portfolio watch

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

March 2008

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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	-3.0	-3.6	-1.3	0.2	4.9	7.5	8.6
Diversified Investment Strategy No 2	-8.9	-10.7	-8.6	-5.6	3.3	9.6	12.4
Diversified Investment Strategy No 3	-10.6	-12.7	-10.9	-7.4	2.7	9.9	13.2
Diversified Investment Strategy No 4	-12.9	-15.4	-13.6	-9.7	1.7	10.3	14.2
Diversified Investment Strategy No 5	-6.8	-9.7	-8.7	-5.7	4.5	n/a	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 100% 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	**1.1**	**2.3**	**3.7**	**5.4**	**5.8**	**5.9**	**5.8**
Australian Cash Sector - Strategy 5	**1.1**	**2.3**	**3.7**	**5.4**	**5.8**	**n/a**	**n/a**
UBSA Bank Bill Index	*1.8*	*3.6*	*5.3*	*7.0*	*6.6*	*6.3*	*5.9*
Alternative Income Sector	**0.6**	**1.9**	**5.3**	**6.8**	**6.7**	**n/a**	**n/a**
Alternative Income Sector - Strategy 5	**0.6**	**1.9**	**5.3**	**6.8**	**6.7**	**n/a**	**n/a**
UBSA Bank Bill Index	*1.8*	*3.6*	*5.3*	*7.0*	*6.6*	*6.3*	*5.9*
Australian Fixed Interest Sector	**1.1**	**1.2**	**2.6**	**2.9**	**3.3**	**4.6**	**4.8**
Australian Fixed Interest Sector - Strategy 5	**2.2**	**2.5**	**4.0**	**4.3**	**4.0**	**n/a**	**n/a**
UBSA Composite Bond Index	*2.2*	*2.5*	*4.0*	*4.3*	*4.0*	*4.9*	*4.7*
International Fixed Interest Sector	**2.3**	**5.0**	**7.9**	**7.2**	**6.6**	**6.2**	**6.9**
International Fixed Interest Sector - Strategy 5	**3.1**	**6.4**	**9.2**	**8.4**	**7.3**	**n/a**	**n/a**
Lehman Global Aggregate (Hedged) Index	*2.7*	*5.4*	*8.5*	*8.0*	*7.2*	*6.4*	*6.7*
Australian Property Sector	**-22.1**	**-32.9**	**-30.3**	**-28.1**	**-3.5**	**3.2**	**8.9**
Australian Property Sector - Strategy 5	**-20.5**	**-31.0**	**-28.1**	**-26.1**	**-2.8**	**n/a**	**n/a**
S&P/ASX 300 Property Trust Accum Index	*-19.1*	*-29.7*	*-26.0*	*-24.2*	*-1.2*	*4.9*	*9.6*
International Property Sector	**-3.0**	**-14.5**	**-14.2**	**-21.2**	**0.7**	**n/a**	**n/a**
International Property Sector - Strategy 5	**-2.9**	**-14.5**	**-14.3**	**-21.4**	**0.3**	**n/a**	**n/a**
UBS Global Investors Index in AUD Hedged Net Div	*-2.6*	*-14.5*	*-15.2*	*-21.8*	*-0.4*	*n/a*	*n/a*
Australian Shares Sector	**-14.0**	**-16.1**	**-12.3**	**-7.7**	**5.8**	**13.8**	**18.0**
Australian Shares Sector - Strategy 5	**-12.4**	**-14.5**	**-12.1**	**-8.0**	**5.2**	**n/a**	**n/a**
S&P/ASX 300 Accum Index	*-14.6*	*-16.9*	*-12.1*	*-7.2*	*6.4*	*13.8*	*18.0*
International Shares (Unhedged) Sector	**-14.1**	**-15.0**	**-15.9**	**-14.1**	**-7.1**	**4.6**	**6.9**
MSCI World Ex Australia ($A Unhedged) Index	*-12.4*	*-13.8*	*-15.7*	*-14.6*	*-6.9*	*3.5*	*6.5*
International Shares (Hedged) Sector	**-12.8**	**-14.8**	**-14.0**	**-7.8**	**1.3**	**9.9**	**15.0**
International Shares (Hedged) Sector - Strategy 5	**-11.5**	**-16.1**	**-18.0**	**-11.6**	**1.1**	**n/a**	**n/a**
MSCI World Ex Australia ($A Hedged) Index	*-11.0*	*-13.4*	*-13.5*	*-7.9*	*2.0*	*9.2*	*15.5*
International Smaller Companies Sector	**-12.0**	**-19.9**	**-28.5**	**-25.3**	**n/a**	**n/a**	**n/a**
S&P/Citigroup World <US$1.5bn Cap (AUD Unhedged Net Div)	*-12.0*	*-16.8*	*-21.7*	*-21.2*	*-12.2*	*n/a*	*n/a*
Global Emerging Markets Sector	**-13.7**	**-9.2**	**-0.5**	**8.7**	**9.6**	**22.5**	**24.4**
MSCI EM in $A (div reinvested)	*-14.4*	*-10.6*	*-1.9*	*7.4*	*6.9*	*22.3*	*24.8*
Alternative Assets Sector	**5.4**	**6.8**	**7.0**	**11.8**	**10.4**	**n/a**	**n/a**
Alternative Assets Sector - Strategy 5	**-0.1**	**0.9**	**0.8**	**5.1**	**6.7**	**n/a**	**n/a**
UBSA Bank Bill Index	*1.8*	*3.6*	*5.3*	*7.0*	*6.6*	*6.3*	*5.9*

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 months, gross of funds mgt fees)

asset class	manager return %	market return %	above/below index %
Australian Cash Sector			
AllianceBernstein	1.1	1.8	-0.7
Alternative Income Sector			
PIMCO	0.7	1.8	-1.2
Australian Fixed Interest Sector			
BGI Index	2.2	2.2	0.0
Credit Suisse	1.0	2.2	-1.2
International Fixed Interest Sector			
BlackRock	1.5	2.7	-1.2
PIMCO	3.1	2.7	0.4
Australian Property Sector			
BGI Index	-18.7	-19.1	0.5
Legg Mason	-22.0	-19.1	-2.9
SG Hiscock	-22.2	-19.1	-3.1
International Property Sector			
CBRE	-2.5	-2.6	0.1
LaSalle	-3.3	-2.6	-0.7
Australian Shares Sector			
BGI	-15.3	-14.6	-0.7
Integrity	-13.2	-14.6	1.4
Schroders	-12.0	-14.6	2.7
Maple-Brown Abbott	-10.2	-14.6	4.4
Investors Mutual	-11.6	-14.6	3.0
Wallara	-15.8	-14.6	-1.1
Bernstein Value	-14.3	-14.6	0.3
MIR	-15.0	-14.6	0.0
Challenger	-19.5	-14.6	-4.9
International Shares (Unhedged) Sector			
Wellington	-16.0	-12.4	-3.6
GMO	-12.0	-12.4	0.4
Bernstein Value	-13.4	-12.4	-1.0
Capital	-11.8	-12.4	0.7
Alliance Growth	-17.1	-12.4	-4.6
LSV	-12.1	-12.4	0.4
International Shares (Hedged) Sector			
BGI Index	-10.9	-11.0	0.0
Wellington	-14.9	-11.0	-3.9
GMO	-10.8	-11.0	0.2
Bernstein Value	-12.1	-11.0	-1.1
Capital	-10.5	-11.0	0.5
Alliance Growth	-15.9	-11.0	-4.9
LSV	-10.8	-11.0	0.1
International Smaller Companies Sector			
Arrowstreet	-12.0	-12.0	0.1
Global Emerging Markets Sector			
Legg Mason	-13.7	-14.4	0.7
Alternative Assets Sector			
AXA Rosenberg	5.4	1.8	3.6
BGI Total Return Multi-Opportunity Fund	1.1	1.8	-0.6
BT Global Return Fund	-0.6	1.8	-2.4

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.

The performance of the BT Global Return Fund (net of all fees charged by the manager) & BGI Total Return Multi Opportunity Fund are calculated based on the hard close exit unit price one month lagged as reported by the manager. The market return for the BT Global Return Fund and BGI Total Return Multi Opportunity Fund is also one month lagged.

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), BGI Total Return Multi-Opportunity Fund & BT Global Return Fund (Alternative Assets) are only available in Diversified Investment Strategy No. 5.

Integrity replaced UBS as an Australian Share sector manager in 2007.

investment environment

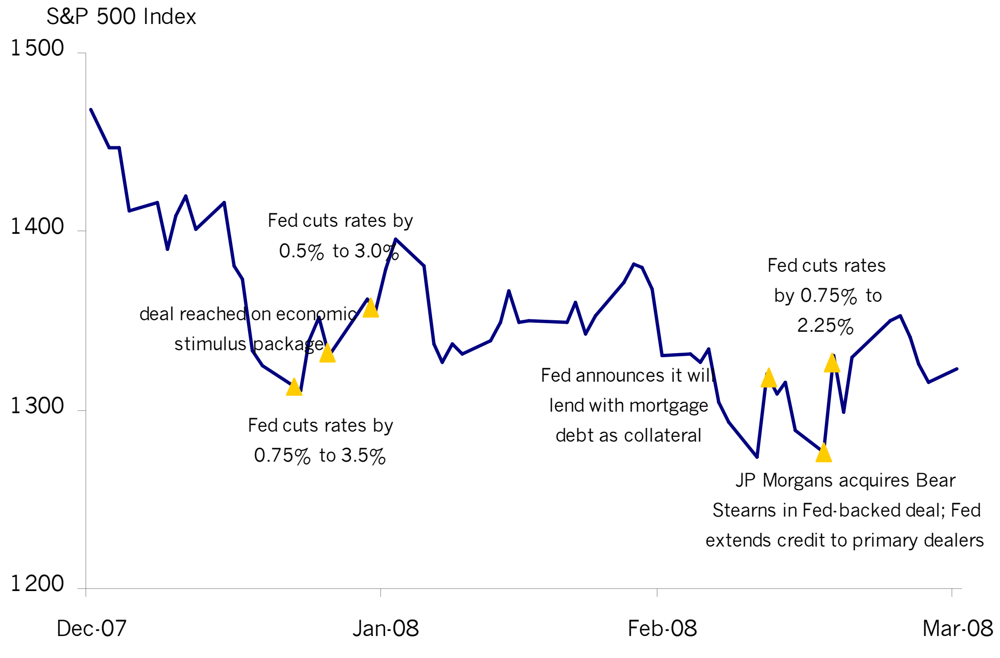
The start of 2008 saw a sharp spike in the volatility of global markets and sentiment remained brittle throughout the quarter. Equity investors have taken the view that a US recession is almost certain, and have been assessing the implications for the rest of the world.

US economic data was weaker through the quarter than many commentators had been expecting as tightening liquidity and the process of debt de-leveraging worked its way through the broader economy. During the period financial stocks continued to plummet as financial companies reported heavy earnings losses. However, the US Federal Reserve took very strong, proactive action to prop up the financial system to limit the problems of this sector from flowing into the broader economy. During the period, the Federal Reserve announced it was prepared to provide credit to a wider range of financial institutions and would accept lower rated credit instruments as collateral against the loans it provides. It also reduced the cash rate by 2% to 2.25%, choosing to downplay signs of rising inflation as the smooth functioning of the financial system was considered a more significant priority.

Although total reported company earnings in the US were down 22.6% for 2007, companies outside the Finance sector reported a rise in earnings, up 15.7%. This result suggested that the US economy was still in reasonable shape.

While countries exporting to the US experienced a slowdown in growth, it was far from a slump. Indeed, there was mounting evidence the US has become less important as the growth engine of the world, with emerging economies becoming increasingly important.

In Australia, opposing forces were at play. On the one hand the de-leveraging process continued to work its way through the local economy as banks tightened lending standards. On the other, the economy continued to grow strongly helped by strength in resource stocks which benefited from continued demand for commodities from Asia. A rise in inflation beyond the Reserve Bank of Australia's comfort level resulted in it raising interest rates on two occasions. The cash rate ended the quarter at 7.25%. There are, however, some signs that earlier interest rate increases were beginning to temper activity, and the market has begun to feel the likelihood of further monetary policy tightening in the near-term has lessened.



source: Bloomberg

market returns for the quarter

Australian fixed interest

USBA Corporate/Credit Index: 3 months: 0.9%, 12 months: 2.6%

USBA Government/Treasuries: 3 months: 3.1%, 12 months: 5.8%

During the March quarter, credit spreads continued to widen reflecting a reassessment of risk attached to corporate business activities and the associated tightening in lending standards.

international fixed interest

Lehman Global Aggregate ($A hedged) Index: 3 months: 2.7%; 12 months: 8.0%

Government bonds outperformed corporates as a flight to quality caused investors to move to the relative 'safe haven' of sovereign debt.

Australian property securities

S&P/ASX 300 Listed Property Trust Index: 3 months: -19.1%; 12 months: -24.2%

Australian listed property trusts suffered a difficult quarter as the fallout of Centro Properties Group's funding difficulties cascaded through the sector. The rising cost of funding increased concerns that capitalisation rates would be pushed higher leading to lower asset valuations for many underlying trust assets. Stocks with high levels of gearing were most vulnerable.

international listed property securities

UBS Global Investors Index (hedged): 3 months: -2.6%; 12 months: -21.8%

Companies with any perceived refinancing risk were punished by the market, with higher leveraged real estate investment trusts suffering the most.

Australian shares

S&P/ASX 300 Accumulation Index: 3 months: -14.6%; 12 months: -7.2%

The first quarter of 2008 saw the Australian share market deliver its weakest quarterly performance since 1987. The re-pricing of equities has reflected a number of common global themes - a reassessment of risk following the problems in the US sub prime lending market, disruptions in the provision of credit, and the sale of assets as some borrowers have been forced to reduce their leverage.

international shares

MSCI World ex-Australia Index ($A hedged): 3 months: -11.0%; 12 months: -7.9%

MSCI World ex-Australia Index ($A unhedged): 3 months: -12.4%; 12 months: -14.6%

Volatility remained heightened in international equities amid increased investor risk aversion. This was the result of a reassessment of underlying investment risks, the de-leveraging of balance sheets and large asset write-offs by major financial institutions. Signs of weaker US economic growth also led to downwards earnings revisions by some companies.

international smaller companies

S&P/Citigroup World < $US 1.5 billion cap Index ($A unhedged): 3 months: -12.0%; 12 months: -21.2%

International small caps performed in line with large cap stocks during the quarter. Investors favoured quality businesses with lower exposure to debt and strong sustainable earnings streams.

global emerging markets

MSCI EM Index in $A: 3 months: -14.4%; 12 months: 7.4%

After outperforming developed markets during the December quarter, investor sentiment in emerging markets shifted dramatically between January and March. As the implications of slowing demand from developed markets were reassessed, emerging markets modestly underperformed developed.

diversified portfolio performance (gross)

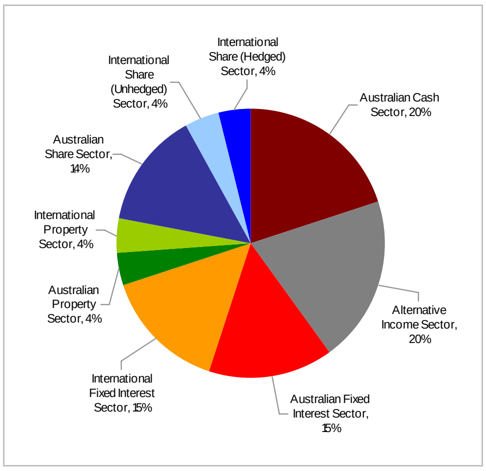
Diversified Investment Strategy No. 1

	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yrs %pa	3 yrs %pa	5 yrs % pa
Diversified Investment Strategy 1	-3.0	-3.6	-1.3	0.2	4.9	7.5	8.6
Benchmark	-2.5	-3.0	-0.8	0.7	5.1	7.4	8.4

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

- ~ The portfolio benefited from exposure to defensive assets however the positive performance in these sectors was not enough to prevent a negative return.
- ~ Australian and international fixed interest markets were driven by the same theme. Government and semi-government bonds outperformed corporates as a flight to quality caused investors to move to the relative 'safe haven' of sovereign debt. Credit spreads have widened significantly.
- ~ While the allocation to Australian and international equities hurt returns over the quarter, the strong performance of these asset classes over three and five years highlights the benefit of this allocation over the long-term.



performance this period

- ~ The Australian cash sector underperformed the index by 0.7% for the quarter, and by 1.6% for the 12 month period to 31 March 2008. The market volatility witnessed in the first quarter not only impacted fixed interest funds, but also cash funds that assume a small amount of credit risk. The dislocation in credit markets saw spreads on these investments widen creating volatility in capital values and significant dispersion between the performance of cash funds and the benchmark UBS Bank Bill Index.
- ~ In Australian fixed interest, the sector underperformed the index by 1.1% for the quarter, and by 1.4% for the 12 month period to 31 March 2008. In aggregate, both relative value and credit trades detracted from sector performance over the quarter. The international fixed interest sector underperformed the index for the quarter. PIMCO's portfolio outperformed the benchmark while Blackrock underperformed. Blackrock's timing of relative value trades across different types of securities detracted from overall performance.
- ~ In Australian shares the sector outperformed the benchmark by 0.6% during the quarter. Over the 12 month period to 31 March 2008, the sector underperformed by 0.5%. The strongest performing managers for the quarter were Maple Brown Abbott and Investors Mutual, benefiting from a relatively defensive position within their portfolios. The sector's underperformance of the benchmark over the 12-month period was largely driven by its marginal underweight exposure to resource stocks, in particular BHP Billiton, which has risen 58.7% over the past year.

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	-8.9	-10.7	-8.6	-5.6	3.3	9.6	12.4
Benchmark	-8.4	-10.2	-7.9	-5.2	3.5	9.3	12.2

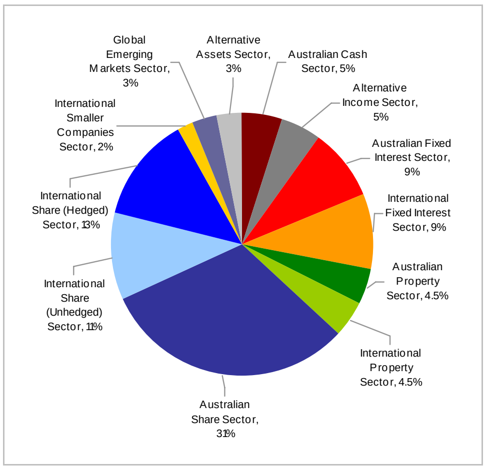
Note:
Benchmark is the target weight of the asset class multiplied by the return of the respective market index. The target weight is shown in the pie chart below. See asset allocations vs targets later in the document for current allocations.

return drivers this period

~ The portfolio benefited from exposure to defensive assets however the positive performance in these sectors was not enough to prevent a negative return.

~ Australian and international fixed interest markets were driven by the same theme. Government and semi-government bonds outperformed corporates as a flight to quality caused investors to move to the relative 'safe haven' of sovereign debt. Credit spreads have widened significantly.

~ While the allocation to Australian and international equities hurt returns over the quarter, the strong performance of these asset classes over three and five years highlights the benefit of this allocation over the long-term.



performance this period

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~ In international shares the sector underperformed the benchmark by 1.7% for the quarter (unhedged return). Over the 12 month period to 31 March 2008, the sector outperformed by 0.5%. During the quarter, there was little divergence in returns between growth and value styles. The main detractors of performance were Alliance Growth, Wellington and Bernstein Value who all underperformed the benchmark. Over the 12 months to the end of March, Alliance Growth and Bernstein Value also underperformed the benchmark, however Wellington added some value, returning 0.7% over the index. Within manager portfolios, stock selection was the main contributor to poor performance.

~ The Australian cash sector underperformed the index by 0.7% for the quarter, and by 1.6% for the 12 month period to 31 March 2008. The market volatility witnessed in the first quarter not only impacted fixed interest funds, but also cash funds that assume a small amount of credit risk. The dislocation in credit markets saw spreads on these investments widen creating volatility in capital values and significant dispersion between the performance of cash funds and the benchmark UBS Bank Bill Index.

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	-10.6	-12.7	-10.9	-7.4	2.7	9.9	13.2
Benchmark	-10.1	-12.2	-10.0	-6.9	2.9	9.7	13.1

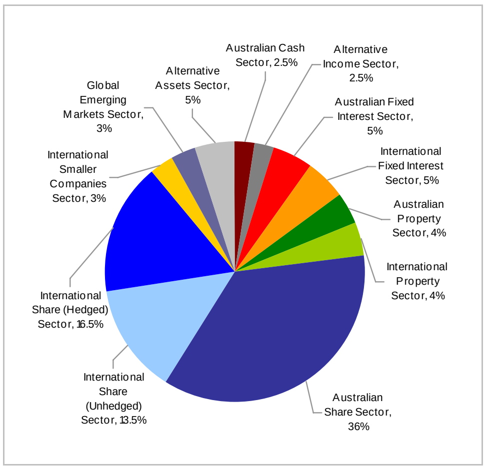
Note:
Benchmark is the target weight of the asset class multiplied by the return of the respective market index. The target weight is shown in the pie chart below. See asset allocations vs targets later in the document for current allocations.

return drivers this period

~ The portfolio benefited from exposure to defensive assets however the positive performance in these sectors was not enough to prevent a negative return.

~ International equities hurt returns over the quarter, the strong performance of these asset classes over three and five years highlights the benefit of this allocation over the long-term.

~ The Australian equity market delivered its weakest quarterly performance since 1987. The re-pricing of equities reflected a reassessment of risk following the problems in the US sub prime lending market, disruptions in the provision of credit, and uncertainty over the US economic outlook. Volatility also remained heightened in international equities with returns negative in the major markets.



performance this period

~ In Australian shares the sector outperformed the benchmark by 0.6% during the quarter. Over the 12 month period to 31 March 2008, the sector underperformed by 0.5%. The strongest performing managers for the quarter were Maple Brown Abbott and Investors Mutual, benefiting from a relatively defensive position within their portfolios. The sector's underperformance of the benchmark over the 12 month period was largely driven by its marginal underweight exposure to resource stocks, in particular BHP Billiton, which has risen 58.7% over the past year.

~ In international shares the sector underperformed the benchmark by 1.7% for the quarter (unhedged return). Over the 12 month period to 31 March 2008, the sector outperformed by 0.5%. There was little divergence in returns between growth and value styles. The main detractors of performance were Alliance Growth, Wellington and Bernstein Value who all underperformed the benchmark. Over the 12 months to the end of March, Alliance Growth and Bernstein Value also underperformed the benchmark, however Wellington added some value, returning 0.7% over the index. Within manager portfolios, stock selection was the main contributor to poor performance.

~ The Australian listed property sector underperformed the benchmark by 3.0% for the quarter. Performance over the 12-month period to 31 March 2008 was 3.9% less than the benchmark. Performance was hurt by exposure to all Rubicon trusts that lost more than 80% of their value over the quarter. Exposures in the Retail sector also hurt returns. In international listed property the sector underperformed the benchmark for the quarter and 12 month period. Country allocation was the main detractor from performance during the quarter, reflecting the wide range of investment returns across regions.

Diversified Investment Strategy No. 4

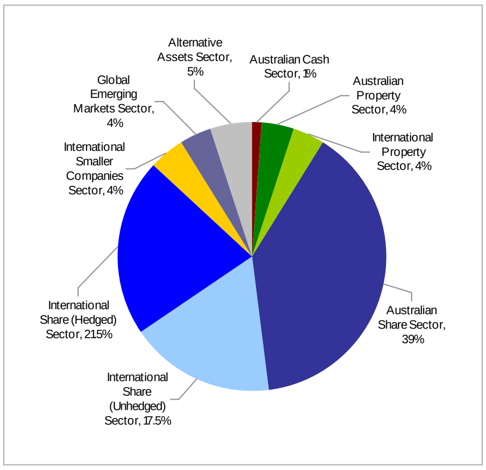
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yr %pa	3 yr %pa	5yr % pa
Diversified Investment Strategy 4	-12.9	-15.4	-13.6	-9.7	1.7	10.3	14.2
Benchmark	-12.1	-14.6	-12.6	-9.1	2.0	10.0	14.0

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 significant exposure to Australian and international shares resulted in the portfolio posting a negative return for the quarter. The three and five year returns remain strong highlighting the benefit of a long-term exposure to equities.

~ The Australian equity market delivered its weakest quarterly performance since 1987. The re-pricing of equities reflected a reassessment of risk following the problems in the US sub prime lending market, disruptions in the provision of credit, and uncertainty over the US economic outlook. Volatility also remained heightened in international equities with returns negative in the major markets.



performance this period

~ In Australian shares the sector outperformed the benchmark by 0.6% during the quarter. Over the 12 month period to 31 March 2008, the sector underperformed by 0.5%. The strongest performing managers for the quarter were Maple Brown Abbott and Investors Mutual, benefiting from a relatively defensive position within their portfolios. The sector's underperformance of the benchmark over the 12 month period was largely driven by its underweight exposure to resource stocks, in particular BHP Billiton, which has risen 58.7% over the past year.

~ In international shares the sector underperformed the benchmark by 1.7% for the quarter (unhedged return). Over the 12 month period to 31 March 2008, the sector outperformed by 0.5%. During the quarter, there was little divergence in returns between growth and value styles. The main detractors of performance were Alliance Growth, Wellington and Bernstein Value who all underperformed the benchmark. Over the 12 months to the end of March, Alliance Growth and Bernstein Value also underperformed the benchmark, however Wellington added some value, returning 0.7% over the index. Within manager portfolios, stock selection was the main contributor to poor performance.

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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	-6.8	-9.7	-8.7	-5.7	4.5	n/a	n/a
Benchmark	-6.4	-8.7	-6.6	-4.0	4.6	n/a	n/a

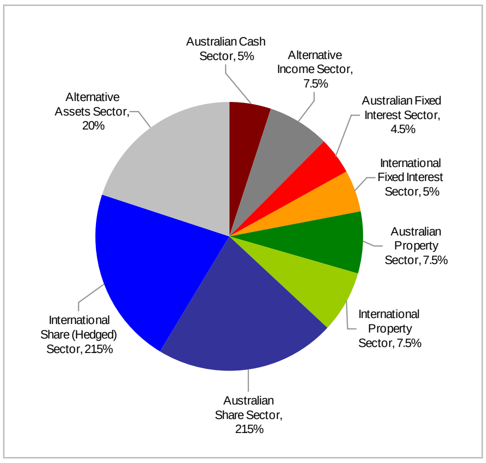
Notes:

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

- Exposure to defensive and alternative assets benefited the performance of this portfolio in the March quarter. While the portfolio return was negative, the performance was better than a balanced fund with a more traditional construction.
- In alternative investments, ipac has a significant allocation to alpha strategies. These are strategies where the return is largely driven by manager skill. The alpha strategies delivered a partial buffer in a period when Australian and international equities both fell significantly. The performance of the alpha strategies highlights the diversification benefit of these approaches in diversified portfolios.
- Australian listed property trusts continued to suffer in the first quarter, hit by concerns over global economic growth, rising interest rates in Australia and an uninspiring reporting season. In general, trusts with offshore property exposure and/or high leverage performed worst.



performance this period

- In Australian shares, the sector outperformed the benchmark by 2.2% during the quarter. Over the 12 month period to 31 March 2008, the sector underperformed by 0.8%. The strongest performing managers for the quarter were Maple Brown Abbott and Investors Mutual Limited, benefiting from a relatively defensive position within their portfolios. The sector's underperformance of the benchmark over the 12-month period was largely driven by its marginal underweight exposure to resource stocks, in particular BHP Billiton, which has risen 58.7% over the past year.
- In international shares, the sector underperformed the benchmark by 0.5% (hedged) for the quarter. Over 12 months the sector was 3.7% behind the index. The main detractor of performance was Bernstein Value.
- In Australian listed property, the sector underperformed the benchmark by 1.4% during the quarter. Over the 12 month period to 31 March 2008, the sector underperformed by 1.9%. SG Hiscock detracted from performance during the quarter as the manager's underweight position in the Leaders hurting returns. In international listed property the sector underperformed the benchmark for the quarter and 12 month period. Country allocation was the main detractor from performance during the quarter, reflecting the wide range of investment returns across regions.
- The managers used in alternative investments are AXA Rosenberg, BGI and BT. AXA Rosenberg's Australian Equity Long Short fund outperformed cash by 3.6% during the first quarter, and by 4.7% over the 12 month period to 31 March 2008. The BGI Multi-Opportunity Fund and BT Global Return Fund underperformed cash by 0.7% and 2.4% respectively for the three months to the end of February 2008.

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	1.1	2.3	3.7	5.4	5.8	5.9	5.8
Sector - Strategy 5	1.1	2.3	3.7	5.4	5.8	n/a	n/a
AllianceBernstein	1.1	2.3	3.7	5.4	5.8	5.9	5.7
Benchmark	1.8	3.6	5.3	7.0	6.6	6.3	5.9

Note:
Benchmark = UBSA Bank Bill Index.

market commentary

UBSA 90 Day Bank Bill Index: 3 months: 1.8%; 12 months: 7.0%

A rise in inflation beyond the Reserve Bank of Australia's comfort level resulted in it raising rates on two occasions, ending the quarter at 7.25%.

There are signs that earlier interest rate increases are beginning to temper activity, and the market sentiment is that there is less likelihood there will be further monetary policy tightening in the near-term.

sector commentary

The sector underperformed the index by 0.7% for the quarter, and by 1.6% for the 12 month period to 31 March 2008.

The market volatility witnessed in the first quarter not only impacted fixed interest funds, but also cash funds that assume a small amount of credit risk. The dislocation in credit markets saw spreads on these investments widen creating volatility in capital values and significant dispersion between the performance of cash funds and the benchmark UBS Bank Bill Index.

While the widening in spreads reflects, in part, changing economic dynamics, the more important driver of spreads has been the absence of liquidity and break-down in trust between some counterparties.

An example of when cash funds can be prone to credit risk is when they invest in commercial paper and/or Floating Rate Notes. These securities have higher running yields than bank bills and a greater diversity of value-add, making them preferred investments for cash strategies that seek out incremental return above the UBS Bank Bill Index. However, these securities also contain credit and liquidity risk and many have been impacted by widening credit spreads.

While the recent widening of credit spreads has been detrimental to many cash strategies, it is recognised that if credit markets return to a more stable environment and spreads contract, investors may benefit from falling yields, potentially offsetting the recent widening of spreads.

Alternative Income

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	0.6	1.9	5.3	6.8	6.7	n/a	n/a
Sector - Strategy 5	0.6	1.9	5.3	6.8	6.7	n/a	n/a
PIMCO	0.7	2.0	5.3	6.8	6.7	n/a	n/a
Benchmark	1.8	3.6	5.3	7.0	6.6	6.3	5.9

Notes:
Benchmark = UBSA Bank Bill Index.
An Alternative Income sector was introduced into the Strategies in January 2006. PIMCO performance commenced in February 2006.

market commentary

UBSA 90 Day Bank Bill Index: 3 months: 1.8%; 12 months: 7.0%

sector commentary

The sector underperformed the index by 1.2% for the quarter, and by 0.2% for the 12 month period to 31 March 2008.

The sector's underperformance of the benchmark was driven by an exposure to mortgage backed securities, which suffered amid rising volatility across financial markets. The manager had allocated exposure to a number of specific securities that look attractive on a valuation basis. Emerging market and bank capital exposures also detracted from performance in the first quarter of the year.

The sector's exposure to shorter-dated US and UK securities proved beneficial for performance during the quarter as the US and UK yield curves steepened. An underweight exposure to corporate bonds, particularly lower quality credit, also proved beneficial to performance over the period.

Australian Fixed Interest

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	1.1	1.2	2.6	2.9	3.3	4.6	4.8
Sector - Strategy 5	2.2	2.5	4.0	4.3	4.0	n/a	n/a
BGI Index	2.2	2.5	4.0	4.3	4.0	n/a	n/a
Credit Suisse	1.0	1.1	2.5	2.8	3.2	4.5	4.8
Benchmark	2.2	2.5	4.0	4.3	4.0	4.9	4.7

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 months: 2.2%; 12 months: 4.3%

During the March quarter, government and semi-government bonds outperformed corporates as a flight to quality caused investors to move to the relative ‘safe haven’ of sovereign debt.

In Australia, the 2 year government bond yield fell from 6.85% to 6.20%, and the 10-year yield fell from 6.33% to 6.05% over the quarter. The fall in yields (price rise) occurred due to weakening expectations about global growth, specifically US growth where there is a greater expectation of recession. As global growth has moderated, central banks are largely shifting gears from targeting inflation to managing growth.

During the quarter, the Reserve Bank of Australia increased rates by 0.5% in response to strong domestic demand and rising inflation. Short-term government bond yields are well below the cash rate of 7.25% which suggests markets are less confident there will be further monetary policy tightening.

In the first three months of the year, spreads in corporate credit continued to widen (prices fell), following the lead of international markets. The widening of spreads reflects the illiquid nature of many securities and the rise in market volatility which has characterised markets since late last year.

sector commentary

The manager underperformed the index by 1.1% for the quarter, and by 1.4% for the 12 month period to 31 March 2008.

In aggregate, both relative value and credit trades detracted from sector performance over the quarter. In its relative value trades, the manager took a long position in 90 day bank bills and short position in cash which hurt performance. Although spreads widened during the quarter (price fell), the 90 day bank bill spread widened more, negatively impacting performance. During the period, the manager also took a short position in three year bills relative to its long position in 90 day bank bills. This hurt performance as the spread in 3-year bills fell (price rose), benefiting holders of these securities, while the rise in the bank bill spread negatively impacted performance.

The sector also suffered from an exposure to mortgage backed securities, which suffered amid rising volatility across financial markets. The manager had allocated exposure to a number of specific securities that look attractive on a valuation basis. Emerging market and bank capital exposures also detracted from performance in the first quarter of the year.

sector commentary (Strategy 5)

The manager, BGI, delivered the index return for the quarter and 12 months.

International Fixed Interest

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	2.3	5.0	7.9	7.2	6.6	6.2	6.9
Sector - Strategy 5	3.1	6.4	9.2	8.4	7.3	n/a	n/a
BlackRock	1.5	3.6	6.6	6.1	6.1	5.8	6.6
PIMCO	3.1	6.4	9.3	8.5	7.3	6.6	7.3
Benchmark	2.7	5.4	8.5	8.0	7.2	6.4	6.7

Note:

Benchmark = Lehman Global Aggregate (AUD Hedged). 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

Lehman Global Aggregate ($A hedged) Index: 3 months: 2.7%; 12 months: 8.0%

Government and semi-government bonds outperformed corporates in the quarter, as investors moved to the relative ‘safe haven’ of sovereign debt.

Over the quarter, government bond yields declined most sharply in the US. The 2 year government bond yield fell from 3.05% to 1.58%, and the 10 year yield fell from 4.02% to 3.41%. The fall in yields (price rise) came as the Federal Reserve cut rates by 2.0%. The rate cuts were not only a response to concerns over signs of weakening activity in the US economy, but were also an attempt to ensure the free flow of liquidity to the markets.

Bond yields in Japan, Europe and the UK also declined during the period on the back of weakening growth expectations. During the quarter, the Bank of England cut rates by 0.25% to 5.25%, while European and Japanese central banks left rates unchanged.

In the first three months of the year, spreads in corporate credit continued to widen (prices fell). The widening of spreads reflects the rise in market volatility which has characterised markets since late last year.

sector commentary

The sector underperformed the index for the quarter. PIMCO's portfolio outperformed by 0.4% while Blackrock underperformed by 1.2%. The sector underperformed the benchmark for the 12 month period to 31 March 2008.

During the quarter PIMCO's exposure to shorter-dated US and UK securities proved beneficial for performance as the US and UK yield curves steepened. The portfolio also benefited from a focus on high quality, short duration asset backed securities, and an underweight exposure to corporate bonds, particularly lower quality credit.

An overweight exposure to mortgage backed securities, which suffered amid rising volatility across financial markets, detracted from the manager's performance during the quarter. In addition, emerging market and bank capital exposures hurt returns. PIMCO had allocated exposure to a number of specific securities that look attractive on a valuation basis.

Blackrock's duration and currency positions were positive for performance during the quarter. However the manager's timing of relative value trades across different types of securities detracted from overall performance. The manager had a sizeable position in Commercial Mortgage Backed Securities that negatively impacted performance. The manager was underweight corporate bonds over the quarter, which helped performance. However the portfolio is overweight the Financials sub sector of corporate debt which weighed on return. The manager is confident about this position as it believes Financials are likely to benefit from the activities of governments, central banks and counterparties.

sector commentary (Strategy 5)

The sector outperformed the benchmark by 0.4% for the quarter and 12 months.

Australian Property

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-22.1	-32.9	-30.3	-28.1	-3.5	3.2	8.9
Sector - Strategy 5	-20.5	-31.0	-28.1	-26.1	-2.8	n/a	n/a
BGI Index	-18.7	-29.0	-25.4	-23.5	-1.0	n/a	n/a
Legg Mason	-22.0	-33.2	-30.1	-28.0	-3.0	3.7	9.4
SG Hiscock	-22.2	-32.8	-30.5	-28.4	-4.1	2.7	8.2
Benchmark	-19.1	-29.7	-26.0	-24.2	-1.2	4.9	9.6

Notes:
BGI Index is only available in Diversified Investment Strategy No. 5.
Benchmark = S&P / ASX 300 Property Accumulation Index.

market commentary

S&P/ASX 300 Listed Property Trust Index: 3 months: -19.1%; 12 months: -24.2%

Australian listed property trusts continued to suffer in the first quarter, hit by concerns over global economic growth, rising interest rates in Australia and an uninspiring reporting season.

The rising cost of funding also increased concerns that capitalisation rates would be pushed higher leading to lower asset valuations for many underlying trust assets. Stocks with high levels of gearing were most vulnerable. The sector was further plagued by fears that loan covenants may be breached. Many covenants require assets to be sold if debt levels rise too high. The recent price falls in listed property trusts have led to a fear that vehicles that are highly leveraged may breach their agreements and need to sell assets, pushing prices further downward.

In general, trusts with offshore property exposure and/or high leverage performed worst. This caused dramatic and unprecedented spikes in cross-sectional pricing volatility within the sector. Commercial trusts were the weakest sector of the index, falling 28.1% over the quarter, and diversified trusts also performed poorly, falling 21.7%. Trusts with high levels of debt and significant offshore assets fell the most during the period. Rubicon performed poorly, falling more than 80% over the quarter, as it struggled to refinance debt, and trading in the stock of parent company, Allco Finance, was suspended. More established trusts with more traditional property portfolios and lower levels of debt were the better performers during the period. Industrials was the strongest sector, falling 11.8% followed by the retail sector which fell 16.9%.

While valuations of listed property trusts are more attractive, the short-term outlook for the sector is still uncertain and volatility is likely to remain high.

sector commentary

The sector, which holds a 50% exposure to SG Hiscock and 50% to Legg Mason Asset Management, underperformed the benchmark by 2.8% for the quarter. Performance over the 12 month period to 31 March 2008 was 3.9% less than the benchmark.

SG Hiscock underperformed the benchmark during the quarter. The manager's underweight position in the Leaders hurt performance, as the Leaders outperformed the non-Leaders by just over 12%. Legg Mason also underperformed the benchmark during the quarter. Stock selection within the Retail sector contributed to Legg Mason's underperformance of the benchmark.

Within the sector only a few stocks have performed well compared to the index over the past three to six months. Trusts like Westfield, Stockland and CFS Retail have low levels of gearing and are perceived to be safe havens by investors. The managers regard the trusts as expensive at present and have therefore held underweight positions in these names. Given their strong performance over the past few months, underweight positions in these trusts have contributed to the sector's underperformance.

During the quarter the sector was exposed to some trusts that performed extremely poorly.

Exposure to all Rubicon trusts that lost more than 80% of their value over the quarter hurt performance. These trusts underperformed the index as a result of contagion from the declines and negative press headlines of its manager Allco Finance Group. More significantly, in providing its results to the market Rubicon announced that it required decisive action to improve its liquidity position and more specifically, the unwinding of existing currency hedges.

Exposures in the Retail sector, including an overweight position in APN European retail trust and Macquarie DDR trust, also detracted from performance during the quarter.

The sector's exposure to global Real Estate Investment Trusts (REITs) contributed positively to performance over the quarter as REITs performed better than Australian trusts.

sector commentary (Strategy 5)

The managers, SG Hiscock and BGI Index, achieved a combined return that was 1.4% below the index for the quarter. Over the full year the return of the sector underperformed the benchmark by 1.9%.

International Property

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-3.0	-14.5	-14.2	-21.2	0.7	n/a	n/a
Sector - Strategy 5	-2.9	-14.5	-14.3	-21.4	0.3	n/a	n/a
CBRE	-2.5	-13.9	-12.7	-19.8	1.5	n/a	n/a
LaSalle	-3.3	-15.1	-15.9	-22.7	-0.3	n/a	n/a
Benchmark	-2.6	-14.5	-15.2	-21.8	-0.4	n/a	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 months: -2.6%; 12 months: -21.8%

Global listed property continued to fall during the March quarter, although the losses were modest in comparison to the dramatic declines of late 2007. Companies with any perceived refinancing risk were punished by the market, with higher leveraged Real Estate Investment Trusts (REITs) suffering the most.

The performance of REITs in the US was highly correlated to the performance of financial stocks, reflecting similar concerns about the credit and economic outlook. Despite supportive action by the US Federal Reserve, credit markets remained difficult, and investors were wary of data that signalled further signs of recession. While the US economic slowdown is negative for commercial real estate, the fundamentals are underpinned by the pullback of planned development starts combined with high current occupancies.

Across the globe there was significant disparity in returns. The US, UK and Europe delivered small positive returns for the quarter while Japan and Australian were the worst performing regions, with real estate stocks down 19%.

As a result of the credit crisis, the outlook for office-based employment in financial markets was negative during the quarter. Although recent rental growth was positive, this outlook weighed on the New York and London office markets. European transaction activity and fund raising was strong, although deal activity in the UK was curtailed.

Although the Japanese office market remained strong, the country's retail and residential property markets suffered during the quarter. This reflected investor concerns that Japanese economic fundamentals have deteriorated.

In the rest of Asia, general housing demand showed signs of a slowdown. Caution about a deceleration in China's economic expansion took the heat out of the Hong Kong property market. However, interest rate cuts in the US were seen as positive for financing in Hong Kong since the currency pegs imply a similar interest rate policy will be adopted there.

sector commentary

The sector underperformed the benchmark by 0.3% during the quarter. Over the 12 month period to 31 March 2008, the sector outperformed by 0.7%.

Country allocation was the main detractor from performance during the quarter, reflecting the wide range of investment returns across regions. An overweight exposure to Japan and Hong Kong, combined with an underweight exposure to the better performing US and UK markets, hurt returns. An underweight position in Australia, however, did provide some boost to returns.

Stock selection in Japan hurt performance, particularly the sector's overweight positions in Mitsui-Fudosan and NTT Urban Development, which fell 18.6% and 21.0% respectively. Holdings in Hong Kong and Singapore listed real estate companies involved in property development in China also hurt performance during the quarter. Negative sentiment around the prospects and financing needs of these companies translated into falling prices for companies such as Kerry Properties (-25.1%), Yanlord Land Group (-35.8%) and Hang Lung Properties (-22.0%). Despite these price falls, the flexible balance sheets and better positioning of these stocks are expected to provide valuation support going forward.

European holdings provided some of the largest contributions to return. Unibail-Rodamco and Fonciere des Regions returned 8.7% and 7.5% respectively. Both of these companies have well diversified portfolios, more modest gearing levels and lack exposure to large development pipelines. Stock selection in the US also contributed positively to performance. The sector's focus on higher quality asset portfolios and better balance sheets was valued by the market in this difficult period, and provided positive momentum to performance.

The more defensive positioning of the sector is being maintained, with underweight positions in the more cyclical sectors such as retail and hotels. The listed property stocks in the sector are trading at prices which are at a discount to estimated net asset values of approximately 13% on average. The extent of this swing to discount can be seen when comparing prices to the beginning of 2007 when the benchmark was trading at an estimated 21% premium.

Australian Shares

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-14.0	-16.1	-12.3	-7.7	5.8	13.8	18.0
Sector - Strategy 5	-12.4	-14.5	-12.1	-8.0	5.2	n/a	n/a
BGI	-15.3	-18.1	-12.2	-6.4	7.1	15.0	19.1
Integrity	-13.2	n/a	n/a	n/a	n/a	n/a	n/a
Schroders	-12.0	-14.9	-11.6	-7.4	6.8	15.2	19.4
Maple-Brown Abbott	-10.2	-12.4	-9.8	-6.9	6.7	12.5	16.9
Investors Mutual	-11.6	-12.9	-10.3	-5.6	6.4	11.1	n/a
Wallara	-15.8	-17.4	-11.3	-7.2	3.9	13.7	n/a
Bernstein Value	-14.3	-17.7	-14.1	-8.9	4.0	n/a	n/a
MIR	-15.0	-17.2	-15.9	-11.8	3.2	n/a	n/a
Challenger	-19.5	-21.6	-22.3	-18.4	0.9	n/a	n/a
Benchmark	-14.6	-16.9	-12.1	-7.2	6.4	13.8	18.0

Notes:
Benchmark = S&P/ASX 300 Accumulation Index.
Bernstein Value is only available in Diversified Investment Strategy No. 5.
Integrity replaced UBS as an Australian Share sector manager in December 2007.

market commentary

S&P/ASX 300 Accumulation Index: 3 months: -14.6%; 12 months: -7.2%

The first quarter of 2008 saw the Australian equity market deliver its weakest quarterly performance since 1987. The re-pricing of equities reflected a number of common themes - a reassessment of risk following the problems in the US sub prime lending market, disruptions in the provision of credit, and the sale of assets as some borrowers were forced to reduce their leverage. Uncertainty over the US economic outlook also increased with problems in the sub prime lending market spreading across the broader economy. These developments focussed attention on corporate earnings prospects.

The Financials sector was the weakest performing area of the market during the period, falling 23.1%. The sector experienced a rise in volatility reflecting uncertainty in US markets, higher borrowing costs (both in credit markets and due to monetary policy tightening) and increased concerns over asset quality. A disappointing profit report from CBA provided further weakness to the sector. A number of smaller financial groups operating in higher risk areas, such as Allco Finance, came under extreme pressure due to rising credit costs and difficulties securing refinancing as increased risk aversion led to a tightening in lending standards.

Consumer Discretionary was the second worst performing sector during the quarter, falling 21.4%. Within the sector MFS (now known as Octaviar) and ABC Learning were high profile underperformers. The share price of both stocks declined sharply as the need for asset sales to satisfy looming debt obligations triggered aggressive selling.

While financials and companies with high levels of debt on their balance sheets were treated harshly during the quarter, the Energy and Materials sectors performed relatively well. Companies in this area of the market have benefited from the strong demand for commodities from emerging markets. Telecommunication companies, such as Telstra and Singtel, also did well due to their strong balance sheets, strong cash flows and stable earnings.

Despite the Australian equity market's poor performance over the quarter, valuations appear reasonable at present and corporate balance sheets generally appear healthy. Solid economic growth rates in emerging economies continued to provide a strong source of demand for commodities which has generated positive momentum for resource stocks.

sector commentary

The sector outperformed the benchmark by 0.6% for the quarter. Over the 12 month period to 31 March 2008, the sector underperformed by 0.5%.

During the quarter, the strongest performing managers were Maple Brown Abbott and Investors Mutual. These managers returned 4.4% and 3.0% above the benchmark respectively, benefiting from a relatively defensive positioning within their portfolios. Challenger Managed Investments was the weakest performing manager, returning 4.9% below the benchmark.

The sector's outperformance of the benchmark for the quarter was driven by its moderately defensive positioning. An overweight exposure to the Consumer Staples, Telecommunications and Healthcare sectors was the main contributor to performance. An underweight exposure to listed property trusts, and the sector's cash holdings also helped performance during the period.

The main detractors of performance during the quarter were underweight positions in Materials and Energy, which were the strongest performing sectors of the market, and an overweight exposure to banks. The sector's position in ABC Learning also detracted from performance during the period.

The sector's underperformance of the benchmark over the 12 month period was largely driven by its marginal underweight exposure to resource stocks, in particular BHP Billiton, which has risen 58.7% over the past year. The strong performance of the Materials sector over the past 12 months, up 22.9%, reflects that the domestic market is two-tiered at present. Material stocks have benefited from strong Asian demand, while other sectors of the market have been impacted by the global contagion of the credit crisis.

In general, Australian earnings are moderating, and the ratio of earnings upgrades to downgrades is declining. Companies are facing margin pressures and expectations for the future are declining. However, balance sheets are broadly sound and have been conservatively managed with reasonable cash cushions. Those companies that are more highly geared and may face funding difficulties have largely been de-rated already.

sector commentary (Strategy 5)

The sector outperformed the benchmark for the quarter by 2.2%, and underperformed by 0.8% over the 12 month period to 31 March 2008.

The sector's outperformance of the benchmark for the quarter was driven by its defensive positioning resulting from large allocations to Maple Brown Abbott and Investors Mutual Limited. An underweight exposure to listed property trusts, and the sector's cash holdings also helped performance during the period. These managers returned 4.4% and 3.0% above the benchmark respectively.

International Shares

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector - Unhedged	-14.1	-15.0	-15.9	-14.1	-7.1	4.6	6.9
Wellington	-16.0	-15.0	-14.9	-13.9	-6.9	3.8	6.2
GMO	-12.0	-12.3	-12.4	-10.6	-5.8	4.6	n/a
Bernstein Value	-13.4	-17.3	-21.1	-18.1	-7.4	5.3	9.3
Capital	-11.8	-13.3	-13.5	-10.7	-6.8	5.3	n/a
Alliance Growth	-17.1	-16.3	-15.8	-15.1	-9.1	4.8	n/a
LSV	-12.1	-15.8	-20.3	-18.8	-7.1	4.2	n/a
Benchmark	-12.4	-13.8	-15.7	-14.6	-6.9	3.5	6.5
Sector - Hedged	-12.8	-14.8	-14.0	-7.8	1.3	9.9	15.0
Sector - Strategy 5 Hedged	-11.5	-16.1	-18.0	-11.6	1.1	n/a	n/a
BGI Index	-10.9	-13.4	-13.4	-7.8	2.1	n/a	n/a
Wellington	-14.9	-15.1	-13.3	-7.8	1.5	9.0	14.3
GMO	-10.8	-12.2	-10.5	-4.1	2.8	10.1	n/a
Bernstein Value	-12.1	-17.2	-19.2	-12.0	1.1	10.8	18.0
Capital	-10.5	-13.1	-11.6	-4.2	1.8	10.9	n/a
Alliance Growth	-15.9	-16.2	-14.1	-9.0	-0.8	10.2	n/a
LSV	-10.8	-15.7	-18.5	-12.7	1.5	9.8	n/a
Benchmark	-11.0	-13.4	-13.5	-7.9	2.0	9.2	15.5

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 months: -11.0%; 12 months: -7.9%

MSCI World ex-Australia Index ($A unhedged): 3 months: -12.4%; 12 months: -14.6%

Volatility remained heightened in international equities amid increased investor risk aversion, a reassessment of underlying investment risks, the deleveraging of balance sheets and large asset write-offs by major financial institutions. Signs of weaker US economic growth also led to downwards earnings revisions by some companies.

Whilst concerns over events in the US were the catalyst for global equity trends, the US market itself outperformed other major markets, falling 7.6% over the quarter. Performance was aided by the depreciation of the US Dollar against the Yen and Euro which helped the competitiveness of US companies. Japan was the worst performer of the major developed markets, falling 18.2% on the back of a strong Japanese Yen and ongoing concerns about economic growth. A strong Euro provided a headwind to European markets during the quarter, and saw the market fall 16.2%. The Far East was the weakest region, falling 18.3% as investors worried about how a slowdown in US growth would affect exports from the region. Valuations in China and Hong Kong had also been stretched, and with liquidity drying up, there was scope for valuations to return to more normal levels.

During the period investors favoured quality businesses with lower exposure to debt and strong sustainable earnings streams. Materials was the strongest performing sector, falling 6.5%. This was a function of persisting commodity price strength and strong demand from China and India. Financials performed poorly (-15.4%) due to a rise in funding costs and worries over exposure to low quality debt. The Information Technology sector also declined sharply (-16.7%) due to uncertainty over the implications of US growth on broader global demand.

The main corporate event during the quarter was the announcement that US investment bank, JP Morgan, would move to acquire rival Bear Stearns. Despite repeated denials that it was experiencing liquidity problems, Bear Stearns suffered a complete loss of market confidence in its financial position, and a freefall in its share price wiped US$5.7 billion from the company's market value. To avoid bankruptcy and any further dislocation in US financial markets, the Federal Reserve provided long-term secure financing which enabled JP Morgan to acquire Bear Stearns with the problem assets being pledged as security.

While valuations in international equities appear reasonable at present, the short-term future of company earnings remains uncertain. Until there is a clearer picture regarding the direction of company earnings and the health of corporate balance sheets, the market is likely to remain volatile.

sector commentary

The sector underperformed the benchmark by 1.1% during the quarter (unhedged return). Over the 12 month period to 31 March 2008, the sector outperformed by 0.3%.

In the first quarter of the year there was little divergence in returns between growth and value styles. The main detractors of performance were Alliance Growth, Wellington and Bernstein Value who all underperformed the benchmark. Within manager portfolios, stock selection was the main contributor to poor performance. Alliance Growth was hurt by an overweight to financial stocks, and exposure to investment banks such as Lehman Brothers, which fell 42.2%, and UBS, which fell 44.9%. Wellington's performance suffered due to exposure to internet browser Google, which fell 36.3%, and US healthcare group United Health, which fell 4.1%. Over the 12 months to the end of March, Alliance Growth and Bernstein Value also underperformed the benchmark, however Wellington added some value returning 0.7% over the index.

During the quarter, the sector benefited from an overweight exposure to Materials, which was the strongest performing sector of the index. An underweight exposure to Consumer Staples, Industrials and Utilities also helped performance. The greatest contributors to performance during the quarter were GMO, Capital and LSV, who all outperformed the benchmark, benefiting from positive stock selection. In Capital's portfolio, value was added mainly through stock selection in the Healthcare, Materials and Information Technology sectors. Among the larger contributors to active return were US biotech company Genentech, which rose 21.0%, Canadian fertiliser company Potash Corporation of Saskatchewan, which gained 11.2% and British Energy, up 22.0% over the quarter.

sector commentary (Strategy 5)

The sector underperformed the benchmark by 0.5% (hedged) during the quarter. Over the 12 month period to 31 March 2008, the sector underperformed by 3.7%.

The greatest contributor to performance during the quarter was LSV, who outperformed the benchmark. An overweight exposure to Materials that performed well over the quarter helped performance, and the manager also benefited from positive stock selection. An overweight exposure to Telecommunications and Financials, which performed poorly over the period, detracted from the manager's overall performance.

During the quarter, the main detractor of performance was Bernstein Value who underperformed the benchmark. Stock selection hurt returns during the period, with holdings in Nissan (-33.0%) and Renault (-27.7%) detracting from performance. Not holding Walmart, which gained 10.8%, also hurt returns over the quarter.

International Smaller Companies

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-12.0	-19.9	-28.5	-25.3	n/a	n/a	n/a
Arrowstreet	-12.0	-19.9	-28.5	-25.3	n/a	n/a	n/a
Benchmark	-12.0	-16.8	-21.7	-21.2	-12.2	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 months: -12.0%; 12 months: -21.2%

International small caps performed in line with large cap stocks during the quarter. While concerns over events in the US have been the catalyst for falling equity markets across the globe, the US market was actually one of the stronger performing markets during the period. The depreciation of the US Dollar against the Yen and Euro helped the competitiveness of US companies, providing support for smaller US companies. Hong Kong stocks were the weakest performers during the period as investors worried about the effects a slowdown in US growth would have on exports. Valuations in Hong Kong stocks have also been stretched, and with liquidity drying up, there has been scope for valuations to return to more normal levels. In addition, inflationary worries in the Chinese economy contributed to the Hong Kong market's poor performance over the period.

During the quarter investors favoured quality businesses with lower exposure to debt and strong sustainable earnings streams. Materials performed relatively well – a function of persisting commodity price strength and strong demand from China and India. Financials performed poorly due to the rise in funding costs and worries over exposure to low quality debt. The Information Technology sector also declined sharply due to uncertainty over the implications of US growth on broader global demand.

Although international small cap equities performed in line with large caps during the quarter, over the past year they have underperformed large caps. Valuations of small cap stocks are at more reasonable levels, however until there is a clearer picture regarding the direction of company earnings, the performance of this market is likely to remain volatile.

sector commentary

For the first quarter of the year the sector performed in line with the index by 0.1%. Over the 12 month period to 31 March 2008 the sector underperformed the index by 4.1%.

During the quarter the sector benefited from exposure to the Canadian company Energy Fuels. The stock rose 21.3% during the period after the company announced that it was adding the first fully permitted uranium/vanadium mine to its assets.

The sector also benefited from a substantial underweight exposure to the Financials and Consumer Discretionary sectors which performed poorly during the quarter. An overweight exposure to the Materials and Energy sectors were also positive for performance as these areas of the market performed relatively well.

The main detractors of performance over the past 12 months have been stock selection. An overweight exposure to Singaporian plastic manufacturer, Sunningdale Tech Ltd, hurt performance as this stock fell 42.9% over the 12-month period. An overweight position in Centennial Comms Corp, which fell 29.1% during the year, also detracted from performance.

Global Emerging Markets

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-13.7	-9.2	-0.5	8.7	9.6	22.5	24.4
Legg Mason	-13.7	-9.3	-0.8	8.4	9.4	22.3	n/a
Benchmark	-14.4	-10.6	-1.9	7.4	6.9	22.3	24.8

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

market commentary

MSCI EM Index in $A: 3 months: -14.4%; 12 months: 7.4%

After outperforming developed markets during the December quarter, investor sentiment in emerging markets shifted dramatically between January and March. Investor concerns about the implications of a global economic slowdown brought a halt to the outperformance by emerging markets over developed markets which has marked recent years.

The return for the quarter was driven by weak underlying equity markets rather than currency movement, although a stronger Australian Dollar did contribute to the negative return.

The best performing region during the quarter was Latin America which fell 4.5%, supported by buoyant commodity prices and the region’s heavy exposure to resources. Argentina led the region for the quarter after being a laggard over the previous year.

Asia was the weakest performing region, falling 14.7% and suffering from particularly sharp declines in Chinese and Indian markets. These declines were driven predominantly by the likely implications of a US recession. Inflationary concerns also weighed on markets with rising food costs in both China and India. China’s worst winter in 50 years also created production disruptions.

In contrast to other Asian markets, Taiwan was flat over the quarter, benefiting from favourable political developments as the presidential election results point to improvements in the relationship and trade with China.

The worst performing market was Turkey which fell 30.0%. Most of Turkey’s decline occurred in January on evidence of sharply contracting economic growth and despite a central bank interest rate cut. The market also fell sharply in March reflecting heightened political risk as tensions mount between Turkey’s secular constitutional order and its socially conservative government - the chief prosecutor is seeking to have the governing AKP closed.

sector commentary

During the first quarter of the year the sector outperformed the index by 0.7%. Over the 12 month period to 31 March 2008 the sector outperformed the index by 1.3%.

Country selection was the greatest contributing factor to the sector’s outperformance. Overweight exposures to Brazil and Thailand provided a boost to relative performance, although an underweight exposure to Mexico and Chile detracted from performance.

Stock selection in Russia, and a large exposure to the country’s energy stocks, contributed positively to performance over the quarter. Exposure to Russian mining and metals company Mechel, which rose 30.6% over the quarter, contributed positively to performance. Although the position was trimmed during the quarter, it remains one of the larger overweight positions in the sector. During the period, the holding in Rosneft, Russia’s largest oil producer, was increased as the integration of assets from Yukos underpins expected earnings growth.

Stock selection in India also contributed to outperformance of the benchmark. The position in DLF, India's biggest real estate developer, was sold in January. The stock had risen 120% since its listing last year.

Stock selection in Taiwan and Brazil detracted from performance. Catcher Technology, one of the manufacturing specialists heavily employed by Apple, fell 40.2%. The sector’s exposure to this stock was trimmed as scope for further failure to meet earnings expectations was considered too great. CVRD, the world's largest exporter of iron ore and the largest gold producer in Latin America, made strong gains during the quarter. Since CVRD is the sector’s largest underweight position, this impacted negatively on returns for the period. The sector’s exposure to this stock will remain underweight in the near-term as it is believed that the current price for the stock already reflects high expectations for strong iron ore pricing and lacks valuation support.

The largest active overweight is now Brazilian airline, TAM. Exposure to the stock was increased over the quarter after a period of significant underperformance. Since airport and air-traffic control issues have recently been resolved, the outlook for the Brazilian airline industry has improved and TAM appears to be well positioned to benefit, particularly given its cost-cutting initiatives.

Alternative Assets

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	5.4	6.8	7.0	11.8	10.4	n/a	n/a
Sector - Strategy 5	-0.1	0.9	0.8	5.1	6.7	n/a	n/a
AXA Rosenberg	5.4	6.9	7.1	11.7	10.4	n/a	n/a
BGI Total Return Multi-Opp Fund	1.1	1.4	0.6	6.9	7.6	n/a	n/a
BT Global Return Fund	-0.6	2.0	0.6	5.5	7.4	n/a	n/a
Benchmark	1.8	3.6	5.3	7.0	6.6	6.3	5.9

Notes:

Benchmark = UBSA Bank Bill Index.

Sector – Strategy 5.

The performance of the BT Global Return Fund is net of all fees charged by the manager.

The investment performance of managers within the alternative assets sector may be lagged by one month or in some cases more. As a result, the Financial YTD performance may also be lagged by one month or in some cases more.

AXA Rosenberg Aust Equity Long Short Fund

AXA Rosenberg outperformed cash by 3.6% during the first quarter, and by 4.7% over the 12 month period to 31 March 2008.

The portfolio continues to have a value orientation and is therefore more likely to do well in value-driven markets, such as the first quarter of the year. During the period, the portfolio also benefited from short positions in banks and Australian listed property trusts which performed poorly in the first three months. An exposure to Materials, which was the strongest performing sector in Australian equities, also had a positive impact on performance.

Over the past year, the portfolio has benefited from a greater exposure to stocks that have done well relative to the benchmark, have earnings stability and are short geared. Last year the investment process was enhanced to allow for a greater focus on near-term earnings. This has helped the performance of the portfolio over the past 12 months as stocks with good near-term earnings potential have been well rewarded. This is partly evidenced by the overweight position in mining stocks which has helped performance over the past year.

BGI Total Return Multi Opportunity Fund

The BGI Multi-Opportunity Fund underperformed cash by 0.7% for the three months to the end of February 2008, and marginally outperformed by 0.1% for the year to end February 2008. The returns reflect the impact the global liquidity crisis and general market dislocation have had on hedge fund strategies.

During the three months to the end of February, equity market stock selection in Europe and the US contributed positively to performance. Within fixed interest the fund benefited from a steepening US yield curve. Equity market selection within the Global Macro strategy detracted from performance.

Over the 12 month period, fixed interest strategies and bond versus equity market selection were positive. US equity market stock selection was the largest detractor from performance and equity market selection also hurt performance.

BT Global Return Fund

During the three months to end February 2008 the investment environment was exceptionally difficult for hedge funds. The global liquidity crisis and fears of a US recession caused a severe dislocation in markets, especially in credit markets, and this impacted the ability of hedge fund managers to execute strategies. For the three months to end of February, the BT Global Return Fund underperformed cash by 2.4%, and underperformed by 1.3% for the 12 months to end February.

Up to 30% of the fund is invested in directional credit and other credit-related strategies. As a result, wider credit spreads, liquidity issues in the marketplace and higher market volatility impacted negatively on the fund, causing the bulk of the poor performance. Equity strategies, distressed securities and merger arbitrage also contributed to the losses. The dislocation in markets was the main cause.

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 seeks to add value above cash by exploiting structural inefficiencies around the short end of the yield curve, including term premium, liquidity premium and credit premium volatility. The fund utilises most sectors of the global bond market for its opportunity set.
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.
Legg Mason	On Watch	The manager values trusts from a capital markets' perspective and has captured the shift towards corporate earnings growth within this sector.
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.
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 has highly developed multi-factor approach developed within a well-established global research framework. Chief Investment Officer and Chief Executive, Morry Waked, provides strong local leadership and is supported by a deep and highly skilled research team. Our expectations of alpha delivery remain positive.

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 drive by valuations and fundamentals.
Schroders	Preferred	We continue to believe that the investment team is strong and applies their pragmatic growth approach in a thoughtful and effective way.
Maple-Brown Abbott	Preferred	Maple-Brown Abbott 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 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. The manager is currently 'on watch' following some changes to the investment team.
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. Ably 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	Preferred	Challenger's high conviction portfolio seeks to identify stocks likely to benefit from either industry restructuring or those that are in corporate turnaround situations. We believe the Challenger team lead by Head of Equities, Peter Greentree, is of a high quality. We believe they will continue to identify good investment ideas and build portfolios that will generate good alpha over the long term.

International Shares		
BGI (Fission)	Preferred	This fund aims to deliver index returns.
Wellington	Preferred	Wellington's global industry research analysts construct a global shares portfolio with similar industry weightings to the benchmark.
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, but 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 should enable the manager to identify high quality value stocks to outperform over the long-term.
Capital	Preferred	Capital is an active, fundamental, bottom-up manager that aims to invest in high quality businesses with a sustainable competitive advantage and that are reasonably priced relative to their long-term earnings potential. The managers' willingness to take substantial stock, sector and country bets may mean at times that the portfolio's performance may differ from that of the benchmark.
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.
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 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.
Alternative Assets		
AXA Rosenberg	Preferred	The AXA Rosenberg long/short Australian equities strategy is a single manager, single strategy portfolio. It aims to maximise active returns while controlling risk by holding approximately equal exposures of long and short positions in stocks listed on the Australian Stock Exchange.
BGI Total Return Multi Opportunity Fund	Preferred	The BGI Total Return Multi-Opportunity Fund is a single manager, multi-strategy fund. BGI can call upon deep resources to focus on quantitative research and development. The quantitative investment process is transparent and seeks to deliver consistent, risk-controlled absolute returns over time that are uncorrelated with traditional asset classes.
BT Global Return Fund	Preferred	The BT Global Return Fund is a fund of hedge funds that aims to deliver superior risk adjusted returns over time. Returns are expected to have low volatility and low correlation with share and fixed interest markets.

portfolio management report

summary of investment activity since 1 July 2005

Date	sector	change	rationale
Aug 05	Australian shares	Appointed Challenger Financial Services Group	~ 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	~ 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	~ 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	~ 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	~ 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	~ Reviewed existing manager line-up. Comfortable with current managers and allocations.
Mar 07	Australian property	Review sector construction and manager allocation	~ Remain comfortable with existing managers. ~ Recommendations to potentially identify new opportunities to generate return while

Date	sector	change	rationale
			managing risk.
June 07	International shares	Consider core manager line-up and manager allocations	~ 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	~ Assess impact of staff departures, including the Head of Australian Equities Paul Fiani.
Dec 07	Australian shares	Integrity appointed	~ 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”	~ Following the departure of key investment team staff, the decision was made to place Investors Mutual “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	50.0	50.0	0.0	0.0
	PIMCO	50.0	50.0	100.0	100.0
Australian Property Sector	BGI Index	0.0	0.0	48.2	50.0
	Legg Mason	50.1	50.0	0.0	0.0
	SG Hiscock	49.9	50.0	51.8	50.0
International Property Sector	CBRE	52.3	50.0	50.7	50.0
	LaSalle	47.7	50.0	49.3	50.0
Australian Share Sector	BGI	20.2	21.0	0.0	0.0
	Integrity	5.7	5.0	0.0	0.0
	Schroders	20.0	20.0	0.0	0.0
	Maple-Brown Abbott	15.5	15.0	30.7	30.0
	Investors Mutual	7.4	7.0	35.0	35.0
	Wallara	17.3	18.0	0.0	0.0
	Bernstein Value	0.0	0.0	14.9	15.0
	MIR	7.3	7.0	19.4	20.0
	Challenger	6.6	7.0	0.0	0.0
International Share (Unhedged) Sector	Wellington	25.8	25.0	0.0	0.0
	GMO	15.1	15.0	0.0	0.0
	Bernstein Value	17.6	17.5	0.0	0.0
	Capital	20.1	20.0	0.0	0.0
	Alliance Growth	14.2	15.0	0.0	0.0
	LSV	7.2	7.5	0.0	0.0
International Share (Hedged) Sector	BGI Index	0.0	0.0	19.9	20.0
	Wellington	24.7	25.0	0.0	0.0
	GMO	15.5	15.0	0.0	0.0
	Bernstein Value	17.9	17.5	49.9	50.0
	Capital	19.9	20.0	0.0	0.0
	Alliance Growth	14.5	15.0	0.0	0.0
	LSV	7.6	7.5	30.2	30.0
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 Assets Sector	AXA Rosenberg	100.0	100.0	3.8	25.0
	BGI Total Return Multi-Opp Fund	0.0	0.0	47.1	30.0
	BT Global Return Fund	0.0	0.0	49.1	45.0

Notes:

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

Target % based on agreed allocation within each asset class.

All monies held in BT Global Return Fund were redeemed as at 29 February 2008. The proceeds from this redemption were invested into Cash in the interim period between receipt of the funds and purchasing units in the ipac Diversified Alpha Fund as at 1 April 2008.

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	20.6%	20.0%	4.9%	5.0%	3.0%	2.5%	0.8%	1.0%	5.4%	5.0%	28.3	2.7	0.2
Alternative Income Sector	20.0%	20.0%	5.8%	5.0%	2.9%	2.5%	0.0%	0.0%	8.4%	7.5%	0.0	0.0	0.0
Australian Fixed Interest Sector	15.2%	15.0%	9.2%	9.0%	5.6%	5.0%	0.0%	0.0%	4.8%	4.5%	30.3	12.6	1.0
International Fixed Interest Sector	15.0%	15.0%	10.4%	9.0%	5.9%	5.0%	0.0%	0.0%	5.4%	5.0%	14.8	8.7	1.5
Defensive Assets	**70.7%**	**70.0%**	**30.2%**	**28.0%**	**17.4%**	**15.0%**	**0.8%**	**1.0%**	**24.0%**	**22.0%**	**73.5**	**24.0**	**2.7**
Australian Property Sector	3.6%	4.0%	3.4%	4.5%	3.7%	4.0%	4.2%	4.0%	7.4%	7.5%	3.1	6.0	1.6
International Property Sector	3.9%	4.0%	4.4%	4.5%	3.7%	4.0%	4.3%	4.0%	7.4%	7.5%	0.8	5.5	1.4
Australian Share Sector	13.2%	14.0%	30.9%	31.0%	35.8%	36.0%	39.3%	39.0%	21.8%	21.5%	13.6	36.8	51.1
International Share (Unhedged) Sector	4.3%	4.0%	11.1%	11.0%	13.2%	13.5%	17.8%	17.5%	0.0%	0.0%	9.0	27.7	43.2
International Share (Hedged) Sector	4.3%	4.0%	12.9%	13.0%	16.0%	16.5%	21.7%	21.5%	20.7%	21.5%	0.0	0.0	0.0
International Smaller Companies Sector	0.0%	0.0%	2.0%	2.0%	3.0%	3.0%	4.0%	4.0%	0.0%	0.0%	0.0	0.0	0.0
Global Emerging Markets Sector	0.0%	0.0%	3.5%	3.0%	3.8%	3.0%	5.1%	4.0%	0.0%	0.0%	0.0	0.0	0.0
Growth Assets	**29.3%**	**30.0%**	**68.1%**	**69.0%**	**79.2%**	**80.0%**	**96.5%**	**94.0%**	**57.4%**	**58.0%**	**26.5**	**76.0**	**97.3**
Alternative Assets Sector	0.0%	0.0%	1.6%	3.0%	3.4%	5.0%	2.7%	5.0%	18.6%	20.0%	0.0	0.0	0.0
Alternative Assets	**0.0%**	**0.0%**	**1.6%**	**3.0%**	**3.4%**	**5.0%**	**2.7%**	**5.0%**	**18.6%**	**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.

All monies held in BT Global Return Fund were redeemed as at 29 February 2008. The proceeds from this redemption were invested into Cash in the interim period between receipt of the funds and purchasing units in the ipac Diversified Alpha Fund as at 1 April 2008.

InTech Conservative Growth is comparable with Diversified Strategy No. 1.

InTech Growth is comparable with Diversified Strategy No. 2 & 3.

InTech High Growth is comparable with Diversified Strategy No. 4.

top 10 holdings - Diversified Investment Strategies 1 - 4

	Australian Shares	% sector	International Shares	% sector
1	BHP BILLITON LTD	9.1%	POTASH CORP SASK INC	1.3%
2	NATL AUSTRALIA BK	6.1%	NESTLE SA	1.1%
3	AUST +NZ BANK GRP	5.2%	E ON AG	1.1%
4	RIO TINTO LIMITED	4.8%	MICROSOFT CORP	1.0%
5	WESTPAC BKG CORP	4.5%	ING GROEP NV	0.9%
6	TELSTRA CORP	4.5%	BANK AMER CORP	0.9%
7	CMNWLTH BK OF AUST	3.6%	SANOFI AVENTIS	0.8%
8	WOOLWORTHS LTD	3.1%	CREDIT SUISSE GRP	0.7%
9	WOODSIDE PETROLEUM	2.5%	CANADIAN NATURAL RES LTD	0.7%
10	BRAMBLES LTD	2.3%	JAPAN TOBACCO INC	0.7%

	Australian Property Securities	% sector	International Property	% sector
1	WESTFIELD GROUP	34.4%	UNIBAIL RODAMCO	5.2%
2	GPT GROUP	10.4%	SIMON PPTY GROUP INC NEW	4.5%
3	STOCKLAND	10.3%	WESTFIELD GROUP	4.4%
4	MIRVAC GROUP	6.4%	PROLOGIS	3.7%
5	VALAD PROPERTY GP	5.6%	VORNADO RLTY TR	3.1%
6	GOODMAN GROUP	5.0%	GPT GROUP	2.8%
7	DEXUS PROPERTY GP	3.5%	BOSTON PPTYS INC	2.7%
8	MACQUARIE OFFICE	3.2%	AVALONBAY CMNTYS INC	2.4%
9	MACQUARIE COUNTRYWIDE	2.0%	PUBLIC STORAGE	2.4%
10	MACQUARIE DDR TST UNITS N	1.6%	VENTAS INC	2.1%

top 10 holdings - Diversified Investment Strategy 5

	Australian Shares	% sector	International Shares	% sector
1	BHP BILLITON LTD	8.7%	CHEVRON CORP	17%
2	NATL AUSTRALIA BK	7.5%	JPMORGAN CHASE +CO	15%
3	TELSTRA CORP	6.5%	EXXON MOBIL CORP	15%
4	WESTPAC BKG CORP	5.9%	PFIZER INC	14%
5	AUST +NZ BANK GRP	5.9%	CONOCOPHILLIPS	14%
6	RIO TINTO LIMITED	4.4%	BASF SE	13%
7	AMCOR LIMITED	3.2%	ROYAL DUTCH SHELL	12%
8	FOSTERS GROUP	2.8%	VODAFONE GROUP	12%
9	TABCORP HLDGS LTD	2.5%	ING GROEP NV	10%
10	CMNWLTH BK OF AUST	2.3%	ARCELORMITTAL	10%

	Australian Property Securities	% sector	International Property	% sector
1	WESTFIELD GROUP	34.8%	UNIBAIL RODAMCO	5.2%
2	STOCKLAND	10.7%	SIMON PPTY GROUP INC NEW	4.5%
3	GPT GROUP	8.5%	WESTFIELD GROUP	4.4%
4	GOODMAN GROUP	6.1%	PROLOGIS	3.8%
5	DEXUS PROPERTY GP	5.7%	VORNADO RLTY TR	3.1%
6	VALAD PROPERTY GP	5.3%	GPT GROUP	2.7%
7	MIRVAC GROUP	4.5%	BOSTON PPTYS INC	2.7%
8	MACQUARIE OFFICE	2.8%	AVALONBAY CMNTYS INC	2.4%
9	MACQUARIE COUNTRYWIDE	2.1%	PUBLIC STORAGE	2.4%
10	ABACUS PROPERTY GROUP	17%	VENTAS INC	2.1%

sector allocations vs benchmark - Diversified Investment Strategies 1 - 4

Australian Shares – portfolio vs benchmark (by sector)

sector	% allocation	% S&P/ASX 300
CONSUMER DISCRETIONARY	7.3%	5.0%
CONSUMER STAPLES	7.0%	8.3%
ENERGY	5.1%	6.5%
FINANCIALS EXCLUDING PROPERTY TRUSTS	29.2%	28.4%
HEALTH CARE	4.9%	3.2%
INDUSTRIALS	11.4%	7.7%
INFORMATION TECHNOLOGY	0.8%	0.6%
LISTED PROPERTY TRUSTS	3.1%	7.8%
MATERIALS	24.4%	26.6%
TELECOMMUNICATION SERVICES	5.7%	4.3%
UTILITIES	1.1%	1.5%

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

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Lehman Global Aggregate Index
NORTH AMERICA	49.0%	53.4%	54.8%	39.5%
EUROPE (EXCLUDING UK)	26.2%	24.6%	28.4%	33.6%
UK	8.9%	10.7%	3.3%	5.1%
ASIA (EXCLUDING JAPAN)	1.8%	1.5%	0.0%	1.3%
JAPAN	8.9%	9.6%	9.9%	17.9%
OTHER	0.0%	0.1%	3.6%	0.6%
EMERGING MARKETS	5.2%	0.0%	0.0%	1.8%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	10.5%	9.8%
CONSUMER STAPLES	7.1%	9.4%
ENERGY	11.0%	11.3%
FINANCIALS INCLUDING PROPERTY TRUSTS	20.8%	21.7%
HEALTH CARE	10.0%	9.0%
INDUSTRIALS	10.4%	11.9%
INFORMATION TECHNOLOGY	10.9%	10.5%
MATERIALS	11.4%	7.0%
TELECOMMUNICATION SERVICES	4.1%	4.6%
UTILITIES	3.8%	4.9%

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	-12.4%	21.3%
SEMI GOVERNMENT	0.0%	27.3%
CORPORATE / OTHER	112.4%	51.5%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Lehman Global Aggregate Index
ASSET BACKED / OTHER	40.0%	20.7%
CORPORATE	22.6%	16.3%
GOVERNMENT	37.5%	62.9%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 Property Trust Index
COMMERCIAL	6.4%	6.9%
DIVERSIFIED	40.9%	36.9%
HOTEL	0.0%	0.0%
INDUSTRIAL	5.9%	10.8%
RETAIL	42.3%	45.4%
OTHER	4.5%	0.0%

International Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	47.5%	49.9%
EUROPE EXCLUDING UK	16.2%	16.4%
UK	8.7%	10.2%
JAPAN	6.3%	5.4%
ASIA EX JAPAN	10.8%	4.6%
OTHER	10.5%	13.5%

Global Emerging Markets - portfolio vs benchmark

	% allocation	% MSCI EM Index
LATIN AMERICA	21.4%	22.7%
ASIA EX JAPAN	50.4%	52.9%
EUROPE / MIDDLE EAST / AFRICA/OTHER	28.3%	24.4%

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	11.3%	5.0%
CONSUMER STAPLES	7.0%	8.3%
ENERGY	6.3%	6.5%
FINANCIALS EXCLUDING PROPERTY TRUSTS	28.3%	28.4%
HEALTH CARE	1.7%	3.2%
INDUSTRIALS	9.7%	7.7%
INFORMATION TECHNOLOGY	0.0%	0.6%
LISTED PROPERTY TRUSTS	3.2%	7.8%
MATERIALS	22.9%	26.6%
TELECOMMUNICATION SERVICES	8.6%	4.3%
UTILITIES	0.9%	1.5%

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

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Lehman Global Aggregate Index
NORTH AMERICA	47.7%	53.4%	56.1%	39.5%
EUROPE (EXCLUDING UK)	27.0%	24.6%	22.7%	33.6%
UK	10.4%	10.7%	1.8%	5.1%
ASIA (EXCLUDING JAPAN)	1.4%	1.5%	0.0%	1.3%
JAPAN	11.0%	9.6%	13.4%	17.9%
OTHER	0.1%	0.1%	6.0%	0.6%
EMERGING MARKETS	2.5%	0.0%	0.0%	1.8%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	11.3%	9.8%
CONSUMER STAPLES	7.0%	9.4%
ENERGY	6.3%	11.3%
FINANCIALS INCLUDING PROPERTY TRUSTS	31.5%	21.7%
HEALTH CARE	1.7%	9.0%
INDUSTRIALS	9.7%	11.9%
INFORMATION TECHNOLOGY	0.0%	10.5%
MATERIALS	22.9%	7.0%
TELECOMMUNICATION SERVICES	8.6%	4.6%
UTILITIES	0.9%	4.9%

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	-12.4%	21.3%
SEMI GOVERNMENT	0.0%	27.3%
CORPORATE / OTHER	112.4%	51.5%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Lehman Global Aggregate Index
ASSET BACKED / OTHER	40.0%	20.7%
CORPORATE	22.6%	16.3%
GOVERNMENT	37.5%	63.0%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 Property Trust Index
COMMERCIAL	7.9%	6.9%
DIVERSIFIED	38.4%	36.9%
HOTEL	0.0%	0.0%
INDUSTRIAL	7.8%	10.8%
RETAIL	41.6%	45.4%
OTHER	4.2%	0.0%

International Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	47.5%	49.9%
EUROPE (EXCLUDING UK)	16.2%	16.4%
UK	8.7%	10.2%
JAPAN	6.3%	5.4%
ASIA (EXCLUDING JAPAN)	10.7%	4.6%
OTHER	10.5%	13.5%

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. 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. 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. 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. 5	30-Jun-07	18.48%	5.55%	12.93%