

Australian Shares

Australian shares represent part ownership in a company and usually provide income payments through dividends and can produce growth if the share price increases.



What are the benefits of investing in Australian Shares?

1. Strong returns over the long term

Over the long term Australian shares have provided strong after-tax returns.

2. Income Generation

Australian shares pay income in the form of dividends. If investing via a managed fund or Exchange Traded Fund (ETF) then income is paid in the form of a distribution, which may include realised capital gains.

3. Protect Against Inflation

By generating capital growth Australian shares can help protect clients' investments against both inflation and erosion of capital.

4. Tax Effective Income

Australian shares are the most tax effective of all asset classes. This is because of dividend imputation.

5. Correlation Benefits With Other Asset Classes

Investments in Australian shares can diversify the portfolio through correlation benefits with other investments such as fixed interest and this may lead to smoother returns in different market cycles.

What are the risks of investing in Australian Shares?

1. Price volatility

Australian Shares can fall in value quickly and on the odd occasion to zero.

2. Company & industry risk

Disappointing earnings results, dividend cuts, key management changes and negative outlook of the company and industry.

3. Economic risk

Changes in the economic environment such as interest rates, exchange rates, regulations and political stability can impact on businesses via higher borrowing costs, higher cost of goods or reduced revenue.

4. Income uncertainty

The amount of income distributed to the Shareholder may vary depending on market and company conditions and outlook.

Quick Facts

Fact #1

The Australian share market represents approximately 2% of the global share market.

Fact #2

A typical Australian balanced fund will have around 22% to 30% exposure to Australian shares.

Fact #3

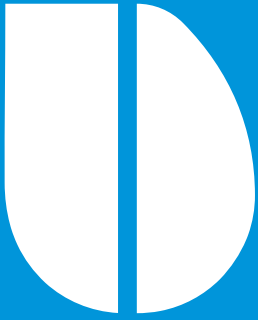
Australian shares sit within the growth component of a portfolio and exhibit higher levels of volatility (risk) compared to most other asset classes (cash, fixed interest and property).

Fact #4

Australian shares can be accessed through direct shares, unlisted managed funds (active or passively managed), exchange traded products or listed investment companies.

Fact #5

The Australian share market is highly concentrated both at a stock and sector level. The materials and financial sectors represent around 60% of the total market.



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