

2009 Member Meeting

Online video learning series

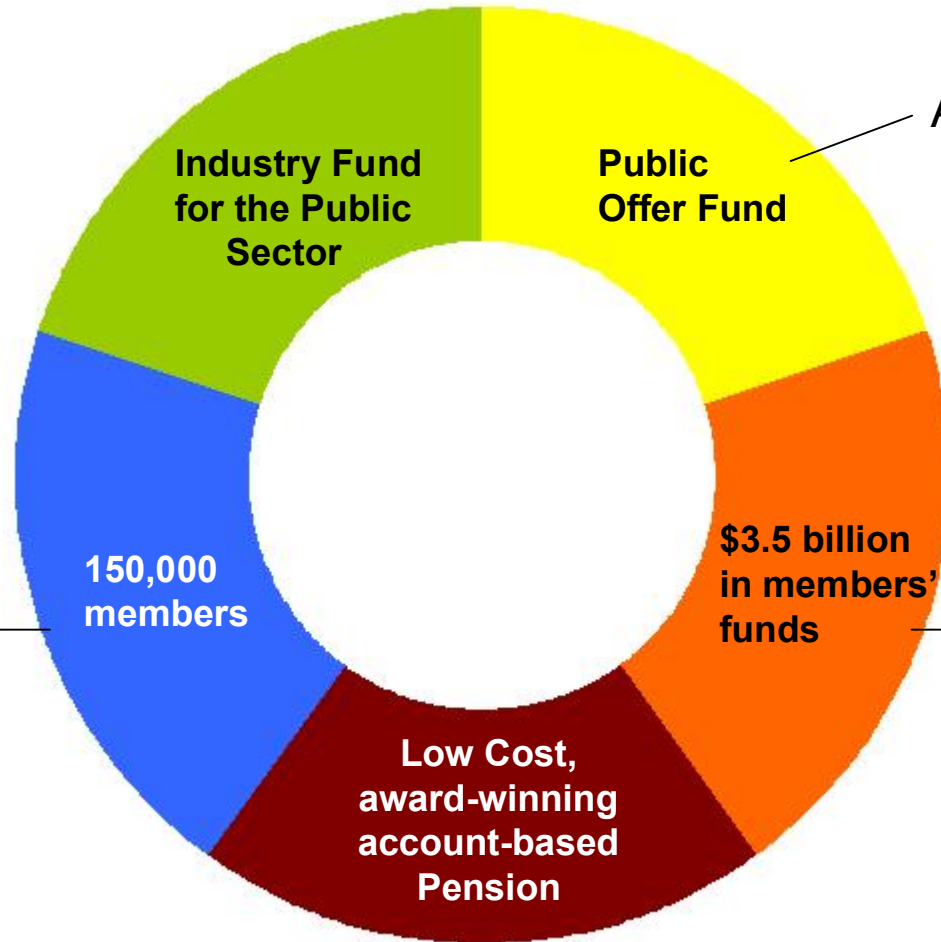


Important information

- ▶ The information provided in this presentation is general in nature. It does **not** take into account your own financial needs, circumstances or objectives.
- ▶ **Past performance is not an indication of future performance.**
- ▶ The trustee of AGEST is AGEST Super Pty Ltd (AFSL 233707, RSE Licence L0000383, APRA Licence R1001556)
- ▶ **You should read AGEST's Product Disclosure Statement (PDS) in deciding whether to acquire, or continue to hold, an AGEST account.**



AGEST overview



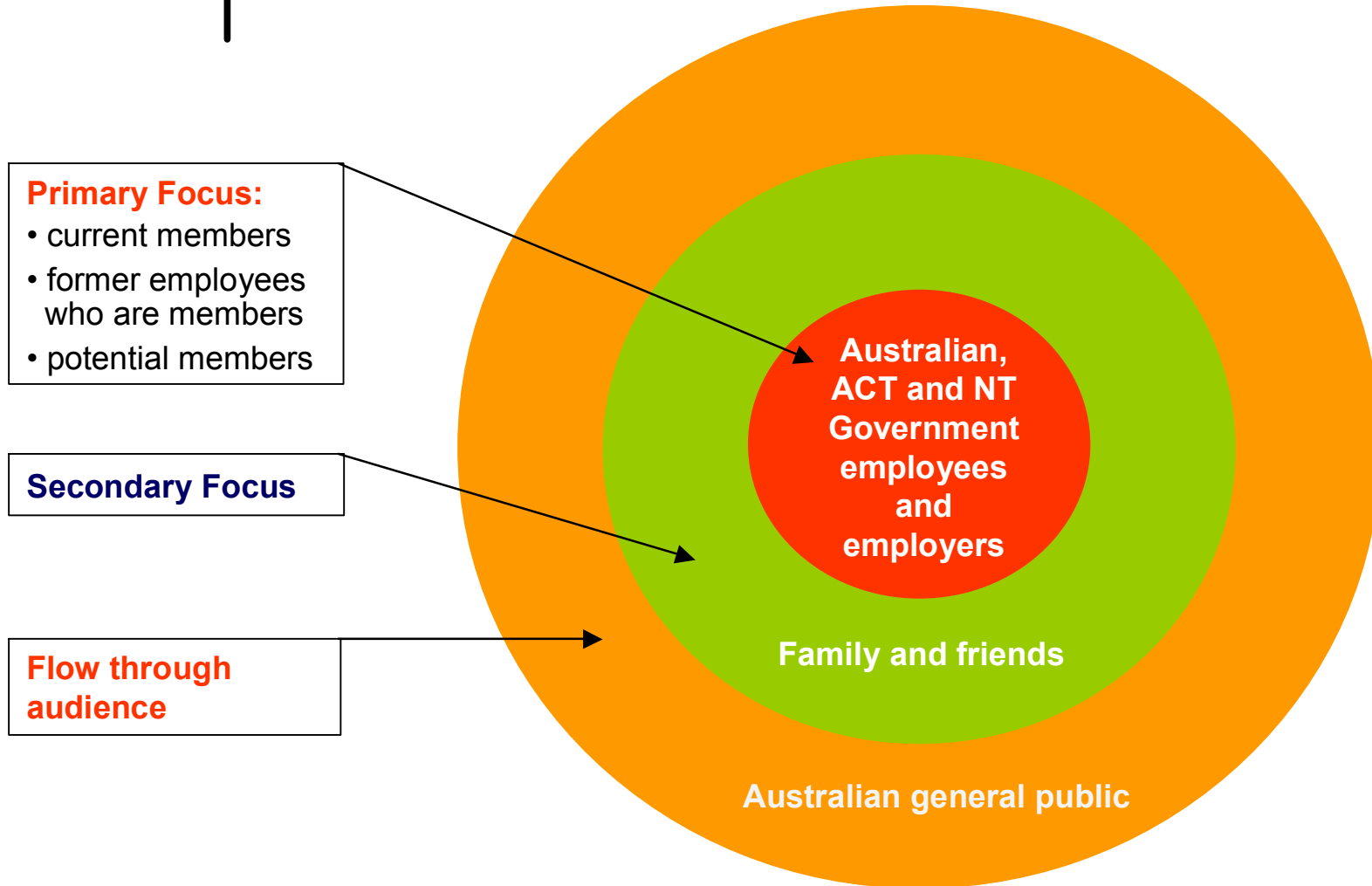
Anyone can join

35th largest fund in Australia by members

50th largest fund in Australia by assets



AGEST overview

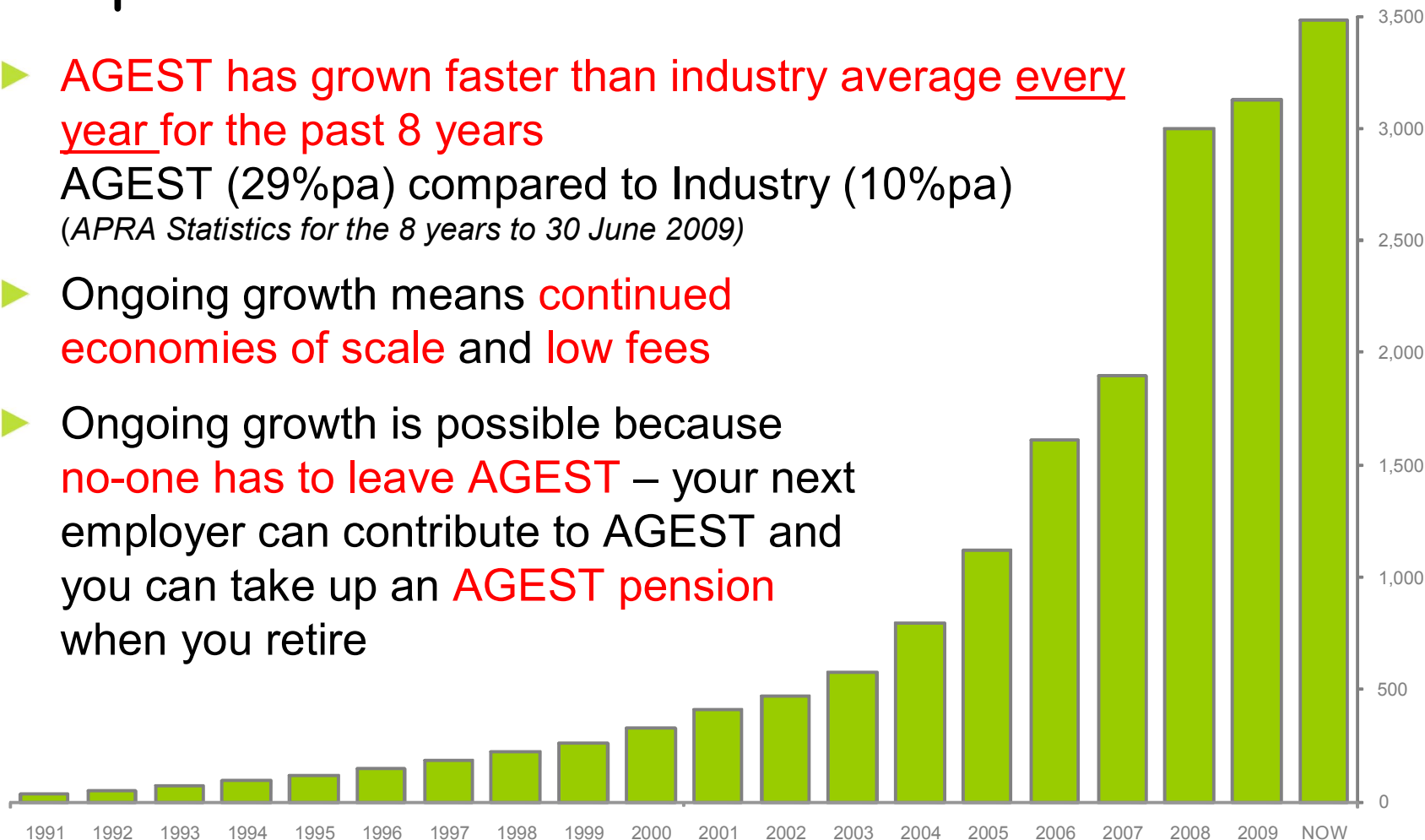


Review of 2008/2009

- ▶ **AGEST has grown faster than industry average every year for the past 8 years**

AGEST (29%pa) compared to Industry (10%pa)
(APRA Statistics for the 8 years to 30 June 2009)

- ▶ Ongoing growth means **continued economies of scale** and **low fees**
- ▶ Ongoing growth is possible because **no-one has to leave AGEST** – your next employer can contribute to AGEST and you can take up an **AGEST pension** when you retire





Review of 2008/2009

- ▶ A challenging and disappointing investment year after years of considerable growth
- ▶ **Enhanced website** (*December 2008*)
- ▶ **New member administration fee** (*January 2009*)
- ▶ Electronic member statements for the first time (*June 2009*)
- ▶ **Enhanced insurance cover** arrangements (*January 2009*)
- ▶ Successfully re-tendered for NT Government default fund status – we have held this role for the last 10 years
- ▶ Recognition in the industry
 - ▲ Winner, MONEY magazine's 2009 Best Pension Fund
 - ▲ Runner up, MONEY magazine's 2009 Lowest Cost Super Fund
 - ▲ Top rated by all independent ratings firms



Enhanced website

- ▶ Our key member communication channel
- ▶ **RateMySuper** and **RateMyPension** are new independent online comparison tools
- ▶ 12 quarterly investment option fact sheets
- ▶ **20 educational videos**
- ▶ Online account access
 - ▲ **Past 3 years' statements**
 - ▲ Choose your communication preference (*email keeps our costs and your fees down*)
- ▶ **New graphing functionality** for unit prices (an “own mix” functionality is being developed)

Website graphing functionality ...

The screenshot shows the AGEST Super website in a Windows Internet Explorer browser. The page title is "Investment returns" and it was last updated on 15 Nov 2009. The main content area features a table of investment options with their latest unit prices and returns to date. Each cell in the table contains a small bar chart icon. A callout box points to one of these icons with the text "Click on the bar chart symbol".

Investment returns
Last Updated : 15 Nov 2009

[SUBSCRIBE FOR UPDATES](#)

Please read our important investment information before you refer to the investment performance on this page. To understand how unit prices work, download our [Unit Pricing Fact Sheet](#).

Latest unit prices on this page are for Sunday, 15 November 2009

Download today's prices to EXCEL | Prepare your own report

Superannuation members - not Allocated Pensioners
> Click here to see the monthly performance for the current financial year.

Investment Options	Latest Unit Prices		Investment returns to 31 October 2009		
	Sunday, 15 November 2009	Financial Year To Date Return	5 years (% pa)	3 years (% pa)	1 year (% pa)
Growth	0.891348	11.02%	-	- 3.07%	3.42%
Balanced	0.933824	7.56%	4.95%	- 1.63%	-1.49%
Moderate	0.976271	7.30%	-	- 0.23%	1.63%
Stable	1.032615	5.26%	-	1.55%	1.3%
Conservative	1.071508	3.68%	-	2.65%	1.61%
MultiStrategy	1.067531	3.69%	-	2.70%	1.73%
Australian Shares	0.987773	19.02%	8.88%	0.77%	21.83%
International Shares (Hedged)	0.773300	14.50%	-	- 8.12%	6.76%
International Shares (Unhedged)	0.692892	3.68%	-	-11.05%	-12.6%
Listed Property	0.547132	27.29%	- 4.69%	-17.07%	1.7%
Fixed Interest	1.151594	4.56%	4.94%	4.95%	7.66%
Cash	1.148295	0.99%	4.94%	4.94%	3.26%

Member Feedback
" Unit pricing is fantastic, you have the best super web site I have ever seen. "

Website graphing functionality ...

AGEST Super - Windows Internet Explorer

http://www.agemt.com.au/investments/investment-returns/custom-report/index.cfm?

Home | Contact us | Sitemap | Search

AGEST Super
straightforward.simple.fair.

ABOUT AGEST | SUPERANNUATION | PENSION | INVESTMENTS | EMPLOYERS | EDUCATION | DOWNLOADS | LOGIN

Investments > Investment returns > Custom Report

Custom Report

Superannuation viewing as Percentage Change

Note: Place your mouse over the markers on the line graph to review date and price details

Display Type Unit Prices Percentage Change

Product Type

- Superannuation
- Allocated Pension

Pre-mixed Investment Options

- Growth
- Balanced
- Moderate
- Stable
- Conservative
- MultiStrategy

Single Sector Investment Options

- Australian Shares
- International Shares (Hedged)
- International Shares (Unhedged)
- Listed Property
- Fixed Interest
- Cash

Report Period

- This Month
- Last Month
- Last 3 Months
- Last 6 Months
- Last 12 Months
- Select your own dates

from: 2009-06-30

to: 2009-11-15

Set Date

Graph Line Type: Segment X Axis Label Angle: 40 degrees EXPORT TO EXCEL

Report Summary

Investment Options	Start Date (from midnight)	End Date (from midnight)	Unit Price Start	Unit Price End	Change in Unit Price over period (as a %)
Balanced	2009-06-30	2009-11-15	0.868218	0.933824	7.56%
Australian Shares	2009-06-30	2009-11-15	0.829931	0.987773	19.02%
Cash	2009-06-30	2009-11-15	1.137036	1.148295	0.99%

Past performance should not be taken as an indication of future performance.



New member administration fee

- ▶ Previously \$3.05 per month (70 cents per week) since 1 July 2003 (5½ years)
- ▶ New fee has been \$4.00 per month (92 cents per week) since 1 January 2009
- ▶ This represents a 5.1% pa increase since 1 July 2003
- ▶ Same fee for pensions

Still very competitive



New insurance arrangements

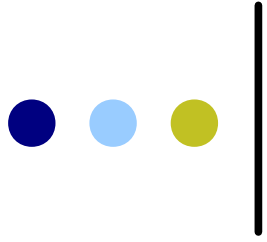
▶ Enhancements from 1 January 2009

▲ New members (employer sponsored) are able to

- ▶ **treble** their automatic cover **without evidence of health**
- ▶ obtain income protection (IP) with limited evidence of health (\$6,000 per month limit – extra is underwritten)

▲ Existing members with insurance cover

- ▶ received a one-off IP offer as above
- ▶ received an increase in death / TPD cover **without an increase in the premium**
- ▶ are entitled to an optional 10% increase in cover every year **without evidence of health** (you must apply for it to be eligible)



Investments

*Michael Seton
(AGEST Chief Executive)*



Investments

- ▶ **Global financial crisis (GFC)**
- ▶ How and where we invest, and how the GFC affected each investment sector
- ▶ **Balanced option investment philosophy**
- ▶ What has happened since the markets “bottomed” (March 2009)
- ▶ **What we can learn from the crisis**



Global financial crisis (GFC)

- ▶ October 2009 front page headlines
 - ▲ “Geared to high heaven: how Anglicans lost \$160m”
 - ▲ “Shares hit 13-month high”

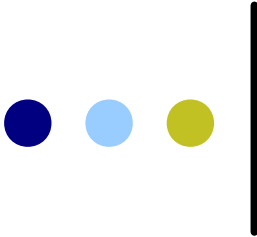
These headings highlight investment strategy issues that arose during the GFC



What happened during the crisis ...

- ▶ Basic economics at work ...nothing was new ...
 - ▲ Huge dislocations in world financial markets – things that worked for years **suddenly stopped working**
 - ▲ Lenders were **unwilling to lend** – a credit crisis - because they were not sure if the borrower could repay the loan
 - ▲ The reduced flow of capital affected the economy, resulting in job losses, recessionary conditions, earnings downgrades, share price falls ...

Lack of confidence drove financial markets down
and new confidence drove them back up



Few sectors had positive returns
in 2008/2009 ... a “perfect storm”

<u>Investment sector</u>	<u>Return</u>
Australian Shares	-18%
International Shares (50% hedged) *	-26%
Australian Private Equity	-19%
International Private Equity (50% hedged) *	- 1%
Unlisted Property	-19%
Infrastructure	-19%
Absolute Return	-11%
Fixed Interest	+6%
Cash	+6%
Balanced (post tax, post fees)	-15.8%

* AGEST's foreign currency strategy for most of 2008/2009 was to be 50% hedged



How and where we invest ...

We use external investment managers – no investments are run by us internally

Investment sector

Style

Australian Shares

Active and passive

International Shares

Active and passive

Private Equity

Active

Infrastructure

Active

Unlisted Property

Active

Fixed Interest

Active and passive

Absolute Return

Active

Cash

Active



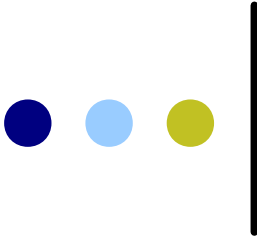
Australian shares

- ▶ Our managers have exceeded the benchmark over the 12 months to 30 September 2009
 - ▲ AGEST (after fees): **10.7%**
 - ▲ Benchmark: **8.3%**
- ▶ Three managers have achieved 18%, 16% and 14%
- ▶ In 2008/2009, prices fell due to **fear** and **distressed selling**
- ▶ We did not sell because we are long term investors
 - ▲ GFC provided our managers with good buying opportunities
 - ▶ **actual profits** will win in the long term



International shares

- ▶ Our managers have slightly exceeded the **unhedged** benchmark over the 12 months to 30 September 2009
 - ▲ AGEST (after fees): **-12.8%**
 - ▲ Benchmark: **-13.4%**
- ▶ Two managers have achieved 2% and -4%
- ▶ Separate currency hedging has improved these returns
- ▶ In 2008/2009, prices fell due to **fear** and **distressed selling**
- ▶ GFC provided our managers with good buying opportunities



Private equity, infrastructure and unlisted property

- ▶ These are **unlisted assets** - independently valued, usually quarterly
- ▶ Valuations tend to **lag listed markets** (which are forward looking)
- ▶ Performance helped us in the years up to 2008
- ▶ Over the 12 months to 30 September 2009 revaluations are sharply lower (**down 15% to 20%**)
- ▶ Some valuation assumptions are already proving to be too pessimistic as the Australian economy avoids recession
- ▶ We invest in what we believe are good long term assets



Fixed interest

- ▶ Our managers have exceeded the benchmark over the 12 months to 30 September 2009
 - ▲ AGEST (after fees): 10.9%
 - ▲ Benchmark: 9.0%
- ▶ Two portfolios have achieved 17% and 13%
- ▶ In 2008/2009, prices fell due to **no market** and **distressed selling** – fixed interest sector unexpectedly became illiquid
- ▶ US financial companies were the worst hit in 2008
 - ▲ negative sentiment affected the value of corporate debt
 - ▲ values reflected very pessimistic outlooks
 - ▲ now coming back to more realistic values



Absolute return funds *(also known as hedge funds)*

- ▶ Our managers (BlackRock and GMO) have performed better than most hedge funds
- ▶ Return over the 12 months to 30 September 2009
 - ▲ AGEST (after fees): **-3.9%**
- ▶ Poor outcome after years of strong returns
 - ▲ BlackRock's last 5 years were 6%, 10%, 16%, 3%, -11%
 - ▲ Down 20% in October and November 2008
- ▶ Good news is 3.8% return in the last 3 months
- ▶ Some evidence of “normality” returning to this sector



Cash

- ▶ **Security of capital** is the main focus of the Cash option
- ▶ Invests in
 - ▲ CBA / Westpac / NAB / ANZ bank bills
 - ▲ Overnight cash
- ▶ **No exposure to corporate debt**
- ▶ Managed by State Street Global Advisors and Industry Funds Management (50% each) – saving in fees of \$0.25 million per annum



Balanced option philosophy

- ▶ **Balanced option is a long term investment. Why?**
 - ▲ We are investing money for over 150,000 fund members, for their future retirement needs, maybe in 30 or 40 years' time
 - ▲ Therefore we have a **long term view on investments**
 - ▲ This diversified strategy suits members with an investment horizon of at least 7 years



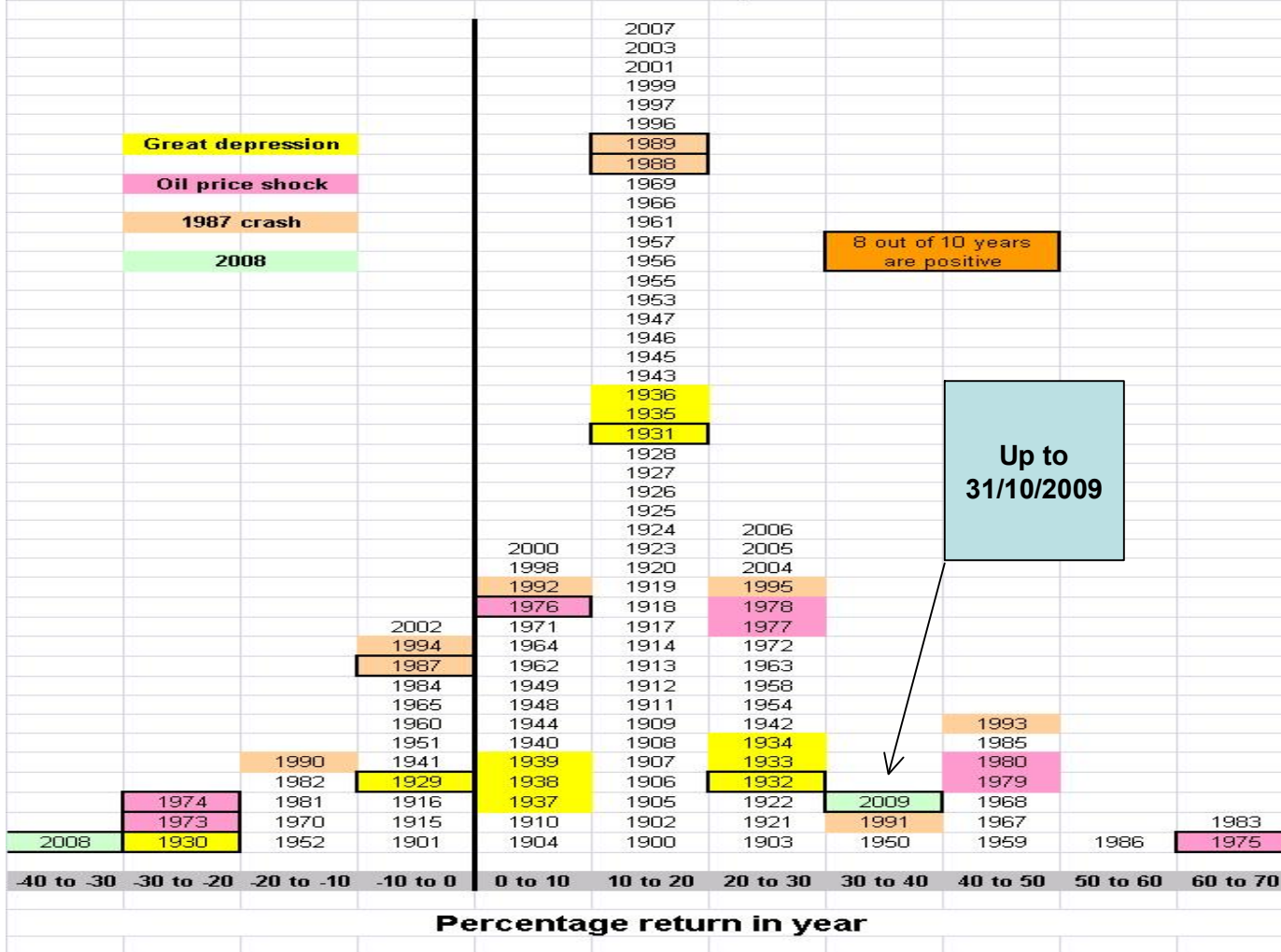
Balanced option asset allocation

<u>Investment sector</u>	<u>Current strategy</u>	
Australian Shares	30%	(20% - 40%)
International Shares	26%	(20% - 40%)
Private Equity	6%	(0% - 8%)
Infrastructure	10%	(5% - 15%)
Unlisted Property	11%	(5% - 15%)
Fixed Interest	10%	(0% - 25%)
Absolute Return	3%	(0% - 10%)
Cash	4%	(0% - 10%)



What happens after shares crash ...

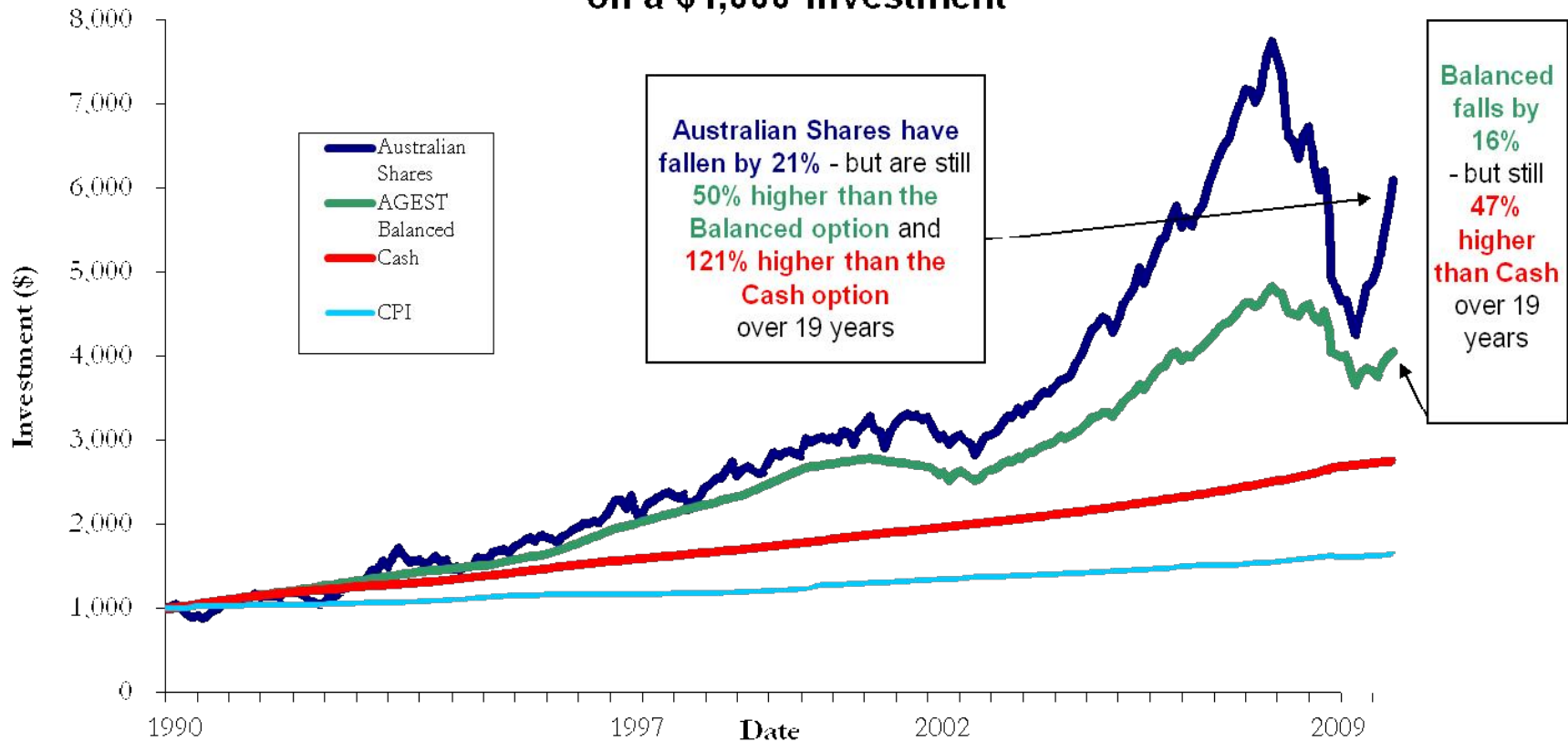
Australian Sharemarket History 1900 to October 2009





Long term investors have time ...

Returns (after tax and fees) from 1 July 1990 to 30 September 2009 on a \$1,000 investment





Lessons learned

- ▶ Anything can happen ... markets are not always rational ... they overshoot and undershoot
- ▶ Pessimism brings **buying opportunities** for the long term investor – but you can buy too early
- ▶ Markets can **recover quickly**
- ▶ A diversified portfolio is a sound strategy **over the long term** – it can be volatile along the way



Looking ahead to 2010 ...

- ▶ Robust investment strategy
- ▶ Focus on investment management fees
- ▶ Member research to better understand member expectations of us and our products
- ▶ Financial planning and education options

Question:

How is AGEST positioned in respect of Jeremy Cooper's comments about there being too many super funds in Australia?

Question:

**When can we expect our super
to go up again?**

Question:

Why was the Balanced option performance negative in October 2009?

Question:

It has been reported that Australian super funds have had some of the worst returns in the world recently. Why do funds have so much invested in shares rather than fixed interest or bonds?

Question:

The global financial crisis has exposed investment "crooks and sharks" - to what extent are they still around and what risks do they represent for a fund like AGEST?

Question:

AGEST's Cash option has achieved low returns in recent times - has AGEST considered a higher weighting to longer term bank bills, instead of 30 - 60 day bank bills?

Question:

When the effect of the Government's stimulus runs out, what policies are in place to protect the fund against further adverse effects of the current economic situation?

Question:

What is the best frequency with which to draw down allocated pension payments?

Question:

How much do we pay the fund's investment managers?

Question:

What is the mechanism for changing investment options?

Question:

How are investment manager returns distributed to members?

Question:

Did AGEST consider re-weighting the Balanced option during the global financial crisis (eg more into cash)?

Question:

How often does AGEST change the mix of the Balanced option?

Question:

Have you changed the Balanced option asset allocation many times?

Question:

Why are pension and accumulation returns and unit prices different?

Question:

Are you aware of any plans to change the restriction on people over age 75 currently not being able to make contributions?

Question:

Rules in super always seem to be changing, making it difficult for members to confidently plan for the future. Are industry funds lobbying the Government in light of the fact that regulatory risk is a significant risk in super?

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