

CFSGAM ramps up tax aware investment capability

\$400 million in mandates secured in 12 month period

Media release

7 June, 2011

Colonial First State Global Asset Management's tax aware investment capability is gaining significant traction in the investment market, with the Australian Equities, Core team now managing more than \$400 million of tax aware investments following its recent appointment as the fund manager for three leading Australian industry funds.

This outcome supports the investment manager's bid to further develop this area of the business – since launching its tax aware investment offering less than 12 months ago, CFSGAM has experienced significant growth in funds under management.

According to Matthew Reynolds, Head of Colonial First State Global Asset Management's Australian Equities, Core team, tax aware investing provides a positive outcome for superannuation funds and their members, whilst also offering solid growth prospects for the CFSGAM business.

"Our clients are increasingly looking for tax aware investment solutions as they seek to align fund manager performance with superannuation member benefits. Tax aware investments offer superfund members clear advantages over pre-tax returns, particularly in Australian equities, which traditionally make up a significant portion of a portfolio allocation," said Mr Reynolds.

CFSGAM's investment approach is based on a complete understanding of tax related investment issues. The investment team treats tax as a transaction cost and seeks to integrate franking credits and capital gains tax management into the investment decision without detrimentally impacting the portfolios performance. It also incorporates a focus on generating alpha.

"We believe actively monitoring trade parcels to assess the potential impact of trade decisions on franking credits is a more effective way to manage a tax aware strategy than seeking to generate more franking than the market. We also seek to consider the impact of potential sales prior to implementing a trade as it's important to factor in capital gains tax management," said Mr Reynolds.

"This approach allows us to deliver appropriate tax aware investment solutions that meet the unique portfolio objectives of our clients."

Market leading technology and back-office functions enable CFSGAM's portfolio managers to effectively manage the complexities associated with this style of investing, a factor that places CFSGAM's approach at the forefront of tax aware investment management in

Australia. Relevant, timely information is critical as it enables the efficient implementation of tax aware investment decisions.

“Sophisticated systems are critical to tax aware investing. If these systems don’t exist or if they aren’t effectively integrated, a portfolio’s overall performance can be detrimentally impacted,” said Mr Reynolds.

“We made a decision to implement systems that provide detailed tax information at the time the investment decision is executed and we are beginning to see the benefits of our approach as an increasing number of investors are seeking sophisticated tax aware solutions.”

CFSGAM’s move to ramp up its tax aware investment capability reinforces its commitment to develop and grow its global investment solutions business across institutional and retail / wholesale channels.

– Ends –

Notes to media

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About Colonial First State Global Asset Management

Colonial First State Global Asset Management is the consolidated asset management division of the Commonwealth Bank of Australia Group, one of the largest financial institutions in Australia. Colonial First State Global Asset Management is Australia’s largest manager of Australian sourced funds, employing more than 200 investment professionals.

At 31 March 2011, Colonial First State Global Asset Management managed more than US\$156.7 billion across a diverse range of asset classes including Australian and global shares, short term investments, fixed interest and credit, property securities, direct property, global resources, unlisted infrastructure and listed infrastructure securities.

Colonial First State Global Asset Management has been a signatory to the principles of the United Nations of Responsible Investment since March 2007. The principles are an initiative developed by institutional investors in conjunction with the UN Environment Programme Finance Initiative and the UN Global Compact.

The UN PRI provide a framework for including environmental, social and governance (ESG) issues in investment decisions. Colonial First State Global Asset Management undertakes to utilise the framework provided by the UN PRI in aligning our investment processes with the objectives of our investors. By embracing the Principles, Colonial First State Global Asset Management believes it can achieve better long term investment returns for our clients.