



portfolio watch

a quarterly report on the performance of
the **ipac** Diversified Investment Strategies



December 2008

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Note: all numbers have been rounded to one decimal place.

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strategy performance (gross)

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Diversified Investment Strategy No 1	-7.5	-10.2	-10.2	-13.7	-4.5	0.3	4.7
Diversified Investment Strategy No 2	-13.4	-18.4	-18.4	-27.8	-12.2	-3.4	4.5
Diversified Investment Strategy No 3	-15.1	-20.9	-20.9	-31.7	-14.5	-4.8	4.0
Diversified Investment Strategy No 4	-18.0	-24.6	-24.6	-37.0	-17.8	-6.7	3.4
Diversified Investment Strategy No 5	-14.5	-18.9	-18.9	-25.8	-12.0	-2.9	n/a

Notes:

Strategy returns are calculated using month-end hard close exit prices, are gross of management fees, ongoing fees and expenses, assume distributions are reinvested and tax is not deducted.

A 50% currency hedge applies to the cumulative International Shares and International Smaller Companies exposure of each Strategy, excluding Diversified Investment Strategy No 5. For Diversified Investment Strategy No 5 A 50% currency hedge applies to the International Shares exposure.

Past performance is not necessarily indicative of future performance. All figures have been rounded to one decimal place.

sector & market performance (gross of all fees)

	3 mths %	6 mths %	Fin YTD %	1 yr %	2 yrs % pa	3 yrs % pa	5 yrs % pa
Australian Cash Sector	1.2	0.8	0.8	4.3	5.1	5.4	5.6
Australian Cash Sector - Strategy 5	1.2	0.8	0.8	4.3	5.1	5.4	n/a
<i>UBSA Bank Bill Index</i>	1.7	3.7	3.7	7.6	7.2	6.8	6.3
Alternative Income Sector	-11.2	-16.7	-16.7	-14.0	-3.4	n/a	n/a
Alternative Income Sector - Strategy 5	-11.2	-16.7	-16.7	-14.0	-3.4	n/a	n/a
<i>UBSA Bank Bill Index</i>	1.7	3.7	3.7	7.6	7.2	6.8	6.3
Australian Fixed Interest Sector	6.6	11.8	11.8	13.6	8.3	6.6	6.8
Australian Fixed Interest Sector - Strategy 5	6.4	11.9	11.9	14.8	9.0	7.0	n/a
<i>UBSA Composite Bond Index</i>	6.3	12.0	12.0	14.9	9.1	7.0	6.8
International Fixed Interest Sector	2.1	1.9	1.9	3.2	4.7	4.6	6.1
International Fixed Interest Sector - Strategy 5	3.7	2.8	2.8	4.6	5.5	5.2	n/a
<i>Barclays Capital Global Aggregate (Hedged) Index</i>	4.8	6.9	6.9	9.2	7.9	6.7	7.1
Australian Property Sector	-35.6	-40.4	-40.4	-60.9	-40.0	-21.7	-6.4
Australian Property Sector - Strategy 5	-34.7	-37.7	-37.7	-57.5	-37.6	-19.8	n/a
<i>S&P/ASX 300 A-REIT Index</i>	-33.2	-34.3	-34.3	-55.3	-36.0	-18.1	-3.9
International Property Sector	-37.7	-40.4	-40.4	-47.6	-33.2	n/a	n/a
International Property Sector - Strategy 5	-37.4	-40.1	-40.1	-47.3	-33.2	n/a	n/a
<i>UBS Global Investors Index in AUD Hedged Net Div</i>	-38.4	-39.0	-39.0	-45.7	-32.6	-14.4	n/a
Australian Shares Sector	-16.5	-23.7	-23.7	-36.9	-14.9	-3.6	7.3
Australian Shares Sector - Strategy 5	-14.1	-18.6	-18.6	-32.5	-13.4	-2.8	n/a
<i>S&P/ASX 300 Accum Index</i>	-18.5	-27.2	-27.2	-38.9	-15.7	-4.0	6.7
International Shares (Unhedged) Sector	-12.2	-12.5	-12.5	-29.3	-16.3	-7.8	0.5
International Shares (Unhedged) Sector - Strategy 5	-14.3	-14.5	-14.5	n/a	n/a	n/a	n/a
<i>MSCI World Ex Australia (\$A Unhedged) Index</i>	-11.3	-8.2	-8.2	-24.9	-14.5	-6.6	0.9
International Shares (Hedged) Sector	-24.0	-35.3	-35.3	-43.3	-22.0	-10.6	-0.4
International Shares (Hedged) Sector - Strategy 5	-26.3	-37.1	-37.1	-45.4	-25.4	-11.9	n/a
<i>MSCI World Ex Australia (\$A Hedged) Index</i>	-22.8	-31.5	-31.5	-39.1	-19.7	-8.8	0.7
International Smaller Companies Sector	-12.3	-12.6	-12.6	-29.7	-20.4	n/a	n/a
<i>S&P/Citigroup World <US\$1.5bn Cap (AUD Unhedged Net Div)</i>	-15.8	-13.8	-13.8	-29.5	-19.6	n/a	n/a
Global Emerging Markets Sector	-23.0	-34.3	-34.3	-45.8	-17.5	-4.9	6.5
<i>MSCI EM in \$A (div reinvested)</i>	-18.1	-27.2	-27.2	-41.2	-14.2	-3.3	9.3
Alternative Investments Sector - Alpha Strategies	-6.7	-15.9	-15.9	-5.2	1.7	1.6	n/a
Alternative Investments Sector - Alpha Strategies - Strategy 5	-6.7	-15.9	-15.9	-10.1	-1.2	1.5	n/a
<i>UBSA Bank Bill Index</i>	1.7	3.7	3.7	7.6	7.2	6.8	6.3

Notes:

Performance based on ipac Diversified Investment Strategies No. 2 & 5.

Performance figures are calculated using month-end hard close exit prices, are gross of management fees, ongoing fees and expenses, assume distributions are reinvested and tax is not deducted.

The investment performance of managers in the Alternative Assets sector may be lagged by one month or in some cases more.

manager & market performance

(3 mths, gross of funds mgt fees)

asset class	manager return %	market return %	above/below index %
Australian Cash Sector			
AllianceBernstein	1.2	1.7	-0.5
Alternative Income Sector			
PIMCO	-11.2	1.7	-12.9
Australian Fixed Interest Sector			
BGI Index	6.4	6.3	0.0
Credit Suisse	7.0	6.3	0.7
International Fixed Interest Sector			
BlackRock	1.0	4.8	-3.9
PIMCO	4.1	4.8	-0.7
Australian Property Sector			
BGI Index	-30.5	-33.2	2.8
A-REIT Active Multi-Manager Trust	n/a	-33.2	n/a
International Property Sector			
CBRE	-34.7	-38.4	3.7
LaSalle	-40.8	-38.4	-2.4
Australian Shares Sector			
BGI	-19.1	-18.5	-0.7
Integrity	-15.0	-18.5	3.5
Schroders	-14.3	-18.5	4.2
Maple-Brown Abbott	-13.0	-18.5	5.5
Investors Mutual	-12.5	-18.5	6.0
Wallara	-15.3	-18.5	3.2
Bernstein Value	-15.3	-18.5	3.2
MIR	-18.5	-18.5	0.0
Challenger	-26.8	-18.5	-8.4
International Shares (Unhedged) Sector			
Enhanced Investment Technologies	-10.1	-11.3	1.3
Alliance	-17.5	-11.3	-6.1
Arrowstreet	-7.4	-11.3	3.9
GMO	-8.7	-11.3	2.6
Bernstein	-17.1	-11.3	-5.8
LSV	-11.7	-11.3	-0.4
International Shares Index	-11.2	-11.3	0.1
International Shares (Hedged) Sector			
Enhanced Investment Technologies	-22.1	-22.8	0.7
Alliance	-28.5	-22.8	-5.7
Arrowstreet	-19.8	-22.8	3.1
GMO	-20.9	-22.8	1.9
Bernstein	-29.0	-22.8	-6.2
LSV	-23.7	-22.8	-0.9
International Shares Index	-22.8	-22.8	0.1
International Smaller Companies Sector			
Arrowstreet	-12.3	-15.8	3.5
Global Emerging Markets Sector			
Legg Mason	-23.0	-18.1	-4.9
Alternative Investments Sector - Alpha Strategies			
ipac Diversified Alpha Fund	-6.7	1.7	-8.4

Notes:

Performance based on ipac Diversified Investment Strategies No. 2 & 5.

Manager performance is calculated based on month-end hard close valuations using a time-weighted return methodology and are gross of fees and tax. Hedged manager returns are based on month-end hard close exit prices for the Hedged trusts, gross of management fees, ongoing fees and expenses, assume distributions are reinvested and tax is not deducted. External unit trust returns are based on month-end hard close unit prices by the manager, and the Alternatives Asset Sector return is calculated using soft close month-end exit prices.

During October 2008 ipac transitioned the active component of Australian Property into the Multi-Manager building block (A-REIT Active Multi-Manager Trust) featuring ipac's two managers in this sector – SG Hiscock (50%) and Legg Mason Asset Management (50%). The transition occurred at no cost to investors as no trading of underlying assets was necessary.

The International Shares Index allocation is invested in BGI Fission and Vanguard Investments. ipac has appointed two managers within the International Shares Index as there is limited capacity within the BGI Fission Fund.

Market return is the return of the nominated market index for each asset class.

BGI Index (AFI, AP & Intl Share – Hedged), Bernstein Value (Aust Shares), are only available in Diversified Investment Strategy No. 5.

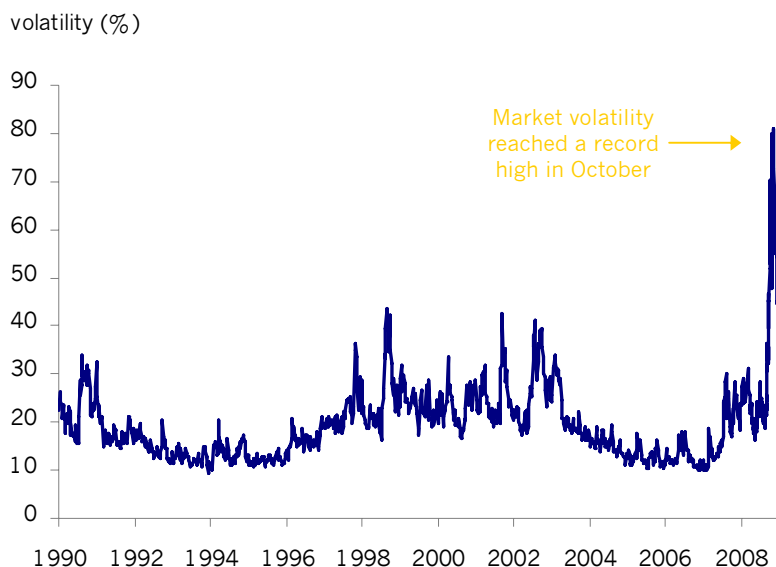
investment environment

The turmoil within the global financial sector that began in late 2007, intensified in the final quarter of 2008. The collapse of US investment bank, Lehman Brothers, in mid-September, and the take-over of other large US and European financial institutions shocked global markets, triggering a collapse in investor confidence. The deepening crisis led financial institutions to become fearful of extending credit to each other. As a consequence, corporate credit markets effectively closed, making it difficult for even the most creditworthy of companies to access funding.

During the final quarter of 2008, there was evidence that the turmoil within the financial markets was spilling over into the real economy at a rapid speed. This happened across most developed economies simultaneously, further adding to investor concerns. The financial and economic uncertainty triggered unparalleled and co-ordinated actions by central banks to stimulate demand in the wake of declining consumer and business sentiment. Central banks also worked with their respective governments to recapitalise large financial institutions that were at risk of failure.

In response to the crisis, the US Federal Reserve cut interest rates aggressively from 2.0% to 0.25% over the quarter. It also indicated its willingness to provide all the liquidity that was needed to markets. The central banks of Europe, the UK, China and Canada followed US moves with aggressive rate cuts. In Australia, the Reserve Bank lowered rates by 2.75% during the quarter. At 31 December 2008 the cash rate in Australia was 4.25%. The Australian government also announced an emergency fiscal stimulus package with the aim of underpinning consumer spending and bringing forward major capital works projects.

The wave of pessimism in financial markets, at times bordering on panic, led to extreme investor risk aversion and market volatility. The CBOE (VIX) Volatility Index reached a record day high in October, as shown in the chart below.



source: Bloomberg. CBOE Volatility Index. Data as of 31 December 2008.

In this climate, investors displayed a distinct preference for assets perceived as “safe” such as cash and sovereign bonds, particularly those denominated in US Dollars. Gold, the traditional store of value in times of extreme market dislocation, was also favoured.

Although sovereign bonds were favoured by investors, the opposite was true of corporate bonds. Spreads widened dramatically (prices fell) as investors avoided any kind of risk. Equities experienced another severe correction with the liquidity crisis perceived as increasing the probability of a deeper and more protracted global economic slowdown. Investors were also unsettled by signs that the weakness in the large developed economies was also spreading to the Asian economies, particularly economies such as China that had previously shown rapid growth.

Reflecting the more pessimistic economic outlook, commodity prices, particularly oil, fell sharply. Currencies linked to global growth, such as the Australian Dollar, experienced a dramatic turnaround declining from US79 cents at the start of the quarter to as low as US60 cents at one point, before ending the quarter at US70 cents.

market returns for the quarter

Australian fixed interest

UBSA Composite Bond Index: 3 month: 6.3%; 12 month: 14.9%

Government bonds performed well in anticipation of lower interest rates, however, corporate bonds performed poorly as investors avoided risk.

international fixed interest

Barclays Capital Aggregate (hedged \$A) Index: 3 month: 4.8%; 12 month: 9.2%

Government bonds performed well over the quarter, but demand for corporate bonds weakened further. Spreads on investment grade and bank capital debt widened significantly, and yields on sub-investment grade bonds reached record highs.

Australian property securities

S&P/ASX 300 A-REIT Index: 3 month: -33.2%; 12 month: -55.3%

As credit conditions tightened further, concerns intensified over the ability of the more leveraged trusts to secure debt refinancing. The quarter was also notable for cuts to dividends and the increased levels of capital raisings by trusts to reduce debt.

international listed property securities

UBS Global Investors Index (hedged): 3 month: -38.4%; 12 month: -45.7%

The global listed property market had its worst ever quarterly performance. Investor fears mounted about the severity and duration of the world economic downturn, and the impact this would have on commercial property through reduced occupancy rates for office buildings.

Australian shares

S&P/ASX 300 Accumulation Index: 3 month: -18.5%; 12 month: -38.9%

A rapid deterioration in business confidence and signs of weaker consumer spending undermined shares. A wave of earnings downgrades added to weak investor sentiment.

international shares

MSCI World ex-Australia Index (\$A hedged): 3 month: -22.8%; 12 month: -39.1%

MSCI World ex-Australia Index (\$A unhedged): 3 month: -11.3%; 12 month: -24.9%

The on-going need for governments and central banks to support the financial sector continued to dominate events in markets. Most regions posted similar returns, although smaller markets tended to be the weakest.

international smaller companies

S&P/Citigroup World < \$US 1.5 billion cap Index (\$A unhedged): 3 month: -15.8%; 12 month: -29.5%

The falls recorded in the international share market were the result of continued investor fears over the extent and speed of the global economic slowdown. These falls affected large and small companies alike.

global emerging markets

MSCI EM Index in \$A: 3 month: -18.1%; 12 month: -41.2%

Emerging markets continued to fall in the final quarter as investors remained concerned about the impact of the slowdown in global economic growth and the lack of credit available for businesses.

diversified portfolio performance (gross)

Diversified Investment Strategy No. 1

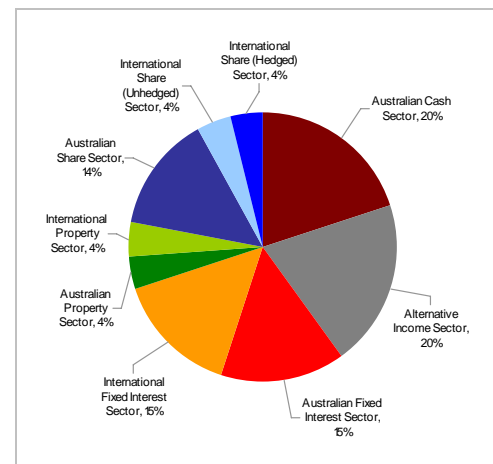
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yrs %pa	3 yrs %pa	5 yrs % pa
Diversified Investment Strategy 1	-7.5	-10.2	-10.2	-13.7	-4.5	0.3	4.7
Benchmark	-4.8	-4.9	-4.9	-7.9	-1.4	2.5	5.7

Note:

Benchmark is the target weight of the asset class multiplied by the return of the respective market index. The target weight is shown in the pie chart below. See asset allocations vs targets later in the document for current allocations.

return drivers this period

- ~ The defensive nature of the portfolio means it has a relatively large allocation to fixed interest and cash. These remained among the better performing areas of the market for the quarter. Government bonds benefited from strong performance as investors avoided risk, however corporate bonds performed poorly as credit spreads widened.
- ~ Despite an allocation to fixed interest and cash, this was not enough to prevent a negative return for the overall portfolio. An exposure to growth assets hurt performance as markets fell. Share price falls in the month of October were particularly severe as concern grew that the financial crisis had deepened and would spread to the wider global economy.



performance this period

- ~ The Australian cash sector invests in very high grade short-term government and corporate credit securities. The underperformance of the sector was due to an overweight exposure to corporate credit, where spreads widened during the quarter. The alternative income sector was also impacted by positions in corporate credit. The managers remain confident that these positions will add value in the future.
- ~ The Australian fixed interest sector outperformed the index for the quarter. Strong performance from government bonds and an underweight exposure to semi-government bonds contributed positively to performance. The international fixed interest sector underperformed the index. An overweight exposure to corporate credit, and an overweight position in commercial mortgage backed securities hurt performance.
- ~ The Australian share sector outperformed the index for the quarter. An overweight exposure to defensive areas of the market such as Consumer Staples, Utilities, Healthcare and Telecommunications added to relative performance in a declining market. Other positive contributors included the sector's underweight exposure to A-REITs and small resources.
- ~ The international shares sector underperformed the index for the quarter. Stock selection in Financials and Resources was the main detractor of value. Many of the price declines within the sector are considered paper losses, and we believe we are positioned in stocks that will perform better once the market stabilises.
- ~ The Australian listed property sector underperformed the index for the quarter. Underweight positions in some defensive property trusts detracted from performance. The global listed property sector outperformed the index for the quarter. Security selection and regional allocation both contributed to positive relative performance.

Diversified Investment Strategy No. 2

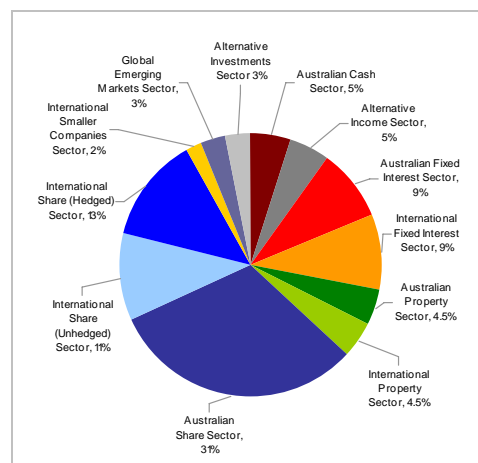
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yr %pa	3 yr %pa	5yr % pa
Diversified Investment Strategy 2	-13.4	-18.4	-18.4	-27.8	-12.2	-3.4	4.5
Benchmark	-13.1	-16.5	-16.5	-25.4	-10.8	-2.5	4.9

Note:

Benchmark is the target weight of the asset class multiplied by the return of the respective market index. The target weight is shown in the pie chart below. See asset allocations vs targets later in the document for current allocations.

return drivers this period

- ~ Due to its diversified nature, the portfolio has a sizeable allocation to defensive assets such as fixed interest and cash, which performed relatively well over the quarter. Government bonds and cash remained among the better performing areas of the market as investors avoided risk. Corporate bonds continued to perform poorly as spreads widened significantly.
- ~ The portfolio's significant allocation to growth assets such as shares and property had a negative impact on performance. The turmoil within financial markets continued through the final quarter of 2008. A rapid deterioration in business confidence and signs of weaker consumer spending undermined shares, and a wave of earnings downgrades added to weak investor sentiment.



performance this period

- ~ The Australian share sector outperformed the index for the quarter. An overweight exposure to defensive areas of the market such as Consumer Staples, Utilities, Healthcare and Telecommunications added to relative performance in a declining market. Other positive contributors included the sector's underweight exposure to A-REITs and small resources.
- ~ The international shares sector underperformed the index for the quarter. Stock selection in Financials and Resources was the main detractor of value. Many of the price declines within the sector are considered paper losses, and we believe we are positioned in stocks that will perform better once the market stabilises.
- ~ The Australian fixed interest sector outperformed the index for the quarter. Strong performance from government bonds and an underweight exposure to semi-government bonds contributed positively to performance. The international fixed interest sector underperformed the index. An overweight exposure to corporate credit, and an overweight position in commercial mortgage backed securities hurt performance.
- ~ The Australian listed property sector underperformed the index for the quarter. Underweight positions in some defensive property trusts detracted from performance. The global listed property sector outperformed the index for the quarter. Security selection and regional allocation both contributed to positive relative performance.
- ~ The Australian cash sector invests in very high grade short-term government and corporate credit securities. The underperformance of the sector was due to an overweight exposure to corporate credit, where spreads widened during the quarter. The alternative income sector was also impacted by positions in corporate credit. The managers remain confident that these positions will add value in the future.
- ~ The alternative investments - alpha strategies sector underperformed cash during the December quarter, although these strategies continue to significantly outperform shares and provide diversification benefits.
- ~ The global emerging markets sector underperformed the index. Underperformance was driven by stock selection, rather than country allocation.
- ~ The international smaller companies sector outperformed the index for the quarter. Overweight positions in Consumer Staples and Healthcare helped performance, and an underweight position in Financials also added value.

Diversified Investment Strategy No. 3

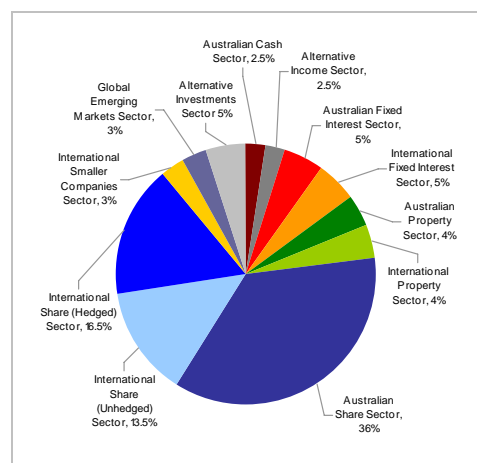
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yr %pa	3 yr %pa	5yr % pa
Diversified Investment Strategy 3	-15.1	-20.9	-20.9	-31.7	-14.5	-4.8	4.0
Benchmark	-15.3	-19.6	-19.6	-29.6	-13.2	-3.9	4.4

Note:

Benchmark is the target weight of the asset class multiplied by the return of the respective market index. The target weight is shown in the pie chart below. See asset allocations vs targets later in the document for current allocations.

return drivers this period

- ~ A large part of the portfolio is invested in growth assets such as shares and listed property, which impacted negatively on performance. The share market recorded significant falls reflecting investor fears over the extent and speed of the global economic slowdown. The on-going need for governments and central banks to support the financial sector continued to dominate events in markets.
- ~ The portfolio is, however, highly diversified and has an allocation to defensive assets. During the quarter, investors favoured assets such as government bonds and cash. Corporate bonds continued to perform poorly as credit spreads widened.



performance this period

- ~ The Australian share sector outperformed the index for the quarter. An overweight exposure to defensive areas of the market such as Consumer Staples, Utilities, Healthcare and Telecommunications added to relative performance in a declining market. Other positive contributors included the sector's underweight exposure to A-REITs and small resources.
- ~ The international shares sector underperformed the index for the quarter. Stock selection in Financials and Resources was the main detractor of value. Many of the price declines within the sector are considered paper losses, and we believe we are positioned in stocks that will perform better once the market stabilises.
- ~ The Australian fixed interest sector outperformed the index for the quarter. Strong performance from government bonds and an underweight exposure to semi-government bonds contributed positively to performance. The international fixed interest sector underperformed the index. An overweight exposure to corporate credit, and an overweight position in commercial mortgage backed securities hurt performance.
- ~ The Australian listed property sector underperformed the index for the quarter. Underweight positions in some defensive property trusts detracted from performance. The global listed property sector outperformed the index for the quarter. Security selection and regional allocation both contributed to positive relative performance.
- ~ The alternative investments - alpha strategies sector underperformed cash during the December quarter, although these strategies continue to significantly outperform shares and provide diversification benefits.
- ~ The global emerging markets sector underperformed the index. Underperformance was driven by stock selection, rather than country allocation.
- ~ The international smaller companies sector outperformed the index for the quarter. Overweight positions in Consumer Staples and Healthcare helped performance, and an underweight position in Financials also added value.

Diversified Investment Strategy No. 4

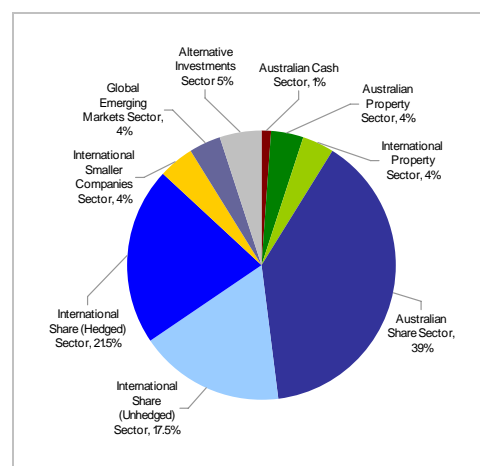
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yr %pa	3 yr %pa	5yr % pa
Diversified Investment Strategy 4	-18.0	-24.6	-24.6	-37.0	-17.8	-6.7	3.4
Benchmark	-18.2	-23.4	-23.4	-34.9	-16.5	-5.8	3.7

Note:

Benchmark is the target weight of the asset class multiplied by the return of the respective market index. The target weight is shown in the pie chart below. See asset allocations vs targets later in the document for current allocations.

return drivers this period

- ~ Growth assets suffered dramatic falls over the quarter. As a result, absolute portfolio performance was disappointing. Share price falls in the month of October were particularly severe as concern grew that the financial crisis had deepened and would spread to the wider global economy.
- ~ In listed property, credit conditions tightened further, and concerns intensified over the ability of the more leveraged trusts to secure debt refinancing.



performance this period

- ~ The Australian share sector outperformed the index for the quarter. An overweight exposure to defensive areas of the market such as Consumer Staples, Utilities, Healthcare and Telecommunications added to relative performance in a declining market. Other positive contributors included the sector's underweight exposure to A-REITs and small resources.
- ~ The international shares sector underperformed the index for the quarter. Stock selection in Financials and Resources was the main detractor of value. Many of the price declines within the sector are considered paper losses, and we believe we are positioned in stocks that will perform better once the market stabilises.
- ~ The Australian listed property sector underperformed the index for the quarter. Underweight positions in some defensive property trusts detracted from performance. The global listed property sector outperformed the index for the quarter. Security selection and regional allocation both contributed to positive relative performance.
- ~ The alternative investments - alpha strategies sector underperformed cash during the December quarter, although these strategies continue to significantly outperform shares and provide diversification benefits.
- ~ The global emerging markets sector underperformed the index. Underperformance was driven by stock selection, rather than country allocation.
- ~ The international smaller companies sector outperformed the index for the quarter. Overweight positions in Consumer Staples and Healthcare helped performance, and an underweight position in Financials also added value.

Diversified Investment Strategy No. 5

	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yr %pa	3 yr %pa	5yr % pa
Diversified Investment Strategy 5	-14.5	-18.9	-18.9	-25.8	-12.0	-2.9	n/a
Benchmark	-12.3	-14.4	-14.4	-21.2	-8.9	-1.2	n/a

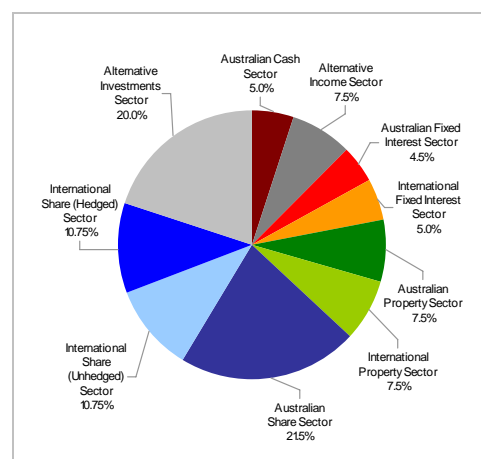
Notes:

Benchmark is the target weight of the asset class multiplied by the return of the respective market index. The target weight is shown in the pie chart below. See asset allocations vs targets later in the document for current allocations.

The investment performance of managers within the Alternative Assets sector may be lagged by one month or in some cases more.

return drivers this period

- ~ Over the year to 31 December 2008, the portfolio returned comparatively better performance than a balanced fund with a more traditional construction, but underperformed for the final quarter of 2008.
- ~ The alternative investments - alpha strategies sector underperformed cash during the December quarter, although these strategies continue to significantly outperform shares and provide diversification benefits.
- ~ While the portfolio benefited from the significant outperformance of the index by Australian share managers, returns were still negative given the heightened volatility and risk aversion in markets.



performance this period

- ~ The Australian share sector outperformed the index for the quarter. All the managers within the sector - Maple Brown Abbott, Investors Mutual, Bernstein Value and MIR Investment Management - performed above the index. The managers benefited from their value style and more defensive approach.
- ~ The international shares sector underperformed the index for the quarter. Stock selection in Financials and Resources was the main detractor of value. Many of the price declines within the sector are considered paper losses, and we believe we are positioned in stocks that will perform better once the market stabilises.
- ~ The main issues affecting the performance of the alternative investments - alpha strategies sector were deleveraging, loss of confidence in credit markets and fund redemptions. The dislocated markets are still offering some interesting new investment opportunities, and we continue to assess their merits in the context of a potentially higher cost of capital and a poor economic environment for at least the next six to 12 months.
- ~ The Australian listed property sector underperformed the index for the quarter. An underweight position in outperforming trusts with low gearing hurt relative performance. Strategic overweight positions in some non-index small capitalisation names also detracted value. The global listed property sector outperformed the index for the quarter. Security selection and regional allocation both contributed to positive relative performance.
- ~ The significant underperformance of the alternative income sector was largely due to positions in corporate credit. Credit spreads widened significantly over the period and market volatility was high. The manager remains confident that these positions will add value in the future.
- ~ The Australian cash sector invests in very high grade short-term government and corporate credit securities. The underperformance of the sector was due to an overweight exposure to corporate credit, where spreads widened during the quarter. The sector was also impacted by holdings of securities in global financial institutions that issue debt in the Australian market.

market, sector & manager performance

This section of the report provides an overview of market and sector performance. Sector commentary is generally for the multi-manager diversified portfolios unless indicated. Individual manager commentary for Alternative Assets provides an overview of the different strategies.

Multi manager sector performance figures are calculated based on the unit holdings for the underlying manager trusts using their respective month-end hard close exit prices. Based on ipac Diversified Investment Strategies No. 2 & 5.

Single manager sector and **manager** performance figures are calculated based on month-end hard close valuations using a time-weighted return methodology and are gross of fees and tax. No fees are applicable to an investor at this level.

Note: Past performance is not necessarily indicative of future performance.

Australian Cash

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	1.2	0.8	0.8	4.3	5.1	5.4	5.6
Sector - Strategy 5	1.2	0.8	0.8	4.3	5.1	5.4	n/a
AllianceBernstein	1.2	0.8	0.8	4.3	5.1	5.4	5.6
Benchmark	1.7	3.7	3.7	7.6	7.2	6.8	6.3

Note:

Benchmark = UBSA Bank Bill Index.

market commentary

During the fourth quarter, the Reserve Bank of Australia (RBA) cut interest rates three times - in October (1.0%), November (0.75%) and December (1.0%). The cash rate as at 31 December was 4.25%. The rate cuts were motivated by elevated funding costs and deteriorating prospects for global growth which the RBA saw as creating the risk that consumer demand and business output could be significantly weaker than expected.

Inflation remained above trend for the September quarter. It is expected that inflation will reduce over the coming quarters as input prices fall significantly on weakening global demand.

The short-term cash market remained extremely illiquid over the December quarter. The weaker Australian Dollar caused large losses in hedging accounts. Further, the desire to preserve liquidity resulted in investors harvesting cash and not reinvesting into securities providing liquidity.

The introduction of the government guarantee on retail deposits resulted in retail investors rotating out of cash enhanced strategies towards government guaranteed bank deposits.

sector commentary

The sector underperformed the index by 0.5% for the quarter and by 3.3% for the year to 31 December 2008.

The sector invests in very high grade short-term government and corporate credit securities. The underperformance of the sector was due to the overweight exposure to corporate credit. Credit spreads continued to widen during the quarter reducing the value of existing investments. For example, the credit spread on AA rated securities increased by 1.02% while the credit spread of BBB rated securities widened by 1.24%.

The sector continued to be hurt by holdings of securities in global financial institutions that issue debt in the Australian market (known as kangaroo bonds). Given the concentrated nature of the Australian banking sector, such diversification is sensible and beneficial for the sector longer-term. Although the manager only targets high quality securities, diversifying into global financial institutions meant the sector was exposed to the problems of US financials over the quarter. Illiquidity in the secondary market exacerbated the issues as distressed sellers found it difficult to sell these securities.

Alternative Income

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-11.2	-16.7	-16.7	-14.0	-3.4	n/a	n/a
Sector - Strategy 5	-11.2	-16.7	-16.7	-14.0	-3.4	n/a	n/a
PIMCO	-11.2	-16.7	-16.7	-14.0	-3.4	n/a	n/a
Benchmark	1.7	3.7	3.7	7.6	7.2	6.8	6.3

Notes:

Benchmark = UBSA Bank Bill Index.

sector commentary

The sector underperformed the index by 12.9% for the quarter and by 21.6% for the year to 31 December 2008.

The significant underperformance for the quarter and year has impacted the value this strategy has delivered since inception. The negative return of the sector in the December quarter and for the year was largely due to the manager's positions in corporate credit. Credit spreads widened significantly and volatility within credit markets was high.

In this sector, PIMCO typically focuses on the highest quality securities. Even these securities have been impacted by widening credit spreads, particularly in late 2008 when nervousness in markets accelerated. With prices now at all-time lows, there are extraordinary opportunities in corporate bonds. For example, the price of Commonwealth Bank Tier 2 bank capital callable in 2010 has fallen markedly from its starting price of \$100. The price on 20 January 2009 was \$85.80 with an effective yield to call of 16%. In the absence of default by the issuing institution, the value of the bond will return to \$100 when called. This represents a significant price appreciation from current levels, in addition to the regular coupon payments investors will receive.

PIMCO acted early to take advantage of mispricing opportunities in bank capital securities. Although short-term performance has been negatively impacted by exposure to these securities, there is the potential for outsized gains in credit markets over the medium-term given ipac's view that the level of defaults priced into spreads has been overstated for high quality securities.

Australian Fixed Interest

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	6.6	11.8	11.8	13.6	8.3	6.6	6.8
Sector - Strategy 5	6.4	11.9	11.9	14.8	9.0	7.0	n/a
BGI Index	6.4	11.9	11.9	14.8	9.0	7.0	n/a
Credit Suisse	7.0	12.1	12.1	13.9	8.5	6.7	6.8
Benchmark	6.3	12.0	12.0	14.9	9.1	7.0	6.8

Notes:

Benchmark = UBSA Composite Bond All Maturities Index.

BGI Index is only available in Diversified Investment Strategy No. 5.

market commentary

UBSA Composite Bond Index: 3 month: 6.3%; 12 month: 14.9%

Within Australian fixed interest, government bonds performed well in anticipation of lower interest rates. The yield on the 2-year government bond fell from 5.11% to 2.7% over the quarter, while the yield on the 10-year bond fell from 5.4% to 4.0%.

The strong performance of government bonds occurred as interest rate expectations fell. Government bonds also benefited as investor risk aversion increased.

Corporate bonds performed poorly as spreads widened. For example, the credit spread for BBB rated corporate bonds widened by 3.28%. On high yield bonds (sub-investment grade) the credit spread increased by 5.19%, and in commercial mortgage backed securities the spread widened by 5.14%. The credit spreads on investment grade corporate bonds increased by 1.49%.

Bank capital securities also experienced a widening in the credit spread, however it was more moderate than other sectors, as the introduction of government guarantees provided support for bank capital securities.

Sector commentary

The sector outperformed the index by 0.3% for the quarter, but underperformed by 1.3% for the year to 31 December 2008.

The strong performance of government bonds contributed to performance over the quarter. The sector also benefited from an underweight exposure to semi-government bonds. The issuance of government guaranteed bank debt early in December at levels much cheaper than expected resulted in a dramatic repricing of state government debt. This led to semi-government debt trading at a premium to swap, reducing the value of existing investments of this type. Semi-government debt usually trades above government debt but below highest rated corporates (swap).

Credit Suisse also uses relative value trades to generate return (ie, the manager aims to take advantage of irregular yield curve shapes or the pricing anomalies of individual bonds). Relative value impacted positively on performance over the quarter. However, exposure to corporate credit detracted from performance as credit spreads continued to widen, reducing the value of existing investments.

The manager of this sector, Credit Suisse, is a key focus of our current research following the announcement of the intended sale of its global traditional asset management business to Aberdeen on 31 December 2008. The sale is expected to be completed in April 2009. The change in ownership will see the Credit Suisse Australian Fixed Income business, that manages assets for ipac, come under the ownership of Aberdeen.

ipac does not view the acquisition as posing an immediate threat to the portfolio in the near-term as the Credit Suisse team will remain independent until integration. However we view the deal as disruptive. The sale of the business introduces an element of uncertainty which is unhelpful in retaining, attracting and incentivising key staff. ipac has held discussions with the lead portfolio managers at Credit Suisse and Aberdeen, and continues to monitor developments closely.

sector commentary (Strategy 5)

The sector performed in line with the index for the quarter. The manager for this sector aims to replicate the index return.

International Fixed Interest

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	2.1	1.9	1.9	3.2	4.7	4.6	6.1
Sector - Strategy 5	3.7	2.8	2.8	4.6	5.5	5.2	n/a
BlackRock	1.0	1.3	1.3	2.4	4.1	4.2	5.8
PIMCO	4.1	3.2	3.2	5.0	5.8	5.3	6.7
Benchmark	4.8	6.9	6.9	9.2	7.9	6.7	7.1

Note:

Benchmark = Barclays Capital Global Aggregate (AUD Hedged) Index. For benchmark returns prior to September 2002, the customised Lehman Global Aggregate (AUD Hedged)/JP Morgan Global Govt Bonds Ex Aust (Hedged) benchmark is used.

market commentary

Barclays Capital Global Aggregate (hedged \$A) Index: 3 month: 4.8%; 12 month: 9.2%

Government bonds performed well over the quarter as the market anticipated lower interest rates. In the US, interest rates fell by 1.75% over the quarter to be in the range of 0-0.25%. In Europe, rates were also cut by 1.75%, finishing at 2.5%. In the UK, the Bank of England reduced rates by 3.0% to 2.0% to the lowest level since 1951, and in Japan, rates were reduced by 0.2% to 0.1%. As a result of these moves, government debt performed well.

In the US, the yield on 2 year government bonds fell from 1.96% to 0.76% over the quarter, while the yield on 10 year government bonds dropped from 3.82% to 2.21%. In Europe, the 2 year government bond yield fell from 3.48% to 1.76% and the 10 year government bond yield fell from 4.02% to 2.95%.

During the quarter, risk aversion remained high to the extent that some investors were willing to accept negative rates on government debt, thereby paying the government to warehouse money. As a consequence of this

heightened risk aversion, spreads on corporate bonds continued to widen. Spreads on investment grade and bank capital debt widened significantly, and high yield and collateralised mortgage backed securities reached record highs during the quarter.

sector commentary

The sector underperformed the index by 2.7% for the quarter and by 6.0% for the year to 31 December 2008.

BlackRock maintained an overweight exposure to the corporate credit sector. Within the sector, the manager held an overweight position in Commercial Mortgage Backed Securities (CMBS). These securities are backed by high quality assets such as office buildings and shopping malls. However, as fears of a global recession intensified over the quarter, these assets became less attractive. In addition, CMBS were also negatively impacted by negative sentiment towards residential mortgage backed securities. Over the quarter, spreads on CMBS widened by 5.14%, negatively affecting existing CMBS investments. BlackRock is confident that these positions will be beneficial for the portfolio over the medium-term.

PIMCO also had an overweight exposure to corporate credit over the quarter, with a focus on financials and investment grade credit. Within the financials sector, the manager preferred bank capital securities which performed poorly as the credit spread widened by 2.43%, reducing the value of existing holdings. PIMCO's focus is on the highest quality securities within the financials sector. Although short-term performance has been negatively impacted by exposure to these securities, we expect bond prices will rise as the market normalises. The continued support from the government and central banks to improve the functioning of capital markets is expected to provide the necessary stability. As bond prices rise, this will benefit holders of these securities through capital appreciation.

sector commentary (Strategy 5)

The sector underperformed the index by 1.1% for the quarter and by 4.6% for the year to 31 December 2008. This sector invests 100% with PIMCO. Please refer to the above commentary on performance.

Australian Property

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-35.6	-40.4	-40.4	-60.9	-40.0	-21.7	-6.4
Sector - Strategy 5	-34.7	-37.7	-37.7	-57.5	-37.6	-19.8	n/a
BGI Index	-30.5	-31.5	-31.5	-52.9	-34.2	-16.7	n/a
A-REIT Active Multi-Manager Trust	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Benchmark	-33.2	-34.3	-34.3	-55.3	-36.0	-18.1	-3.9

Notes:

BGI Index is only available in Diversified Investment Strategy No. 5.

Benchmark = S&P/ASX 300 A-REIT Index (All Ord Prop Accum prior to 01/04/00).

During October 2008 ipac transitioned the active component of Australian Property into the Multi-Manager building block (A-REIT Active Multi-Manager Trust) featuring ipac's two managers in this sector – SG Hiscock (50%) and Legg Mason Asset Management (50%). The transition occurred at no cost to investors as no trading of underlying assets was necessary.

market commentary

S&P/ASX 300 A-REIT Index: 3 month: -33.2%; 12 month: -55.3%

Australian listed property continued to struggle in the fourth quarter as credit conditions tightened further and concerns intensified over the ability of the more leveraged trusts to secure debt refinancing. The quarter was also notable for cuts to dividends and the increased levels of capital raisings by trusts to reduce debt. The dilutive effect of capital restructuring plans undermined the performance of the Australian listed property market.

Among the poorest performers were the ING Industrial and ING Office Trusts, which fell 90.0% and 38.1% respectively for the quarter. The price declines were a consequence of the market's concerns over the high debt levels of these trusts and the ability to refinance. Macquarie Trusts were also poor performers. The Macquarie Office Trust fell 68.5% in the period, also affected by concerns over high debt levels.

Valad Property Trust saw the value of its share price fall 82.0%. This was a result of the company appointing receivers to three Valad Capital Services projects controlled by a partner company. The day the company announced the appointment of receivers, the share price fell 50%.

For the quarter, Challenger Diversified property group and Bunnings Warehouse were the better performers due to their low gearing levels, returning 5.7% and -4.8% respectively. The industry leaders, Westfield and CFS Retail continued to perform relatively well. Although the share price of these trusts fell 22.2% and 16.9% respectively, they did outperform the broader index. Investors favoured these more defensive vehicles due their more secure capital structures and strong management teams.

sector commentary

The sector underperformed the index by 2.4% for the quarter, and by 5.6% for the year to 31 December 2008.

The sector's underweight position in some defensive property trusts, such as CFS Retail and Commonwealth Office Fund, detracted from performance. Positions in the Macquarie trusts, including Macquarie Office Trust, Macquarie Countrywide and Macquarie DDR, significantly detracted value. An overweight position in Valad Property Group also hurt performance as the stock fell 82.0% for the quarter.

Over the quarter, the sector's underweight position in the Goodman Group contributed positively to performance. The Goodman Group's share price fell 64.0% due to its weak balance sheet, capital raising and a distribution cut.

sector commentary (Strategy 5)

The sector underperformed the index by 1.5% for the quarter and by 2.2% for the year to 31 December 2008.

The sector's underweight position in some defensive property trusts, such as CFS Retail and Commonwealth Office Fund, detracted from performance. Positions in the Macquarie trusts, including Macquarie Office Trust, Macquarie Countrywide and Macquarie DDR, significantly detracted value. An overweight position in Valad Property Group also hurt performance as the stock fell 82.0% for the quarter.

Over the quarter, the sector's underweight position in the Goodman Group contributed positively to performance. The Goodman Group's share price fell 64.0% due to its weak balance sheet, capital raising and a distribution cut.

International Property

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-37.7	-40.4	-40.4	-47.6	-33.2	n/a	n/a
Sector - Strategy 5	-37.4	-40.1	-40.1	-47.3	-33.2	n/a	n/a
CBRE	-34.7	-37.9	-37.9	-45.3	-31.2	n/a	n/a
LaSalle	-40.8	-42.9	-42.9	-49.9	-35.3	n/a	n/a
Benchmark	-38.4	-39.0	-39.0	-45.7	-32.6	-14.4	n/a

Notes:

Benchmark = UBS Global Investors Index (net div reinvested) in AUD hedged, which commenced in January 2006.

An international property sector was introduced in January 2006. CBRE & LaSalle performance reporting commenced in February 2006.

market commentary

UBS Global Investors Index (hedged): 3 month: -38.4%; 12 month: -45.7%

The global listed property market fell by 38.4% for the quarter, its worst ever quarterly performance, and underperformed the broader global equity market. While market weakness earlier in the year had generally reflected funding and liquidity concerns, the more recent declines came as investor fears mounted about the severity and the duration of the world economic downturn.

The US and UK markets were particularly weak as both economies moved into recession. Large scale retrenchments in the major financial centres of London and New York and in industrial sectors weighed heavily on investor sentiment. In the US, weak retail spending and a sharp contraction in industrial production was reflected in the poor performance of trusts with exposure to the industrial and retail markets.

Global real estate securities were also affected by the spread of economic uncertainty to Asian markets via its trading partners. Commercial real estate has shown resilience but residential has been hit hard. The Hong Kong market reported a more modest decline, garnering support from the cuts in official US interest rates and strong action by the Chinese authorities to stimulate demand. Japan was the strongest market for the quarter, supported by good fundamentals and modest supply.

sector commentary

The sector outperformed the index by 0.7% for the quarter. Security selection and regional allocation both contributed to the good relative performance.

The sector's underweight exposure to the US benefited performance as the US real estate investment trust (REIT) market was the worst performing public real estate securities market. Falls in the Asian markets lagged the Western markets during the quarter and the sector's overweight to Asia added value. Hong Kong Land, with a primary property portfolio in Hong Kong and additional property interests throughout Asia, was a stock that showed greater resilience than the broader market during the December quarter and added value to the sector.

Japan's relative strength, supported by positive fundamentals (such as low vacancy rates) for the Tokyo office market, meant that the sector's exposure to stocks such as Mitsui Fudosan, Nippon Building and Japan Real Estate contributed positively to the overall return.

The sector's holding in ProLogis, a US Real Estate Investment Trust (REIT) whose share price fell 66.3% for the quarter, detracted from performance. Prices were marked down as evidence of the economic recession mounted, and ProLogis' merchant-building operations contracted. In December, the sale of ProLogis' Japanese and Chinese operations provided support for a partial rebound of the share price.

A holding in SL Green, a US REIT which specialises in Manhattan office properties, detracted value from performance following share price falls of 60.0% for the quarter. The anticipated impact on office rentals from wide-scale retrenchments in financial services continued to weigh heavily on the company. Similarly, the sector's holding in Tishman Speyer Office Fund, which fell 93.8%, detracted value. Tishman Speyer has investments in commercial office properties in the central business districts of major US cities.

Australian Shares

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-16.5	-23.7	-23.7	-36.9	-14.9	-3.6	7.3
Sector - Strategy 5	-14.1	-18.6	-18.6	-32.5	-13.4	-2.8	n/a
BGI	-19.1	-29.1	-29.1	-41.3	-16.5	-4.4	7.1
Integrity	-15.0	-17.9	-17.9	-31.0	n/a	n/a	n/a
Schroders	-14.3	-19.5	-19.5	-33.5	-13.0	-1.9	8.9
Maple-Brown Abbott	-13.0	-16.6	-16.6	-29.5	-11.7	-1.5	7.6
Investors Mutual	-12.5	-13.7	-13.7	-30.6	-11.4	-1.7	6.5
Wallara	-15.3	-24.4	-24.4	-36.8	-13.9	-3.7	n/a
Bernstein Value	-15.3	-21.2	-21.2	-38.0	-16.0	-4.3	n/a
MIR	-18.5	-27.4	-27.4	-36.7	-17.3	-4.5	n/a
Challenger	-26.8	-35.3	-35.3	-52.8	-28.3	-12.8	n/a
Benchmark	-18.5	-27.2	-27.2	-38.9	-15.7	-4.0	6.7

Notes:

Benchmark = S&P/ASX 300 Accumulation Index.

Bernstein Value is only available in Diversified Investment Strategy No. 5.

market commentary

S&P/ASX 300 Accumulation Index: 3 month: -18.5%; 12 month: -38.9%

The turmoil within financial markets continued through the final quarter of 2008. Share price falls in the month of October were particularly severe. Global share markets fell, and the Australian index recorded a loss of 12.9%, as concern grew that the financial crisis had deepened and would spread to the wider global economy. This concern was exacerbated by the deleveraging process undertaken by a wide range of investors.

Australia was not immune to these issues. A rapid deterioration in business confidence and signs of weaker consumer spending undermined shares, and a wave of earnings downgrades added to weak investor sentiment, particularly for industrial shares.

The worst performing sectors were those most closely linked to the economic cycle. Financials (-20.6%), Materials (-19.2%) and Consumer Discretionary (-24.9%) stocks were the weakest areas of the market.

Financial stocks were undermined by fears that economic weakness would curb earnings. An increase in bad debt provisioning caused further weakness in the sector. Among the major banks, Commonwealth Bank of Australia fell 32.2%, as a result of an increase in bad debt provisioning and uncertainty as it struggled with a A\$2 billion capital raising late in the quarter. Within Financials, Babcock & Brown was the weakest performing stock. Its share price fell 92.0% as a consequence of the company's on-going difficulties with refinancing debt.

Materials were undermined by the rapid decline in commodity prices. Large declines in industrial production and evidence of a sharper slowdown in the developing economies, particularly China, also caused weakness in the sector. The smaller producers were particularly affected. Mt Gibson Iron fell 72.9% on news that 70% of its customers had asked that it delay shipments. Rio Tinto suffered when BHP decided not to pursue the takeover of the company. High levels of gearing combined with lower commodity prices also undermined the performance of Rio Tinto which fell 55.0%. Fortescue Metals was down 58.6% for the quarter.

Consumer Discretionary stocks suffered as a result of rapid weakening in consumer demand. Pacific Brands (-77.7%) and Macquarie Media (-63.4%) were notable for their weakness, reflecting reduced consumer spending, weaker advertising demand and a declining Australian Dollar (in the case of Pacific Brands).

The strongest areas of the market were defensive sectors such as Consumer Staples (-11.6%), Utilities (-5.3%), Healthcare (-6.3%) and Telecommunications (-8.7%). Smaller companies significantly underperformed large companies as investors avoided anything where perceived risks were higher.

sector commentary

The sector outperformed the index by 2.0% for the quarter and by 2.0% for the year to 31 December 2008.

An overweight exposure to the defensive areas of the market such as Consumer Staples, Utilities, Healthcare and Telecommunications added to relative performance in a declining market. The sector benefited from an overweight exposure to stocks such as Sonic (+11.2%), Brambles (-3.6%) and Coca Cola Amatil (+11.4%).

Within Resources, a specific underweight exposure to Fortescue Metals Group (-58.6%) contributed to the sector's outperformance of the index. In the banking sector, the main contributor to performance was an underweight position in Commonwealth Bank of Australia (-32.2%). Other positive contributors included the sector's underweight exposure to A-REITs as well as a small cash holding.

The main detractors from performance over the period came from overweight exposures to Rio Tinto (-55.0%) and Alumina (-54.7%). An underweight position in BHP (-1.8%), Newcrest Mining (+22.7%) and Lihir Gold (+7.5%) detracted from returns.

The best performing manager was Maple-Brown Abbott who benefited from its value approach. Integrity Asset Management also outperformed as did Schroder Investment Management, MIR Investment Management and Wallara Asset Management. Challenger Select's process detracted value. ipac has placed Challenger 'on watch' following some recent staff departures and concern about recent portfolio changes.

During the quarter, a number of companies, including the major banks, raised capital in the equity markets. As the raisings are often undertaken at a discount, it has enabled managers to gradually gain increased exposure on more favourable terms to companies that have the potential to benefit the sector over the long-term.

sector commentary (Strategy 5)

The sector outperformed the index by 4.4% for the quarter and by 6.4% for the year to 31 December 2008.

All the managers within the sector, Maple Brown Abbott, Investors Mutual, Bernstein Value and MIR Investment Management, performed better than the index. The managers benefited from their value style and more defensive approach.

One of the key drivers of performance over the quarter was the sector's underweight exposure to Resource shares which continued to perform poorly as commodity prices declined amid the sharper slowdown in the developing economies. Within Resources, a specific underweight exposure to Fortescue Metals Group (-58.6%) contributed to the sector's outperformance.

An overweight exposure to the defensive areas of the market such as Consumer Staples, Utilities, Healthcare and Telecommunications added to relative performance in a declining market. The sector benefited from an overweight exposure to stocks such as Telstra (-8.4%), Metcash (+10.3%), Sonic (+11.2%), Brambles (-3.6%) and Coca Cola Amatil (+11.4%).

Within the banking sector, the main contributor to performance was the sector's underweight position in Commonwealth Bank of Australia (-32.2%).

The main detractors from performance over the period came from the overweight exposure to Paperlinx (-56.4%) and Alumina (-54.7%). An underweight position in Woolworths also detracted from returns.

International Shares

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector - Unhedged	-12.2	-12.5	-12.5	-29.3	-16.3	-7.8	0.5
Sector - Strategy 5 Unhedged	-14.3	-14.5	-14.5	n/a	n/a	n/a	n/a
Enhanced Investment Technologies	-10.1	n/a	n/a	n/a	n/a	n/a	n/a
Alliance	-17.5	-23.7	-23.7	-40.2	-22.0	-13.0	n/a
Arrowstreet	-7.4	n/a	n/a	n/a	n/a	n/a	n/a
GMO	-8.7	-6.6	-6.6	-21.0	-10.6	-4.3	n/a
Bernstein	-17.1	-21.2	-21.2	-37.4	-23.8	-11.3	-0.3
LSV	-11.7	-7.5	-7.5	-25.9	-16.6	-6.8	n/a
International Shares Index	-11.2	n/a	n/a	n/a	n/a	n/a	n/a
Benchmark	-11.3	-8.2	-8.2	-24.9	-14.5	-6.6	0.9
Sector - Hedged	-24.0	-35.3	-35.3	-43.3	-22.0	-10.6	-0.4
Sector - Strategy 5 Hedged	-26.3	-37.1	-37.1	-45.4	-25.4	-11.9	n/a
Enhanced Investment Technologies	-22.1	n/a	n/a	n/a	n/a	n/a	n/a
Alliance	-28.5	-43.5	-43.5	-52.0	-27.3	-15.6	n/a
Arrowstreet	-19.8	n/a	n/a	n/a	n/a	n/a	n/a
GMO	-20.9	-30.9	-30.9	-36.6	-16.7	-7.1	n/a
Bernstein	-29.0	-42.6	-42.6	-50.5	-29.4	-14.3	-1.2
LSV	-23.7	-31.5	-31.5	-40.6	-22.1	-9.4	n/a
International Shares Index	-22.8	n/a	n/a	n/a	n/a	n/a	n/a
Benchmark	-22.8	-31.5	-31.5	-39.1	-19.7	-8.8	0.7

Notes:

Benchmark Unhedged = MSCI World ex Australia (net dividends reinvested) in A\$ unhedged Index.

Benchmark Hedged = MSCI World ex Australia (net dividends reinvested) in A\$ hedged Index.

BGI Index is only available in Diversified Investment Strategy No. 5.

market commentary

MSCI World ex-Australia Index (\$A hedged): 3 month: -22.8%; 12 month: -39.1%

MSCI World ex-Australia Index (\$A unhedged): 3 month: -11.3%; 12 month: -24.9%

International shares hedged underperformed Australian. On an unhedged basis, however, international shares outperformed Australian, due to the sharp fall in the Australian Dollar.

The falls recorded in the international share market were the result of continued investor fears over the extent and speed of the global economic slowdown. The on-going need for governments and central banks to support the financial sector continued to dominate events in markets. The international share market recorded particularly severe falls during October (-19.0% on a hedged basis) following the failure of large-scale financial institutions such as Lehman Brothers, and government take-overs of others such as Fannie Mae, Freddie Mac and AIG in the US, Fortis in Benelux, and Bradford & Bingley in the UK.

Most regions posted similar returns, although smaller markets were weaker. On a style basis, value stocks fell less than growth stocks for the quarter. However, for the 12 month period ending 31 December 2008 there has been little difference in the performance of value and growth stocks.

During the quarter, the worst performing sectors were those most closely linked to the economic cycle. These included Financials (-33.0%), Materials (-25.0%), Industrials (-22.8%) and Consumer Discretionary (-24.2%). The rapid spread of the financial crisis to the more cyclically sensitive areas was also reflected in pressures placed on the US auto sector. The US government conditionally approved a support package for Chrysler and GM Motors. The share price of these two auto manufacturers fell significantly for the quarter. Toyota in Japan saw the share price of its stock fall 34.8% following the company's first annual loss in seven decades.

Investors favoured the more defensive areas of the market such as Consumer Staples (-11.8%), Healthcare (-10.9%), Telecoms (-2.1%) and Utilities (-9.7%). All these areas were characterised by more predictable cash flows.

sector commentary

The hedged sector underperformed the index for the quarter by 1.2%, and by 4.2% for the year to 31 December 2008.

During the quarter, managers Alliance Growth, Bernstein Value and LSV detracted value. Newly appointed managers, Arrowstreet and Enhanced Investment Technologies, outperformed the index. In addition GMO added value, outperforming the index.

For the underperforming managers, stock selection in Financials and Resources was the main detractor of value. Over the quarter, many financials saw the price of their shares fall significantly following the failure of Lehman Brothers, and government bail-out of other large-scale financial institutions. Positions in Citigroup, which fell 67.3%, Merrill Lynch, down 54.0%, and Royal Bank of Scotland (-72.4%) particularly hurt performance. In addition, positions in underperforming Resources such as Rio Tinto (-57.1%) detracted value. Many of the price declines within the sector are considered paper losses. The sector is invested in many stocks that are expected to perform better due to industry consolidation and pricing and margin power.

Arrowstreet and GMO added value, helped by a focus on high quality stocks. As sentiment turned negative, investors favoured stocks with greater earnings certainty such as companies in the Healthcare sector. AstraZeneca was one such stock that was held in the portfolio by GMO, LSV and Arrowstreet. AstraZeneca is a UK based company that researches, manufactures and sells pharmaceuticals and medical products. For the quarter, its share price gained 6.7% in a falling market.

Enhanced Investment Technologies uses a purely mathematical approach to equity investing, and seeks to capitalise on the random nature of stock price movements in the market. The manager added value for the quarter. The manager's systematic process is significantly differentiated from more fundamentally driven managers, and increases process diversification within the international shares sector.

sector commentary (Strategy 5)

The sector underperformed the index for the quarter by 3.5%, and by 6.3% for the year to 31 December 2008.

During the quarter both Bernstein Value and LSV detracted value. Stock selection in Financials and Resources was the main detractor of value. Over the quarter, many financials saw the price of their shares fall significantly following the collapse of Lehman Brothers, and government bail-out of other large-scale financial institutions. Positions in Citigroup, which fell 67.3%, Orix Group, and Royal Bank of Scotland (-72.4%) particularly hurt performance. In addition, positions in underperforming Resources detracted value. Many of the price declines within the sector are considered paper losses. The sector is invested in many stocks that are expected to perform better due to industry consolidation and pricing and margin power.

International Smaller Companies

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-12.3	-12.6	-12.6	-29.7	-20.4	n/a	n/a
Arrowstreet	-12.3	-12.6	-12.6	-29.7	-20.4	n/a	n/a
Benchmark	-15.8	-13.8	-13.8	-29.5	-19.6	n/a	n/a

Notes:

Benchmark = S&P/Citigroup World <US\$1.5bn Cap Range Index (net dividends reinvested) in A\$ unhedged.

The International Smaller Companies sector was introduced into the portfolio in July 2006. Performance commenced in August 2006.

market commentary

S&P/Citigroup World < \$US 1.5 billion cap Index (\$A unhedged): 3 month: -15.8%; 12 month: -29.5%

International small caps continued to perform poorly in the final quarter of 2008. Uncertainty surrounding the extent of the global economic slowdown, and the continued crisis in the financial markets weighed heavily on investor sentiment.

During the quarter, the worst performing sectors were those most closely linked to the economic cycle. These included Consumer Discretionary (-30.7%), Materials (-25.7%) and Financials (-22.3%). Investors favoured the

more defensive areas of the market such as Utilities (-12.9%), Consumer Staples (-14.5%) and Healthcare (-20.6%). All these areas were characterised by more predictable cash flows.

sector commentary

The sector outperformed the index in the fourth quarter by 3.5%.

The sector remained well diversified across countries and industries during the quarter. Overweight positions in Consumer Staples and Healthcare helped performance, and an underweight position in Financials also added value.

The main contributor to performance came from stock selection. As sentiment turned decidedly negative around the world, investors favoured stocks with greater earnings certainty such as companies in the Healthcare sector. Holdings in companies such as Kissei Pharmaceuticals (which returned 21.3% for the quarter) and AlphaPharma (up 0.1%) benefited performance.

Global Emerging Markets

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-23.0	-34.3	-34.3	-45.8	-17.5	-4.9	6.5
Legg Mason	-23.0	-34.3	-34.3	-45.9	-17.6	-5.1	n/a
Benchmark	-18.1	-27.2	-27.2	-41.2	-14.2	-3.3	9.3

Note:

Benchmark = MSCI Emerging Markets Index in A\$ unhedged with Net Dividends Reinvested.

market commentary

MSCI EM Index in \$A: 3 month: -18.1%; 12 month: -41.2%

Global emerging markets fell 18.1% in the final quarter of 2008, reflecting heightened investor concerns around the slowdown in global economic growth and the continuing credit crunch. Most emerging market currencies weakened against the US Dollar which caused a series of liquidity issues.

On a regional basis, Asia outperformed the commodity and materials-sensitive areas of EMEA (Eastern Europe, Middle East and Africa) and Latin America, although all regions and countries experienced market falls for the quarter. On a country basis, the weakest countries included Russia (-49.0%), Hungary (-40.8%), Argentina (-38.0%) and India (-27.3%) and Pakistan (-49.9%).

Russia's market suffered from the sharp fall in oil prices and the deteriorating fiscal position of its central government. The weakness of the Hungarian share market reflected the country's difficulties in servicing foreign debt. Although the Hungarian market rallied on news of an aid-deal led by the International Monetary Fund, the relief was short-lived. Concerns that Argentina may default on its foreign debt undermined confidence in its share market, and increased geo-political risk in the wake of the Mumbai terrorist attacks added to the falls in Indian shares. In Pakistan, the share market suffered drastic falls in mid-December as trading restrictions were lifted, which had previously artificially skewed prices. MSCI removed Pakistan from the Emerging Markets benchmark on 31 December 2008 because of the deterioration of conditions in its share market.

Among the relatively better performing markets was China, which fell 10.9% for the quarter. Despite signs of rapidly slowing industrial production, interest rate cuts by the Central Bank, and action by the government to stimulate spending provided investors with confidence that the government will do all that is necessary to revive growth and avoid a protracted slow-down. The South African market was the strongest emerging market performer but still fell 6.6%. The market was helped by its exposure to precious metals which were regarded as 'safe havens' for risk-averse investors.

sector commentary

The sector underperformed the index by 4.9% in the final quarter of 2008. Underperformance was driven by stock selection, rather than country allocation.

Stock selection in Russia, Brazil and Thailand detracted value during the quarter. Company-specific events typically drove the negative performance, however, falling energy prices affected the share prices of holdings such as Novatek (-70.4%), Lukoil (-46.2%) and Rosneft (-42.3%) in Russia, PTT (-23.3%) in Thailand and Petrobras (-34.9%) in Brazil. The dramatic fall in the oil price also led to falls in the share price of Brazilian airline TAM (-47.0%), with investors reacting to TAM's oil hedging policy.

The share price of Sberbank, the Russian state-controlled bank, fell 57.0% for the quarter on liquidity concerns for the company and the Russian financial system. A proposed related party transaction by Satyam, a leading Indian information technology company, raised governance concerns with institutional investors and resulted in its share price falling 42.7%, despite the transaction being reversed. The revelation in early 2009 of financial manipulation by Satyam validated governance concerns.

Alternative Investments – Alpha Strategies

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-6.7	-15.9	-15.9	-5.2	1.7	1.6	n/a
Sector - Strategy 5	-6.7	-15.9	-15.9	-10.1	-1.2	1.5	n/a
ipac Diversified Alpha Fund	-6.7	-15.9	-15.9	n/a	n/a	n/a	n/a
Benchmark	1.7	3.7	3.7	7.6	7.2	6.8	6.3

Notes:

Benchmark = UBSA Bank Bill Index.

Sector – Strategy 5.

ipac Diversified Alpha Fund

The main issues impacting performance were deleveraging, loss of confidence in credit markets and fund redemptions.

Deleveraging intensified during the final quarter of 2008 as market participants reduced risk across all asset classes. In general, ipac's managers have mostly held positions in the belief that security prices will begin to reflect their underlying fundamentals. This is not expected to happen quickly, but is more likely to occur over the course of a year or more. In the last few weeks of December many markets did begin to stabilise as a result of economic stimulus packages proposed in many nations and the expectations of further monetary policy action from central banks. Whether this rally can be sustained remains in question.

As a result of the collapse of Lehman Brothers, and a number of bank mergers that were pushed through on controversial terms, credit providers lost confidence in the value of the security held to support the debt. This resulted in a major withdrawal of credit to the market which, in turn, caused further stresses, particularly among hedge funds that used leverage to enhance returns. In this environment, hedge funds were forced to reduce leverage because it was simply not available or very expensive.

During the period, many investors attempted to redeem their investments in hedge funds and other alternative assets. This added to selling pressure and the general loss of confidence in markets. Given the market environment and reduced access to credit, ipac's managers have been de-risking their portfolios and increasing liquidity to cater for the potential for increased redemptions. The ipac Diversified Alpha Fund itself has significant manager diversification which enhances the liquidity of the sector by diversifying sources of liquidity across a large number of managers and strategies.

In addition to the above, the Bernard Madoff fraud case negatively impacted hedge fund investor confidence. ipac's portfolios have no exposure to Maddoff's fund. Among the issues that were warning signs to potential investors were returns that were essentially "too good to be true", and the apparent lack of independent pricing of securities.

The dislocated markets are still offering some interesting new investment opportunities. ipac is assessing their merits in the context of a potentially higher cost of capital and a poor economic environment for at least the next six to 12 months.

fund manager summary

ipac's fund managers are rigorously selected and they are managed with the same intensity. ipac maintains a constant dialogue with managers. In addition, more formalised monitoring occurs monthly, quarterly and annually. Below is an overview of each manager.

fund manager	status	Notes
Australian Cash		
AllianceBernstein	Preferred	AllianceBernstein seeks to add value by investing in securities with a higher average yield relative to the benchmark, ensuring securities are well diversified and the average length of maturity of the portfolio matches that of the benchmark.
Alternative Income		
PIMCO	Preferred	PIMCO's Short-Term Strategy captures excess returns by exploiting four primary structural inefficiencies found in the bond yield curve (term premium, liquidity premium, credit premium and volatility premium). The strategy is applied without reference to constituents of the Barclays Capital Global Aggregate Index and is benchmarked to UBS Bank Bill Index.
Australian Fixed Interest		
BGI (index)	Preferred	BGI aims to replicate the return of the UBS Composite Bond Index.
Credit Suisse	Preferred	Credit Suisse seeks to add incremental value through relative value trades in yield curve anomalies, security mispricings and credit positioning.
International Fixed Interest		
BlackRock	Preferred	BlackRock uses multiple strategies to add value. It uses traditional strategies – duration, country and currency positions in measured ways whilst exploiting relative value strategies that include yield curve, sector allocation and security selection.
PIMCO	Preferred	PIMCO's portfolios are built to generate alpha from country allocation, portfolio duration, curve and sector positioning. The manager's focus is on identifying term (secular) and medium term (cyclical) drivers of fixed interest markets.
Australian Property		
BGI (Index)	Preferred	BGI aims to replicate the return in line with the designated index.
SG Hiscock	Preferred	SG Hiscock combines bottom-up fundamental research and a disciplined valuation process to identify companies that are undervalued relative to their long-term value.
Legg Mason	On Watch	The manager value trust from a capital markets' perspective and has captured the shift towards corporate earnings growth within this sector.
International Property		
CBRE	Preferred	CBRE is an active, fundamental manager that aims to identify undervalued real estate securities. Multiple valuation metrics are employed in addition to an assessment of the quality of management and capital structure. CBRE's security valuation and top-down research is enriched by the on-the-ground real estate information available within its parent organisation which is one of the world's largest global real estate services firms.
LaSalle	Preferred	LaSalle is an active, value-orientated manager that constructs real estate securities portfolios with regional, country and property sector diversification. LaSalle's access to direct real estate research through its parent JLL complements its proprietary securities analysis and valuation tools.
Australian Shares		
BGI	Preferred	BGI aims to replicate the return in line with the designated index.
Integrity	Preferred	Integrity's investment team is well experienced in applying their disciplined process. This has a slight emphasis on valuation but aims to identify mispriced long term sustainable value and is likely to perform strongest

		when markets are driven by valuations and fundamentals.
Schroders	Preferred	We continue to believe that the investment team is strong and applies their pragmatic growth at a reasonable price approach in a thoughtful and effective way.
Maple-Brown Abbott	Preferred	MBA has maintained a moderate value-orientation in the portfolio consistent with its stated investment approach. We believe that the quality of the investment team and disciplined process will add value over the long term and that MBA is a manager that provides an additional source of return in a diversified portfolio.
Investors Mutual	On Watch	Investors Mutual has a value-orientation and a strong emphasis on managing the risk of downside performance through identifying quality companies with reliable earnings.
Wallara	Preferred	The team at Wallara are focused on making long-term investments in quality growth companies that generate shareholder value and apply this approach consistently. Aply led by Peter Wetherall, their long-term, high conviction approach means some short-term volatility can be expected when the market environment is not suited to the manager's approach.
Bernstein Value	Preferred	Bernstein Value continues to apply their value approach using both quantitative and qualitative insights and their extensive global research resources and continue to meet our expectations.
MIR	Preferred	MIR's differentiated stock selection process uses a blend of quantitative and qualitative approaches. Whilst MIR has experienced a number of changes in personnel, roles and team structure, the quality of the research team remains high. This is a concentrated portfolio and as such, may experience periods of significant underperformance.
Challenger	On Watch	Challenger's high conviction portfolio seeks to identify stocks likely to benefit from either industry restructuring or those that are in corporate turnaround situations. Recent changes to the investment team and the portfolio have raised some concerns that we are currently assessing in more detail.
International Shares		
Enhanced Investment Technologies	Preferred	Enhanced Investment Technologies is an active global equities manager that employs a mathematical algorithm that seeks to invest in stocks with high relative volatility and low correlation to build a portfolio that will generate an excess return over the benchmark. The manager also periodically rebalances the portfolio to ensure target weights are maintained.
Alliance Growth	Preferred	Alliance Global Research Growth is an active, fundamental, bottom-up manager that employs a growth-oriented approach to construct a portfolio that is managed by global research industry analysts.
Arrowstreet	Preferred	Arrowstreet employs a quantitative approach to stock selection, evaluating securities across country, sector, basket and stock dimensions. A diverse set of predictive factors are estimated across each dimension. Arrowstreet aims to exploit behavioural and informational inefficiencies in the market
GMO	Preferred	GMO is a quantitative manager that combines price and earnings momentum models with an intrinsic value model to select stocks. The strong growth bias of the portfolio may mean in periods when value themes dominate the manager will under perform. Recent outperformance is reflective of the manager's bias towards quality stocks.
Bernstein Value	Preferred	Bernstein Global Value identifies undervalued companies through intensive bottom-up fundamental research. The manager's use of quantitative investment screens combined with extensive qualitative industry-orientated research enables the manager to identify cheap stocks that outperform over the long-term.
LSV	Preferred	LSV is a quantitative manager with a deep value-orientation and a mid to small cap bias. LSV focuses on fundamental value in combination with momentum measures. This should enable the manager to outperform over the long-term.
International Shares Index		This is comprised of Vanguard and BGI Fission. This fund aims to deliver index returns.
International Smaller Companies		
Arrowstreet	Preferred	Arrowstreet employs a quantitative approach to stock selection, evaluating securities across country, sector, basket and stock dimensions. A diverse set

of predictive factors are estimated across each dimension. The quantitative approach allows Arrowstreet to apply its insights across a broad range of stock opportunities.

Global Emerging Markets

Legg Mason	Preferred	Legg Mason combines bottom-up and top-down fundamental analysis. Relative, risk-adjusted valuations are the key to its process, incorporating country risk estimates with analyst stock ratings.
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Alternative Investments - Alpha Strategies (ipac Diversified Alpha Fund)

Prisma Global Multi-Strategy Fund	Preferred	The Prisma Global Multi-Strategy Fund is a global fund of hedge funds. Prisma aims to construct a “low beta” portfolio where the main driver of return is manager skill rather than the direction of markets. Most of the strategies in the Fund invest in standard liquid markets but minimise general market exposure utilising a variety of hedging techniques. In doing so, Prisma aim to derive a return that has a low correlation to the returns from traditional asset classes such as shares and bonds. In implementing their process, Prisma emphasises diversification, risk management and downside protection.
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BGI Total Return Multi-Opportunity Fund	Preferred	The BGI Total Return Multi-Opportunity Fund is a single manager, multi-strategy fund. The fund utilises quantitative techniques to invest in 30 underlying strategies that can be broadly categorised as Global Macro, Long Short Equity, Fixed Income (Long Short) and Alpha Transport. BGI has significant resources focused on investment research, process development and risk management. The quantitative investment process seeks to deliver consistent, risk-controlled absolute returns over time that are uncorrelated with traditional asset classes.
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portfolio management report

summary of investment activity since 1 July 2005

Date	sector	change	rationale
Aug 05	Australian shares	Appointed Challenger Financial Services Group	<ul style="list-style-type: none"> ~ The portfolio is constructed with little reference to the benchmark, allowing for a high conviction and concentrated portfolio. This approach to investing is unique in Australian shares managers and well differentiated from other investment mandates employed by ipac.
Jan 06	Alternative income	Appointed PIMCO to manage this new asset class	<ul style="list-style-type: none"> ~ Appointment of the PIMCO Short-Term Strategy is designed to maximise current income, while preserving capital and providing daily liquidity. ~ The strategy can be attractive in a rising interest rate environment because the added yield may more than offset the bond price depreciation associated with rising rates. ~ Appointment of this asset class and fund manager is expected to enhance the return potential of the portfolio and provide further diversification.
Jan 06	International property	Appointed CB Richard Ellis Global Real Estate Securities and LaSalle Investment Management (Securities) to manage this new asset class on a 50/50 basis	<ul style="list-style-type: none"> ~ Appointment of CBRE is expected to generate an alpha of at least 2% above the benchmark. Two-thirds of the excess return is expected to come from stock selection, with the remainder coming from country allocation. ~ LaSalle is expected to generate at least 1.5% excess return over rolling 3-5 year periods. ~ Appointment of this asset class and these two managers are expected to enhance the return potential of the portfolio and provide further diversification.
June 06	International shares	Increased the weighting to style differentiated managers from 50% to 55% in the sector	<ul style="list-style-type: none"> ~ Style differentiated managers have a value or growth bias while core managers do not seek to take explicit style 'bets'. ~ These changes increased the likelihood of achieving outperformance relative to the benchmark return without substantially increasing the level of risk.
July 06	International Smaller Companies	Appointed Arrowstreet to manage this new asset class	<ul style="list-style-type: none"> ~ The appointment was made following a review of the asset allocation strategy. ~ Preference was to have a manager with an innovative quantitative approach and low funds under management. ~ Arrowstreet's investment philosophy focuses on behavioural and information mis-pricing in the market.
Nov 06	Australian shares	Review sector construction and manager allocation	<ul style="list-style-type: none"> ~ Reviewed existing manager line-up. Comfortable with current managers and allocations.
Mar 07	Australian property	Review sector construction and manager allocation	<ul style="list-style-type: none"> ~ Remain comfortable with existing managers. ~ Recommendations to potentially identify new opportunities to generate return while managing risk.

Date	sector	change	rationale
June 07	International shares	Consider core manager line-up and manager allocations	<ul style="list-style-type: none"> ~ Review underway. Will consider alternatives to current managers used in the core component. ~ Initial research has identified potential opportunities that would incorporate other investment approaches into the portfolio. ~ Consider manager allocations as part of this review.
June 07	Australian shares	UBS Asset Management placed On Watch	<ul style="list-style-type: none"> ~ Assess impact of staff departures, including the Head of Australian Equities Paul Fiani.
Dec 07	Australian shares	Integrity appointed	<ul style="list-style-type: none"> ~ UBS Asset Management has been removed and Integrity Investment Management has been appointed to the line up of Australian shares managers. ~ The decision to remove UBS was made following a review concluding we have insufficient confidence the new UBS team that can deliver the required excess returns in the future, following the departure of several key members of the investment team. ~ In light of the appointment of Integrity, we have adjusted the manager allocations within the Australian Equities sector to optimise the diversification benefits offered by the new mix of managers.
Feb 08	Australian shares	Investors Mutual placed "On Watch"	<ul style="list-style-type: none"> ~ Following the departure of key investment team staff, the decision was made to place Investors Mutual "On Watch".
Apr 08	Alternative investments	Launch ipac Diversified Alpha Fund	<ul style="list-style-type: none"> ~ Consolidates ipac's existing investments in alternative alpha strategies into one underlying fund into which the multi-manager portfolios then invest. ~ The return from alpha strategies is expected to have a low correlation with the drivers of return in mainstream asset classes. An allocation to the ipac Diversified Alpha Fund in diversified portfolios aims to improve overall portfolio diversification. ~ The managers included in the ipac Diversified Alpha Fund in its initial stage are: <ul style="list-style-type: none"> ▪ BGI Total Return Multi-Opportunity Fund ▪ AXA Rosenberg Long/Short Fund ▪ new investment in the Prisma Global Multi Strategy Fund
May 08	Australian shares	Investors Mutual terminated for DIS 1,2,3 &4 Investors Mutual allocation reduced for Dis 5	<ul style="list-style-type: none"> ~ Following its "On Watch" status, ipac has removed Investors Mutual (IML) from the line up of Australian share managers for DIS 1,2,3 & 4. ~ and reduced the allocation to IML within DIS by 5%. ~ ipac has retained IML with a 30% allocation in the Australian shares component of DIS 5. This allocation reflects ipac's continued confidence in IML's ability to select lower volatility stocks that are more resilient in weak markets.
May 08	International shares	Currency exposure introduced – DIS 5	<ul style="list-style-type: none"> ~ ipac has reduced the level of currency hedging of the international shares component in DIS 5 from 100% hedged to 50% hedged. ~ ipac believes that the introduction of currency

Date	sector	change	rationale
			exposure is appropriate at this point to reduce potential portfolio volatility and diversification.
Sept 08	International Shares	Enhancements to the international shares sector	<ul style="list-style-type: none"> ~ ipac has replaced Capital International and Wellington Asset Management to further diversify manager approaches, with market-oriented managers Arrowstreet Capital (Arrowstreet) and Enhanced Investment Technologies. ~ The appointment of Arrowstreet and Enhanced Investment Technologies is expected to generate a higher active return in the long-term for a similar level of risk. ~ The addition of the new managers resulted in changes in allocation to other managers in the active component to manage overall portfolio risk. As a consequence, there has been an increased allocation to the style specific managers. ~ The sector review has also resulted in the inclusion of a 15% index exposure. The combination of risk-controlled approaches with the active structure described above is expected to deliver an attractive information ratio while using a more balanced proportion of the fee budget.
Oct 08	Australian listed property (A-REITs)	Restructure of the Australian property sector	<ul style="list-style-type: none"> ~ ipac has implemented the active component of Australian Property Securities through our A-REIT Active Multi Manager Trust, featuring ipac's two managers in this sector - SG Hiscock and Legg Mason Asset Management. ~ As part of the restructure, Legg Mason Asset Management has joined SG Hiscock as a manager of the active component of Australian Property Securities for the portfolios, via their inclusion in the A-REIT Active Multi Manager Trust. ~ The restructure brings immediate diversification of manager processes and will enable further enhancements to be executed. ~ The transition occurred at no cost to investors (no trading of underlying assets was necessary).
Oct 08	Alternative Defensive – ipac Diversified Alpha Fund	Redemption from the AXA Rosenberg Long Short Equity Fund	<ul style="list-style-type: none"> ~ Effective 31 October 2008, the ipac Diversified Alpha Fund redeemed its investment in the AXA Rosenberg Long Short Equity Fund (the Fund). The decision to redeem from the Fund follows advice from the manager that they no longer intend to actively support this investment product, preferring to direct their research resources to other strategies. ~ The proceeds from the redemption have been invested with AllianceBernstein Cash and will be redeployed into other strategies as opportunities arise.
Dec 08	Australian shares	Challenger placed “On Watch”	<ul style="list-style-type: none"> ~ Following the departure of key investment team staff, the decision was made to place Challenger “On Watch”.

manager allocations vs targets

	manager	Div 1-4 allocation %	Div 1-4 target %	Div 5 allocation %	Div 5 target %
Australian Cash Sector	AllianceBernstein	100.0	100.0	100.0	100.0
Alternative Income Sector	PIMCO	100.0	100.0	100.0	100.0
Australian Fixed Interest Sector	BGI Index	0.0	0.0	100.0	100.0
	Credit Suisse	100.0	100.0	0.0	0.0
International Fixed Interest Sector	BlackRock	49.8	50.0	0.0	0.0
	PIMCO	50.2	50.0	100.0	100.0
Australian Property Sector	BGI Index	0.0	0.0	51.6	50.0
	A-REIT Active Multi-Manager Trust	100.0	100.0	48.4	50.0
International Property Sector	CBRE	53.7	50.0	59.3	50.0
	LaSalle	46.3	50.0	40.7	50.0
Australian Share Sector	BGI	23.9	23.0	0.0	0.0
	Integrity	5.3	5.0	0.0	0.0
	Schroders	22.4	22.0	0.0	0.0
	Maple-Brown Abbott	18.4	18.0	37.8	35.0
	Investors Mutual	0.0	0.0	30.3	30.0
	Wallara	17.3	18.0	0.0	0.0
	Bernstein Value	0.0	0.0	13.8	15.0
	MIR	6.9	7.0	18.2	20.0
International Share (Unhedged) Sector	Challenger	5.7	7.0	0.0	0.0
	Enhanced Investment Technologies	14.4	14.9	0.0	0.0
	Alliance	14.8	15.3	0.0	0.0
	Arrowstreet	10.8	10.6	0.0	0.0
	GMO	18.1	17.8	0.0	0.0
	Bernstein	18.0	17.8	51.2	50.0
	LSV	8.4	8.5	32.0	30.0
	International Shares Index	15.5	15.0	16.9	20.0
International Share (Hedged) Sector	Enhanced Investment Technologies	13.9	14.9	0.0	0.0
	Alliance	14.3	15.3	0.0	0.0
	Arrowstreet	10.4	10.6	0.0	0.0
	GMO	17.5	17.9	0.0	0.0
	Bernstein	17.4	17.9	52.5	50.0
	LSV	8.2	8.5	29.4	30.0
	International Shares Index	18.3	15.0	18.1	20.0
International Smaller Companies Sector	Arrowstreet	100.0	100.0	0.0	0.0
Global Emerging Markets Sector	Legg Mason	100.0	100.0	0.0	0.0
Alternative Investments Sector - Alpha Strategies	Prisma Global Multi-Strategy Fund	51.5	n/a	51.5	n/a
	BGI Multi-Opp Fund	28.8	n/a	28.8	n/a
	AllianceBernstein	19.7	n/a	19.7	n/a

Notes:

Allocation % based on ipac Diversified Investment Strategies No. 2 & 5

Target % based on agreed allocation within each asset class.

During October 2008 ipac transitioned the active component of Australian Property into the Multi-Manager building block (A-REIT Active Multi-Manager Trust) featuring ipac's two managers in this sector – SG Hiscock (50%) and Legg Mason Asset Management (50%). The transition occurred at no cost to investors as no trading of underlying assets was necessary.

The International Shares Index allocation is invested in BGI Fission and Vanguard Investments. ipac has appointed two managers within the International Shares Index as there is limited capacity within the BGI Fission Fund.

Effective 31 October 2008, the ipac Diversified Alpha Fund redeemed its investment in the AXA Rosenberg Long Short Equity Fund. The proceeds from the redemption have been invested with Alliance Bernstein Cash and will be redeployed into other strategies as opportunities arise.

Totals may not add up to 100% due to the rounding of individual components.

asset allocations vs targets

	Div No 1	target	Div No 2	target	Div No 3	target	Div No 4	target	Div No 5	target	InTech Cons Growth	InTech Growth	InTech High Growth
	%	%	%	%	%	%	%	%	%	%			
Australian Cash Sector	19.8%	20.0%	5.9%	5.0%	3.0%	2.5%	1.7%	1.0%	6.1%	5.0%	19.4	1.1	1.1
Alternative Income Sector	20.8%	20.0%	5.2%	5.0%	2.6%	2.5%	0.0%	0.0%	8.8%	7.5%	0.0	0.0	0.0
Australian Fixed Interest Sector	14.4%	15.0%	10.0%	9.0%	7.1%	5.0%	0.0%	0.0%	4.1%	4.5%	29.4	11.5	1.0
International Fixed Interest Sector	14.1%	15.0%	10.9%	9.0%	6.6%	5.0%	0.0%	0.0%	5.5%	5.0%	20.6	8.4	1.6
Defensive Assets	69.1%	70.0%	32.1%	28.0%	19.4%	15.0%	1.7%	1.0%	24.5%	22.0%	69.3	21.0	3.7
Australian Property Sector	4.4%	4.0%	2.8%	4.5%	2.7%	4.0%	2.8%	4.0%	5.8%	7.5%	4.3	6.0	2.0
International Property Sector	6.8%	4.0%	3.0%	4.5%	2.8%	4.0%	2.9%	4.0%	5.6%	7.5%	1.4	8.6	1.4
Australian Share Sector	6.9%	14.0%	29.7%	31.0%	34.0%	36.0%	40.1%	39.0%	21.3%	21.5%	14.1	37.9	51.6
International Share (Unhedged) Sector	6.3%	4.0%	10.8%	11.0%	13.0%	13.5%	17.5%	17.5%	11.0%	10.8%	10.9	26.5	41.3
International Share (Hedged) Sector	6.6%	4.0%	13.8%	13.0%	17.1%	16.5%	22.1%	21.5%	10.6%	10.8%	0.0	0.0	0.0
International Smaller Companies Sector	0.0%	0.0%	2.1%	2.0%	3.1%	3.0%	4.2%	4.0%	0.0%	0.0%	0.0	0.0	0.0
Global Emerging Markets Sector	0.0%	0.0%	2.6%	3.0%	2.6%	3.0%	3.5%	4.0%	0.0%	0.0%	0.0	0.0	0.0
Growth Assets	30.9%	30.0%	64.7%	69.0%	75.3%	80.0%	93.2%	94.0%	54.4%	58.0%	30.7	79.0	96.3
Alternative Investments Sector - Alpha Strategies	0.0%	0.0%	3.1%	3.0%	5.3%	5.0%	5.2%	5.0%	21.1%	20.0%	0.0	0.0	0.0
Alternative Assets	0.0%	0.0%	3.1%	3.0%	5.3%	5.0%	5.2%	5.0%	21.1%	20.0%	0.0	0.0	0.0

Notes:

The exposure to each asset class is managed within a range of +/- 3% of the target asset allocation. Totals may not add up to 100% due to the rounding of individual components.

top 10 holdings - Diversified Investment Strategies 1 - 4

Australian Shares		% sector	International Shares		% sector
1	BHP BILLITON LTD	9.6%	EXXON MOBIL CORP		2.1%
2	TELSTRA CORP	5.9%	WAL MART STORES INC		16%
3	NATL AUSTRALIA BK	5.8%	JOHNSON +JOHNSON		11%
4	WESTPAC BKG CORP	5.8%	CHEVRON CORP		10%
5	AUST +NZ BANK GRP	5.1%	BP PLC		10%
6	WOOLWORTHS LTD	4.0%	ROYAL DUTCH SHELL		10%
7	QBE INS GROUP	3.4%	SANOFI AVENTIS		0.9%
8	CMNWLTH BK OF AUST	3.3%	GLAXOSMITHKLINE		0.9%
9	BRAMBLES LTD	2.9%	VODAFONE GROUP		0.8%
10	ORIGIN ENERGY	2.4%	PFIZER INC		0.7%

Australian Property Securities		% sector	International Property		% sector
1	WESTFIELD GROUP	46.4%	UNIBAIL RODAMCO		5.5%
2	STOCKLAND	11.9%	SIMON PPTY GROUP INC NEW		5.3%
3	GPT GROUP	9.6%	VORNADORLTY TR		4.4%
4	DEXUS PROPERTY GP	5.9%	WESTFIELD GROUP		4.4%
5	CFS RETAIL PROP	5.0%	AVALONBAY CMNTYS INC		3.6%
6	MIRVAC GROUP	4.2%	VENTAS INC		3.0%
7	MACQUARIE OFFICE	3.7%	STOCKLAND		2.7%
8	MACQUARIE COUNTRYWIDE	1.8%	BOSTON PPTYS INC		2.6%
9	MACQUARIE INFRASTRUCTURE	1.5%	FEDERAL RLTY INVT TR		2.5%
10	COMMONWEALTH PROPE	1.3%	PUBLIC STORAGE		2.4%

top 10 holdings - Diversified Investment Strategy 5

Australian Shares		% sector	International Shares		% sector
1	BHP BILLITON LTD	8.4%	EXXON MOBIL CORP		2.1%
2	TELSTRA CORP	7.9%	CHEVRON CORP		2.1%
3	WESTPAC BKG CORP	7.7%	ROYAL DUTCH SHELL		19%
4	NATL AUSTRALIA BK	6.0%	PFIZER INC		19%
5	AUST +NZ BANK GRP	5.7%	BP PLC		15%
6	CMNWLTH BK OF AUST	3.1%	JPMORGAN CHASE +CO		14%
7	QBE INS GROUP	2.4%	VODAFONE GROUP		14%
8	AMCOR LIMITED	2.2%	CONOCOPHILLIPS		13%
9	BRAMBLES LTD	2.2%	AT+T INC		13%
10	FOSTERS GROUP	2.0%	SANOFI AVENTIS		12%

Australian Property Securities		% sector	International Property		% sector
1	WESTFIELD GROUP	45.8%	UNIBAIL RODAMCO		5.5%
2	STOCKLAND	12.4%	SIMON PPTY GROUP INC NEW		5.3%
3	GPT GROUP	8.8%	WESTFIELD GROUP		4.5%
4	DEXUS PROPERTY GP	5.8%	VORNADO RLTY TR		4.4%
5	VALAD PROPERTY GP	4.3%	AVALONBAY CMNTYS INC		3.5%
6	MIRVAC GROUP	4.1%	VENTAS INC		2.9%
7	MACQUARIE OFFICE	2.8%	BOSTON PPTYS INC		2.7%
8	COMMONWEALTH PROPE	2.6%	STOCKLAND		2.6%
9	CFS RETAIL PROP	2.4%	FEDERAL RLTY INVT TR		2.5%
10	GOODMAN GROUP	2.3%	PUBLIC STORAGE		2.4%

sector allocations vs benchmark - Diversified Investment Strategies 1 - 4

Australian Shares – portfolio vs benchmark (by sector)

sector	% allocation	% S&P/ASX 300
CONSUMER DISCRETIONARY	5.8%	3.8%
CONSUMER STAPLES	8.7%	9.3%
ENERGY	6.1%	7.5%
FINANCIALS EXCLUDING PROPERTY TRUSTS	29.2%	30.5%
HEALTH CARE	6.2%	4.7%
INDUSTRIALS	9.5%	6.9%
INFORMATION TECHNOLOGY	1.2%	0.7%
LISTED PROPERTY TRUSTS	3.2%	6.3%
MATERIALS	21.7%	23.0%
TELECOMMUNICATION SERVICES	7.1%	5.6%
UTILITIES	1.4%	1.7%

International Shares & Fixed Interest - portfolio vs benchmark (by country)

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Barclays Capital Global Aggregate Index
NORTH AMERICA	55.6%	55.1%	56.0%	41.6%
EUROPE (EXCLUDING UK)	19.2%	21.8%	18.2%	30.8%
UK	9.8%	9.5%	5.5%	4.4%
ASIA (EXCLUDING JAPAN)	1.8%	1.5%	0.0%	1.2%
JAPAN	11.5%	12.0%	17.9%	19.9%
OTHER	0.6%	0.0%	1.7%	0.5%
EMERGING MARKETS	1.5%	0.0%	0.6%	1.6%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	11.8%	9.0%
CONSUMER STAPLES	9.2%	11.1%
ENERGY	13.9%	11.8%
FINANCIALS INCLUDING PROPERTY TRUSTS	14.7%	17.9%
HEALTH CARE	15.8%	12.1%
INDUSTRIALS	11.6%	11.1%
INFORMATION TECHNOLOGY	10.7%	10.5%
MATERIALS	6.0%	5.3%
TELECOMMUNICATION SERVICES	3.9%	5.3%
UTILITIES	2.3%	5.9%

Note:

Totals may not add up to 100% due to the rounding of individual components.

Australian Fixed Interest – portfolio vs benchmark

type of security	% allocation	% UBSA Composite Bond Index
GOVERNMENT	0.0%	21.4%
SEMI GOVERNMENT	0.0%	31.9%
CORPORATE / OTHER	100.0%	46.8%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Barclays Capital Global Aggregate Index
ASSET BACKED / OTHER	32.2%	20.8%
CORPORATE	33.4%	15.1%
GOVERNMENT	34.4%	64.1%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 A-REIT Index
COMMERCIAL	7.3%	8.9%
DIVERSIFIED	35.2%	32.6%
HOTEL	0.0%	0.0%
INDUSTRIAL	0.6%	4.2%
RETAIL	55.2%	54.3%
OTHER	1.7%	0.0%

International Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	54.5%	53.8%
EUROPE EXCLUDING UK	14.3%	14.0%
UK	6.3%	7.1%
JAPAN	8.2%	7.7%
ASIA EX JAPAN	7.3%	5.3%
OTHER	9.5%	12.0%

Global Emerging Markets - portfolio vs benchmark

	% allocation	% MSCI EM Index
LATIN AMERICA	23.7%	20.9%
ASIA EX JAPAN	50.8%	55.6%
EUROPE / MIDDLE EAST / AFRICA/OTHER	25.5%	23.5%

Note:

Totals may not add up to 100% due to the rounding of individual components.

sector allocations vs benchmark – Diversified Investment Strategy 5

Australian Shares – portfolio vs benchmark (by sector)

sector	% allocation	% S&P/ASX 300
CONSUMER DISCRETIONARY	10.1%	3.8%
CONSUMER STAPLES	8.2%	9.3%
ENERGY	5.3%	7.5%
FINANCIALS EXCLUDING PROPERTY TRUSTS	30.1%	30.5%
HEALTH CARE	2.4%	4.7%
INDUSTRIALS	10.4%	6.9%
INFORMATION TECHNOLOGY	0.3%	0.7%
LISTED PROPERTY TRUSTS	3.5%	6.3%
MATERIALS	17.9%	23.0%
TELECOMMUNICATION SERVICES	9.9%	5.6%
UTILITIES	2.0%	1.7%

International Shares & Fixed Interest - portfolio vs benchmark (by country)

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Barclays Capital Global Aggregate Index
NORTH AMERICA	51.2%	55.1%	55.6%	41.6%
EUROPE (EXCLUDING UK)	25.4%	21.8%	18.8%	30.8%
UK	10.3%	9.5%	4.6%	4.4%
ASIA (EXCLUDING JAPAN)	0.9%	1.5%	0.0%	1.2%
JAPAN	9.7%	12.0%	18.3%	19.9%
OTHER	0.1%	0.0%	2.7%	0.5%
EMERGING MARKETS	2.4%	0.0%	0.0%	1.6%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	9.5%	9.0%
CONSUMER STAPLES	6.9%	11.1%
ENERGY	16.7%	11.8%
FINANCIALS	22.4%	17.9%
HEALTH CARE	12.4%	12.1%
INDUSTRIALS	8.4%	11.1%
INFORMATION TECHNOLOGY	10.1%	10.5%
MATERIALS	6.7%	5.3%
TELECOMMUNICATION SERVICES	5.6%	5.3%
UTILITIES	1.3%	5.9%

Note:

Totals may not add up to 100% due to the rounding of individual components.

Australian Fixed Interest – portfolio vs benchmark

type of security	% allocation	% UBSA Composite Bond Index
GOVERNMENT	21.4%	21.4%
SEMI GOVERNMENT	31.9%	31.9%
CORPORATE / OTHER	46.8%	46.8%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Barclays Capital Global Aggregate Index
ASSET BACKED / OTHER	27.1%	20.8%
CORPORATE	35.7%	15.1%
GOVERNMENT	37.3%	64.1%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 A-REIT Index
COMMERCIAL	8.1%	8.9%
DIVERSIFIED	37.8%	32.6%
HOTEL	0.0%	0.0%
INDUSTRIAL	2.5%	4.2%
RETAIL	51.5%	54.3%
OTHER	0.2%	0.0%

International Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	54.2%	53.8%
EUROPE (EXCLUDING UK)	14.3%	14.0%
UK	6.3%	7.1%
JAPAN	8.1%	7.7%
ASIA (EXCLUDING JAPAN)	7.8%	5.3%
OTHER	9.4%	12.0%

Note:

Totals may not add up to 100% due to the rounding of individual components.

historical financial year returns – income & growth

Fund Name	Date	1 Yr rolling rtn % pa (net)	1 Yr Growth %	1 Yr Distribution %
Diversified Investment Strategy No. 1	30-Jun-02	1.32%	-4.33%	5.65%
Diversified Investment Strategy No. 1	30-Jun-03	5.20%	-1.18%	6.38%
Diversified Investment Strategy No. 1	30-Jun-04	8.56%	6.60%	1.96%
Diversified Investment Strategy No. 1	30-Jun-05	11.00%	1.76%	9.23%
Diversified Investment Strategy No. 1	30-Jun-06	9.44%	1.68%	7.75%
Diversified Investment Strategy No. 1	30-Jun-07	10.25%	-1.62%	11.87%
Diversified Investment Strategy No. 1	30-Jun-08	-2.87%	-10.91%	8.04%
Diversified Investment Strategy No. 2	30-Jun-02	-6.88%	-10.12%	3.24%
Diversified Investment Strategy No. 2	30-Jun-03	-1.30%	-6.06%	4.76%
Diversified Investment Strategy No. 2	30-Jun-04	15.45%	11.93%	3.52%
Diversified Investment Strategy No. 2	30-Jun-05	14.65%	7.48%	7.16%
Diversified Investment Strategy No. 2	30-Jun-06	16.54%	10.95%	5.60%
Diversified Investment Strategy No. 2	30-Jun-07	17.00%	4.65%	12.34%
Diversified Investment Strategy No. 2	30-Jun-08	-11.96%	-20.48%	8.52%
Diversified Investment Strategy No. 3	30-Jun-02	-10.68%	-13.16%	2.48%
Diversified Investment Strategy No. 3	30-Jun-03	-4.22%	-8.25%	4.04%
Diversified Investment Strategy No. 3	30-Jun-04	17.59%	12.99%	4.60%
Diversified Investment Strategy No. 3	30-Jun-05	14.89%	8.58%	6.30%
Diversified Investment Strategy No. 3	30-Jun-06	18.03%	12.89%	5.14%
Diversified Investment Strategy No. 3	30-Jun-07	18.93%	7.36%	11.57%
Diversified Investment Strategy No. 3	30-Jun-08	-14.70%	-24.22%	9.52%
Diversified Investment Strategy No. 4	30-Jun-02	-13.70%	-15.21%	1.52%
Diversified Investment Strategy No. 4	30-Jun-03	-6.34%	-9.79%	3.45%
Diversified Investment Strategy No. 4	30-Jun-04	20.28%	17.05%	3.23%
Diversified Investment Strategy No. 4	30-Jun-05	15.02%	9.12%	5.90%
Diversified Investment Strategy No. 4	30-Jun-06	20.78%	15.76%	5.02%
Diversified Investment Strategy No. 4	30-Jun-07	21.01%	10.04%	10.98%
Diversified Investment Strategy No. 4	30-Jun-08	-17.95%	-26.36%	8.41%
Diversified Investment Strategy No. 5	30-Jun-07	18.48%	5.55%	12.93%
Diversified Investment Strategy No. 5	30-Jun-08	-11.17%	-18.60%	7.43%