

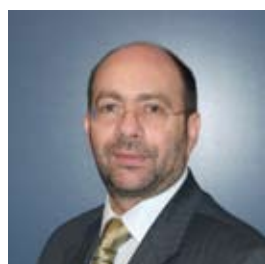
YOUR FUTURE



FUTUREPLUS SUPER
ABN 76 829 356 693 - Silver

Financial year ending June 2009

Are we seeing green shoots?



By Michael Block, GM Investments

Over the past three months share markets in Australia and overseas have recovered from their lows, the \$A has steadily risen and the demand for risky assets has increased.

The most common phrase associated with this situation is "green shoots" suggesting that there is hope for an early recovery in 2009/10 and that there are signs of regrowth. The term may even suggest that any downturn will not be as severe as first anticipated.

We are pleased with the rise in prices and the renewed optimism but urge caution about expecting the high growth of 2002 to 2007 to re-emerge.

Perhaps this is a case of investors not seeing the forest for the green shoots.

Our view is that the share market was unrealistically high in 2007 because company earnings were at peak levels and share prices anticipated further high growth.

It was no surprise that prices would return to more realistic levels at some point but it was a huge surprise just how savage and quick the falls in equity prices were, taking more than 50% off Australian stock prices.

We believe that just as prices were unrealistically high in 2007, they also became unrealistically low in 2009, well below long-term averages and driven by an anticipation that the economy would be even worse than initially expected.

With that in mind, it seems to me that the recent buoyancy is more likely to be the market correcting the panic of 2008/09 and returning prices to a more normal level than a new bull market.



Let's not lose sight of the big picture, the forest, if you will.

Once this cycle of correcting an overshoot on the downside is finished, further gains depend on real economic growth.

We believe that the path ahead is volatile and uncertain and that we would not expect the markets to reach their 2007 peaks anytime soon, especially if the economy grows at a more modest pace.

On that basis we would not expect share prices to continue rising at a fast pace.

It is too early to say what might happen in the longer term. The unusual market volatility of the last year or so may continue for some time to come and much will depend on developments in the world economy. While I welcome the market rally and the return of investor confidence I couldn't say, to maintain the botanical analogy, that we are out of the woods just yet.

Investment performance

Managed Portfolio Program Strategy returns

Strategy	%p.a.
High Growth	-16.10
Diversified	-11.48
Balanced	-6.87
Capital Guarded	-2.26
Cash	3.99

Member Choice Program Investment pool returns

Investment pool	%p.a.
Australian Equities	-12.72
International Equities	-24.93
Listed Property	-32.83
Aust Fixed Interest	4.27
Int Fixed Interest	8.27
Capital Guaranteed*	1.08
Cash	3.99

LifeCycle Objective Management Program Number of years to retirement

Strategy	%p.a.
Over 25 years	-16.10
25-14 years	-11.48
13-5 years	-6.87
4-2 years	-2.26
1-0 years	3.99

* Closed to new members

The 2009 Federal Budget



Federal Treasurer Wayne Swan announced some changes to super in the May Federal Budget that may affect your super savings. Here is a summary of the changes you need to know:

The Co-contribution Scheme

The Government will temporarily reduce the amount by which it will match the after-tax personal super contributions you make as part of its Co-contribution Scheme. The maximum matching rate will fall from \$1.50 to \$1.00 (from 1 July 2009), but will revert back to \$1.50 in the 2014/15 financial year.

Despite the reduction in the rate, the Co-contribution Scheme still provides a return that's hard to beat and is one of the best ways of boosting your retirement savings.

If you have an annual income of \$31,920 or less, the Government will match your contribution with a payment of \$1.00 for every \$1.00 you put in up to a maximum of \$1,000. The amount the Government pays steadily reduces on incomes over \$31,920 and stops after the income level tops \$61,920.

If you'd like to benefit from this scheme, please contact Member Services on **1800 067 059**.

Concessional contribution cap to halve from 1 July 2009



The cap on concessional contributions will be reduced from \$50,000 to \$25,000 a year (indexed) from the 2009/10 financial year.

Concessional contributions are before-tax contributions to super. These are taxed at the concessional contribution tax rate of 15% and include the Superannuation Guarantee (SG) payments and your voluntary salary sacrifice contributions.

The transitional concessional contributions cap for those aged 50 and over - or who turn 50 before the end of the 2011/12 financial year - will also be reduced from \$100,000 to \$50,000 a year (not indexed).

The annual cap on non-concessional or after-tax contributions will remain at \$150,000 in the 2009/10 financial year. After that, it will be six times the level of the (indexed) concessional contributions cap.

If you are affected by the changes and would like to discuss your options please call Member Services on **1800 067 059** for assistance.

Lost super

From 1 July 2010, super funds like FuturePlus Super will be obliged to transfer any lost super accounts to the Australian Tax Office (ATO). This will include lost accounts with balances of less than \$200 and those which have been inactive for more than five years and for which there are not sufficient records to identify the owner.

If you believe you have any lost super, you can track it down at www.ato.gov.au/super or by calling **13 28 65**. You will be able to reclaim lost super from the ATO at any time.

The benefits of salary sacrificing

With markets in the doldrums and investment returns down from what they were two years ago, you may believe that there's no point in making additional contributions to your super. You could, however, be missing out on a great opportunity to grow your retirement savings.

Firstly, when markets are down, you are able to buy more units of super than you could before for the same money, because these are now cheaper.

Secondly, if you hold more units of super, you are better placed to gain from the market upturn when it comes.

And thirdly, you will enjoy some tax benefits if you make your contributions by salary sacrificing - that's when you forgo a portion of your gross salary and arrange with your employer to contribute it to your super account.

The amount you sacrifice is taxed at 15% and not at your usual tax rate which can be anywhere up to 45%. The earnings in the super fund will also be taxed at a maximum of 15% and your benefits are tax free when paid to you after you turn 60.

If you are under 50 in the current year, you are able to make before-tax contributions of \$25,000 to your super before you exceed the concessional contributions cap. This limit also includes the Superannuation Guarantee (SG) payments your employer makes on your behalf. If you are 50 or over, you can make up to \$50,000 in before-tax contributions.

If you'd like to talk to someone about whether salary sacrifice is right for you, please call **1800 067 059** for assistance.

Time to enter the housing market?

Now may be one of the best times to enter the NSW housing market. Mortgage rates have come off significantly since October last year and in the May Budget the Government extended the First Home Owner Boost by an extra six months.

If you are buying a home, you may be eligible for some of the following benefits:

NSW Housing Construction Acceleration Plan

From 1 July 2009, the NSW Government has introduced a housing stimulus for people outside the first home buyer market, cutting duty by 50 per cent for people buying newly constructed properties with a value of \$600,000 or less.

First Home Buyer Benefits

First Home Owners Scheme: A one-off grant of up to \$7,000 payable to first home owners who satisfy all the eligibility criteria.

NSW New Home Buyers Supplement: An additional \$3,000 payment for eligible first home buyers.

Commonwealth's First Home Owner Boost: An additional \$7,000 for the purchase of established homes and \$14,000 for the purchase of new homes if the contract is entered into between 1 July 2009 and 30 September 2009. For contracts entered into between 1 October 2009 and 31 December 2009, the grant will be \$3,500 for the purchase of an established home and \$7,000 for new homes.

First Home Plus Scheme: Exemptions or concessions on transfer duty for eligible first home buyers. This includes vacant land on which you intend to build your first home.

And, there's more good news. As one of our valued members, you are able to secure one of the most competitive home loans in the market from Chifley Home Loans.



Some of our Home Loan features include:

- Application fee - \$0
- Monthly account keeping fee - \$0
- Split loan fee - \$0
- Electronic redraw fee - \$0
- Free redraw facility – yes

Chifley Home Loans offers you low interest rates, a choice of loans to suit your circumstances and a simple process that takes all the hard work out of getting and maintaining your home loan.

Remember that obtaining the best possible mortgage rate is vital to ensuring your long-term financial future. Every unnecessary cent paid on your home loan is money lost, which could have been better invested to help you boost your retirement nest egg.

So don't delay! Call Chifley Home Loans on **1800 800 002** today.

Fair Go Member Benefits Loyalty Program

Holiday Resorts Accommodation

Save up to 60% on accommodation

With more choice than ever, the Departure Lounge is ready to send you on your next holiday or short break.

You can search and book discounted accommodation at Peppers, Mantra and BreakFree properties throughout Australia and New Zealand.

These rates are exclusive to members and can be booked up to 12 months in advance. Plus if you can't find a suitable special, you can still book the best available accommodation rate at any of our hotels, apartments, resorts and retreats.

For more information and bookings, visit www.departurelounge.com.au Your password is: **memberb**



Online annual reports



Please note that in future, we will no longer automatically post our annual report to you in a printed form unless you ask us to do so. Instead, our annual report will be available on our website and in your Annual Statement mailing we will remind you of this change and give you more detail on where and when you can view it online.

This will save the unnecessary printing and postage costs involved in sending out printed annual reports to members who may not be interested in receiving them by mail and will allow us to use the savings elsewhere to provide better services to you.

It also has considerable environmental benefits. We will need to use far less paper and our carbon footprint will be smaller because of the energy savings from a reduced amount of printing, collating, transport and postage activity. In addition, fewer annual reports will end up as landfill or fodder for recycling.

Printed annual reports will still be available for any member who requests one and if you would like one sent out to you please call Member Services on **1800 067 059**. Your request will be recorded and an annual report sent out to you when they are printed towards the end of this calendar year.

Seminars

Would you like to have a better understanding of how to manage your money, increase your savings, improve your investment portfolio or ensure you have enough on which to retire?

As a valued member you can attend a FREE seminar.

2009 Pre-Retirement Seminar timetable

Date	Location
22 Sep	Lithgow
7 Oct	Parke
14 Oct	Penrith
20 Oct	Eden
20 Oct	Lismore
27 Oct	Tamworth
27 Oct	Maitland
28 Oct	Armidale
29 Oct	Arnccliffe
29 Oct	Inverell
4 Nov	Newcastle
10 Nov	Port Macquarie
11 Nov	Tweed Heads
24 Nov	Griffith
26 Nov	Wagga Wagga
9 Dec	Maroubra

All sessions commence at 5.30pm and finish at 9.00pm.

Please contact Member Services on **1800 067 059** to book your place at one of these seminars.

We can help you with more than just your super

- Looking for a low cost flexible home loan? **We can help you.**
- Would you like to build an investment portfolio? **We can help you.**
- Interested in gearing? **We can help you.**
- Need insurance? **We can help you.**
- Looking to create an estate plan i.e. a plan to protect your assets in the event of your death? **We can help you.**

Call **1800 067 059** for more information.

Your frequently asked questions



The challenging economic circumstances of the last 18 months have changed the type of enquiries received in our Contact Centre. The two most common questions we've received in recent times have been:

What does short-term volatility mean?

The easiest way to explain this is to separate the two ideas. The meaning of short term can vary depending on the scenario but we use it to mean an investment period of less than 12 months.

Volatility refers to the degree of upward and downward movements in the value of an asset.

Some assets, like shares, are more volatile than others, such as government bonds. While shares are being traded their value can move up or down and sometimes those movements can be very sharp. The price of shares is also very visible and so the change in value can be followed easily online or from day to day in newspapers. Short-term volatility is to be expected in an asset class like shares and it should not surprise a share investor.

Bonds tend to be less volatile and while they can experience short-term volatility it is much less common for bonds than for shares.

Other assets, such as a home, are not so easily valued and are therefore often wrongly regarded as less volatile. If your home

was valued daily you would probably find that there would be a good deal of fluctuation in its price (or volatility). As this does not typically happen your home may appear to be a far more stable investment than it actually is – over the short term.

We are constantly being advised to think of super as a long-term investment. What is actually meant by “long term”?



The “long term” can have different meanings but when we use it we mean an investment period of ten years or more. The reason it is an important concept for super investors is because, unless you are near retirement, your investment timeframe is likely to be longer than ten years and in some cases much longer than that. Further, your investment timeframe is one of the key considerations for choosing an appropriate investment strategy.

A long-term investment timeframe is suited to investments that may suffer “short-term volatility” but are likely to outperform other investments over the longer term. In other words, a long investment timeframe allows a more aggressive style (higher exposure to shares) of investing than a short timeframe. However, this is a general rule only and the selection of a strategy also depends on the member's circumstances and risk profile.

A member can suffer if they react to short-term market returns having previously set a long-term strategy. This risk is called timing risk and can lead to members crystallising (or realising) losses if they move out of one investment strategy into another at the wrong time. This also can lead to them missing out on market upswings (when the market starts to go back up) that they would have benefited from if they had stuck to their long-term strategy.

Regional office details:

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 2/60 Burelli St

Albury*

621 Dean St

Office hours 8.30am - 5.00pm

Monday - Friday

*Bookings are essential. Phone 1800 067 059 to make an appointment.

Economic & market review

Financial year 2008/09

2008/09 will certainly not be forgotten. It had everything. The best analogy would be to liken it to a roller-coaster ride, although this roller-coaster had more downs than ups. So let's buckle-up and take a ride through the year that was.

The previous financial year (07/08) produced double-digit negative returns in equity markets around the world. Despite this, the Australian economy was still looking strong.

The new financial year started off with the overnight cash rate set at 7.25% to help curb rising inflation, which peaked at 4.4% as the domestic economy reached its maximum capacity. Meanwhile, the Australian Dollar was trading at a record high in July and peaked at 98 cents to the US Dollar in early July. It looked like a matter of time before the Australian financial markets recovered and started producing something like the returns we had seen over the past 5 years. This never eventuated, though, with the first three months of the new financial year carrying on where the last one left off with Australian equity valuations falling by over 10%.

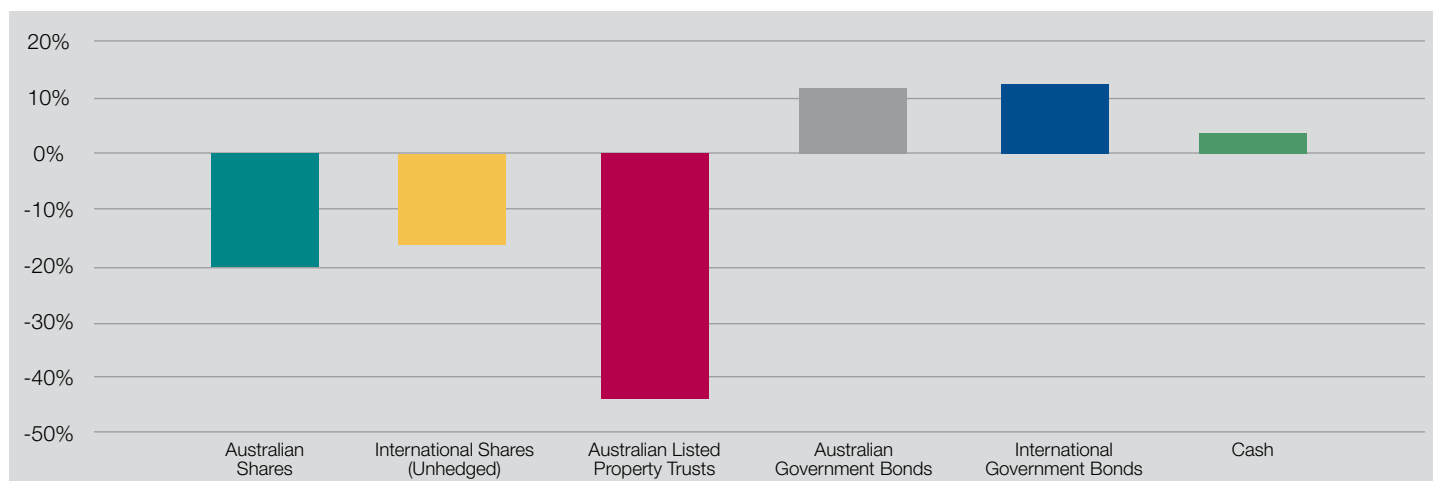
In to September came the day that everyone said could never happen with the collapse of Lehman Brothers, one of the biggest investment banks in the world. This sent shockwaves throughout the world. If a company of this size and history could go bankrupt, who would be next and how would the world deal with it? The answer came shortly after this and 10th October 2008 will forever

be a date etched into the minds of investors worldwide. If one day could be singled out as the definition of the world credit crisis it would be this day when global equity markets crashed as the American financial system all but fell apart. Banks stopped lending, consumers stopped spending and the market was to go into free-fall for the next four and a half months.

The Australian equity market reached a bottom in early March 2009. During this time official cash rates had fallen by an unprecedented 4%, the Australian Dollar had fallen to just above 60 cents and unemployment had risen by 1.2%. The general consensus was that the worst was behind us and the only way was up from here.

These beliefs were substantiated in the final quarter of the year with a global resurgence in equity markets largely driven by unprecedented measures by governments to provide stimulus to domestic economies. The three months ending 31st May 2009 saw the biggest three-month increase in the S&P/ASX 200 since the index began. Despite these positive returns at the end of the financial year, there is still a long way to go to recoup the losses from the first three-quarters of the financial year. Let's just hope that we have seen the bottom and that financial year 09/10 proves to be less of a roller-coaster than the last one.

Investment performance for financial year 2008/09



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