A guide to investing internationally

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

Every day, millions of Australian consumers use products made by global companies – yet they are traditionally hesitant to invest overseas. Australian-based investments form a tiny portion of the world's total investment markets. If you only ever bought shares in Australian-listed companies, you'd miss out on more than 98% of global share market opportunities.

The Australian market is concentrated

There are around 1,800 Australian companies listed on the Australian Stock Exchange (ASX), compared to nearly 2,834 companies listed on the New York Stock Exchange alone. In the ASX, finance is the dominating sector (banks, insurance, etc) representing roughly 40% of the market. Not only does the Australian share market have most of its companies concentrated in just a few sectors, a small number of large companies dominate each of these sectors.

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

There are greater growth opportunities available offshore

Some of the world's most profitable growth industries include telecommunications, technology and healthcare – industries you won't find much of on the Australian market. More than 15% of the S&P 500 (a US index comprised of 500 US domicile companies) is invested in leading technology stocks such as Intel, IBM and Microsoft.

The information technology sector in Australia makes up only 0.7% of the market. The healthcare industry represents only 3.5% of the Australian market compared to 12.5% of the New York market. International companies such as Glaxo Smith Kline and Johnson & Johnson are only available as overseas investments.

How can I get access to these shares?

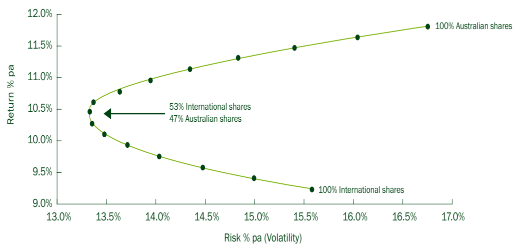
People generally invest in international shares via a managed fund. However, some stockbrokers can also help you buy and sell international shares. It's always best to consult your financial adviser to work out the best way to go about this.

securitor

Offshore investments can reduce risk

If you choose to buy a combination of Australian and international investments, this combination can actually provide lower investment risk than a purely Australian-based portfolio because your money is spread across a far greater number of countries, industries and companies.

Risk and return for different mixes of Australian and International Shares can reduce risk



Source: Advance Investment Solutions

Based on annualised returns measured from December 1983 to December 2009

What about currency effects?

International share fund returns have a share component and a currency component.

You may not realise that currency can act positively as another level of diversification in your investment portfolio. When the value of the Australian dollar falls, this can often be good if you've invested in international share funds as the value of international assets (measured in Australian dollars) rises. However, if the value of the Australian dollar rises, your returns would not seem so positive. This is the risk with currency – any losses or gains have to be converted back into Australian dollars.

Things you should consider

This publication provides an overview or summary only and it shouldn't be considered a comprehensive statement on any matter or relied upon as such. This publication doesn't take into account your personal objectives, financial situation or needs. It's important for you to consider these matters before making any financial decision and we recommend you seek help from a financial adviser.

Your financial adviser can give you a copy of the relevant Product Disclosure Statement for any financial product you are considering and you should read this document carefully before making any investment decision.

IMPORTANT INFORMATION

This information was prepared by Securitor Financial Group Ltd ABN 48 009 189 495 AFSL 240687. The information in this publication is current as at 17 February 2010.

securitor

SE11080-0410bt