

Simplicity



Freedom

*Investing internationally is one of the best ways to diversify your portfolio, maximise investment opportunities and build your wealth.*

Imagine this. You wake up and brush your teeth with *Colgate* toothpaste in front of your *Sony* television which is airing the *CNN* news report. Juggling your *Schick* razor with the *Dior* cologne, you flick open your *Dell* computer to check any overnight emails. As you drive to work in your *Honda*, you listen to the latest *U2* CD. You receive a message on your *Nokia* phone to say your first meeting has been cancelled, so you make a detour to *McDonald's* to pick up some breakfast.

Guess what? You've just added to the profits of 10 global companies, and the day's hardly started.

Millions of Australian consumers use products made by global companies every day. Yet when it comes to investing overseas, Australian investors are traditionally hesitant. However, Australian-based investments form a very small

portion of the world's total investment markets. In fact, if you were to only ever buy shares in Australian-listed companies, you would miss out on more than 98% of global sharemarket opportunities.

There are a whole host of reasons why investing offshore can be a valuable addition to your portfolio.

### The Australian market is concentrated

There are only 1400 Australian companies listed on the Australian Stock Exchange. Finance is the dominating sector (banks, insurance, etc) representing more than 30% of the market. Not only does the Australian share market have most of its companies concentrated in few sectors, but a small number of large companies dominate each sector.

This concentration means that if any one particular company underperforms, it has a significant effect on the market's return and can affect overall market sentiment. It also means there are fewer investment opportunities for those investors wishing to invest in large blue chip companies.

By way of contrast, there are nearly 2800 companies listed on the New York Stock Exchange.

### There are greater growth opportunities available offshore

Some of the world's most profitable growth industries include telecommunications, technology and healthcare – industries not well represented on the Australian market. More than 15% of the S&P 500 is invested in leading technology stocks such as Intel, IBM and Microsoft. The information technology sector in Australia makes up only 0.2% of the market.

The healthcare industry represents only 2.6% of the Australian market compared to 13.5% of the New York market. International companies such as Glaxo Smith Kline and Johnson and Johnson are only available as overseas investments.

**Table 1: The Australian market is concentrated in limited sectors as at September 2004**

Australian stock exchange (S&P/ASX300) Top 5 Sectors		New York stock exchange (S&P500) Top 5 Sectors	
Finance	32.13%	Financials	21.11%
Materials	18.84%	Information technology	15.52%
Consumer discretionary	11.90%	Healthcare	13.50%
Property trusts	9.41%	Industrials	11.50%
Industrials	7.77%	Consumer staples	11.17%

Source: Investment Admin, SEALCORP

Choice

## Offshore investments can improve performance

Historically, international shares have performed better than Australian shares, as shown in Graph 1. It is the trend amongst international companies to retain income in the business and therefore experience more capital growth. Traditionally, Australian companies have paid out more in dividends than non-Australian companies.

## Offshore investments can reduce risk

A portfolio of Australian and international investments can actually provide lower investment risk than a purely Australian-based portfolio. Your money is spread across a far greater number of countries,

industries and companies than it would be if you invested entirely in the Australian market. As such, you have greater protection from wide swings in any one market. Graph 2 shows how, if you combine Australian and international shares, you can reduce risk as well as enhance performance, compared with investors who invested only in the Australian market.

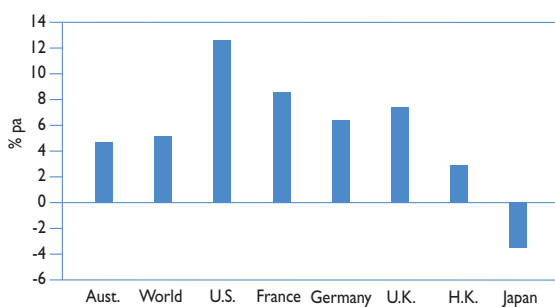
## What about the currency effects?

International share fund returns have a share component and a currency component. Over the long-term, the share component is significantly larger than the currency component. The size of each component varies considerably over shorter time frames.

Some investors are not aware that currency can act positively as another level of diversification in an investment portfolio.

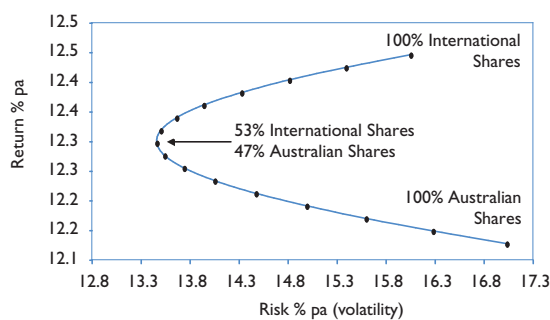
When the Australian dollar falls, this is of benefit for people invested in international share funds as the value of international assets in Australian dollars rises. However, if the Australian dollar rises, returns for investors would not seem so positive. Herein lies the risk with currency, as any losses or gains must be converted back into Australian dollars.

**Graph 1: Performance of World Sharemarkets**  
10-year annualised returns to June 2004



Source: St.George Investment Solutions

**Graph 2: Diversification can reduce risk**  
Rolling 3 year average returns December 1983 – August 2004



Source: St.George Investment Solutions



## Steve Waugh chooses ASGARD – here's why you should too:

- You'll have the peace of mind that comes from knowing your money is in safe hands – ASGARD is part of the St.George Group, Australia's 15th largest company.
- You'll have the freedom to choose from more than 200 leading managed investments along with more than 300 shares.
- Maintain control over your investments. Choose from a range of pre-set portfolios or create your own portfolio.
- Save money and minimise paperwork by keeping your investments in one place.
- You'll receive excellent service. ASGARD is Australia's most awarded investment platform and currently administers more than \$17 billion for over 200,000 investors.



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