

Media Release

17 November 2015

Foreign investment into Australia has doubled in five years: Financial Services Council/Perpetual report

- Untapped potential for further growth in the Australian economy
- Financial exports remain steady at 3.6% during past five years
- Australian managers have global investment management expertise
- 56% of fund inflows invested offshore

The *2015 Australian Investment Managers Cross-Border Flows Report* by the Financial Services Council (FSC) and Perpetual has revealed foreign investment into Australia through managed investment trusts (MITs) has more than doubled from \$20.3 billion at 1 January 2010 to an estimated \$43.6 billion at 31 December 2014.

While the increased investment has created more activity for the Australian economy, there remains untapped potential due to the lack of growth in financial services exports, which have remained steady at 3.6% during the same five-year period.

FSC CEO Sally Loane said: "As Australia transitions into a services-oriented export economy, the expertise of our world-class fund managers and cross-border trade of financial services will become imperative for our future economic growth.

"The opportunities to export Australian financial services are significant and making sure we have the right regulatory architecture in place will play an important role in determining our level of success as an exporter."

"As the fourth largest funds management industry in the world, worth \$2.6 trillion, having the right policies in place to enable the trade of financial services, particularly with Asian markets, has the potential to stimulate economic growth in Australia," Ms Loane said.

"While doubling the volume of funds is very positive, we need to do more to ensure that we grow financial services exports as a proportion of the export economy.

"We need to reduce the complexity and confusion associated with our withholding tax regime, decrease withholding tax rates to make them more competitive with other countries, and complete the outstanding Johnson recommendation to broaden the range of collective investment vehicles, so we are not limited to trusts."

Nearly two thirds (65%) of all fund inflows are sourced from the Asian region, with Japan accounting for 56% (\$11.9 billion) of these funds.

Perpetual CEO and Managing Director Geoff Lloyd said: "Our geographical location means our neighbours in the Asia Pacific region are natural trading partners for us and recent free trade agreements will help further stimulate fund flows across the region.

"We're making good progress on the Asia Region Funds Passport and free trade agreements with Japan and Korea are already having a positive impact on flows. With the China agreement now passed

through parliament and the Trans-Pacific Partnership underway, there is strong momentum to achieve further growth in the Australian economy in the near future.”

The skill of Australian investment managers is being sought in managing global investment portfolios, with the report revealing that 56% of fund inflows to Australia are being invested offshore.

“It is encouraging to see Australia’s world class investment management expertise being sought after globally,” Mr Lloyd said.

“Global equities is a key part of Perpetual’s growth strategy and these findings support the growing demand we are seeing for global investments,” he said.

[ENDS]

For further information, please contact:

Jessica Richards
Corporate Communications Manager
Perpetual
Phone: 02 9229 9893
Email: jessica.richards@perpetual.com.au

Robyn Tolhurst
Director of Communication
Financial Services Council
Phone: 0411 177 773
Email: rtolhurst@fsc.org.au

About the Australian Infrastructure Investment Report

The annual *Australian Investment Managers Cross-Border Flows Report* was first commissioned in 2012 to determine the extent to which overseas sourced funds flowing into Australia had increased following changes by the government to broaden the eligibility rules for the Managed Investment Trust taxation regime so that a greater number of trusts could access it. This report shows these fund flows have more than doubled since 2010 when the changes were made.

The Report is based on the findings of 22 respondents who collectively own or manage circa A\$150 billion in infrastructure investments across the globe. Respondents included sovereign wealth funds, pension funds, fund managers, developers, banks and insurance companies. While almost all respondents are Australian-based, around half have their head office within Australia, and half have head offices elsewhere.

About Perpetual

Perpetual is an independent financial services group operating in funds management, financial advisory and trustee services. Our origin as a trustee company, coupled with our strong track record of investment performance, has created our reputation as one of the strongest brands in financial services in Australia. For further information, go to www.perpetual.com.au

About the Financial Services Council

The Financial Services Council (FSC) has over 115 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The industry is responsible for investing more than \$2.6 trillion on behalf of 11.5 million Australians. The pool of funds under management is larger than Australia’s GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency. For further information: www.fsc.org.au