ASX INVESTMENTS REPORT

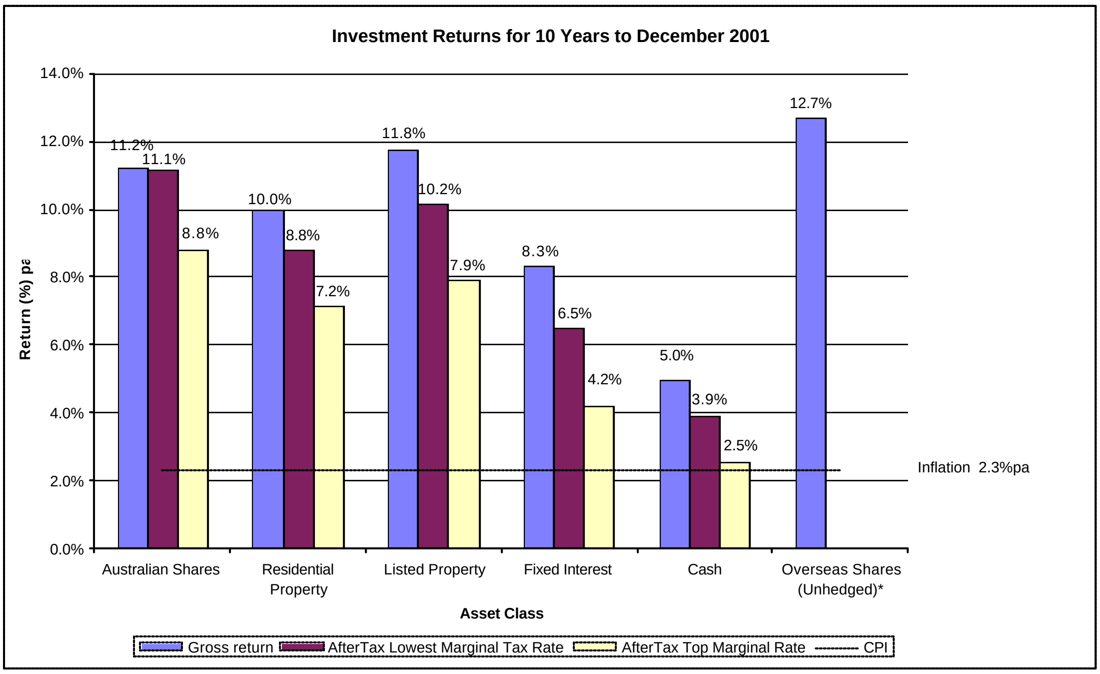
Investments Report December 2001

An investment sector performance report prepared for the Australian Stock Exchange by Towers Perrin.

Fair Comparison of Investment Performance

The Australian Stock Exchange has commissioned Towers Perrin to report on the performance of various investments on a consistent net basis (i.e. after all costs and taxation) over the ten-year period ended 31 December 2001. Performance is calculated over a ten-year period for two reasons: to assist those private investors who invest for the medium and longer term, and to provide a reasonable comparison between investment sectors.

Six major sectors were included in the last report - Australian shares, residential property, listed property, managed funds, domestic fixed interest and domestic cash. This year, the overseas shares sector has been added to the report, replacing managed funds.



*Only before-tax return has been calculated
∅ All returns are net of expenses

Results by Investment Sectors

Excluding overseas shares from the after-tax analysis, the chart shows that in the past ten years, Australian shares have outperformed all other investment sectors after allowing for taxation (capital gains and income tax) and expenses. On a pre-tax basis (but after allowing for expenses), overseas shares have outperformed all other investments in the past ten years. In addition, the real returns have been particularly strong for shares (Australian and overseas) and listed property trust investments over this period.

At the lower marginal tax rate, the after-tax returns of Australian shares (11.1% pa), listed property (10.2% pa), residential property (8.8% pa), fixed interest (6.5% pa) and cash (3.9% pa) have all exceeded the average rate of inflation (2.3% pa). At the top marginal tax rate, the after-tax return from shares was well above inflation. Returns from listed property, residential property and fixed interest assets were still strong, whereas cash returns were more modest.

The changes announced to the calculation of capital gains and the freezing of indexation as at 30 September 1999 have been reflected in the calculation of the returns presented in this report. Against this background, at the top marginal tax rate the effective tax rate for Australian shares is around 22%, residential property is around 28%, listed property is around 33%, fixed interest and cash is around 48.5%. The relatively low effective tax rate for Australian shares can be attributed mainly to the benefits of dividend imputation.

Performance Calculations

The ASX Investment Report has been prepared by Towers Perrin on the following basis:

- All investment returns are determined after taking into account expenses relating to the acquisition, management and disposal of the asset. Gross returns are calculated pre-tax but after expenses. Net returns allow for the taxation treatment of each investment over the period of analysis. This represents a realistic method of comparing the different asset classes for an investor.

- A compound return is calculated over the period from 1 January 1992 to 31 December 2001. This return is equivalent to the per annum compound return investors would have received for an investment in the particular asset class if they invested in an equivalent portfolio over this period.

- The lowest marginal tax rate was reduced to 18.5% from July 2000. The top marginal tax rate is currently 48.5%. These rates have varied slightly over the ten years due to changes in taxation policy and the Medicare levy. These variations have been taken into account in the calculation of after-tax returns. Both bottom and top marginal rates include the Medicare levy of 1.5%.

- The corporate tax rate was reduced from 34% to 30% from July 2001. The corporate tax rate has varied slightly over the past ten years due to changes in taxation policy. These variations have been taken into account, including the impact on the calculation of franking credits, which have an impact on after-tax returns for Australian shares.

- Generally, assets acquired on or after 20 September 1985 are subject to the capital gains tax provisions. As the portfolios are purchased after this date, capital gains tax is taken into account when calculating the after-tax returns. Capital gains tax is calculated on both the initial portfolio and any subsequent reinvestment of income. Cash is the only asset sector not subject to capital gains tax as all gains are taxed as income.

- The Government's Tax Reform Plan has included changes to the capital gains tax regime applying from 21 September 1999. Assets acquired prior to this date and held for a minimum of twelve months can be assessed for capital gains tax in one of two ways. Private investors can choose to pay capital gains tax (at their marginal tax rate) on either 100% of the capital gain (with indexation) or 50% of their capital gain (with no indexation). In this report, we have presented sector returns based upon the calculation method that provides the higher after-tax returns. The discounted capital gain method (as opposed to indexation) has provided the higher after-tax returns.

- The residential property measure is a population weighted average return across major capital cities. Increases in value are based on median house prices obtained from the Real Estate Institute of Australia. Data from the Australian Bureau of Statistics is used to make adjustments for capital improvements. Net rental income allows for vacancy rates, maintenance expenses, management fees, government charges and insurance. Acquisition and disposal costs include conveyancing, stamp duty and agents' fees.

- The cash measure assumes an investment in cash management trusts, with data sourced from the RBA Bulletin.

- The Australian shares measure is based on investment in listed shares with price movements and dividend reinvestment consistent with the S&P / ASX All Ordinaries Accumulation Index. Allowance is made for brokerage and stamp duty on acquisition and disposal. Dividend franking is taken into account in determining the impact of tax on dividends.

- The fixed interest measure is based on investment in Government bonds. Price movements and interest income are derived from the Commonwealth Bank All Series All Maturities Index.

- The listed property measure is based on the returns implied by the S&P / ASX Property Trust Accumulation Index. Acquisition and disposal costs, such as brokerage and stamp duty, have been factored into the return calculations. Assumptions have been made with respect to the tax treatment of listed property income, including the component of tax-free and tax-deferred income.

- The overseas shares measure is based on investment in listed shares with price movements and dividend reinvestment consistent with the MSCI World ex Australia Gross Dividends Accumulation Index (Unhedged). Allowance is made for brokerage and stamp duty on acquisition and disposal. Only a before-tax return has been calculated due to differential tax treatment of overseas shares investments by an Australian investor in different countries.

Questions?

Please contact ASX Customer Service on 1300 300 279 .

Disclaimer

While every care has been taken in the calculation of investment returns, neither the Australian Stock Exchange nor Towers Perrin warrants the accuracy of this information. No invitation is issued to any investor to rely upon this information or related comments and accordingly neither the Australian Stock Exchange nor Towers Perrin will be liable for any loss suffered in purported reliance of same. When comparing investment returns between asset sectors it may also be prudent to consider the volatility of those returns.

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