

New equity income funds target tax aware investors

Media release

11 November, 2011

Building on the success of its existing Wholesale Equity Income Fund, Colonial First State Global Asset Management (CFSGAM) has today announced the launch of two new, tax aware equity income funds. The launch follows CFSGAM's announcement in June this year, regarding the establishment of its tax aware investment capabilities.

The new funds (the Wholesale Equity Income Fund – Superannuation and the Wholesale Equity Income Fund – Tax Exempt) will be available to institutional and wholesale investors and will be managed by the existing team, including Senior Portfolio Manager, Rudi Minbatiwala and Portfolio Manager, Jason Moodie.

Head of Colonial First State Global Asset Management's Australian Equities, Core team, Matthew Reynolds, said the new funds, which are tailored to investors with specific tax profiles, take our capabilities to the next level and build on our successful management of tax-aware institutional portfolios over the past 12 months.

"All three equity income funds utilise the proven Australian Equities, Core investment philosophy and process, but will vary slightly in composition given the different capital gains tax considerations in the three portfolios," said Mr Reynolds.

The primary aim of CFSGAM's equity income funds is to maintain exposure to the equity risk premium while limiting the degree of capital volatility and enhancing the level of income generated by the portfolio. In addition, the funds seek to provide a balance between three critical investor needs: income requirement, volatility management and total returns.

The launch of the two new funds enables a broader range of investors to access the successful Wholesale Equity Income Fund in a tax effective manner. By splitting the investors into tax profiles, investment decisions which factor in their associated tax implications can be more effectively managed.

Senior Portfolio Manager, Rudi Minbatiwala said unlike many of our peers, the funds do not have a bias towards high dividend yield stocks.

"Simply holding a portfolio of high yield stocks in pursuit of income can add excessive risk and is a sub-optimal approach to managing this type of product," said Mr Minbatiwala.

"In addition, managing an investment for a tax aware client does not justify a narrow focus on franking credits.

While franking credits do have an important role to play, the real advantage for these investors is their capacity to readily utilise more active investment strategies that can generate greater risk adjusted returns."

The Wholesale Equity Income Fund – Superannuation aims to attract superannuation investors, while the Wholesale Equity Income Fund – Tax Exempt has been developed for zero taxpayers including charities, pension funds and some government-related entities.

"Equity income products have grown in popularity in recent years as superannuation funds seek solutions to address the needs of their aging client base," said Mr Reynolds.

“Since its launch in 2008 the Wholesale Equity Income Fund has been popular in the retail market and with the launch of our two new funds, we are now able to deliver tailored solutions to institutional investors with specific tax related requirements.

“This is an important step in continuing to provide innovative, client-centric solutions to the market and in meeting the investment needs of an ageing population. We are currently managing a mandate for a large, Australian superannuation fund, with a second institutional client expected to come on board during November.”

The Colonial First State Wholesale Equity Income Fund is currently rated A by van Eyk, Five Stars by S&P and Highly Recommended by Lonsec.

– Ends –

Notes to media

For further information please contact:

Name	Telephone	Email
Danielle Woods	02 9303 0016	danielle.woods@colonialfirststate.com.au

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 30 September 2011, Colonial First State Global Asset Management managed more than US\$143.2 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.

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