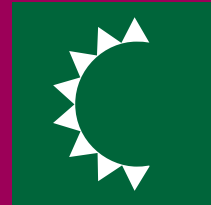


FINANCIAL PLANNING NEWS



Chifley Financial Services Update

January 2005

How do we manage your money?

Diversification - or spreading your investment funds - is considered to be an essential strategy for helping you achieve success in investing and it can be achieved in a number of ways.

You can diversify across different asset classes (such as shares, property, fixed interest and cash), within asset classes (that is, between resource stocks like gold and zinc, and industrial stocks like banks and retailers), between countries and even investment managers.



In our first edition of Financial Planning NEWS sent out to you in October last year, we asked for your feedback on the newsletter. The response was overwhelming, thank you! Congratulations to Jeff Parmeter, our lucky winner of the \$250 Coles Myer gift card. Jeff was drawn randomly from all the feedback surveys returned to us.

In particular, many of you asked us for information on how we actually manage your investments. So, in this newsletter we have included a cover story on our multi-manager approach - to help you understand how we manage your money.

We trust you will find the newsletter valuable and, as always, should you have any questions or feedback, please do not hesitate to contact Chifley Financial Services on 1800 800 002 for the cost of a local call.

We diversify your investments for you

At Chifley*, we offer you diversification by assisting the APS Fund Trustee to monitor and provide you with:

- a choice within the APS Fund of investment strategies to best suit your needs; and importantly,
- a multi-manager approach to investing.

As a client, whether you are an active investor or not, you probably have read about investment strategy options at some stage. What you may not have read a great deal about is how the multi-manager approach to investing works.

Essentially, the multi-manager approach diversifies your portfolio across a range of investment managers that we actively select and manage to rigorous criteria and disciplines.

The Trustee's decision to utilise the specialist skills of a variety of managers is based on research that has found that several carefully selected investment managers will produce a better result, more consistently and

with lower volatility, than a single manager over any reasonable period.

What are the benefits for you?

For you as a client, you benefit greatly from this approach in a number of ways:

- The diversification of managers helps lower the risk involved.
- Your money is managed by investment specialists that the APS Fund Trustee has carefully reviewed and hand-picked - in other words, you have access to the best of the best.
- You don't have to concern yourself with doing the enormous amount of leg work that's involved in researching the best investment managers available in the global market. It is done by the APS Fund.
- You are free of the worry of actually making complicated decisions regarding investment manager choice because the APS Fund has the resources and knowledge base to manage this process on your behalf. And this is done with no added charge to you.

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A change in equity managers

Over the last few months of 2004, the Trustee of the Australian Public Superannuation Fund (APS Fund) completed a review and reconfiguration of their Australian equity (share) portfolios.

The objective of the review was threefold: to increase the number of managers in the portfolio (so as to reduce the risk of too much money associated with a limited number of companies); to marginally increase the likely portfolio returns; and importantly to lower the portfolio's risk. In order to achieve this, we needed a more diversified manager line up.

The result of the review saw a realignment of manager allocations and appointment of a number of new managers to provide important additional dimensions to the portfolios. ABN AMRO and Perennial received significant new mandates as a result of this process.

These changes were ultimately designed to provide members with better returns.

Who are the managers now across all asset classes?

Australian Public Superannuation Fund

Australian shares

ABN Amro Asset Management
Perennial Investment Partners
State Street Global Advisors

International shares

Alliance Capital
The Boston Company
State Street Global Advisors

Listed Property

State Street Global Advisors

Australian Fixed Income Composite

Aberdeen Asset Management
Macquarie Investment Management

International Fixed Income Composite

State Street Global Advisors

Cash

FuturePlus Financial Services



Improvements to administration

For some time now, FuturePlus Financial Services - the service provider for Chifley clients - has been conducting a comprehensive review of administration options with the objective of improving our service offering to all our members.

As a result of this review, the APS Fund Trustee has supported FuturePlus in its recommendation to bring the administration function in-house. It is intended that FuturePlus will provide all administration services to the Schemes and APS Fund between May and September 2005. Further updates will be provided in forthcoming editions of Financial Planning News.

Regional Offices

Branches are located at:

Sydney

28 Margaret Street

Lismore:

81-83 Molesworth Street

Newcastle

235 Darby Street Cooks Hill

Orange

187 Summer Street

Wagga Wagga

2/209 Baylis Street

Wollongong

Shop 2 & 3/ 60 Burelli Street

The following offices are staffed one day per month (bookings essential by calling 1800 800 002):

Albury

429 Swift Street

Goulburn

148 Auburn Street

How do we manage your money? (cont from p1)

Beyond the initial investment manager selection stage, the APS Fund Trustee regularly reviews their ongoing performance against agreed criteria to ensure they are still meeting their mandate. As always, managers are held accountable to their performance and risk targets to maximise returns to clients.

Chifley and the APS Fund Trustee are committed to bringing retired members the same low-fee,

high-value service that you enjoyed as Fund members when you were working. That's why the same investment approach - the multi-manager approach - is used to manage your money once you have retired.

* Chifley Financial Services Limited (ABN 75 053 704 706) is owned jointly by the Local Government and Energy Industries Superannuation Schemes and the Labor Council of NSW. Chifley is an Australian Financial Services Licensee (AFSL 231148) and Trustee of the Australian Public Superannuation Fund (APS Fund).

Investment and market commentary

December Quarter 2004

The big story in Australia over the last quarter of 2004 was the federal election. The Coalition was re-elected for a fourth term and, unexpectedly, increased its majority in the lower house and gained control of the Senate.

In terms of the economy, the unemployment rate hit a record low and consumer sentiment hit record highs. However, the big cloud on the horizon going forward is the high debt levels of households, and is especially of concern as the residential property bubble begins to deflate (official Australian Bureau of Statistics figures showed a fall for the first time in four years).

Overseas, US headlines were dominated by George Bush's election victory and the Republicans winning control of Congress. US economic data still suggested a growing economy, however, monthly job figures received significant focus.

The US dollar tumbled against major currencies due to fears over a growing US current account deficit and Alan Greenspan's warning that, consequently, the appetite for buying US dollars and assets must eventually slow or stop.

In other parts of the world, Japan's economy appeared to come off the boil while Europe also struggled to make headway. In a surprise move, China raised interest rates for the first time in 9 years.

Australian Shares

Australian equities rose relentlessly throughout the quarter, with only 6 of the largest 100 stocks posting negative returns and major market indices posting a succession of record highs (the All Ordinaries rose



10.3% during the quarter). The underlying reason for this strong performance was that this was the best earnings environment seen in over a decade.

International Shares

World sharemarkets bounced back during the quarter with most markets posting good gains. In US dollar terms, international shares rose just over 14%. Due to the Australian dollar rising by almost 12% during this period, however, international markets rose by just over 2% in Australian dollar terms. US stocks rose strongly (the S&P500 hitting a post-September 11, 2001 high) after the Bush election win, with falling oil prices over December (after hitting new highs of \$55 per barrel) also helping markets.

Fixed Interest & Cash

Global bond yields were little changed by the end of the quarter after the November rise due to Alan Greenspan's warning of potential rate rises. Australian bond yields fell again, ending the quarter at 5.33%, as Asian investors started switching out of US and into Australian bonds because of the much higher yield. The Reserve Bank of Australia left the cash rate unchanged at 5.25% during the quarter.

Centrelink - helping you make informed decisions

Centrelink offers more than just the age pension to retirees. Other benefits include the following concession cards:

Commonwealth Seniors Health Card

A Commonwealth Seniors Health Card helps reduce the cost of prescription medicines if you are of Age Pension age but do not qualify for the Age Pension.

Pensioner Concession Card

A Pensioner Concession Card entitles you to reduced cost medicines as well as other concessions from state and local government authorities which may include:

- Reductions in property and water rates;
- Reductions in energy bills;
- A telephone allowance;
- Reduced fares on public transport;
- Reductions on motor vehicle registration; and
- One or more free rail journeys within the state each year.

Health Care Card

A Health Care Card entitles you to reduced cost medicines under the Pharmaceutical Benefits Scheme (PBS). You may also be entitled to a limited number of extra concessions from state and local government authorities (these vary from state to state), and in some instances your dependants may also be able to access these extra concessions.

Concessions from state and local government authorities may include reductions in:

- Health care costs including ambulance, dental care and eye care;
- Public transport costs;
- Water rates; and
- Energy/electricity bills.

Centrelink entitlement and concessions are discussed as part of Chifley's standard financial planning process so invested clients eligible for these concession or other Centrelink entitlements would already have these covered in their financial plan.

If you would like any further information, please contact your Chifley Financial Planner on 1800 800 002 or Centrelink on 132 300.

If your doctor says you are too old to exercise, change your exercise!

By Monte Elissa B.App.Sc.
(Physiotherapy). M.A.P.A.
Director of Medigym

There is a growing buzz amongst the 50s plus population as they revitalise their almost forgotten, former health and wellbeing. Many new converts are experiencing the benefits of an active lifestyle. Immediate effects of exercise include a “feel good” sensation due to endorphin stimulation and a release of built up stress. Many well-known general effects of exercise include reduced blood pressure, decreased weight, reduced cholesterol, better diabetes control, stronger bones, increased strength and the list goes on. Some lesser known benefits include sleeping better, increased energy and an increase in function - for example, the ability to walk faster/further, better use of stairs, carrying more shopping. All this with natural ‘exercise’...

My eldest client, Ms. B, is 90 years old. You can find her diligently going



through her program every week. Her active lifestyle has kept her in good health, which shows, as she only takes half a blood pressure tablet every second day.

There are many options to exercise so why go to a gym? The main reasons are professional assistance, social interaction, safety, variability of equipment, to be out of the cold or the

sun, and to be in a safe environment. To get the most out of your gym, be sure to request a thorough assessment before starting that determines your weaknesses, and discusses your goals. An individual exercise program should then be written based on your needs and assessment findings. I strongly recommend that written individual programs be performed to get the most out of your exercise time.

I have personally seen remarkable results gained through exercise. One particular client that comes to mind is a gentleman who was advised that he would not be able to walk more than 300 metres in one go again in his life, due to his muscle condition. With self-determination and exercise, Reverend O'Sullivan achieved 10,000 metres! The benefits are there for the taking.

When taking steps toward a healthier lifestyle, strongly consider exercise, and remember, you are never too old to exercise!

This document was prepared for the exclusive use of members of the Australian Public Superannuation Fund and for Chifley Financial Services.

For members of the Australian Public Superannuation Fund, and clients of Chifley Financial Services: Any advice in this document is provided by Chifley Financial Services Limited (ABN 75 053 704 706) as trustee of the Australian Public Superannuation Fund and as an Australian Financial Services Licensee (AFSL 231148).



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