

Investment Update

February 2009

Delivering solid investment returns to our members, especially in the current difficult investment environment, is one of NGS Super's driving objectives. Many elements fit together to ensure that every investment activity the Fund undertakes is targeted to achieving this outcome.

Our January 2009 Investment Update looked at how NGS Super manages your investments at a practical level outlining how each of the key roles work together, forming our multi-layered approach. The high level of governance we apply to managing investments means that we can take advantage of opportunities as they present in investment markets worldwide, while effectively addressing the challenges and managing associated risks.

Our day-to-day investment decisions are carefully guided by the Fund's overarching investment strategy, objectives and guiding principles. Just as investment markets move through cycles, it is critical that our investment strategy continues to be relevant to the Fund, market conditions and future opportunities. A comprehensive review of our investment strategy will be undertaken at the strategy conference in March and is a key element of the Fund's governance approach.

In this Investment Update, we explain the strategy conference in more detail.

What's the strategy conference about?

The purpose of the strategy conference is for the Investment Committee, overseen by the Board, to undertake a strategic review of the Fund's investments. The Investment Committee considers and assesses the opportunities to deliver strong returns to members in 2009 as well as the risks potentially affecting returns this year.

What issues will be covered at the strategy conference?

A range of issues affecting the Fund's investment strategy and investment returns in 2009 will be considered. Following is an outline of the sessions that are part of the strategy conference.

An Investment Committee meeting opens the conference. The topics covered in this meeting include a review of the Fund's investment performance and asset allocation. The conference will then cover the following:

- An outline of the objectives of the strategy conference, presented by the Manager, Investments, Bill Dwyer
- Investment risk issues
- Investment opportunities



- A review of the Fund's asset allocation presented by the Fund's asset consultant.

Credit opportunities

Credit opportunities offered by corporate **bonds** will be considered. Corporate **bonds** are issued by companies to raise funds for growth initiatives. (They're a different type of investment to share investments and generally have a lower level of liquidity compared to buying shares in the company.) They currently offer a higher rate of return compared to government **bonds** and may have a positive impact on Fund returns over the long term. However, this potential positive impact needs to be balanced against the lower liquidity and potential risks of corporate bond investment.

Hedge funds

The committee will determine whether **hedge funds** should play a role in the Fund's future investment strategy. This is because **hedge funds** have performed poorly over the course of the global financial crisis and have not lived up to their stated intention of delivering positive absolute returns, above the cash rate.

Climate change

Climate change and what it means for Australia and the Fund is in a critical issue that will be deliberated in the context of the risks and opportunities that it presents for NGS Super.

In conclusion

Finally, having reviewed each of the investments described above in detail, the Investment Committee must decide which investments are suitable for further exploration. Once confirmed, an action plan is put into place to carefully manage the risks associated with these investments whilst also taking advantage of the opportunities.

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.

Some investment terms explained...

Hedge funds

Hedge funds invest in a range of investment strategies that are not normally used by mainstream investors and are generally permitted by regulators to undertake a wider range of activities than other investment funds. The intention of these strategies is to attempt to deliver a positive return relative to the value of the investment itself and independent of any benchmarks. An example of a hedge fund that the Fund currently invests in is through Blackrock, although the Fund is in the process of redeeming from this investment.

Bonds

Bonds are a form of debt security. "Debt security" refers to a type of security that is based on borrowed funds. The issuer of the bond (in most cases a company or government) raises money by borrowing money from investors by issuing bonds and paying investors an interest rate on the money being borrowed. It is agreed between the two parties that the loan will be repaid. In the meantime, the investor has earned a return from the interest rate they're paid. The Fund currently invests in corporate bonds such as those of General Electric through a pool that is diversified by geography, industry and issuer.