

# What is a listed investment company?

A listed investment company (LIC) is a closed end investment scheme and a subset of what the ASX calls 'managed investments.' First established in 1923 to provide brokers and retail (individual) investors with an investment alternative that enables diversified exposure to Australian equities, the LIC sector is worth more than \$30 billion and there are approximately 90 LICs listed on the Australian Securities Exchange (ASX).

LIC's in Australia primarily invest in Australian or international equities and can often focus investment towards a specific section of the market. For example, Australia's largest LIC, Australian Foundation Investment Company (AFIC) invests in many of Australia's largest listed companies as well as offering a broad exposure to other smaller sectors of the market.

Listed investment companies have over the last 10 years increased in popularity among individual investors, brokers, and financial advisers. The passing of the future of financial advice (FoFA) reforms and increase in the self-managed superannuation (SMSF) sector has contributed to the strong growth.

## What are the advantages of a listed investment company?

- **Professional and experienced management and investment teams** that look after the LIC
- **Access to a diversified portfolio** of Australian shares (or International, depending on LIC chosen)
- **Certainty of capital:** LICs are closed end funds, therefore the trading of units does not impact the size of the LICs underlying portfolio. This means the investment approach is not adversely affected by inflows and outflows from the fund.
- **Tax-effective investment option:** Income generated by the LIC is usually distributed to shareholders through fully-franked dividends
- **Lower cost of investing**

## How do the features of a LIC compare with other types of managed funds and exchange traded funds (ETFs)?

The below table outlines the primary features and differentiators of these three investment sectors.

	Listed investment company (LIC)	Unlisted managed fund	Exchange Traded Fund (ETF)
<b>Examples</b>	Australian equities: Australian Foundation Investment Company  International equities: Templeton Global Growth Fund	Australian assets: Investors Mutual Australian Share Fund,  International assets: PM Capital Global Companies	Australian equities: SPDR S&P/ASX 200 Fund,  International equities: Vanguard MSCI Index International Shares ETF
<b>Structure of investment type</b>	A company structure, listed on the ASX. Has a Board and governance structure. LIC's are actively managed.	Trust structure. Most managed funds are actively managed, unlisted investments.	Trust structure and passive in management. ETFs track the performance of an Index or underlying Index, but trade like a share.
<b>Costs and fees</b>	A management expense ratio (MER) cost is charged to the shareholder. The MER varies widely but established LICs including AFIC charge an MER below other managed funds (AFIC charges an MER of 0.16 percent). Additional costs can include brokerage fees for buying and selling shares in the LIC	Fees are more extensive than LICs and ETFs. May include; contribution fee, administration fee, management expense ratio fee, performance fee and buy and sell spread fee	An annual management fee which can range between .01 per cent to 2 per cent. The average for an index fund is approximately 0.15 per cent and for most others approximately 0.4 per cent. Additional costs include the buy and sell spread incurred when buying or selling units in an ETF.
<b>Tax implications</b>	As a company structure, LIC is taxed at 30 percent. Income is distributed to shareholders through fully franked dividends	Managed fund does not pay tax as all income is distributed to investors. Investors pay tax on distributions at their individual marginal tax rate	Tax on distributions and capital gains applies to ETFs, just as it does with managed funds
<b>Considerations</b>	The Net Tangible Assets (NTA) can trade above or below the share price. It is difficult to invest small regular amounts due to brokerage fees charged on individual purchases	Open end structure of funds means inflow and outflow of funds could adversely affect investment performance	It is difficult to invest small regular amounts due to brokerage fees charged on individual purchases

# Financial Services Guide

## What is the Financial Services Guide?

This Financial Services Guide (FSG) is provided by Australian Investment Company Services Limited (AICS).

The FSG is an important document we are required to give to you under the requirements of our Australian Financial Services Licence.

It contains information about AICS to help you decide whether to use the financial services we provide. It also explains the financial services we are authorised to provide, how we and any of our representatives are remunerated, and includes details of our internal and external complaints handling procedures and how you can access them.

## Who is AICS?

AICS is a 75 per cent owned subsidiary of Australian Foundation Investment Company Limited (AFIC), Australia's largest LIC (ASX: AFI). Djerriwarrh Investments Limited owns the remaining 25 per cent (ASX: DJW).

AICS is based in Melbourne, Victoria, and its contact details are:

Australian Investment Company Services Limited  
Level 21, 101 Collins Street  
Melbourne, Victoria 3000  
Telephone (03) 9650 9911  
Facsimile (03) 9650 9100

## What financial services does AICS offer?

Under its Australian Financial Services Licence 303209, AICS is authorised to offer the following financial services to retail and wholesale clients:

- Provide general financial product advice (general advice) on securities, derivatives and interests in managed investment schemes (excluding investor directed portfolio services);
- Deal in securities and derivatives; and
- Underwrite an issue of securities.

AICS provides general financial product advice, only in relation to the securities of the following listed investment companies (LICs):

- Australian Foundation Investment Company Limited (ASX Code: AFI).
- AMCIL Limited (ASX Code: AMH).
- Mirrabooka Investments Limited (ASX Code: MIR).
- Djerriwarrh Investments Limited (ASX Code: DJW).

Any of the listed investment companies may also engage AICS to arrange for new offers of its securities.

## Does AICS provide personal financial advice?

No. AICS does not provide personal financial advice. Any advice provided to you has been prepared without taking into account your objectives, financial situation or needs. You should therefore consider the appropriateness of the advice in light of your own objectives, financial situation or needs before acting on the advice. If the advice is related to the acquisition or possible acquisition of a particular financial product from a product issuer, you should obtain a copy of and consider the prospectus (or other applicable disclosure document) for that product before making any decision.

## Compensation arrangements

AICS has in place professional indemnity insurance suitable to its business. The insurance covers claims in relation to the conduct of its employees, including those who no longer work for AICS (but who did at the time of the relevant conduct).

## How will I pay for the service?

AICS will not charge you a fee or commission for any general advice or information provided to you. If you purchase any securities in relation to which AICS has provided you with general advice, through a broker or a licensed financial adviser, you may be required to pay fees to those parties.

# Financial Services Guide continued

## How are AICS and its representative paid?

AICS provides administrative and financial services to each LIC listed above. Under this arrangement the LIC reimburses AICS all costs incurred in providing those services, including costs incurred in providing general advice in relation to the LIC's securities.

Reimbursement of costs is not linked to the outcome of any general advice provided by AICS through its representatives. AICS's representatives are not paid any commission by AICS nor by any LIC for providing general advice on securities.

All employees of AICS are paid an annual salary by AICS. From time to time employees are offered incentive plans, which may include shares in the LICs and payment of bonuses, depending on the LICs' overall financial performance.

Representatives of AICS hold directly or indirectly securities in some or all of the LICs.

## What should you do if you have a complaint?

If you have a complaint about the service provided to you, you should take the following steps:

1. Contact:

### **Australian Investment Company Services Limited**

The Complaints Officer on:

**(03) 9650 9911**

Alternatively, you can put your complaint in writing and forward it to:

### **The Complaints Officer Australian Investment Company Services Limited**

Level 21, 101 Collins Street  
Melbourne Victoria 3000

2. If you do not obtain a satisfactory outcome, you have the right to complain to the Financial Ombudsman Service:

### **Financial Ombudsman Service**

GPO Box 3  
Melbourne Victoria 3001

[www.fos.org.au](http://www.fos.org.au)

Telephone 1800 367 287  
1300 78 08 08

Facsimile (03) 9613 6399

AICS is a member of this scheme.

The Australian Securities and Investments Commission also has an infoline, on 1300 300 630, which you may use to make a complaint and obtain information about your rights.

## Enquiries

For further enquiries please contact:

Geoff Driver, General Manager, Business Development and Investor Relations, Australian Investment Company Services Limited.

Telephone (03) 9225 2102