

# FINANCIAL PLANNING

# NEWS



Chifley Financial Services Update

March 2006 Quarter

## About your Fund Managers

One of the managers carefully selected to manage investments in FuturePlus Super (of which Chifley is the Trustee) is PIMCO, which ranks among the largest managers of fixed income assets in the world with over half a trillion dollars in funds under management.

In Australia, PIMCO manages over \$12 billion in fixed-interest securities.

However, it wasn't chosen to manage your money because of its size or solely because of its solid track record in fixed interest. It was selected because of the way it blends with the other fixed interest managers in our portfolio, such as Loomis, Sayles & Company.

In recent editions, we've highlighted how Chifley adopts a multi-manager investment approach to manage the investments. It uses the specialist skills of several carefully selected managers and ensures that these managers are combined together in a portfolio in a way that ensures that your investment portfolio is not biased in any direction because of the manager's style.

PIMCO's investment approach emphasises active management (where it aims to

achieve a better result than the index), wide diversification and conservative risk-taking. Its aim is to maximise total return while moderating volatility or movements in the value of a portfolio.

PIMCO achieves low volatility by diversifying across bond market sectors, issuers, industries and countries within global markets. It concentrates on top-down economic research to identify those factors likely to affect the levels of worldwide interest rates, and bottom-up credit analysis of individual bonds and issuers to identify the best value within and between sectors.

Loomis, Sayles & Company, on the other hand, concentrates on the basic financial strength of each security it includes in its portfolio. As such, they examine aspects like its cash flow projections, market position, management strength, company and industry developments and trends that could affect its future.

## Time for a review

If you saw a financial planner a while ago, it's important to ensure that the investment strategy you originally decided on is still relevant to your current situation. As you know, investment trends and your circumstances can change over time. Perhaps it's time for a review of your plan?

The aim of a review is to ensure that your financial plan remains appropriate to your goals and that you are doing the very best you can to maximise your retirement savings! Any consultation will cost you absolutely nothing and there's no obligation to make any changes to your investments.

**For more information,  
call 1800 800 002.**

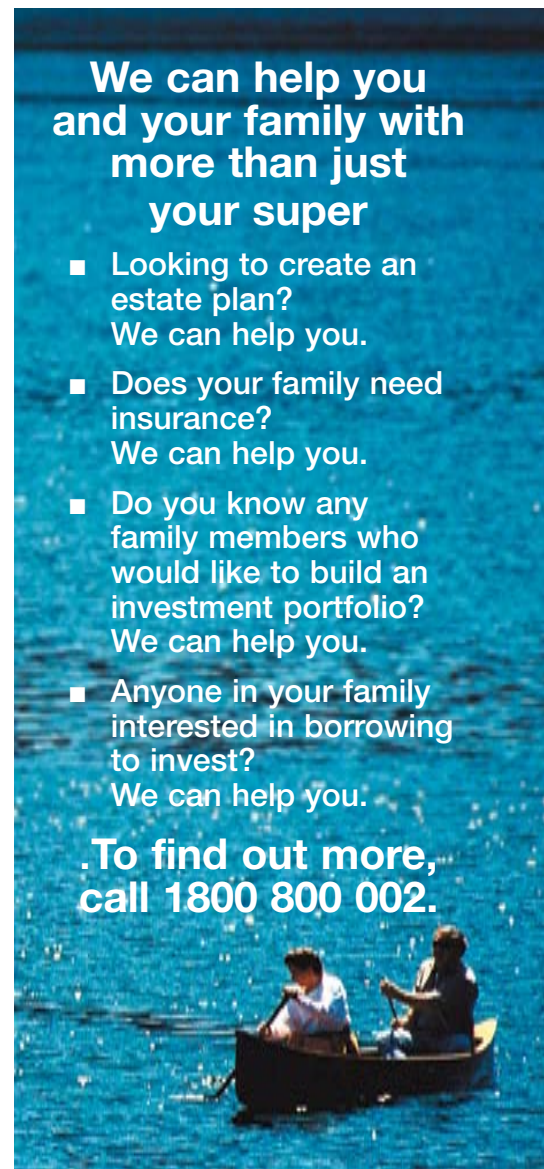
## Parramatta office to open

As part of our continual drive to provide members of the Fund with better service, we will be opening a new branch in Parramatta at 10 Smith Street in mid-May. Please feel free to pop in and have a chat with the team based in the new office.

## We can help you and your family with more than just your super

- Looking to create an estate plan?  
We can help you.
- Does your family need insurance?  
We can help you.
- Do you know any family members who would like to build an investment portfolio?  
We can help you.
- Anyone in your family interested in borrowing to invest?  
We can help you.

**To find out more,  
call 1800 800 002.**



# Market Commentary

In March, Australian shares hit record highs and have been a significant driver of recent investment returns.

The global economy is enjoying its strongest growth phase since the 1960s and Australian companies are reaping the benefits. Australia's commodities are in hot demand, but there are fears of a more volatile year ahead for the resource sector as the supply of raw materials starts to match demand.

That said, earnings and economic growth look likely to continue, and interest rates look to stay on hold locally while inflation remains in check.

## Australian equities

In March, Australian equities performed strongly on the back of buoyant corporate activity, earnings upgrades, strong resource prices and solid economic conditions. The S&P ASX 200 ended the quarter 9.0% higher. Despite its strong finish, the quarter was not without

some volatility, with the market dipping in February as investors became anxious about resource stocks.

The quarter also saw a rush of merger and acquisition activity and slightly better than expected results from 'Corporate Australia' during the half year reporting season.

## International equities

International equity markets also enjoyed a strong first quarter of 2006 on the back of commodity price strength, with Europe and emerging markets the strongest performers. However, while still up, the US and Japan markets lagged behind.

## Australian Property

Despite a bumpy quarter, Listed Property gained 1.7%. The sector outperformed in February as share investors shifted into more defensive assets when the broader equities market dipped. January and March were weak months as investors moved out of the sector into shares.

The sector has enjoyed a rebound in the office property market, which after some weakness, appears to be improving, thanks to declining vacancies and signs of rental growth.

## International fixed interest

International bond markets were heavily influenced by steps taken by the US Federal Reserve (Fed), which raised rates twice during the quarter, ending at 4.75%. This had a downward influence on this sector, particularly later in the quarter, as share markets rose. With signs that the world economy is picking up, some market players are anticipating further rate hikes in Europe and the US, so bond prices could fall further.

## Australian fixed interest

Australian bonds took their cue from the US bond market during the March quarter. With likely increases in interest rates internationally and the impact that will have on international bond prices, some local

players are already starting to price this into local bonds.

## Cash and currencies

The Reserve Bank of Australia has kept its official cash rate unchanged at 5.5% for more than a year.

The Australian dollar bounced around throughout the March 2006 quarter. It firmed through most of January and February then fell sharply in March, hitting an 18-month low when it bought USD\$0.7016. It also fell against the Yen and Euro. The main reason for this is that interest rates have remained unchanged in Australia but have risen in other countries, making it less attractive for foreigners to invest here.

Towards the end of the quarter, the AUD was also affected by negative sentiment towards the New Zealand dollar, which has fallen because of concerns that the New Zealand economy is slowing sharply.

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decision, you should seek the assistance of a professional adviser.

In particular, you should obtain a Product Disclosure Statement for the relevant Scheme product and consider the Statement before making any decision in relation to the matters set out in this publication.



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