

The markets and your superannuation

You are not alone if you've been worried about the recent volatility in investment markets and how this could affect your retirement nest egg.

To summarise some of the recent events, global markets were affected by the fallout from the sub-prime market which led to a credit crunch as lenders became nervous about parting with their money. This made it harder and more costly for companies to borrow. Also leaving its mark were concerns about the possibility of a recession in the US economy. The Australian market was also affected by interest rate hikes and many investors feared that this could lead to a slower local economy and a downturn in company earnings.

These conditions provided investors in Australian shares with their biggest annual fall in 26 years for the financial year to end June 2008 and the news from many of the world's major sharemarkets was similar.

Markets opened the new financial year with further falls and the near term forecasts from the experts are far from positive, even though markets have taken some comfort from moves by central banks around the world to ease the crisis.

Concerns remain about how the US and other economies will perform and how this will affect company earnings. In Australia, there have been worries about rising inflation which could lead to more interest rate hikes. Nonetheless, Australia is expected to benefit from being on the doorstep of booming economies like China and India which are expected to continue to buy our resources which will support our economic growth.

In the meantime, it is important to remember that markets move up and down, but over the long term they've generally moved upwards. It is said that sharemarket investors can expect a negative return once every five years. So some experts say the Australian sharemarket was due for a fall after delivering over 20% p.a. in returns in the previous four financial years.

History though has shown that patient investors are the ones who reap the rewards and that taking a long-term view helps avoid hasty reactions.

Welcome. In this issue of Financial Planning NEWS you will find information on:

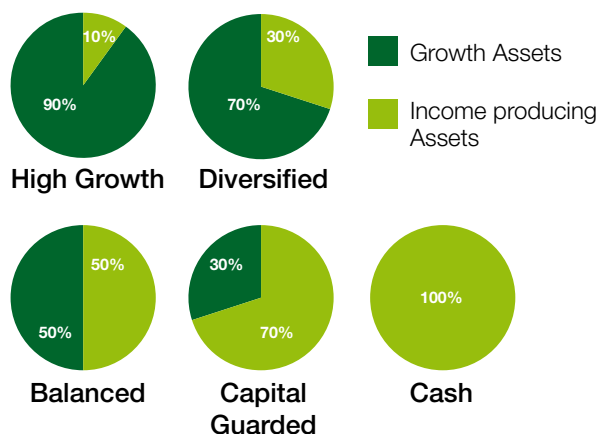
- The markets and your superannuation
- Your investment choices
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- Good news for seniors and concession card holders
- Is golf your game?
- Easing memory loss
- Seminars
- What's on in NSW
- The latest from Fair Go
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Your investment choices

As a member of this Fund, you have a choice of investment strategies and asset classes that can be used to create your own investment portfolio that will best meet your needs. You can choose to invest either within the five investment strategies offered or invest directly in the individual investment pools under the Member Choice program.

1. Investment strategies

Under this option, you have a choice of five investment strategies that can be used separately, or in combination, and you can redesign your initial investment portfolio at any time by switching between the investment strategies. The five strategies under this option are:



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2. Member Choice program

Within the Member Choice program, you can design your own portfolio by using a combination of the underlying asset classes which are:

- Australian equities
- International equities
- Listed property securities
- Australian fixed income
- International fixed income and
- Cash.

When making a decision, consider that in general, investments which potentially earn higher long-term returns (they have a higher investment in growth assets such as equities and property) also carry higher short-term risk. Not only may the rate of return of the investment vary, but also the value of the investment can rise and fall over the short term.

Those strategies which offer potentially lower long-term returns (they are invested in defensive and income-producing assets such as cash, fixed interest and bonds) are likely to fluctuate less in value over the short term.

The experts agree that most carefully selected strategies work well for investors over the long term. Determining which strategy best suits you will depend on a number of factors such as your financial goals (e.g. what sort of lifestyle you want in retirement), and your financial risk tolerance (whether you can tolerate losing some of your money in the short term).

This means that the strategy you choose should be focused on your long-term requirements and shouldn't change just because investment markets have changed. Markets are cyclical. They go up and down, but have generally risen in the long term. Those who have tried to second guess the markets have usually lost out.

That said, the level of risk you are comfortable with will vary from time to time as you develop different goals throughout your life and as your financial circumstances change. If your circumstances have changed, or if you are uncertain as to whether your chosen strategy suits your requirements, now could be a good time to review your strategy. Phone **1800 800 002** to speak with a financial planner.

Sharemarkets always recover

Markets move in cycles. Shares performed very strongly in the four years to November 2007 until market conditions helped push share prices down. History shows that share markets have always recovered after a slide, although this can take time. Those who stayed in the market after the 1987 crash, for example, were certainly well rewarded for their patience. The same is true for those who stuck to their guns after the 2001 dot.com bubble burst. Over the longer term, the general direction of stock markets has always been upwards as you can see in the chart below.

In times of volatility, though, investors have been known to make hasty decisions which many regretted later. Some, for example, have suffered a "double whammy" by selling their shares at a loss, only to find that stock prices had risen by the time they decided to buy again.

Others have chased returns by moving their money to asset classes or managers who had recently done very well, but later discovered that past performance isn't always a good guide to the future.

To explain why chasing returns can be a mistake, take a look at the graph 'Chasing returns' on the next page.

This chart compares the cumulative returns achieved by an investor who chases the previous year's best performing asset class with the returns made by someone who sticks with a Balanced (Growth) strategy 20 years to December 2007. In simple terms if you invest in the asset class that performed the best last year, it is unlikely to have the best performance again. If you had chased last year's winners over the past 20 years, i.e., you tried to time the market, you would have received an average annual investment return of 9.87%.

Compare that result with the compound average return for the balanced investment strategy and you'll see that if you

Continues inside...

Good news for seniors and concession card holders

There's good news for you if you are a Seniors Card holder. It will soon become cheaper to visit families and friends in other states and to see more of Australia.

Currently, your Seniors Card is not recognised when you travel interstate which means you can't access local public transport concessions.

However, the new Government pledged \$50 million over four years in the recent Budget to implement national reciprocal transport arrangements. It is also working with state and territory governments to provide funding to ensure Seniors Card holders can access travel concessions on public transport anywhere in Australia by 1 January 2009.

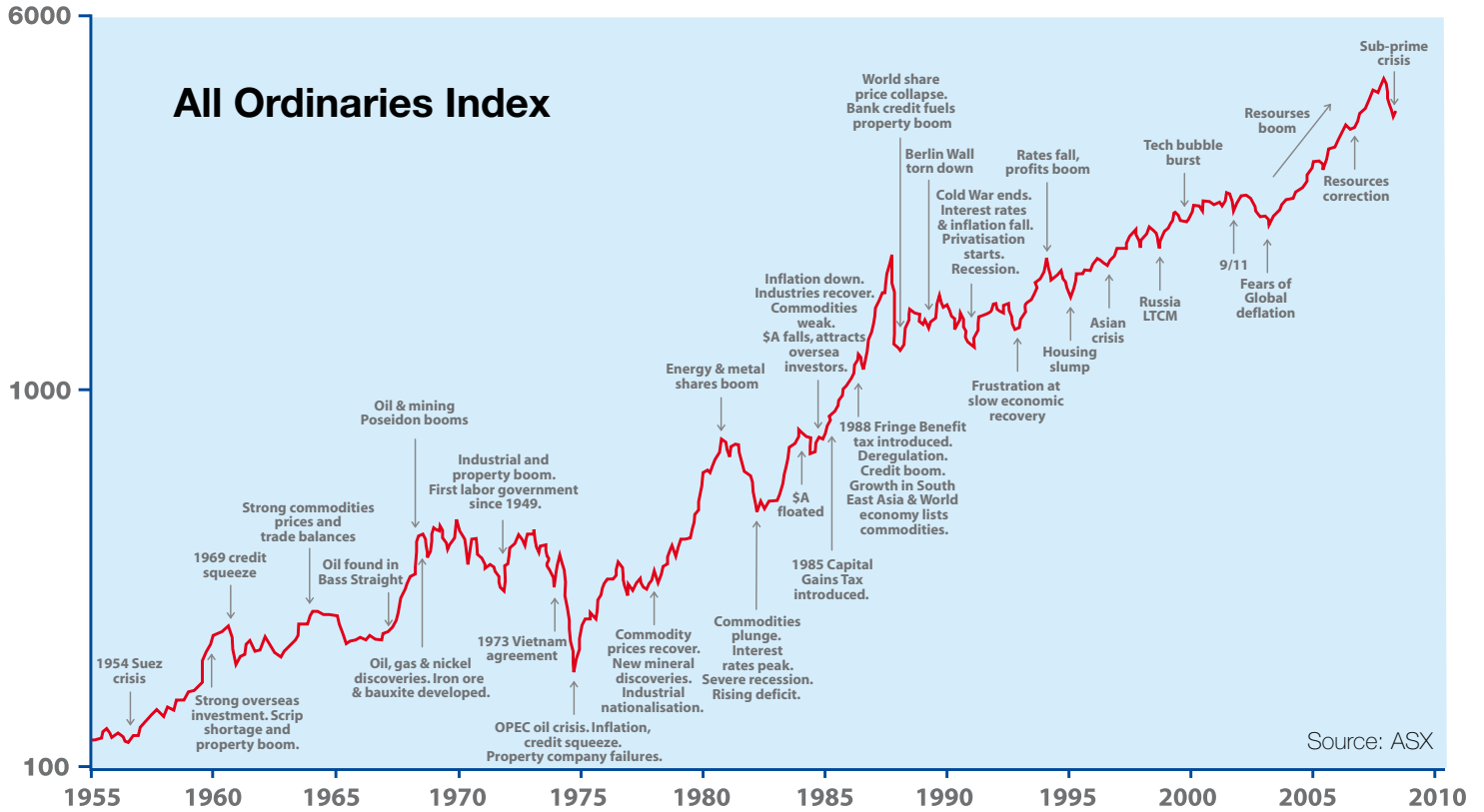
To find out more about the NSW Seniors Card, visit www.seniorcard.nsw.gov.au or phone the Seniors Hotline on **1300 364 758**.

Further, Australian Government concession cards will now remain valid during short-term overseas travel from 1 July 2008. Under this new change, concession cards will no longer be cancelled when card holders leave Australia for holidays or other short-term absences. This will apply to holders of the Pensioner Concession Card, Health Care Card and Commonwealth Seniors Health Card.

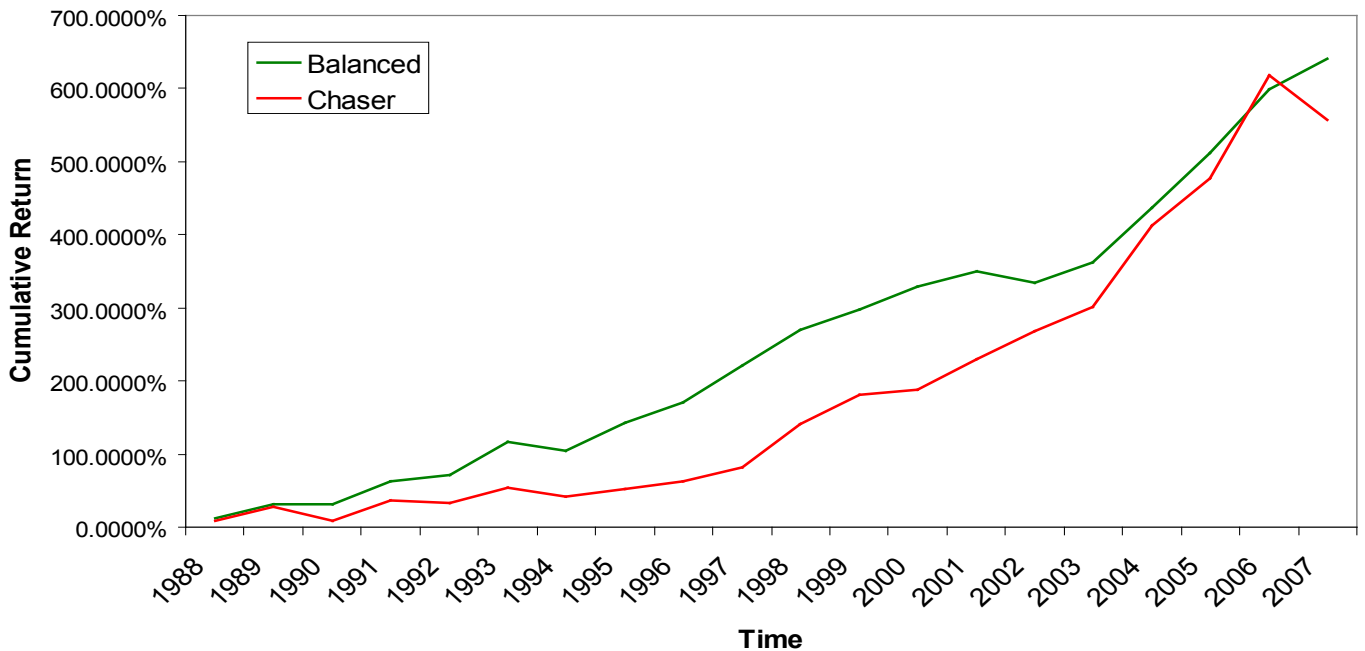
For more information on the changes to these cards, visit www.centrelink.gov.au or call **13 23 00**.

had chosen this strategy, you would have been better off as it returned an average annual return of 10.53%. That's because diversification allows you to spread your money across different investments to reduce risk. What's more, with this strategy you haven't spent endless amounts of time moving out of one asset class into another trying to time the market, not to mention the potential switching and exit costs this sort of activity would incur.

In the end, it is important to stick with your investment strategy, whatever that may be. You should only change your investments when your circumstances or financial goals change, not in response to market movements. In the investment world, yesterday's stars are seldom today's winners and the soundest strategy is to have a well diversified portfolio, instead of all one's eggs in one basket.



Chasing returns vs Balanced Returns



Performance indices used to compile this table are: Australian shares - All Ordinaries Accumulation Index; International shares - MSCI World Gross Accumulation Index (\$A); Property - Listed Property Trust Accumulation Index; Australian Bonds - Commonwealth Bank Bond Accumulation Index; Cash - UBS Warburg Australia Bank Bill Index. All earnings are reinvested but do not take into account the impact of tax and fees on earnings. This example is based on historical performance and is not indicative of future performance (future performance is not guaranteed and is dependent upon economic conditions, investment management and future taxation). The Balanced column refers to a portfolio mix of 30% Australian shares, 20% international shares, 10% Property, 30% Australian Bonds, and 10% Cash.

Is golf your game?



Recent research conducted in Sweden reveals that playing golf can add five years to your life.

An average game of golf involves walking as much as 5.5 kms and if you pull or carry your own clubs, you'll get even more benefit. Golf can also be

a great way to keep up with friends, make new ones and reduce stress. It's also challenging exercise for the mind.

Indeed, more adult Australians play golf than any other sport - 1.3 million people or over 8% of the population. But is golf the sport for you?

Golf is an extremely technical game to get into. There are so many different factors that come together for each shot - your swing, your grip, your stance, your clubs, your state of mind, the weather and so on. Golf is also quite a costly game to play, especially if you join a club and buy your own clubs.

A good way to get started is to take lessons to gain the fundamental skills before hitting the course. Alternatively, you could gather a group of friends, hire some clubs and make your way around your local public course. As you improve, you may consider buying a set of clubs and even having clubs custom-made to suit you.

Compared to other sports, the overall risk of injury from golf is low, though injuries still do occur. To avoid injury, warm up and stretch before playing, and take lessons. Good technique is your best defence against injuries and frustration.

Practicing regularly is also important in golf. Without it, you won't improve your game. You can practice at a golf range (where you don't have to pick up the balls when you've finished) or on the putting green at a public golf course.

To locate golf clubs nearest to you, contact your local council or visit the NSW Golf Association at www.nswga.com.au

Easing memory loss



Many people believe that memory loss is an inevitable part of ageing, but it doesn't have to be. There is a host of things you can do to keep your mind sharp and active.

According to Alzheimer's Australia, these include avoiding excessive drinking and drug abuse, relaxing more and ensuring that you get regular and adequate sleep.

You should also challenge yourself. Reading widely, keeping mentally active and learning new skills strengthens brain connections and promotes new ones.

Alzheimer's Australia says you should also trust yourself more. If people feel they have control over their lives, their brain chemistry actually improves.

Also exercise regularly, drink two litres of water daily and eat a balanced diet. Vitamins B and E, Lecithin and Omega-3s are believed to improve brain functioning, as are herbs like Bacopa, Ginkgo and Gotu Kola.

Remember that while we all forget things from time to time, the loss of memory with dementia is a very different thing. It is persistent and progressive, not just occasional. For more information, visit www.alzheimers.org.au

Tips to ease memory loss:

- Use a notepad and carry a calendar
- Take your time
- Organise belongings
- Use a special place for important items such as car keys and glasses
- Repeat names of new acquaintances in conversation.

Regional office details are:

Lismore

81- 83 Molesworth St

Newcastle

161 King St

Orange

187 Summer St

Parramatta

10-14 Smith St

Sydney

28 Margaret St

Wagga Wagga

Shop 2/209 Baylis St

Wollongong

Shop 2 & 3, 60 Burelli St

Albury*

621 Dean St

Office hours 8.30am - 5.00pm
Monday - Friday

*Bookings are essential. Phone 1800 800 002 to make an appointment.

Seminars

If you haven't retired yet, or your partner is planning to retire, why not attend a free pre-retirement planning seminar brought to you by your Fund? Also, if you have family or friends that you think may benefit, please feel free to invite them along too.



To attend one of our free financial seminars near you, call **1800 800 002**. Alternatively you can book a seat by emailing: enquiries@chifley.com

It couldn't be simpler.

Pre-retirement seminar timetable

Date	Location
12 August	Arncliffe
13 August	Young
15 August	Wagga Wagga
20 August	Yass
21 August	Mittagong
25 August	Dubbo
3 September	Newcastle
9 September	Leeton
10 September	Deniliquin
11 September	Liverpool
23 September	Gosford

What's on in NSW?

Live Green

When: 17 August 2008 - 10:00 am – 4:00 am
Where: Victoria Park, Camperdown
What: Learn how to live green in an urban environment through seminars, workshops, demonstrations and stalls. Also features organic and locally grown food, children's activities, entertainment and great bands and DJs.

Find out more: visit www.livegreensydney.com.au or phone (02) 9265 9333.

The Sydney Gardening Australia Expo

When: 29 - 31 August, 2008
Where: Sydney Showground, Sydney Olympic Park
What: Inspiration, entertainment and education as well as the latest garden and outdoor products and plants.

Find out more: visit www.abcgardeningexpo.com.au

Mudgee Wine Celebration

When: 1 – 30 September 2008
Where: In and around Mudgee Township
What: A month long wine festival which also includes regional foods, produce, arts and crafts, music and a variety of community events.

Find out more: visit www.mudgeewine.com.au

The latest from Fair Go

Eliminate the hassles and save on repair costs for home emergencies

What would you do if you had an emergency at home such as a burst water pipe, a blocked toilet, a blocked water tank or simply being locked out of the house? Well you won't have to worry if you are a member of HomeSource Home Assist.

Home Assist is like roadside assistance but for your home. As a HomeSource Home Assist member, you simply pick up the phone and call. If it's a problem that you can fix with the right advice, they will give you the solution over the phone. Otherwise they will get a qualified, insured and reputable tradesperson out to your home.

The cost of the tradesperson's call out fee and first half hour of labour is covered by your membership. Your membership covers 4 call outs per year and includes locksmiths, plumbers (for water or gas emergencies) and electricians.



MEMBER OFFER

Annual membership fee only \$110 (normally \$125).

For more information and to sign up telephone HomeSource Home Assist on 1300 733 420 and quote "Member Benefits".

How have investment markets performed?



June 2008 quarter

Despite gains in April and May, investment markets dropped strongly as the June quarter drew to a close, providing investors with their worst returns in decades.

The slump came as investors worried that there were still more losses to come as a result of the credit crunch, which was sparked last year by the US sub-prime crisis, and signs that the slowdown in the US economy was spreading to the economies of its trading partners around the world.

Also increasing investor anxiety was the surging price of commodities like oil, largely resulting from rapid growth in emerging markets like China and India. Investors feared that higher commodity prices could boost inflation, prompting central banks to lift interest rates, which in turn could increase the already high costs of company borrowings and restrain consumer spending, further hurting company profits.

Australian shares

Australian shares produced their worst performance in 25 years, falling 1.8% over the quarter and 13.4% over the financial year to June 2008. Dampening investor sentiment were signs of a slowdown in the Australian economy, a drop

in consumer spending and hints from the Reserve Bank that it might have to hike up interest rates later in the year to tackle rising inflation.

International shares

Major markets around the world also performed poorly due to surging oil prices, concerns about inflation and lingering credit issues. Overall, world sharemarkets fell 6.5% for the quarter and 21% over the year.

Japan was one of the few standouts, with its market returning 7.6% during the quarter in the absence of any inflation problems. German stocks slumped by 1.8%, French stocks by 5.8% and UK stocks by 1.3%. Chinese shares, previously star performers, fell 21% while other emerging markets delivered a mixed performance.

Listed Property Trusts (LPTs)

After years of strong performance, Listed Property Trusts were amongst the worst performing investment classes, falling 15.8% over the quarter and 37.7% for the year. Nervousness has dogged this sector ever since December last year when Centro revealed its funding problems in the wake of the credit crunch. Investors then began questioning the safety of some LPTs because of their past borrowing practices and the prospects of higher interest rates further soured sentiment towards this sector.

Fixed interest and cash

Returns from bonds were affected by expectations of higher inflation and a possible rise in interest rates. Overall, international bonds lost 0.6% over the quarter while Australian bonds fared better with a 0.4% gain. Cash was the strongest performer, returning almost 2% for the three months to end June 2008.

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