



portfolio watch

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



March 2007

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strategy performance

strategy returns (gross)

	3 months %	6 months %	Fin YTD %	1 year % pa	2 years % pa	3 years % pa	5 years % pa
Diversified Investment Strategy No 1	2.3	6.2	9.3	9.7	11.4	11.0	9.0
Diversified Investment Strategy No 2	3.1	9.8	14.3	13.1	18.1	17.0	11.2
Diversified Investment Strategy No 3	3.4	10.8	15.5	13.9	19.7	18.4	11.1
Diversified Investment Strategy No 4	3.4	11.8	16.8	14.5	21.9	20.1	11.5
Diversified Investment Strategy No 5	3.2	10.4	15.7	15.8	n/a	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. **Past performance is not necessarily indicative of future performance.**

All figures have been rounded to one decimal place.

manager and market performance (3 months, gross of funds management fees)

asset class	manager return %	market return %	above / below index %
Australian Cash Sector			
AllianceBernstein	1.6	1.6	0.0
Alternative Income			
PIMCO	2.1	1.6	0.5
Australian Fixed Interest Sector			
Credit Suisse	1.5	1.4	0.1
BGI Index	1.4	1.4	0.0
International Fixed Interest Sector			
BlackRock	1.4	1.4	0.0
PIMCO	1.3	1.4	-0.1
Australian Property Sector			
Legg Mason	-0.3	-2.3	2.0
SG Hiscock	-0.3	-2.3	2.0
BGI Index	-2.2	-2.3	0.1
International Property Sector			
CBRE	5.2	4.2	1.0
LaSalle	4.4	4.2	0.2
Australian Share Sector			
BGI	7.4	7.0	0.4
UBS	7.8	7.0	0.8
Schroders	8.3	7.0	1.3
Maple-Brown Abbott	6.6	7.0	-0.4
Investors Mutual	5.9	7.0	-1.1
Wallara	6.4	7.0	-0.6
Bernstein Value	7.1	7.0	0.1
MIR	4.2	7.0	-2.8
Challenger	7.3	7.0	0.3
International Share (Unhedged) Sector			
Wellington	-1.5	-0.2	-1.3
GMO	-0.5	-0.2	-0.3
Bernstein Value	-2.0	-0.2	-1.8
Capital	-1.1	-0.2	-0.9
LSV	1.8	-0.2	2.0
Alliance Growth	-0.7	-0.2	-0.5
International Share (Hedged) Sector			
Wellington	1.0	2.5	-1.5
GMO	2.0	2.5	-0.5
Bernstein Value	0.5	2.5	-2.0
Capital	1.4	2.5	-1.1
LSV	4.4	2.5	1.9
Alliance Growth	1.8	2.5	-0.7
BGI Index	2.5	2.5	0.0
International Smaller Companies			
Arrowstreet	6.3	2.4	3.9
Global Emerging Markets			
Legg Mason	-0.1	-0.2	0.1
Alternative Assets			
BGI Total Return Multi Opportunity Fund	3.2	1.6	1.6
BT Global Return Fund	3.6	1.6	2.0
AXA Rosenberg	2.9	1.6	1.3

Notes: Performance based on ipac Diversified Investment Strategies No. 2 & 5. 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. 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. All figures have been rounded to one decimal place.

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

All figures have been rounded to one decimal place.

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.

The nominated market index for Alternative Assets is the UBSA Bank Bill Index.

highlights of the quarter

market returns

- ~ **Australian shares** delivered another exceptional quarter (+7.0%). For the four years to 31 March 2007, the Australian sharemarket has returned 25% per annum. The strong result for the quarter masked the re-emergence of volatility. The All Ordinaries index fell from a record high of 6021 in late February to 5626 in early March and ended the quarter at 5978. The catalyst for the fall was a 9% decline in the Chinese sharemarket, combined with weaker than anticipated US Durable Good Orders.
- ~ **International shares** also provided a bumpy ride for investors with returns impacted by a rising Australian Dollar and valuation concerns in the wake of the sell off on the Chinese sharemarket. The return for the first two months of the year was wiped out in a single day (27 February) when international equities fell approximately 2.6%. There was a strong rebound late in the quarter.
- ~ The MSCI World ex Australia Index (hedged, net dividends) significantly outperformed (+2.4%) the unhedged benchmark (-0.2%), as the Australian Dollar rose against the US Dollar (+2.5%), UK Pound (+2.3%), Euro (+1.7%), and the Japanese Yen (+1.6%).
- ~ **Australian listed property securities** (-2.3%) significantly underperformed the broader Australian equity market (+7.0%). The poor relative performance of listed property reflects valuation concerns. Historically the consistent rental yields of listed property trusts made them a more defensive option in a falling sharemarket. This was not the case in February when the sector fell 0.5% as the share market went backwards. Later in the quarter when the sharemarket rebounded, listed property trusts significantly underperformed. Gradual changes in the fundamental composition of the listed property trust sector, with more trusts assuming stapled securities has made some segments of the markets more equity like in behaviour.
- ~ **International listed property securities** (+4.2%) outperformed Australian listed property by 6.5%. In the March quarter, Asian markets were the strongest performers with Japan (+27.9%) leading the way followed by Hong Kong (+15.2%) and Singapore (+10.7%). The weakest performers over the quarter were the United Kingdom (-3.7%) and Australia (-2.3%).
- ~ **Emerging markets** fell -0.2% over the quarter, performing in line with the MSCI World Ex. Australia Index (unhedged, net dividends). Currency was a significant detractor with the Australian Dollar rallying strongly.
- ~ **Australian fixed interest** (+1.4%) delivered a solid return. The bond market received conflicting messages during the quarter from the Reserve Bank of Australia (RBA). In its quarterly 'Statement on Monetary Policy' the RBA revised its inflation expectations down to below 3.0%. Yet later in the quarter, Deputy Governor, Malcolm Edey, restated the Bank's tightening bias in a speech to the Australia and Japan Economic Outlook Conference.
- ~ Returns for **International fixed interest** (+1.4%) varied widely across markets. The quarter saw a divergence of performance away from the United States (US). Previously the US had been a driver of other bond markets that rose and fell in line with sentiment in the US.

portfolio returns

- ~ ipac portfolios continue to perform well. In the recent Rainmaker Counterpoint Implemented Consulting survey, ipac's model growth portfolio was rated number one compared to multi-manager peers over one and two years to 31 December 2006. ipac's model portfolios are the basis for the portfolios ipac builds for its clients, including AXA.
- ~ Strategies with an equity component benefited from the continued strong performance of the Australian share market. The period of sharemarket volatility in the quarter saw better performance from ipac's managers highlighting the generally defensive positioning of the managers in aggregate. This positioning may be beneficial if sustained volatility were to emerge.
- ~ The **Alternative income sector** (+2.1%) delivered strong performance above Australian cash (+1.6%) and Australian fixed interest (+1.4%). The move to introduce this strategy has enhanced diversification in the fixed interest component of the portfolio while also assisting return.
- ~ In **Australian listed property** ipac's use of valuation focused managers helped performance as concerns grew about valuations in this asset class. The Australian market continued to trade at a rich premium to the international market. ipac's move to allow SG Hiscock to partially invest off-shore was beneficial this period.

manager returns

[returns presented, unless otherwise stated, are absolute returns]

- ~ The best performing Australian share manager was **Schroders** (+8.3%). The portfolio benefited from stock selection. Two good examples were Alumina (+17.3%), which rallied on stronger aluminium prices and announcement of an off-market buyback, and Computershare which reported first half profits much higher than market expectations. Extremely favourable conditions in other sectors have, in the manager's view, caused investors to disregard some businesses with attractive growth characteristics.
- ~ In Australian shares, value oriented managers underperformed as growth sectors such as Materials and Energy dominated the market return. Stock selection (AllianceBernstein - Value), high cash holdings (Investors Mutual) and a high weighting to Australian listed property (MIR) impacted return.
- ~ **LSV** (+1.8%) was the best performing international share manager. The portfolio outperformed on the back of good stock selection and its size bias toward mid-caps, which outperformed large and small capitalisation stocks.
- ~ The International Smaller Companies manager, **Arrowstreet** (+6.3%), delivered substantial out performance. Arrowstreet's process seeks to identify mis-pricings across country and sectors (termed baskets) and at the individual stock level. Over the quarter, the manager added value through basket and stock selection.
- ~ **AXA Rosenberg's** (+2.9%) long short strategy provided a strong return for the quarter. AXA Rosenberg has enhanced its process to give greater weight to stocks showing superior near-term earnings growth. These changes were implemented in the first quarter.
- ~ International property manager, **CBRE** (+5.2%), added significant value over the quarter. The manager is more market oriented than peer managers and benefited from its substantial sector and country tilts.

fund manager summary

fund manager	status	Notes
Australian Cash		
AllianceBernstein (SMT/SIS)	Preferred	AllianceBernstein seeks to add value, 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. The portfolio is expected to deliver a modest premium above the benchmark.
Alternative Income		
PIMCO	Preferred	PIMCO seeks to add value by managing yield curve positioning, credit, volatility and liquidity premium risks across global fixed income markets. The manager has a particular focus on the short end of the yield curve.
Australian Fixed Interest		
Credit Suisse	Preferred	Credit Suisse seeks to add incremental value through relative value trades in yield curve anomalies, security mispricings and credit positioning. The proprietary models and quality of the team are important features and continue to meet expectations.
BGI (Fission)	Preferred	BGI continues to provide returns in line with the designated index.
International Fixed Interest		
BlackRock	Preferred	BlackRock employ a diverse range of alpha sources, including duration, currency and country positions, and relative-return strategies. This approach, implemented by an extensive team and utilising excellent risk management tools, continues to combine to provide portfolios we believe will deliver added value over time.
PIMCO	Preferred	PIMCO has an outstanding depth of resources to manage the portfolio, both through the quality of individuals and the systems used to support the global process. Portfolios are built to generate alpha from multiple sources including active decisions on country allocation, portfolio duration, curve and sector positioning. We continue to believe this approach will deliver excess returns over the long-term.
Australian Property		
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. The new portfolio manager has been in place for a year and continued good stock selection has generated solid relative performance. This provides some confidence and the 'On Watch' status will be revisited when the sector review is completed.
SG Hiscock	Preferred	The manager has been underweight the more expensive, high growth stapled securities for some time. This positioning had hurt relative performance until recently when the market also became concerned about the risks in these securities and high valuations. Performance has benefited from the change in sentiment.
BGI (Index)	Preferred	In strongly performing markets, cash drag can negatively impact index fund returns as the cash holdings of the fund detract from or "drag" the fund returns. The BGI fund has lagged the benchmark in more recent times although the cash holding did benefit the fund in March when markets were weaker. ipac continues to monitor developments.

International Property		
CBRE	Preferred	CBRE is an active, fundamental manager that aims to identify undervalued companies with high quality management that can grow cash flows. It has a slightly more aggressive, growth orientation. The manager has produced solid returns.
LaSalle	Preferred	LaSalle is an active, value-oriented manager that constructs broadly diversified portfolios across countries, sectors and stocks. LaSalle has a strong track record in this asset class and has continued to perform well.
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 whilst he has seen his role expand significantly recently, he remains supported by a deep and highly skilled research team. Our expectations of alpha delivery remain positive.
UBS	Preferred	UBS has seen a fair degree of turnover amongst its investment analysts. We remain confident that the investment process and the calibre of its people are sufficiently strong to deliver above benchmark returns over the long-term.
Schroders	Preferred	ipac continues 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. The manager provides an additional source of return in a diversified portfolio.
Investors Mutual	Preferred	Investors Mutual has a value-orientation and a strong emphasis on managing the risk of downside performance through identifying quality companies with reliable earnings. Despite some recent changes to the investment team, the portfolio provides a different focus within a diversified portfolio and one that should outperform the benchmark over the long-term.
Wallara	Preferred	The team at Wallara are focused on making long-term investments in quality growth companies that generate shareholder value and apply this approach consistently. Aply led by the experienced 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.
AllianceBernstein Value	Preferred	AllianceBernstein Value continued to apply their value approach using both quantitative and qualitative insights and their extensive global research resources. Performance has been reasonable given market conditions.
MIR	Preferred	MIR's differentiated stock selection process uses a blend of quantitative and qualitative approaches, designed to take advantage of behavioural biases of other investors. Portfolio construction leverages this process well. MIR has experienced a number of changes in personnel, roles and team structure. The quality of the research team remains high and is well-structured to manage the process.
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 generate good alpha.

International Shares		
Wellington	Preferred	Wellington constructs a global shares portfolio with similar industry weightings to the benchmark. The overall portfolio tracking error recently has been below what is needed to meet performance objectives in a low volatility environment. ipac is seeking to address this issue which requires a broader assessment of the sector. Wellington's performance has been close that of the index and below expectations.
GMO	Preferred	GMO is a quantitative manager that combines price and earnings momentum models with an intrinsic value model to select stocks. GMO has underperformed the benchmark in an environment where the manager's growth investment style has been out of favour.
Bernstein Value	Preferred	Bernstein identifies undervalued companies through intensive bottom-up fundamental research. Bernstein has delivered impressive excess returns over the long-term, managing the portfolio in accordance with its stated philosophy and style.
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. Recent underperformance is attributable to stock selection in Japan and the US. The portfolio's current growth tilt stemming from bottom-up stock selection has not been rewarded as growth stocks have been out of favour.
LSV	Preferred	LSV is a quantitative manager with a deep value-orientation and a mid to small cap bias. Since LSV's appointment in the international share portfolio, the manager has added value.
BGI (Fission)	Preferred	This fund aims to deliver index returns.
AllianceBernstein Growth	Preferred	AllianceBernstein 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. Growth style investing has been out of favour recently and contributed in large part to Alliance's underperformance.
International Smaller Companies		
Arrowstreet	Preferred	Arrowstreet employs a quantitative approach to select stocks from country, sector and country-sector baskets. The manager also attempts to identify spillover effects on stocks. The portfolio can show style tilts from time to time. Arrowstreet has added value above the benchmark since appointment.
Global Emerging Mkts		
Legg Mason	Preferred	Legg Mason combines bottom-up and top-down fundamental analysis. Relative, risk-adjusted valuations are the key to its process. The manager has generated solid returns since appointment.

Alternative Assets

BGI Total Return Multi Opportunity Fund	Preferred	The BGI Total Return Multi-Opportunity Fund is a single manager, multi-strategy fund. BGI is unparalleled in its depth of resources and focus on 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. The manager continued to generate returns in line with expectations.
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. The manager is more conservative than its peers, and returns are at the lower end of expectations.
AXA Rosenberg	On Watch	Enhancements to the investment process have been implemented. It remains a high risk/high return potential product. We are comfortable that the enhancements will enable the manager to perform better in more growth-oriented, momentum-driven markets, whilst maintaining its value bias. Recommend to remove the “On Watch” status.

sector & manager performance

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. All figures have been rounded to one decimal place.

Australian Cash

	3 months %	6 months %	Fin YTD %	1 year % pa	2 years % pa	3 years % pa	5 years % pa
Sector	1.6	3.2	4.8	6.3	6.2	6.0	5.7
Sector - Strategy 5	1.6	3.2	4.8	6.3	n/a	n/a	n/a
AllianceBernstein	1.6	3.2	4.8	6.3	6.1	6.0	5.7
Benchmark	1.6	3.2	4.7	6.2	6.0	5.9	5.5

Note: Benchmark = UBSA Bank Bill Index.

market commentary

In March, the RBA left the cash rate unchanged at 6.25%. The UBS Australia Bank Bill Index returned 1.6% for the quarter.

AllianceBernstein

The manager returned 1.6% for the quarter ended 31 March 2007, equal to the benchmark.

Alternative Income

	3 months %	6 months %	Fin YTD %	1 year % pa	2 years % pa	3 years % pa	5 years % pa
Sector	2.1	3.6	5.1	6.6	n/a	n/a	n/a
Sector - Strategy 5	2.1	3.6	5.1	6.6	n/a	n/a	n/a
PIMCO	2.1	3.6	5.0	6.5	n/a	n/a	n/a
Benchmark	1.6	3.2	4.7	6.2	6.0	5.9	5.5

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

market commentary

The Alternative Income benchmark, the UBSA Bank Index, returned 1.6% for the quarter ended 31 March 2007.

PIMCO

The manager returned 2.1% for the quarter ended 31 March 2007, ahead of the benchmark (+1.6%).

The manager's position at the short end of the yield curve benefited the portfolio, notably in the US. While the manager's overweight position to mortgages detracted from performance, positions in other high yielding credit securities added value.

Australian Fixed Interest

	3 months %	6 months %	Fin YTD %	1 year % pa	2 years % pa	3 years % pa	5 years % pa
Sector	1.5	1.7	3.8	3.7	5.4	5.5	6.3
Sector - Strategy 5	1.4	1.7	3.7	3.7	n/a	n/a	n/a
Credit Suisse	1.5	1.7	3.7	3.7	5.4	5.5	6.2
BGI Index	1.4	1.7	3.7	3.7	5.2	5.1	n/a
Benchmark	1.4	1.7	3.7	3.7	5.2	5.1	5.9

Notes: BGI Index is only available in Diversified Investment Strategy No. 5.
Benchmark = UBSA Composite Bond All Maturities Index.

market commentary

The UBSA Composite Bond Index (All Maturities) returned 1.4% for the quarter to 31 March 2007, underperforming the UBSA Bank Bill Index (+1.6%).

Interest rate pressures moderated during the first half of the quarter as concern about inflation reduced. The CPI, after rising strongly in the September quarter, fell by 0.1% in the fourth quarter of 2006. The bond market received conflicting messages during the quarter from the RBA. In its quarterly 'Statement on Monetary Policy' the RBA revised inflation expectations down to below 3.0%. Yet late in the quarter, Deputy Governor, Malcolm Edey, restated the Bank's tightening bias in a speech to the Australia and Japan Economic Outlook Conference. Corporate spreads on investment and most non-investment grade bonds remained broadly flat despite the emergence of volatility when equity markets fell significantly.

Credit Suisse Asset Management

The manager returned 1.5% for the quarter ended 31 March 2007, outperforming the benchmark by 0.1%. The 'relative value' approach of Credit Suisse continued to assist performance with the manager's credit strategies particularly beneficial.

Barclays Global Investors (index)

The manager returned 1.4% for the quarter ended 31 March 2007, in line with the benchmark.

International Fixed Interest

	3 months %	6 months %	Fin YTD %	1 year % pa	2 years % pa	3 years % pa	5 years % pa
Sector	1.3	2.2	5.6	6.1	5.7	6.4	8.3
Sector - Strategy 5	1.3	2.1	5.6	6.1	n/a	n/a	n/a
BlackRock	1.4	2.3	5.6	6.1	5.7	6.3	n/a
PIMCO	1.3	2.1	5.6	6.1	5.6	6.5	n/a
Benchmark	1.4	2.6	6.2	6.4	5.6	6.0	7.9

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

The Lehman Global Aggregate Index (Hedged) returned 1.4% for the quarter ended 31 March 2007.

Global bond returns varied widely across markets on divergent growth fundamentals. While North American countries posted solid returns on anticipated rate cuts, Euro-zone and UK bond markets underperformed on the expectation of further rate tightening. Previously the US has been a driver of other bond markets, rising and falling in line with sentiment in the US.

BlackRock

The manager returned 1.4% for the quarter ended 31 March 2007, equal to the benchmark. The manager's defensive position in credit and underweight position to mortgages benefited the portfolio.

PIMCO

PIMCO returned 1.3% for the quarter ended 31 March 2007, 0.1% below the benchmark. The manager's yield curve positioning in Europe and Japan negatively impacted performance. An overweight position to mortgages also detracted from performance, as concern about US sub-prime lending negatively impacted the price of all mortgages.

Australian Property

	3 months %	6 months %	Fin YTD %	1 year % pa	2 years % pa	3 years % pa	5 years % pa
Sector	-0.3	12.9	24.8	29.5	23.7	23.0	19.3
Sector - Strategy 5	-1.3	11.7	23.4	27.9	n/a	n/a	n/a
Legg Mason	-0.3	13.5	25.1	30.6	24.4	23.9	n/a
SG Hiscock	-0.3	12.4	24.5	28.5	22.9	21.9	n/a
BGI Index	-2.2	11.3	22.9	28.0	23.2	22.2	18.9
Benchmark	-2.3	11.4	23.2	28.6	23.4	22.3	18.9

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

market commentary

The S&P/ASX 300 Property Accumulation Index fell -2.3% for the quarter ended 31 March 2007, underperforming the broader Australian equity market (+7.0%) by 9.3%. Concern about valuations impacted negatively on the property trust sector during this volatile quarter. The other significant driver of underperformance was the up-tick in bond yields.

Legg Mason

The manager returned -0.3% for the quarter ended 31 March 2007, outperforming the benchmark by 2.0%.

An overweight position to Valad Property Group (+28.7%) and an underweight position in Centro Properties Group (-4.3%) helped performance. The manager believes that the market on a forward looking basis is not overly expensive relative to the wider equity market.

SG Hiscock

The manager returned -0.3% for the quarter ended 31 March 2007, outperforming the benchmark by 2.0%.

The manager has been conservatively positioned with a preference for smaller (non-stapled) trusts. This positioning was advantageous in the March quarter. The main contributors to relative performance were Trinity Group (+27.8%), Aspen Group (+34.0%) and Abacus Group (+120.8%). Overseas listed property trusts account for 6.8% of the portfolio and this exposure benefited return last quarter.

Barclays Global Investors (index)

The manager returned -2.2% for the quarter ended 31 March 2007, compared to the benchmark return of -2.3%. The portfolio marginally outperformed due to cash holdings (in a declining market).

International Property

	3 months %	6 months %	Fin YTD %	1 year % pa	2 years % pa	3 years % pa	5 years % pa
Sector	4.8	18.0	30.6	28.8	n/a	n/a	n/a
Sector - Strategy 5	4.7	17.9	30.3	28.1	n/a	n/a	n/a
CBRE	5.2	19.2	31.7	28.4	n/a	n/a	n/a
LaSalle	4.4	16.7	29.1	28.6	n/a	n/a	n/a
Benchmark	4.2	16.4	28.5	26.7	n/a	n/a	n/a

Note: CBRE & LaSalle were introduced in January 2006. Performance reporting commenced in February 2006.

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

market commentary

The UBS Global Investors Index returned 4.2% for the quarter ended 31 March 2007, significantly outperforming the S&P/ASX 300 Property Accumulation Index (-2.3) by 6.7%. The strength of the Australian Dollar contributed to returns.

In the March quarter, Asian markets were the strongest performers with Japan (+27.9%) leading the way followed by Hong Kong (+15.2%) and Singapore (+10.7%). Japan benefited from an upgrade in Tokyo commercial property valuations and stronger economic growth. The weakest performers over the quarter were the United Kingdom (-3.7%) and Australia (-2.3%).

CBRE

The manager returned 5.2% for the quarter ended 31 March 2007, compared to the benchmark return of 4.2%. CBRE's underweight position to the US (-6.0%) and Australia (-3.2%) on relative valuation concerns benefited performance.

LaSalle

The manager returned 4.4% for the quarter ended 31 March 2007, compared to the benchmark return of 4.2%. An underweight position to Australia (-4.5%) and overweight position to Singapore (+2.4%) and Hong Kong (+2.5%) helped performance. LaSalle benefited from strong stock selection in Australia, despite the market declining.

Australian Shares

	3 months %	6 months %	Fin YTD %	1 year % pa	2 years % pa	3 years % pa	5 years % pa
Sector	6.9	17.9	22.1	21.4	26.4	26.3	17.0
Sector - Strategy 5	5.9	16.6	22.4	20.3	n/a	n/a	n/a
BGI	7.4	19.4	21.8	22.4	27.5	27.4	18.2
UBS	7.8	19.1	22.3	21.8	26.5	26.4	n/a
Schroders	8.3	19.2	22.1	23.2	28.4	27.9	n/a
Maple-Brown Abbott	6.6	16.5	24.3	22.3	23.8	24.2	16.3
Investors Mutual	5.9	16.0	21.4	19.8	20.5	21.2	n/a
Wallara	6.4	16.9	16.8	16.4	25.9	n/a	n/a
Bernstein Value	7.1	18.3	21.0	18.8	26.7	n/a	n/a
MIR	4.2	17.3	23.8	20.8	n/a	n/a	n/a
Challenger	7.3	17.8	29.0	24.7	n/a	n/a	n/a
Benchmark	7.0	18.9	22.4	22.0	26.1	25.8	16.8

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

market commentary

The benchmark S&P/ASX 300 Accumulation index returned 7.0%. The market has returned an exceptional 25% per annum over the four years to 31 March 2007.

The quarter saw a pick up in volatility. The All Ordinaries index fell from a record high of 6021 in late February to 5626 in early March before ending the quarter at 5978. The catalyst for the fall was a 9% decline in the overheated Chinese sharemarket, combined with weaker than anticipated US Durable Good Orders. The Australian market fared better than other international markets boosted by strong returns from Materials and Energy sectors.

Earnings growth continued to be strong with return on equity at 15-year highs. However a greater percentage of earnings are being driven by a few sectors, notably the Materials and Energy sectors that account for 65% of earnings growth in the February reporting season. This makes the market vulnerable to negative changes that impact on earnings in these sectors. For example, the recent rise in the oil price and the potential for wage increases.

BGI

The manager returned 7.4% for the quarter ended 31 March 2007 compared to the benchmark return of 7.0%.

The BGI Australian Alpha Tilts strategy holds relatively small active positions in sectors. The primary driver of returns was BGI's Earnings Quality model that assesses the sustainability of earnings for each company, and the Analyst Expectations model that examines how earnings forecasts for each company are changing.

UBS

The manager returned 7.8% for the quarter ended 31 March 2007 compared to the benchmark return of 7.0%.

The portfolio benefited from an overweight position to Woolworths (+15.2%) which rose following a strong interim profit announcement, Harvey Norman (+24.2%) where the share price was driven up by robust sales, and QBE Insurance (+11.2%) following the acquisition of Winterthur asset's in the US. UBS also benefited significantly from sector allocation with a significant underweight to the poor performing Property Trusts and Diversified Financials sectors.

Schroders

The manager returned 8.3% for the quarter ended 31 March 2007, outperforming the benchmark by 1.3%.

The portfolio benefited from an overweight position in Alumina (+17.3%), which rallied on stronger aluminium prices and the announcement of an off-market buyback, and Computershare which reported first half profits much higher than market expectations. Extremely favourable conditions in other sectors have, in the manager's view, caused investors to ignore opportunities in businesses with attractive growth characteristics.

Maple-Brown Abbott

The manager returned 6.6% for the quarter ended 31 March 2007 compared to the benchmark return of 7.0%.

While the manager marginally underperformed over the quarter, the portfolio has fared better over 12 months. The manager's overweight to the Consumer Discretionary sector, notably Media, was a primary driver of return this quarter as the Federal Government brought forward changes to cross media ownership laws.

Investors Mutual

The manager returned 5.9% for the quarter ended 31 March 2007 underperforming the benchmark by 1.1%.

The manager's underperformance was notable given that the portfolio has a zero weight to Listed Property Trusts that poorly performed (-2.3%). The key detractor to the portfolio return was the underweight to Resources which performed strongly as commodity prices rallied. The manager continued its large cash holding (c4-6%) which significantly detracts from returns in strong markets.

Wallara

The manager returned 6.4% for the quarter ended 31 March 2007, underperforming the benchmark by 0.6%.

Performance was helped by being underweight Property Trusts (-9.3%) and an overweight to Telstra (+16.3%) during the quarter. Stock selection in the Material's sector, where the manager has been overweight for most of the last three years, benefited performance with underweight holdings in Zinifex (-12.3%) and Newcrest (-9.72%) among the primary drivers of return.

Bernstein Value

The manager returned 7.1% for the quarter ended 31 March 2007 compared to the benchmark return of 7.0%.

While the manager delivered only a modest premium over the quarter, Bernstein Value has delivered a substantial premium over the style specific benchmark over the quarter and the year. The primary contributors to return were holdings in BHP Billiton (+18.1%), Coles Group (+16.1%) and Macquarie Airports (+10.8%). The manager noted that in the midst of generally benign economic conditions investors are not differentiating between stocks with varying levels of risk, pricing all stocks alike, constraining value opportunities.

MIR

The manager returned 4.2% for the quarter ended 31 March 2007 compared to the benchmark return of 7.0%.

The portfolio's underperformance was attributable to its overweight position to listed property trusts and overweight to Zinifex (-12.3%) which underperformed the broader Resources sector. The underperformance of Zinifex reflected the fall in zinc prices over the quarter.

Challenger

The manager returned 7.3% for the quarter ended 31 March 2007 outperforming the benchmark (7.0%) by 0.3%.

The manager seeks to invest in companies that are benefiting from industry restructure or corporate turnarounds. The best performing stocks for the quarter were Tattersall's (industry structure, +33.8%), Austar (turnaround +18.2%) and Alumina (industry structure, +17.3%).

International Shares

	3 months %	6 months %	Fin YTD %	1 year % pa	2 years % pa	3 years % pa	5 years % pa
Sector - Unhedged	-1.0	1.9	5.4	0.4	15.5	12.6	2.1
Wellington	-1.5	1.0	4.4	0.7	13.9	11.3	1.5
GMO	-0.5	2.0	5.1	-0.9	13.2	n/a	n/a
Bernstein Value	-2.0	2.6	8.7	4.7	19.4	17.5	n/a
Capital	-1.1	0.5	3.1	-2.6	14.4	11.3	n/a
Alliance Growth	-0.7	2.5	4.5	-2.7	16.4	n/a	n/a
LSV	1.8	5.9	10.0	6.3	18.0	n/a	n/a
Benchmark	-0.2	2.2	6.4	1.5	13.9	12.2	1.4
Sector - Hedged	1.5	9.4	14.7	11.2	19.9	16.4	10.0
Sector - Strategy 5 Hedged	2.0	11.0	18.0	15.7	n/a	n/a	n/a
Wellington	1.0	8.5	13.9	11.8	18.5	15.4	9.7
GMO	2.0	9.7	14.7	10.1	18.0	n/a	n/a
Bernstein Value	0.5	10.1	18.2	16.1	24.3	21.9	n/a
Capital	1.4	8.0	12.3	8.1	19.3	15.5	n/a
Alliance Growth	1.8	10.1	13.7	8.1	21.2	n/a	n/a
LSV	4.4	13.7	19.8	18.0	23.1	n/a	n/a
BGI Index	2.5	10.1	16.3	13.1	19.0	16.8	10.0
Benchmark	2.5	10.0	16.2	13.0	18.9	16.7	9.9

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

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.

market commentary

[regional market returns are provided in local currency, net of dividends]

The MSCI World Ex Australia (hedged net dividends) returned 2.5%. The unhedged benchmark returned -0.2% over the year as a rising Australian Dollar ate into the return.

The return for the first two months of the year was wiped out in a single day (27 February) when international equities fell 2.6%. It was one of the worst 50 days for the MSCI since inception in the late sixties (approximately 9000 days). March saw a strong rebound with consumer confidence in Europe reaching a six year high, improved unemployment and industrial production numbers in the US, and the statement by the Federal Open Market Committee (FOMC) where the Federal Reserve unexpectedly abandoned its interest rate tightening bias.

Wellington

The manager returned -1.5% for the quarter ended 31 March 2007, compared to the index return of -0.2%.

The portfolio is industry sector neutral and all alpha is the product of stock selection. The manager had a negative relative return in seven of 10 sectors. The worst performing sectors were Energy and Financials. Wellington is seeking to recruit new analysts and portfolio managers and also move some analysts abroad closer to the companies they cover.

GMO

The manager returned -0.5% for the quarter ended 31 March 2007, compared to the benchmark of -0.2%.

Over the quarter stock selection made a positive contribution. Country selection was also beneficial with the underweight position to the US (+0.2%) in favour of Singapore (+8.2%) benefiting return. While stock and country selection were positive industry selection detracted from return with an overweight position to Autos the primary driver of underperformance.

Bernstein Value

The manager returned -2.0% for the quarter ended 31 March 2007, 1.8% behind the benchmark.

The primary detractors were overweight positions in the Financial, Capital Equipment and Consumer Cyclical sectors. Stock selection in the Financial sector also hurt. The manager continued to view markets as reasonably valued, with valuations supported by the prospect of continued (albeit more moderate) economic growth.

Capital

The manager returned -1.1% for the quarter ended 31 March 2007, underperforming the benchmark by 0.9%.

The portfolio underperformed due to poor stock selection in the Financials, Information Technology, Consumer Staples and Utilities sectors. The manager benefited from being overweight Materials which was the strongest performing sector over the quarter and an underweight to Financials which was the worst.

Alliance Growth

The manager returned -0.7% for the quarter ended 31 March 2007, compared to the index return of -0.2%

The portfolio marginally underperformed due to its preference for stocks in the Finance and Infrastructure sectors. The manager believes that the current economic environment, which has produced few earnings surprises, has led to investor complacency with investors pricing the earning power of all stocks similarly. AllianceBernstein believes there is currently an opportunity for investors to acquire quality growth companies without having to pay the valuation premium that traditionally has been attached to these stocks. If there is an economic slowdown then these quality companies will be better placed and their quality will be more recognised.

LSV

The manager returned 1.8% for the quarter ended 31 March 2007, 2.0% ahead of the benchmark.

The portfolio outperformed due to good stock selection over the quarter and the manager's size bias toward mid-caps, which outperformed large and small capitalisation stocks. The portfolio continues to be structured defensively with the price-to-earnings multiple of the portfolio and the price-to-cash flow multiple both lower than the market.

Barclay Global Investors (index)

The manager returned -0.2% for the quarter ended 31 March 2007, in line with the benchmark.

International Smaller Companies

	3 months %	6 months %	Fin YTD %	1 year % pa	2 years % pa	3 years % pa	5 years % pa
Sector	6.3	11.1	n/a	n/a	n/a	n/a	n/a
Arrowstreet	6.3	11.1	n/a	n/a	n/a	n/a	n/a
Benchmark	2.4	6.6	6.2	-2.2	n/a	n/a	n/a

Notes: The International Smaller Companies sector was introduced into the portfolio in July 2006. Performance commenced in August 2006. Benchmark = S&P/Citigroup World <US\$1.5bn Cap Range Index (net dividends reinvested) in A\$ unhedged.

market commentary

The S&P/Citigroup Fixed Market Capitalisation Index (<\$1.5 billion) returned 2.4% for the quarter, significantly outperforming the MSCI World Ex. Australia Index (unhedged, net dividends) by 2.6%.

International small companies were impacted by similar factors as their large capitalisation peers. However the impact of the fall in February was not as pronounced while the positive sentiment before and after assisted the sector. March saw a strong rebound with consumer confidence in Europe reaching a six year high and improved unemployment and industrial production in the US. Rising energy prices also helped smaller oil and energy stocks.

Arrowstreet

The manager returned 6.3% for the quarter ended 31 March 2007, outperforming the benchmark by 3.9%.

Arrowstreet's process seeks to identify mis-pricings across country and sectors (termed baskets) and at an individual stock level. Over the quarter, the manager added value in its basket and stock selection. ipac believes the manager's quantitative process will enable Arrowstreet to more effectively exploit pricing inefficiencies in the wide small company universe compared to fundamental bottom-up managers that do not incorporate quantitative screens.

Global Emerging Markets

	3 months %	6 months %	Fin YTD %	1 year % pa	2 years % pa	3 years % pa	5 years % pa
Sector	-0.1	10.9	18.5	10.5	30.1	22.7	12.0
Legg Mason	-0.1	10.8	18.4	10.4	30.0	n/a	n/a
Benchmark	-0.2	11.1	16.0	6.5	30.5	25.2	14.6

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

market commentary

The MSCI Emerging Market Index returned -0.2% over the quarter, performing in line with the MSCI World Ex. Australia Index (unhedged, net dividends).

Currency was a significant detractor over the quarter with the Australian dollar rallying strongly. The two best performing regions were Latin America (+3.4%) and Europe Middle East and Africa (+1.2%). In Latin America, the Mexican share market outperformed due to the prospect of new legislation that may encourage consumer spending. Brazil's index rose on the back of rebounding oil prices that pushed up shares in Petroleo Brasileiro SA (a state owned oil company). Smaller markets such as Peru (+23.2%) rallied strongly due to rising metal prices, an evolving global ethanol industry and a strengthening local economy. In Europe Middle East and Africa, the best performing markets were Turkey (+11.8%) and Poland (+6.3%). Asian markets lagged with China (-4.7%) and India (-5.6%) the worst performers.

Legg Mason

The manager returned -0.1% for the quarter ended 31 March 2007, outperforming the benchmark by 0.1%.

The manager benefited from country selection, while stock selection detracted from return. The portfolio benefited from being overweight to Brazil (+3.5%) and underweight to China (-4.7%). The manager's more conservative and disciplined valuation strategy was beneficial during the market correction in late February.

Alternative Assets

	3 months %	6 months %	Fin YTD %	1 year % pa	2 years % pa	3 years % pa	5 years % pa
Sector	2.8	3.0	8.9	8.9	n/a	n/a	n/a
Sector - Strategy 5	3.3	6.3	7.6	8.4	n/a	n/a	n/a
BGI Total Return Multi Opp Fund	3.2	6.0	7.0	8.5	n/a	n/a	n/a
BT Global Return Fund	3.6	8.2	9.9	9.4	n/a	n/a	n/a
AXA Rosenberg	2.9	3.2	9.1	9.2	n/a	n/a	n/a
Benchmark	1.6	3.2	4.7	6.2	6.0	5.9	5.5

Notes: BGI Total Return Multi-Opportunity Fund & BT Global Return Fund are only available in Diversified Investment Strategy No. 5.
Benchmark = UBSA Bank Bill Index.

The performance of the BT Global Returns Fund is calculated based on the unit price reported by the manager, and is net of all fees charged by the manager.

market commentary

The nominated market index for this sector is the UBSA Bank Bill Index. The UBSA Bank Bill Index returned 1.6% for the quarter.

BGI Total Return Multi Opportunity Fund

The manager returned 3.2% for the three months ended 31 March 2007. Over this period, the Global Macro strategy, which accounts for 30% of the portfolio, was the best performing strategy. Equity and Fixed Interest Long/Short strategies, which account for 51% of the portfolio, delivered only modest returns in volatile market conditions.

BT Global Return Fund

The manager returned 3.6% for the quarter ended 31 March 2007.

As at the 31 March 2007, the portfolio is diversified across 55 managers and 12 strategies. The portfolio is well diversified with the largest allocation to a single manager of 3%.

Credit, and Fixed/Equity Arbitrage managers performed well despite the lacklustre performance of credit markets. Merger Arbitrage strategies continued to perform strongly helped by continuing strong deal flow and the willingness of companies to pay a premium in takeovers. Long/Short equity managers continued to benefit from the strong performance of equity markets.

AXA Rosenberg Aust Equity Long Short Fund

The manager returned 2.9% for the quarter ended 31 March 2007.

Following a sustained period of underperformance in 2006, albeit against the backdrop of unfavourable market conditions, AXA Rosenberg enhanced its investment process. The changes gave greater weight to stocks showing superior near-term earnings growth. This signal is combined with the Valuation Model, that identifies stocks with superior long-term cumulative earnings yield. These changes were implemented in the first quarter and ipac is positive about the changes.

The high-trading-growth stocks which dominated the Australian market for much of 2006 were less pronounced in the first quarter. The result of this change in conditions and the improved process was a significant improvement in performance.

asset allocations vs targets

asset class	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	20.4%	20.0%	5.2%	5.0%	3.1%	2.5%	1.3%	1.0%	5.5%	5.0%	30.8	1.9	0.0
Alternative Income Sector	20.1%	20.0%	4.9%	5.0%	2.6%	2.5%	0.0%	0.0%	7.3%	7.5%	0.0	0.0	0.0
Australian Fixed Interest Sector	14.9%	15.0%	8.8%	9.0%	4.6%	5.0%	0.0%	0.0%	4.6%	4.5%	25.6	12.4	1.1
International Fixed Interest Sector	14.1%	15.0%	8.9%	9.0%	4.7%	5.0%	0.0%	0.0%	5.0%	5.0%	14.4	8.9	1.3
Defensive Assets	69.5%	70.0%	27.8%	28.0%	15.1%	15.0%	1.3%	1.0%	22.3%	22.0%	70.7	23.2	2.4
Australian Property Sector	4.0%	4.0%	5.0%	4.5%	4.0%	4.0%	4.1%	4.0%	7.6%	7.5%	3.2	4.3	1.7
International Property Sector	3.9%	4.0%	5.2%	4.5%	4.1%	4.0%	4.2%	4.0%	8.2%	7.5%	1.0	5.7	1.6
Australian Share Sector	14.7%	14.0%	31.9%	31.0%	38.2%	36.0%	41.1%	39.0%	22.9%	21.5%	15.5	37.5	53.7
International Share (Unhedged) Sector	4.0%	4.0%	10.7%	11.0%	13.3%	13.5%	17.4%	17.5%	0.0%	0.0%	9.6	29.3	40.6
International Share (Hedged) Sector	4.0%	4.0%	12.7%	13.0%	16.3%	16.5%	21.5%	21.5%	21.8%	21.5%	0.0	0.0	0.0
International Smaller Companies Sector	0.0%	0.0%	2.3%	2.0%	3.1%	3.0%	4.0%	4.0%	0.0%	0.0%	0.0	0.0	0.0
Global Emerging Markets Sector	0.0%	0.0%	3.0%	3.0%	3.1%	3.0%	4.0%	4.0%	0.0%	0.0%	0.0	0.0	0.0
Growth Assets	30.5%	30.0%	70.9%	69.0%	82.2%	80.0%	96.4%	94.0%	60.6%	58.0%	29.3	76.8	97.6
Alternative Assets Sector	0.0%	0.0%	1.4%	3.0%	2.8%	5.0%	2.3%	5.0%	17.1%	20.0%	0.0	0.0	0.0
Alternative Assets	0.0%	0.0%	1.4%	3.0%	2.8%	5.0%	2.3%	5.0%	17.1%	20.0%	0.0	0.0	0.0

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

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.

manager allocations vs targets – Diversified Investment Strategies 1 - 4

asset class	manager	target %	DIV 1 %	DIV 2 %	DIV 3 %	DIV 4 %
Australian Cash Sector	AllianceBernstein	100.0	100.0	100.0	100.0	100.0
Alternative Income Sector	PIMCO	100.0	100.0	100.0	100.0	0.0
Australian Fixed Interest Sector	Credit Suisse	100.0	100.0	100.0	100.0	0.0
International Fixed Interest Sector	BlackRock	50.00	50.0	50.0	50.6	0.0
	PIMCO	50.00	50.0	50.0	49.4	0.0
Australian Property Sector	Legg Mason	50.0	50.2	50.0	51.3	50.3
	SG Hiscock	50.0	49.8	50.0	48.7	49.7
International Property Sector	CBRE	50.0	48.0	50.3	50.6	49.8
	LaSalle	50.0	52.0	49.7	49.4	50.2
Australian Share Sector	BGI	19.0	19.1	19.0	18.9	18.8
	UBS	15.0	13.2	14.8	14.9	15.0
	Schroders	15.0	13.1	14.9	15.1	15.1
	Maple-Brown Abbott	15.0	15.1	14.8	15.1	14.7
	Investors Mutual	7.0	7.7	7.0	6.8	7.2
	Wallara	15.0	15.3	15.1	15.1	14.8
	MIR	7.0	7.7	6.8	7.1	7.3
	Challenger	7.0	8.7	7.7	7.0	7.1
International Share (Unhedged) Sector	Wellington	25.0	26.4	25.8	25.8	26.2
	GMO	15.0	15.9	14.6	15.4	14.8
	Bernstein Value	17.5	19.3	17.3	17.2	17.2
	Capital	20.0	19.0	19.7	19.6	18.7
	Alliance Growth	15.0	12.7	14.5	14.5	15.6
	LSV	7.5	6.8	8.1	7.6	7.5
International Share (Hedged) Sector	Wellington	25.0	24.7	25.2	24.7	25.5
	GMO	15.0	16.2	14.9	15.2	14.8
	Bernstein Value	17.5	19.3	17.4	17.5	17.5
	Capital	20.0	18.8	20.7	19.4	19.6
	Alliance Growth	15.0	14.3	14.7	15.7	15.0
	LSV	7.5	6.7	7.1	7.5	7.5
International Smaller Companies Sector	Arrowstreet	100.0	0.0	100.0	100.0	100.0
Global Emerging Markets Sector	Legg Mason	100.0	0.0	100.0	100.0	100.0
Alternative Assets Sector	AXA Rosenberg	100.0	0.0	100.0	100.0	100.0

Note: Target % based on target allocation within each asset class. Note: Totals may not add up to 100% due to the rounding of individual components.

top 10 holdings - Diversified Investment Strategies 1 - 4

	Australian Shares	% sector	International Shares	% sector	Australian Fixed Interest	% sector
1	BHP BILLITON LTD	7.3%	CITIGROUP INC	14%	AUSTRALIA(CMNWLTH) 5.25% 15 Mar 2019	9.1%
2	NATL AUSTRALIA BK	6.5%	BANK AMER CORP	12%	AUSTRALIA(CMNWLTH) 5.75% 15 Apr 2012	6.6%
3	WESTPAC BKG CORP	5.5%	GENERAL ELEC CO	1%	BK OF AMERICA CPN 6.5% 05 Dec 2008	10%
4	AUST +NZ BANK GRP	5.3%	CREDIT SUISSE GRP	10%	NAB SUB DEBT 6.5% 02 Jun 2009	0.9%
5	TELSTRA CORP	3.7%	TOYOTA MOTOR CORP	10%	CLP AUSTRALIA FINA 6.25% 16 Nov 2012	0.7%
6	CMNWLTH BK OF AUST	3.6%	ING GROEP NV	10%	MORGAN STANLEY 6% 01 Mar 2013	0.7%
7	RIOT TINTO LIMITED	3.4%	JPMORGAN CHASE +CO	0.9%	TABCORP INV NO 4 6.5% 13 Oct 2011	0.7%
8	BRAMBLES LTD	3.1%	AMERICAN INTL GROUP INC	0.9%	RABO SUB 6.41% 31 Dec 2014	0.7%
9	WOOLWORTHS LTD	2.9%	MICROSOFT CORP	0.8%	QIC SHOPPING CENTRE FUND 6.25% 05 Jun 2009	0.6%
10	QBE INS GROUP	2.4%	JAPAN TOBACCO INC	0.8%	SPI AUSTRALIA FINANCE PTY LTD 6.25% 30 Nov 2011	0.6%

	International Fixed Interest	% sector	Australian Property Securities	% sector	International Property	% sector	Global Emerging Markets	% sector
1	FNMA TBA APR 30 SINGLE 01-12-99	10.4%	WESTFIELD GROUP	25.4%	SIMON PPTY GROUP INC NEW	4.4%	PETROLEO BRASILEIRO SA	4.4%
2	FNMA TBA APR 30 SINGLE 01-12-99	3.0%	STOCKLAND	8.8%	LAND SECS GP	3.9%	HYUNDAI MOTOR CO	2.8%
3	JAPAN (GOVT OF) 15PCT BDS 20 MAR 11 JPY 50000 20-03-11	2.5%	GPT GROUP	7.1%	VORNADO RLTY TR	3.7%	HON HAI PRECISION	2.6%
4	JAPAN (GOVT OF) 11PCT 10 DEC 16 SER 10 10-12-16	2.4%	MIRVAC GROUP	6.0%	UNIBAIL	3.0%	SAMSUNG ELECTRONIC	2.5%
5	GERMANY (FEDERAL REPUBLIC 5.25PCT BND 04 JAN 11 EUR 0.0104-01-11	2.3%	DB RREEF TRUST	5.7%	PROLOGIS	2.9%	CATHAY FINANCIAL H	2.5%
6	GERMANY (FED REP) 5.625PCT 04 JAN 28 04-01-28	2.0%	MACQUARIE GOODM G	5.1%	HOST HOTELS + RESORTS INC	2.7%	GAZPROM O A O	2.3%
7	FNMA POOL 735230 01-02-35	1.7%	CENTRO PROPS GP	4.6%	BOSTON PPTYS INC	2.7%	STANDARD BK GR LTD	2.1%
8	GERMANY (FEDERAL REPUBLIC 3.5PCT 9 OCT 09 (145) 09-10-09	1.6%	MACQUARIE OFFICE UNITS NP	3.0%	GENERAL GROWTH PPTYS INC	2.6%	CHINA MOBILE LTD	2.1%
9	TREASURY 4.75PCT LN STK 07 JUN 10 (W/I) 07-06-10	1.4%	INVESTA PROPERTY GROUP	2.9%	WESTFIELD GROUP	2.5%	MOBILE TELESYSTEMS	1.7%
10	GERMANY (FED REP) 3.5PCT BDS 04 JAN 16 EUR 0.0104-01-16	1.3%	MULTIPLY GROUP	2.8%	AVALONBAY CMNTYS INC	2.2%	KOOKMIN BANK	1.7%

sector allocations vs benchmark - Diversified Investment Strategies 1 - 4

Australian Shares – portfolio vs benchmark (by sector)

sector	% allocation	% S&P/ASX 300
CONSUMER DISCRETIONARY	7.4%	5.5%
CONSUMER STAPLES	9.0%	6.8%
ENERGY	3.9%	4.7%
FINANCIALS EXCLUDING PROPERTY TRUSTS	31.6%	33.0%
HEALTH CARE	4.3%	3.2%
INDUSTRIALS	12.2%	9.6%
INFORMATION TECHNOLOGY	0.6%	0.9%
LISTED PROPERTY TRUSTS	5.0%	9.8%
MATERIALS	20.2%	20.5%
TELECOMMUNICATION SERVICES	4.5%	3.8%
UTILITIES	1.1%	2.2%

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

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Lehman Global Aggregate Index
NORTH AMERICA	48.3%	52.5%	53.6%	41.2%
EUROPE (EXCLUDING UK)	24.9%	23.1%	26.1%	32.8%
UK	9.3%	12.2%	4.5%	5.6%
ASIA (EXCLUDING JAPAN)	1.7%	1.4%	0.1%	1.6%
JAPAN	10.9%	10.8%	12.5%	16.5%
OTHER	0.0%	0.1%	3.1%	0.6%
EMERGING MARKETS	4.8%	0.0%	0.0%	1.8%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	11.9%	11.6%
CONSUMER STAPLES	6.5%	8.4%
ENERGY	8.9%	9.1%
FINANCIALS INCLUDING PROPERTY TRUSTS	26.7%	25.3%
HEALTH CARE	9.6%	9.1%
INDUSTRIALS	10.5%	11.0%
INFORMATION TECHNOLOGY	10.9%	10.4%
MATERIALS	7.7%	5.9%
TELECOMMUNICATION SERVICES	3.9%	4.7%
UTILITIES	3.3%	4.6%

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	3.6%	21.8%
SEMI GOVERNMENT	0.0%	26.1%
CORPORATE / OTHER	96.4%	52.1%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Lehman Global Aggregate Index
ASSET BACKED / OTHER	37.6%	20.6%
CORPORATE	21.7%	16.2%
GOVERNMENT	40.8%	63.2%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 Property Trust Index
COMMERCIAL	11.4%	10.6%
DIVERSIFIED	37.7%	34.9%
HOTEL	0.0%	0.0%
INDUSTRIAL	7.1%	12.7%
RETAIL	38.8%	41.8%
OTHER	5.1%	0.0%

International Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	54.0%	52.1%
EUROPE EXCLUDING UK	14.7%	13.2%
UK	12.6%	12.8%
JAPAN	5.3%	5.2%
ASIA EX JAPAN	4.6%	3.9%
OTHER	8.9%	12.7%

Global Emerging Markets - portfolio vs benchmark

	% allocation	% MSCI EM Index
LATIN AMERICA	24.1%	20.2%
ASIA EX JAPAN	49.3%	51.5%
EUROPE / MIDDLE EAST / AFRICA/OTHER	26.6%	28.3%

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

manager allocations vs targets – Diversified Investment Strategy 5

asset class	manager	target %	allocation %
Australian Cash Sector	AllianceBernstein	100.0	100.0
Alternative Income Sector	PIMCO	100.0	100.0
Australian Fixed Interest Sector	BGI Index	100.0	100.0
International Fixed Interest Sector	PIMCO	100.0	100.0
Australian Property Sector	BGI Index	50.0	50.5
	SG Hiscock	50.0	49.5
International Property Sector	CBRE	50.0	49.5
	LaSalle	50.0	50.5
Australian Share Sector	Maple-Brown Abbott	30.0	29.8
	Investors Mutual	35.0	32.9
	Bernstein Value	15.0	16.7
	MIR	20.0	20.6
International Share (Hedged) Sector	BGI Index	20.0	19.5
	Bernstein Value	50.0	50.7
	LSV	30.0	29.8
Alternative Assets Sector	BGI Total Return Multi Opportunity Fund	30.0	40.4
	BT Global Return Fund	45.0	53.7
	AXA Rosenberg	25.0	6.0

Note: Target % based on target allocation within each asset class. Note: Totals may not add up to 100% due to the rounding of individual components.

top 10 holdings – Diversified Investment Strategy 5

	Australian Shares	% sector	International Shares	% sector	Australian Fixed Interest	% sector
1	NATL AUSTRALIA BK	7.5%	CITIGROUP INC	14%	CGS 15/09/2009	2.9%
2	WESTPAC BKG CORP	7.5%	JPMORGAN CHASE +CO	14%	CGS 15/02/2017	2.8%
3	AUST +NZ BANK GRP	7.3%	GENERAL ELEC CO	14%	CGS 15/06/2011	2.8%
4	BHP BILLITON LTD	7.1%	TOYOTA MOTOR CORP	13%	CGS 15/03/2019	2.7%
5	TELSTRA CORP	4.6%	PFIZER INC	13%	CGS 15/05/2013	2.6%
6	CMNWLTH BK OF AUST	3.2%	INTERNATIONAL BUSINESS MA	12%	QTC 14/06/2011	2.6%
7	MACQUARIE INFRASTRUCTURE	3.1%	BANK AMER CORP	12%	CGS 15/08/2010	2.4%
8	WESTFIELD GROUP	2.6%	CHEVRON CORP	12%	CGS 15/08/2008	2.2%
9	QANTAS AIRWAYS	2.4%	CREDIT SUISSE GRP	11%	QTC 14/07/2009	2.1%
10	AMCOR LIMITED	2.3%	BASF AG	11%	ANZ 2/03/2009	2.0%

	International Fixed Interest	% sector	Australian Property Securities	% sector	International Property	% sector	Global Emerging Markets	% sector
1	FNMA TBA APR 30 SINGLE 01-12-99	10.4%	WESTFIELD GROUP	25.7%	SIMON PPTY GROUP INC NEW	4.4%	PETROLEO BRASILEIRO SA	4.4%
2	FNMA TBA APR 30 SINGLE 01-12-99	5.5%	STOCKLAND	8.7%	LAND SECS GP	3.9%	HYUNDAI MOTOR CO	2.8%
3	JAPAN (GOVT OF) 15PCT BDS 20MAR11JPY€	4.8%	GPT GROUP	7.7%	VORNADO RLTY TR	3.7%	HON HAI PRECISION	2.6%
4	JAPAN(GOVT OF) 11PCT 10DEC16 SER 10 10-12	4.6%	MACQUARIE GOODM G	7.3%	UNIBAIL	3.0%	SAMSUNG ELECTRONIC	2.5%
5	GERMANY(FED REP) 5.625PCT 04JAN28 04-0	3.9%	DB RREEF TRUST	4.6%	PROLOGIS	2.9%	CATHAY FINANCIAL H	2.5%
6	GERMANY (FEDERAL REPUBLIC 5.25PCT BN	3.4%	MIRVAC GROUP	4.5%	HOST HOTELS +RESORTS INC	2.7%	GAZPROM O A O	2.3%
7	FNMA POOL 735230 01-02-35	3.2%	INVESTA PROPERTY GROUP	3.4%	BOSTON PPTYS INC	2.7%	STANDARD BK GR LTD	2.1%
8	FNMA POOL 725946 01-11-34	2.2%	CENTRO PROPS GROUP	3.1%	GENERAL GROWTH PPTYS INC	2.6%	CHINA MOBILE LTD	2.1%
9	FNMA POOL 725425 01-04-34	1.9%	MACQUARIE OFFICE UNITS NP	2.7%	WESTFIELD GROUP	2.5%	MOBILE TELESYSTEMS	1.7%
10	UNITED STATES TREAS NTS 15-08-16	1.9%	CENTRO PROPS GP	2.6%	AVALONBAY CMNTYS INC	2.2%	KOOKMIN BANK	1.7%

sector allocations vs benchmark – Diversified Investment Strategy 5

Australian Shares – portfolio vs benchmark (by sector)

sector	% allocation	% S&P/ASX 300
CONSUMER DISCRETIONARY	8.4%	5.5%
CONSUMER STAPLES	7.6%	6.8%
ENERGY	4.8%	4.7%
FINANCIALS EXCLUDING PROPERTY TRUSTS	30.6%	33.0%
HEALTH CARE	1.5%	3.2%
INDUSTRIALS	13.2%	9.6%
INFORMATION TECHNOLOGY	0.0%	0.9%
LISTED PROPERTY TRUSTS	6.6%	9.8%
MATERIALS	20.5%	20.5%
TELECOMMUNICATION SERVICES	6.2%	3.8%
UTILITIES	0.7%	2.2%

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

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Lehman Global Aggregate Index
NORTH AMERICA	48.3%	52.5%	54.4%	41.2%
EUROPE (EXCLUDING UK)	24.2%	23.1%	20.3%	32.8%
UK	11.1%	12.2%	2.6%	5.6%
ASIA (EXCLUDING JAPAN)	1.3%	1.4%	0.0%	1.6%
JAPAN	11.9%	10.8%	18.5%	16.5%
OTHER	0.1%	0.1%	4.2%	0.6%
EMERGING MARKETS	3.1%	0.0%	0.0%	1.8%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	13.8%	11.6%
CONSUMER STAPLES	5.8%	8.4%
ENERGY	10.1%	9.1%
FINANCIALS INCLUDING PROPERTY TRUSTS	30.4%	25.3%
HEALTH CARE	5.8%	9.1%
INDUSTRIALS	9.4%	11.0%
INFORMATION TECHNOLOGY	8.3%	10.4%
MATERIALS	9.4%	5.9%
TELECOMMUNICATION SERVICES	3.5%	4.7%
UTILITIES	3.6%	4.6%

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	3.6%	21.8%
SEMI GOVERNMENT	0.0%	26.1%
CORPORATE / OTHER	96.4%	52.1%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Lehman Global Aggregate Index
ASSET BACKED / OTHER	36.0%	20.6%
CORPORATE	21.0%	16.2%
GOVERNMENT	43.0%	63.2%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 Property Trust Index
COMMERCIAL	14.0%	10.6%
DIVERSIFIED	34.2%	34.9%
HOTEL	0.0%	0.0%
INDUSTRIAL	9.8%	12.7%
RETAIL	38.0%	41.8%
OTHER	4.0%	0.0%

International Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	53.1%	52.1%
EUROPE (EXCLUDING UK)	14.9%	13.2%
UK	12.8%	12.8%
JAPAN	5.4%	5.2%
ASIA (EXCLUDING JAPAN)	4.6%	3.9%
OTHER	9.1%	12.7%

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

portfolio management report -2005 to 2006

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