust Large Blend	2-Jul-07	0.02	4.50	-33.02	–
33	SGH20	Aust Large Blend	28-Oct-04	74.70	1.22	-33.13	–
34	Guild Capital Australian Equities Fund R	Aust Other Equity	2-Oct-05	2.48	1.50	-33.24	–
35	Skandia OIS-Skandia Prime Value Growth	Aust Large Blend	2-Jul-07	0.59	5.00	-33.55	–
36	Constellation – Australian Equities Fund#	Aust Large Value	18-Dec-01	23.40	0.78	-33.67	6.19
37	Greencape Wholesale High Conviction Fund	Aust Large Growth	11-Sep-06	24.17	0.72	-33.77	–
38	Perpetual WFI Solaris Core Australian Equity	Aust Large Blend	29-Oct-03	2.53	1.95	-34.42	5.36
39	OPIS Capital 200 Fund	Aust Large Growth	9-May-05	3.63	1.32	-34.68	–
40	CFS FC WS Inv – Ausbil Australian Active Equity	Aust Large Growth	13-May-02	27.51	1.02	-35.05	–
41	Skandia GWS-Skandia Ausbil Aus Active Equity	Aust Large Growth	2-Jul-07	7.26	1.15	-35.47	–
42	Bellwether Partners Australian Share Fund	Aust Large Growth	11-Aug-04	11.11	–	-35.57	–
43	EQT Wholesale High Alpha Australian Equities Fund#	Multisector-Aggressive	18-Jun-04	22.02	0.94	-35.66	–
44	MIR Australian Equities Fund Class A	Aust Large Value	19-Jan-04	143.39	–	-35.73	–
45	Skandia GIS-Skandia Ausbil Aus Active Equity	Aust Large Growth	2-Jul-07	0.60	1.65	-35.83	–
46	Skandia OIS-Skandia Ausbil Aus Active Equity	Aust Large Growth	2-Jul-07	4.92	2.15	-36.09	–
47	EQT High Alpha Australian Equities Fund#	Multisector-Aggressive	2-Dec-04	1.66	1.84	-36.34	–
48	Lincoln Wholesale Australian Share Fund	Aust Large Growth	1-Dec-04	74.55	0.95	-36.34	–
49	Lincoln Retail Australian Share Fund	Aust Large Growth	1-Jun-07	22.21	1.75	-36.85	–
50	Greencape Wholesale Broadcap Fund	Aust Large Growth	11-Sep-06	28.29	1.40	-36.86	–

= closed to new investment

Source: Morningstar. Performance data to 31-Dec-08.

Appendix 3

TOP 50 BOUTIQUES (SMALL CAP)

Rank	Fund Name	Category	Start Date	Net Assets A$ Million	Fee %pa	Return 1 yr %	Return 5 yr %pa
1	Naos Absolute Return Fund	Alternative-Aust Long/Short	24-Jan-05	4.89	–	-25.96	–
2	Perpetual WFI IML Future Leaders	Aust Mid/Small Value	29-Oct-03	1.27	2.15	-30.14	5.59
3	Investors Mutual Wsale – Future Leaders Fund	Aust Mid/Small Value	1-May-02	299.46	0.97	-31.16	6.57
4	Investors Mutual Small Cap Fund	Aust Mid/Small Value	1-Feb-07	10.92	1.13	-31.17	–
5	Skandia GWS-Skandia Investors Mutual Aus ex-50[#]	Aust Mid/Small Value	10-Oct-02	9.71	1.35	-31.38	6.16
6	Sandhurst Professional IML Future Leaders	Aust Mid/Small Value	26-May-06	2.19	1.40	-31.57	–
7	Skandia GIS-Skandia Investors Mutual Aus ex-50	Aust Mid/Small Value	15-Nov-02	0.62	1.85	-31.77	5.57
8	Sandhurst BMF – Sandhurst Future Leaders Fund	Aust Mid/Small Value	6-Jun-02	32.54	2.10	-32.00	5.28
9	Skandia OIS-Skandia Investors Mutual Aus ex-50[#]	Aust Mid/Small Value	10-Feb-03	4.82	2.40	-32.10	5.03
10	Clime Value Growth Fund	Aust Mid/Small Growth	25-Aug-06	14.71	1.31	-32.25	–
11	Souls – Australian Equity Fund	Aust Mid/Small Blend	29-May-98	12.50	0.70	-32.32	9.59
12	MMC Australian Share Fund	Aust Mid/Small Value	31-Jan-00	50.60	1.28	-34.26	-0.87
13	Armytage Strategic Opportunities Wholesale Fund	Aust Mid/Small Blend	20-Jun-05	3.80	1.31	-37.20	–
14	Armytage Strategic Opportunities Retail Fund	Aust Mid/Small Blend	20-Jun-05	10.55	2.31	-37.83	–
15	Ganes Value Growth Fund	Aust Mid/Small Value	15-Jul-05	22.57	0.42	-37.97	–
16	Investors Mutual Wsale –Austn Smaller Companies[#]	Aust Mid/Small Value	15-Jun-98	139.74	0.97	-38.75	6.12
17	Skandia GWS-Skandia Investors Mutual Aus ex-100[#]	Aust Mid/Small Value	4-Apr-02	1.85	1.35	-38.97	5.72
18	Skandia GIS-Skandia Investors Mutual Aus ex-100[#]	Aust Mid/Small Value	4-Apr-02	0.28	1.85	-39.28	5.15
19	CFS FC Inv – Ausbil Australian Emerging Leaders	Aust Mid/Small Growth	30-Apr-07	3.93	1.90	-39.79	–
20	CFS FC WS Inv – Ausbil WS Aust Emerg Leaders	Aust Mid/Small Growth	30-Apr-07	5.69	1.10	-39.88	–
21	Perpetual WFI Ausbil Aus Emerging Leaders Fund	Aust Mid/Small Growth	5-Dec-05	2.22	2.10	-40.16	–
22	MMC Value Growth Trust[#]	Aust Mid/Small Value	6-Sep-99	8.28	1.73	-40.19	-3.47
23	MMC Concentrated Fund	Aust Mid/Small Value	15-Jul-05	16.01	0.46	-40.31	–
24	Ausbil Australian Emerging Leaders Fund	Aust Mid/Small Growth	1-May-02	544.50	7-Dec-04	2.82	1.90
25	Skandia GWS-Skandia Ausbil Aus Emerging Leaders	Aust Mid/Small Growth	30-May-05	9.80	1.53	-41.06	–
26	Hyperion Small Growth Companies Fund	Aust Mid/Small Growth	1-Jan-95	3.20	1.74	-41.29	10.29
27	ING OA IP Ausbl Aust Emerg Ldrs Trst – EF/Sel	Aust Mid/Small Growth	19-Sep-05	3.81	1.95	-41.34	–
28	Skandia GIS-Skandia Ausbil Aus Emerging Leaders	Aust Mid/Small Growth	30-May-05	0.26	2.03	-41.40	–
29	Skandia OIS-Skandia Ausbil Aus Emerging Leaders	Aust Mid/Small Growth	30-May-05	7.41	2.54	-41.69	–
30	ING OA IP Ausbl Aust Emerg Ldrs Trst – NE	Aust Mid/Small Growth	19-Sep-05	2.28	2.80	-41.84	–
31	Wilson HTM Priority Growth Fund	Aust Mid/Small Growth	4-Jul-05	32.07	1.25	-41.88	–
32	Patriot Small Companies Fund	Aust Mid/Small Blend	30-Jun-05	20.70	1.13	-42.89	–
33	Alpha Australian Small Companies Fund	Aust Mid/Small Blend	2-Apr-07	7.62	1.38	-45.77	–
34	Orbis MIS – Orbis/SM Australia Equity Fund	Aust Mid/Small Growth	1-Jan-06	662.00	1.49	-45.88	–
35	Souls – Australian Small Companies Fund	Aust Mid/Small Blend	31-May-98	35.40	0.70	-45.97	6.07
36	CFS FC Inv – Souls Australian Small Companies	Aust Mid/Small Blend	16-May-05	6.53	1.99	-46.57	–
37	CFS FC WS Inv-Souls WS Australian Small Companies	Aust Mid/Small Blend	16-May-05	8.21	1.56	-46.69	–
38	SGH IC2E	Aust Mid/Small Growth	10-Feb-06	7.80	1.18	-47.28	–
39	Eley Griffiths Group Small Companies Fund	Aust Mid/Small Blend	12-Sep-03	237.00	1.25	-47.56	6.63
40	Advance Wsale Australian Smaller Companies Fund	Aust Mid/Small Growth	5-Aug-02	24.27	1.13	-49.57	3.25
41	Advance Australian Smaller Companies Fund	Aust Mid/Small Growth	5-Aug-02	4.33	2.31	-50.26	1.78
42	Advance Wsale Aust Smaller Comp Multi-Blend	Aust Mid/Small Blend	5-Nov-04	22.62	1.18	-50.64	–
43	Advance Aust Smaller Co. Multi-Blend Fund	Aust Mid/Small Blend	31-Jan-05	0.57	2.15	-51.25	–
44	Selector Australian Equities Fund	Aust Mid/Small Growth	7-Dec-04	2.82	1.90	-51.38	–
45	Atom Small Cap Fund	Aust Mid/Small Growth	1-Dec-07	–	3.81	-52.52	–
46	Hunter Hall Australian Value Trust	Aust Mid/Small Value	30-Nov-01	70.10	2.08	-52.55	-2.43
47	Skandia GWS-Skandia Hunter Hall Australian Value[#]	Aust Mid/Small Value	10-Oct-02	1.07	2.10	-52.72	-2.63
48	Skandia GIS-Skandia Hunter Hall Australian Value[#]	Aust Mid/Small Value	15-Nov-02	0.09	2.60	-52.98	-3.18
49	Skandia OIS-Skandia Hunter Hall Australian Value[#]	Aust Mid/Small Value	10-Feb-03	0.28	3.10	-53.19	-3.58
50	EQT MIR Wsale Aust Emrg Opportunities Share[#]	Aust Mid/Small Value	18-Jun-04	0.94	1.21	-53.29	–

= closed to new investment
Source: Morningstar. Performance data to 31-Dec-08.

Appendix 4

List of ASIC Regulatory Guides Relating to Managed Investments and Licensing

Managed Investments

RG127 Additional Investments in Managed Investment Schemes
RG132 Managed Investments: Compliance Plans
RG133 Managed Investments: Scheme Property Arrangements
RG134 Managed Investments: Constitutions
RG135 Managed Investments: Transitional Issues
RG136 Managed Investments: Discretionary Powers and Closely Related Schemes
RG139 Approval of External Complaints Resolutions Schemes
RG168 Disclosure: Product Disclosure Statements (and Other Disclosure Obligations)
RG178 Foreign Collective Investment Schemes

General Licensing, Fundraising and Other

RG1 AFS Licensing Kit – Applying for and Varying an AFSL
RG2 AFS Licensing Kit – Preparing your AFSL or Variation Application
RG3 AFS Licensing Kit – Preparing your Additional Proofs
RG19 Film Investment Schemes
RG45 Mortgage Schemes - improving disclosure for retail investors
RG46 Unlisted Property Schemes – improving disclosure for retail investors
RG77 Property Trusts and Property Syndicates
RG104 Licensing: Meeting the General Obligations
RG105 Licensing: Organisational Competence
RG140 Serviced Strata Schemes
RG144 Mortgage Investment Schemes
RG146 Licensing: Training of Financial Product Advisers
RG148 Investor Directed Portfolio Services
RG149 Nominee and Custody Services
RG160 Time-sharing Schemes
RG165 Licensing: Internal and External Dispute Resolution
RG166 Licensing: Financial Requirements
RG167 Licensing: Discretionary Powers
RG169 Disclosure: Discretionary Powers
RG175 Licensing: Financial Product Advisers – Conduct and Disclosure
RG176 Discretionary Powers – Wholesale Financial Services Providers
RG179 Managed Discretionary Account Services
RG181 Licensing: Managing Conflicts of Interest
RG182 Dollar Disclosure
RG190 Offering securities in New Zealand and Australia under Mutual Recognition
RG198 Unlisted disclosing entities- Continuous Disclosure Obligations

Appendix 5

Representative List of Australian Legal and Accounting/Tax Advisors in Financial Services

Firm	Website
Allens Arthur Robinson	www.aar.com.au
Baker McKenzie	www.bakernet.com
Blake Dawson	www.blakedawson.com
Clayton Utz	www.claytonutz.com
Corrs Chambers Westgarth	www.corrs.com.au
DLA Phillips Fox	www.dlaphillipsfox.com
Freehills	www.freehills.com.au
Gadens	www.gadens.com.au
Gilbert and Tobin	www.gtlaw.com.au
Hall and Wilcox Lawyers	www.hallandwilcox.com.au
Henry Davis York	www.hdy.com.au
Holding Redlich	www.holdingredlich.com.au
Maddocks	www.maddocks.com.au
Mallesons Stephen Jaques	www.mallesons.com
Middletons	www.middletons.com.au
Minter Ellison Lawyers	www.minterellison.com
Norton Rose	www.nortonrose.com

Firm	Website
BDO Kendalls	www.bdo.com.au
Deloitte	www.deloitte.com.au
Ernst & Young	www.ey.com
Grant Thornton	www.grantthornton.com.au
HLB Judd Mann	www.hlb.com.au
Horwath	www.horwath.com.au
KPMG	www.kpmg.com
Moore Stephens	www.moorestephens.com
Pitcher Partners	www.pitcher.com.au
PricewaterhouseCoopers	www.pwc.com
PKF Chartered Accountants and Business Advisers	www.pkf.com
WHK Group	www.whk.com.au

Appendix 6

Summary of Recommendations of the Australian Financial Centre Forum and Government Response

POLICY INITIATIVES	RECOMMENDATION REFERENCE	GOVERNMENT RESPONSE
Increasing the size of the market		
• Investment manager regime	3.1	Support in principle. Consultation process initiated and review by Board of Taxation.
• Offshore banking units	3.2	Support in principle. Consultation process initiated.
• Funds management vehicles	3.3	Support. Board of Taxation to review.
• Regional funds passport: managing offshore funds	4.3	Support. Working party to be established to progress building on current work by ASIC on bilateral mutual recognition agreements.
Improving access to capital		
• Remove withholding tax on offshore borrowing	3.4	11 May 2010 announcement that Government will phase down interest withholding tax paid by financial institutions.
• LIBOR cap on deductibility of interest paid	3.5	Treasury to review
• Remove tax impediments to Islamic finance	3.6	Support. Referred to Board of Taxation on 26 April 2010.
• Remove regulatory impediments to Islamic finance	4.8	Support in principle. Austrade has published report on Islamic Finance. Interdepartmental Committee for examining barriers has been established.
Enhancing competition and efficiency		
• Remove state insurance taxes	3.7	Support in principle. Agrees that taxes are inefficient, but note that it is a state government responsibility.
• Reduce regulatory requirements on corporate debt issuance to retail investors	4.7	Support in principle. 11 May ASIC class order relief allowing listed entities that meet ASIC's critiera to issue bods to retail investors using a simplified process

• Increase competition in exchange-traded markets	4.5	Support. Action underway including: • Transfer of market supervision to ASIC • Introduction of market competition • Consideration of enhancements to the market licensing regime
• Simplify retail debt issuance	4.6	
• Regulatory online gateway	4.4	Support. Government will establish a working group.
• Regional funds passport: domestic competition	4.3	Support. Working party to be established to progress building on current work by ASIC on bilateral mutual recognition agreements.
Maintaining best practice regulation		
• Avoid unnecessary regulation	4.1	Support
• Regulatory reviews	4.2	Support
Deepening regional engagement		
• Government declaration of intent	6.1	Support in principle. Part of Task Force
• Financial missions	6.2	Support in principle. Part of Task Force
Strengthening government — business partnership		
• Financial Centre Task Force	3.8, 6.3	Support in principle. Government has asked Mark Johnson to chair a Financial Centre Task Force to cover: • Regional engagement • Engagement with domestic industry • Facilitation of industry input into design of key outputs from the report recommendations.

Sources: Australian Financial Centre Forum, "Australia as a Financial Centre, Building on our Strengths, November 2009, page3, Joint Media release of The Hon Chris Bowen, Minister for Financial Services, Superannuation & Corporate Law & Minister for Human Services, and Senator the Hon Nick Sherry, Assistant Treasurer, "Government Responds to Australia as a Financial Services Centre Report,"; Austrade.

Useful Links

Regulators

Australian Prudential Regulation Authority	www.apra.gov.au
Australian Securities and Investments Commission	www.asic.gov.au
Reserve Bank of Australia	www.rba.gov.au

Australian Government

Austrade	www.austrade.gov.au
Australian Bureau of Statistics	www.abs.gov.au
Australian Taxation Office	www.ato.gov.au
Australian Transaction Reports and Analysis Centre	www.austrac.gov.au
Commonwealth Treasury	www.treasury.gov.au
Fido	www.fido.asic.gov.au
Future Fund	www.futurefund.gov.au

Other

Alternative Investment Management Association	www.aima-australia.org.au
Association of Superannuation Funds of Australia	www.superannuation.asn.au
Australian Accounting Standards Board	www.aasb.com.au
Australian Institute of Superannuation Trustees	www.aist.asn.au
Australian Securities Exchange	www.asx.com.au
Australian Private Equity & Venture Capital Association	www.avcal.com.au
Financial Planning Association	www.fpa.asn.au
Financial Services Institute of Australasia	www.finsia.com
Funds Executives Association Ltd	www.feal.asn.au
Investment and Financial Services Association	www.ifsa.com.au

Australian Trade Commission

The Australian Trade Commission (Austrade) is the Australian Government's trade and investment development agency. Austrade provides advice on overseas markets, international opportunities, Export Market Development Grants, to reduce the time, cost and risk for Australian businesses to successfully establish and grow their international business, as well as promoting Australia's attractiveness as a destination for foreign direct investment.

Austrade operates through a global network of offices, with representatives overseas in over 110 locations in more than 55 countries. Across Australia, Austrade has 17 offices and a network of more than 50 TradeStart offices.

For further information

To learn more about what we can do to help you or to contact an investment specialist, call **13 28 78** (in Australia), email **invest@austrade.gov.au** or visit **www.austrade.gov.au/financialservices**

Australian Government
Australian Trade Commission

austrade.gov.au

Trade. Invest.
Prosper.