

# Investment Update

April 2009

Diversification is a word that's often used when talking about long-term investments like super. Diversifying means investing across a range of asset types (such as shares or property) or industry sectors (mining or telecommunications for example). It plays a crucial role in achieving sound long term investment returns. Markets go through cycles where different investment types perform better in certain market conditions than others. If one's not performing well, another might be. By doing this, poor performance in one area is offset by gains in other areas.

So, by spreading the risk of poor performance across industries and asset classes to make use of the way they respond to different market conditions, you improve the likelihood of a positive return over the long term. By investing your super with a fund like NGS Super, you benefit from the opportunities that our size, leverage and investment expertise provide.

Make sure you make the most of the advantages that NGS Super's diversified investment portfolios offer.

Recent years have seen a rise in the use of self-managed super funds, which tend to invest in property, or shares in Australian companies. While self-managed super funds may appear to offer more control over super, on the flip side, their relatively small size severely limits their access to the sorts of investment opportunities that NGS Super's size provides.

## How does NGS Super's diversify its investments?

As a \$2.5 billion superannuation fund, NGS Super has the ability to put our members' money in a well-diversified portfolio across a range of industries, asset classes and risk profiles.

NGS Super invests in assets which include:

- Direct property and global real estate
- Investment trusts
- International shares
- Private equity
- Infrastructure
- Fixed interest
- Cash, and
- Australian shares.

Within each of these asset classes lie investments with different risk profiles.

The next section provides an example of how this applies to our Australian shares portfolio. Given that we invest in Australian shares, an asset class that is well known to many members, you may ask what the advantages of investing through NGS are compared to investing directly in these shares (either personally or via a self-managed super fund).



## We leverage our size to benefit our members

NGS Super's size enables us to construct a well-diversified portfolio managed by a team of expert investment managers. We choose fund managers who have proven they can deliver consistent long-term performance. Small funds and self-managed super funds simply do not have the capacity or access to this level of expertise to make this sort of diversified, balanced, well-managed investment.

At 31 March 2009, NGS Super held investments with nine high-quality Australian equity managers. Their complementary investment approaches create a well-diversified portfolio.

By way of example, here's a look at how our Australian shares portfolio is structured. NGS Super invests in large, blue-chip Australian companies such as BHP Billiton, Rio Tinto, the four major banks and Woolworths.

The table on the next page shows NGS Super's top ten company holdings in Australian Shares at 31 March 2009.



ngs super™

THE EDUCATED CHOICE



Company name	Industry sector	NGS Super portfolio (%)
BHP Billiton Limited	Materials	9.3
Westpac Banking Corporation	Financials	6.6
Commonwealth Bank of Australia	Financials	4.8
Woolworths Limited	Consumer Staples	4.0
National Australia Bank Limited	Financials	3.5
Rio Tinto Limited	Materials	3.4
Australia and New Zealand Banking Group Limited (ANZ)	Financials	3.2
QBE Insurance Group Limited	Financials	2.8
Telstra Corporation Limited	Telecommunications	2.3
CSL Limited	Health Care	2.2

At the same time, we invest in lesser-known Australian companies, which have been carefully chosen and are generally expected to provide greater return opportunities. Our top ten smaller company holdings are shown in the table below:

Company name	Industry sector	NGS Super portfolio (%)
Centennial Coal Company Limited	Energy	0.8
Alumina Limited	Materials	0.8
Challenger Financial Services Group Ltd	Financials	0.7
Lion Nathan Limited	Consumer Staples	0.6
Nufarm Limited	Materials	0.6
Mirvac Group	Financials	0.5
Macarthur Coal Limited	Materials	0.4
Pharmaxis Limited	Health Care	0.3
Paperlinx Limited	Materials	0.3
PMP Limited	Industrials	0.3

### In closing . . .

As a member of NGS Super, you gain the advantage of our size and leverage that you would not have as an individual investor. More importantly, your investments are managed by expert managers who have significant and breadth of investment experience across asset classes and risk profiles.

### What if I have more questions?

Call our Customer Service Team on **1300 133 177** between 8 am and 6 pm, Monday to Friday (EST). We're here to help you!

**Important Information:** The information in this investment update is of a general nature. Any recommendations, statements of opinion or financial advice have been prepared without taking account of your personal circumstances, investment objectives, financial situation and needs. You should read the relevant Product Disclosure Statement (PDS) and assess your own situation before you make an investment decision based on this information.

This information is provided by the Non-Government Schools Superannuation Fund Pty Limited ABN 46 003 491 487, AFSL No 233 154, RSEL No L0000567, the Trustee of the Non-Government Schools Superannuation Fund ABN 73 549 180 515, RSER No. R1000818.

### What's a risk profile?

Some investments may provide returns that can vary greatly, with the likelihood of a negative return expected more often. These investment returns range over higher and lower extremes, however overall over the long term they tend to be higher. The risk profile of these types of investment is generally considered to be higher. As a general rule, the greater the potential for a higher return, the greater the risk of a negative return and the higher the risk profile.

These investments might be too risky for some people who prefer investments with a lesser likelihood of a negative return, even though the positive returns tend to be lower. The risk profile of these investments is considered to be lower.

So the risk profile of a particular investment is a good way for an investor to determine whether a particular investment falls within their level of comfort with the expected variation in returns and the possibility of a negative return.

### What are self-managed super funds?

Self-managed super funds are set up and managed by individual investors in their own name or under a family company name. Whilst this type of arrangement provides greater direct control over superannuation investments, there are some drawbacks to this type of superannuation investment, including:

- **Regulation requirements** can be onerous and time-consuming. These types of investments are covered by strict guidelines and there may be significant penalties for breaches.
- **Rigorous reporting** to the Australian Securities and Investments Commission (ASIC) is required every year, which can be extremely expensive.
- **Less diversification** than that which can be gained by an industry fund.
- **Higher costs** (usually thousands of dollars to establish and similar costs ongoing each year) that may ultimately eat into investment returns.
- **Higher risk** if you're not an investment expert – funds like NGS Super have access to a wide range of investment expertise across a range of asset classes.
- **Time consuming** monitoring and managing investments that may require a greater amount of time than you would be spending as a member of NGS Super.

You should seek detailed advice outlining all the costs and requirements from a trusted licensed financial adviser if you're considering this approach for your super.