

YOUR FUTURE



AUSTRALIAN PUBLIC SUPERANNUATION FUND ABN 76 829 356 693

AUGUST 2003

Your Superannuation Fund's performance in 2002-03

The past few years have been some of the most difficult in financial markets with poor returns for most Super Funds.



Q So how has your Superannuation Fund performed in 2002-03?

A Your fund mirrored the market fluctuations, recording strong positive returns for Australian Fixed Interest, International Fixed Interest, Property, Capital Guaranteed and Cash, but negative returns for the Australian Equities and International Equities sectors.

Q Is superannuation still a good investment?

A Yes! For a number of important reasons:

Taxation treatment of superannuation – the taxation treatment of money invested in superannuation remains favourable for the majority of investors.

Eggs in many baskets – your Superannuation Fund strategies invest in many asset classes including cash, equities, property and bonds, ensuring that underperformance in some asset classes may be countered by outperformance in others.

Clever investing – your Superannuation Fund employs many strategies to shield against losses and to support returns. For example, your fund

has at its disposal strategies to protect against currency movement.

Long term – while investment returns have been poor over the past two years, investors looking back three to five years ago will remember very high returns. Super funds still provide a sound choice for long term savings.

Q What will I see in my statement?

A It depends on a number of factors that are unique to each member.

The Fund's performance relates to the effect on a sum of money invested over the course of the whole year.

On the other hand, member superannuation accounts receive contributions throughout the year, may experience one-off transfers in or out and may be subject to taxation differences.

In addition, members may have switched strategies during the year.

You're welcome to call Member Services for clarification on 1800 067 059 when you receive your statement. ◦

From the chair



We have worked hard to deliver up-to-date information on the performance of your Superannuation Fund prior to your annual statement.

Your Fund has opened a new regional office in Wollongong, which, with existing offices in Sydney, Lismore, Orange, Wagga Wagga, Albury and Goulburn will enable us to continue to improve services to members. Already over 120 members have met with Fund representatives at this new office.

Further, I would like to welcome the Ansett pilots to the Aviation Division of the Australian Public Superannuation (APS) Fund. This division has been developed to specifically cater for the needs of the aviation industry.

Your Fund is managed as part of an organisation with more than 120,000 members and over \$5 billion in funds under management. This allows us to provide you with superior service and investment management at lower cost. We are now one of the largest Fund groupings in Australia. This newsletter provides an overview on how Chifley Financial Services (the Trustee of your Fund), the Local Government Superannuation Scheme and the Energy Industries Superannuation Scheme fit in together in the organisation. It also provides some information about the products and services we provide to members. Please feel free to call Member Services on 1800 067 059 if you have any questions.

Yours sincerely,

Bernie Riordan

Expanding our services

MINISTER OPENS WOLLONGONG OFFICE



The Honourable David Campbell MP, NSW Minister for Regional Development, officially opened the new regional office in Wollongong on 13 June 2003. The office will service the APS members living and working in the region.

Members will have the opportunity to meet with Fund representatives in Wollongong to discuss their super while those approaching retirement can now make an appointment with a financial planner at the new office.

Chifley financial planners provide advice tailored to meet each member's individual needs. Our financial planners are salaried employees whose advice is not driven by commissions. The new office is the latest initiative in providing outstanding service and easy access to Fund members following the opening of our other branches. If you would like to discuss your retirement, salary sacrifice, voluntary insurance, low cost home loans, or any other superannuation matter, phone 1800 067 059 to make an appointment. The office is located at Shop 2, 60 Burelli Street, Wollongong. ●

Newsflash

Now members can get a 10 per cent discount with Regional Express just by showing their Fair Go card. We are also finalising discounts with Avis for Fund members. In addition, Kiama Council is offering members a 15 per cent discount when booking a holiday with either Werri Beach Holiday Park or Seven Mile Beach Holiday Park. If you want more information, call the Fair Go hotline on 1300 550 401. ●

Do you hold more than one superannuation account?

If you do, then you could be paying unnecessary additional administration fees, which can accumulate to a large amount by the time you retire. It may pay to consolidate your super into one account, and this is really easy to do. By having your entire super in the Australian Public Superannuation Fund, you will pay only one admin fee, instead of fees for every fund you belong to.

Another great reason to consolidate your super is that there are no entry or exit fees with the Australian Public Superannuation Fund. As a bonus, you will be able to keep track of your super easily. To consolidate your super, simply complete our transfer-in authority form which is available to download from our website at www.chifley.com, then forward to GPO Box 2617



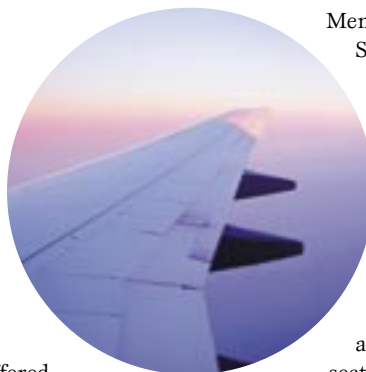
Sydney 2001, and we will do the rest. It couldn't be any simpler. For more information, please call Member Services on 1800 067 059. ●

Welcome to Ansett pilots

We are delighted to welcome Ansett pilots who have joined the Aviation Division of the Australian Public Superannuation Fund (APS). They joined the Fund following the decision by the Trustee of the Ansett Pilots Accumulation Plan to transfer members' superannuation entitlements to APS.

Ansett pilots will now be offered the same level of service that other fund members receive, plus insurance specifically aimed at maintaining the level of cover they had in the Ansett fund.

Also, like current APS members, Ansett pilots will have access to the Fair Go program providing discounts on hotel accommodation, health care and other services. ●



Keeping track via the web

Members of the Australian Public Superannuation Fund can now keep track of their super by simply logging onto www.chifley.com.

By registering for web access and obtaining a personal password to your account, you can easily access your account information, update your personal details and view your personal statements. If you don't already have access to the member section, just log onto the website and click on the 'register' link.

The website also allows you to review your fund's performance or use one of the many financial calculators to assist with your financial planning. It offers general superannuation information as well as a list of the wealth creation and retirement seminars taking place in your area. So get clicking. ●

APS investment program changes

Following a review of the investment options within the Fund, a number of changes came into effect on 1 July 2003, which aim to provide members with strategies and programs that are named to reflect the objective of their chosen strategy.

The LifeCycle Objective Management Program (OMP), which alters the mix of assets, based on a member's years to retirement has changed from six to five lifecycle stages. The asset mix applicable for each of the stages has also been changed. In addition there have been some

changes to the Managed Portfolio Program (MPP) to reflect the objective of the MPP strategy name.

From 1 July 2003 all Lifecycle OMP and MPP members, who joined under the pre-1 November 2002 Key Features Statement have been moved to the new Lifecycle OMP and MPP. All members who joined APS under the post-1 November 2002 Key Features Statement are already under the new OMP and/or MPP.

Should you have any questions regarding these changes please call Member Services on 1800 067 059. ●

The investment world

The 2002–03 financial year has been a roller-coaster ride of, at times, rapid market declines punctuated by almost as rapid market rises. The first nine months were marked by increasing concern about world economic growth, and a slow but inevitably steady build-up of global tensions due to the war in Iraq.

Equity markets were sold off heavily, and there was a consequent flight to bonds and interest-bearing securities as investors sought safe havens in which to park their monies.

Central banks worldwide responded by lowering interest rates to maintain growth.

Just prior to the outbreak of hostilities in Iraq, the emerging view in equity markets was that the pending war would be over quickly, and that economic stability would be re-established.

From March to the end of May there was a strong recovery in equity markets (with some markets rising by more than 20 per cent). As we entered June, there had been a sell-off in bond and fixed interest markets, which almost traded down to lows last seen during the Great Depression in the 1930s. This made it difficult for investors to

focus on the long-term nature of financial markets, however, that is precisely the discipline that is needed during these periods of rapidly changing sentiment.

The portfolios managed by the Australian Public Superannuation (APS) Fund had an equally volatile year in terms of investment returns, with some significant negative investment returns in the first half of the financial year, offset by some equally impressive positive returns during the

Equity markets were sold off heavily, and there was a consequent flight to bonds and interest-bearing securities as investors sought safe havens in which to park their monies.

second half of the financial year.

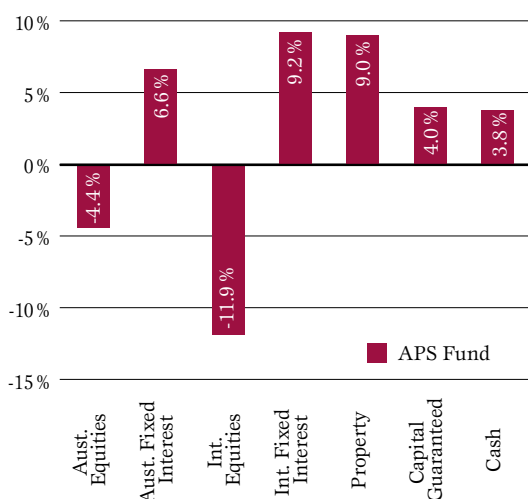
The capital guaranteed and cash portfolios performed well all year, and the more equity-orientated growth portfolios recovered strongly as the financial year drew to a close.



Further, APS' currency hedging policy has again added significant value during the recent strong rise in the Australian dollar.

With a slow, but steady, rise in confidence on the outlook for world economic growth, there is every likelihood that investment returns saw their low point during 2002–03, and that more normal returns will re-emerge over the next few years. ●

The Australian Public Superannuation Fund returns for the 2002–03 Financial Year.



	1999	2000	2001	2002	2003	5yrs total return
Aust. Equities	12.2%	3.6%	11.7%	-7.7%	-4.4%	14.6%
Aust. Fixed Interest	2.6%	-0.8%	2.9%	5.7%	6.6%	18.0%
Int. Equities	-4.3%	3.2%	4.6%	3.7%	-11.9%	-5.6%
Int. Fixed Interest	3.8%	0.2%	7.7%	11.5%	9.2%	36.4%
Property	5.9%	-3.3%	34.1%	-22.0%	9.0%	16.8%
Capital Guaranteed	0.0%	0.0%	4.9%	4.4%	4.0%	13.9%
Cash	2.2%	1.0%	4.0%	4.5%	3.8%	16.4%

Am I seeing the big picture?

Members often receive marketing material from Chifley Financial Services and are often confused about the relationship between APS and Chifley. We have tried to answer some of your questions regarding these two firms:

Q I've heard of Chifley Financial Services. But who owns it and what does it do?

A Chifley Financial Services is a licensed dealer in securities and is jointly owned by the Energy Industries Superannuation Scheme, the Local Government Superannuation Scheme and by the NSW Labor Council. Chifley is the Trustee for the APS Fund and provides financial planning and services to members of APS. APS is a superannuation fund that anyone can contribute to.

Q What other Schemes or funds are we related to?

A The 'founding' Schemes of the group are the Energy Industries Superannuation Scheme and the Local Government Superannuation Scheme which together have over \$5 billion in assets and 120,000 members. These Schemes broke away from State Super on 1 July 1997.

Q What products and services does the group provide?

A Superannuation remains our core service. However, in striving to meet members' needs we are progressively introducing other products and services such as personal insurance, home loans and other investment products. ●



Running in cycles

Share markets are going through a downturn and superannuation seems set to follow. However, instead of panicking we should look at the big picture as that picture is showing improvement.

I'll let you in on a secret. Share markets are going gangbusters and superannuation fund performance is about to follow.

As you pick yourself up off the floor and mutter "what's this Koch talking about?", consider these facts. Since the start of the year the US' Dow Jones Index has risen 10 per cent and the technology-based Nasdaq is up 23 per cent. Since their lows in 2002 the Dow Jones and Nasdaq are up 26 per cent and 48 per cent respectively.

The biggest mistake you could make is to panic during a downturn and regularly switch asset classes.

Even the world share market index, the Morgan Stanley Capital Index, is up 12.5 per cent since the start of this year.

Closer to home the All Ordinaries Index and the Australian Stock Exchange 200 are up 2.5 per cent and 11 per cent since the beginning of 2003.

THE BIG PICTURE

Given all the doom and gloom these figures would come as a shock to most investors and superannuants.

But it just goes to show markets do run in cycles and any quality

fund managers or quality stocks will always ride out a downturn and bounce back. The biggest mistake you could make is to panic during a downturn and regularly switch asset classes. Invariably following this strategy means selling out at the bottom, missing the bargains and being sluggish with horrendous fees and tax implications.

You will look back on the past two years of worry in the share market as being insignificant in the long-term performance of a quality super fund or stock. I think one of the big problems for investors is that they're bombarded with so much day-to-day information which is interpreted to the 'nth' degree by every man and his dog that they forget to step back and balance it with the big picture... and the big picture is showing improvement.

But don't get too excited, it will take a little while for the turnaround to be translated into positive returns in your superannuation fund.

For the 11 months to the end of May, the median return of superannuation funds was still -2.3 per cent even though for the three months to the end of May the median return was 5.9 per cent. So while the full year will still be negative the trend is improving and, if it continues, will be positive next financial year.

TIME FOR A REBOUND

Takeover activity in listed property trusts has certainly underpinned the local share market performance over the past quarter, but the rising Australian dollar has subdued the returns of superannuation funds from their overseas investments because they are mainly unhedged. For example, returns from international shares, which were hedged against currency movements, rose 12.4 per cent over the three months to the end of May but were up only 6.8 per cent if unhedged.

What I want to know is whether our superannuation fund managers have ignored all the negative market emotion and actually positioned themselves to take advantage of the turnaround.

Research house, Intech's chief investment officer, Ron Liling, says that despite the negative returns from share markets over the past year, growth superannuation funds have lifted their share exposure to 64 from 62 per cent of their portfolio... and when market movements are stripped out, that represents a 6 per cent increase, which is quite a large change of tack. Almost 75 per cent of that increase in market exposure represents international shares, so fund managers believe the worst is over and we're rebounding off the bottom. ●