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EFFECTIVE AFTER-TAX INVESTING BOOSTS RETURNS

QIC's more than two years practical implementation of effective after-tax investment (ATI) strategies has shown that super funds can increase returns on funds by up to one per cent each year without increasing investment risk.

Yet QIC said that most investment managers still struggled to deliver effective after-tax investment strategies as the concept was difficult to implement in practice.

The key challenges facing managers with regards to ATI include:

- how they deliver real-time tax data to front office staff before key investment decisions are made;
- how to measure after-tax performance and adjust for taxable events outside of the manager's control; and
- how to embed real cultural change within the investment management team to achieve a true after-tax focus.

QIC's Head of After-Tax Investing Raewyn Williams warned there is no 'one size fits all' ATI solution.

"QIC's experience is that ATI strategies can generate additional return streams for super funds of up to one per cent each year, but only if a tailored approach is undertaken," Ms Williams said.

"The right ATI solution does not necessarily need to be complex, but it should be 'best fit' in the context of the super fund's broader investment targets, size, structure, risk parameters and budget.

It is also important that investment managers understand the difference between minimising tax and maximising after-tax outcomes.

QIC's view is more closely aligned with what fund members really want, which is not necessarily lower tax, but better overall after-tax investment outcomes.

No fund should dismiss ATI as just a good idea that is too difficult to implement.

The complexity and diversity of emerging approaches mean that different funds will reach different conclusions to the same ATI question.

Having experience in this area is vital to developing the best ATI solution for a fund. As well as proven ability to extract ATI benefits from traditional areas such as Australian equities, QIC's ATI solutions extend into emerging areas such as currency hedging instruments and synthetic exposures," she said.

Further information on ATI strategies is contained in the QIC Red Paper *After-Tax Investing Theory and Practice – Navigating the Great Divide* on the QIC website at www.qic.com.

QIC is one of Australia's largest institutional fund managers with \$65 billion¹ under management.

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¹ As at 30 September 2009

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