

Investment Update

March 2009

Recently, there has been considerable media attention on listed and unlisted investments and the role they play in superannuation funds' portfolios. More specifically, reports have focused on the relative difference in investment performance between these two types of investments.

NGS Super currently uses listed and unlisted investments in our investment portfolio. It's important that we keep you informed about how and why we use both types of investments and how we manage them to achieve sound investment returns over the long term.

How do listed and unlisted investments work?

Listed and unlisted investments are similar in that they allow people to buy (or buy into) particular investments and potentially earn a return. Where they differ is the means by which investments in these assets are bought and sold.

Listed investments

Listed investments are generally those listed on some sort of exchange, the most obvious example being shares traded on the Australian Securities Exchange (ASX). The exchange provides a means for people participating in that market to buy and sell these investments on a regular basis.

Listed investments are not limited to shares traded on the ASX. Examples of listed investments include international shares, real estate investment trusts (REITs) and fixed income investments such as Government bonds. NGS Super has a significant portion of its money invested in each of these types of listed investments. Because share markets have been affected by the global financial crisis, our investment performance has also been affected (together with that of the superannuation industry in general).

During 2008, fixed income investments such as Government bonds performed well. However, this good performance was offset by the negative returns of other listed investments such as shares and REITs, both of which fell significantly. NGS Super, together with other super funds, felt the impact of this negative performance. However, this was balanced out somewhat by the better returns delivered by the Fund's unlisted investments.

Unlisted investments

Unlisted investments, by contrast, are not listed on an exchange and are not traded or accessed with the same frequency or regularity.

Broadly, examples of unlisted investments include infrastructure, direct property and private equity.



NGS Super currently invests in each of these unlisted investments through its Diversified Option. These investments performed reasonably well in 2008, particularly compared with the Fund's listed investments.

These investments have provided a balance which has had a key role in reducing the effects of the global economic downturn on NGS Super's overall performance and the risks associated with investing in the share market in such an unsettled environment.

Because unlisted investment returns are linked to real assets, they have continued to provide positive cash flows in spite of the current global financial crisis.

Whilst the unlisted investments owned by NGS Super are not traded every day, they are valued at least every three months by independent valuers (with the exception of a small Sydney property owned and occupied by NGS Super, which is due to be valued in June 2009).

How do we compare to a typical fund?

Compared with a typical superannuation fund, NGS Super's Diversified Option has:

- more invested in Australian infrastructure, direct property and private equity
- a similar amount invested in international infrastructure

- less in international private equity
- significantly less in international property.

We invest more in unlisted investments than the average fund but this is to a level that sees us comfortably diversified and not over-exposed to these types of investments.

What's happening from here?

NGS Super will maintain its current levels of diversification in listed and unlisted investments. We have taken advantage of the opportunities to buy listed investments at low prices and this means we've been able to participate in the significant share market recovery of March 2009. At the same time, we remain committed to unlisted investments due to the diversification they provide as well as the solid cash flow opportunities of real assets.

What does this mean for NGS Super members?

Your superannuation in NGS Super is spread across a combination of listed and unlisted investments, which are structured to deliver both strong and stable returns over the long term. Ultimately, the purpose of this investment approach is to give you, our members, the opportunity to achieve your retirement goals.

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.

What's diversification?

All investments have a possibility of a negative investment return, although some (e.g. shares) are likely to give a negative return more often than others (e.g. cash).

Combining a variety of investments which are unlikely to all move up and down at the same time can help to reduce the risk of owning any single investment. If one investment is performing poorly, another may perform well and make up for the loss. This is called diversification.

NGS Super invests in both listed and unlisted investments and by doing so achieves greater diversification.