



portfolio watch

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



September 2007

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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	2.4	3.9	2.4	10.3	9.9	10.7	10.0
Diversified Investment Strategy No 2	2.4	5.7	2.4	16.0	15.2	16.9	14.9
Diversified Investment Strategy No 3	2.1	6.1	2.1	17.5	16.4	18.4	16.0
Diversified Investment Strategy No 4	2.0	6.7	2.0	19.3	18.2	20.3	17.5
Diversified Investment Strategy No 5	1.1	4.4	1.1	15.2	14.9	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	1.4	3.0	1.4	6.4	6.2	6.1	5.8
Australian Cash Sector - Strategy 5	1.4	3.0	1.4	6.4	6.2	n/a	n/a
<i>UBSA Bank Bill Index</i>	1.6	3.3	1.6	6.5	6.2	6.0	5.7
Alternative Income Sector	3.3	4.8	3.3	8.6	n/a	n/a	n/a
Alternative Income Sector - Strategy 5	3.3	4.8	3.3	8.6	n/a	n/a	n/a
<i>UBSA Bank Bill Index</i>	1.6	3.3	1.6	6.5	6.2	6.0	5.7
Australian Fixed Interest Sector	1.4	1.7	1.4	3.4	4.1	4.9	5.3
Australian Fixed Interest Sector - Strategy 5	1.4	1.8	1.4	3.4	4.1	n/a	n/a
<i>UBSA Composite Bond Index</i>	1.5	1.8	1.5	3.5	4.1	4.7	4.9
International Fixed Interest Sector	2.8	2.1	2.8	4.4	4.5	6.0	6.9
International Fixed Interest Sector - Strategy 5	2.7	1.9	2.7	4.1	4.4	n/a	n/a
<i>Lehman Global Aggregate (Hedged) Index</i>	2.9	2.4	2.9	5.1	4.7	5.8	6.6
Australian Property Sector	4.0	7.2	4.0	21.0	23.0	20.9	19.6
Australian Property Sector - Strategy 5	4.2	7.0	4.2	19.5	21.8	n/a	n/a
<i>S&P/ASX 300 Property Trust Accum Index</i>	5.2	7.9	5.2	20.1	22.8	20.8	19.3
International Property Sector	0.3	-7.8	0.3	8.7	n/a	n/a	n/a
International Property Sector - Strategy 5	0.2	-8.0	0.2	8.4	n/a	n/a	n/a
<i>UBS Global Investors Index in AUD Hedged Net Div</i>	-0.8	-8.5	-0.8	6.6	n/a	n/a	n/a
Australian Shares Sector	4.5	10.0	4.5	29.7	23.3	26.1	22.1
Australian Shares Sector - Strategy 5	2.8	7.5	2.8	25.4	20.0	n/a	n/a
<i>S&P/ASX 300 Accum Index</i>	5.7	11.6	5.7	32.7	24.1	26.6	22.3
International Shares (Unhedged) Sector	-1.1	1.0	-1.1	2.9	9.9	11.9	8.5
<i>MSCI World Ex Australia (\$A Unhedged) Index</i>	-2.1	-0.8	-2.1	1.4	8.9	10.0	7.9
International Shares (Hedged) Sector	0.9	8.3	0.9	18.4	16.7	19.6	19.0
International Shares (Hedged) Sector - Strategy 5	-2.3	5.3	-2.3	16.9	17.4	n/a	n/a
<i>MSCI World Ex Australia (\$A Hedged) Index</i>	-0.1	6.4	-0.1	17.0	16.0	18.3	19.1
International Smaller Companies Sector	-10.8	-6.8	-10.8	3.6	n/a	n/a	n/a
<i>S&P/Citigroup World <US\$1.5bn Cap (AUD Unhedged Net Div)</i>	-5.9	-5.3	-5.9	0.9	n/a	n/a	n/a
Global Emerging Markets Sector	9.6	19.7	9.6	32.8	29.6	31.1	24.7
<i>MSCI EM in \$A (div reinvested)</i>	9.7	20.1	9.7	33.4	28.2	31.7	25.8
Alternative Assets Sector	0.1	4.6	0.1	7.7	2.5	n/a	n/a
Alternative Assets Sector - Strategy 5	-0.2	4.1	-0.2	10.6	8.0	n/a	n/a
<i>UBSA Bank Bill Index</i>	1.6	3.3	1.6	6.5	6.2	6.0	5.7

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	1.4	1.6	-0.2
Alternative Income Sector			
PIMCO	3.3	1.6	1.6
Australian Fixed Interest Sector			
BGI Index	1.4	1.5	-0.1
Credit Suisse	1.4	1.5	-0.1
International Fixed Interest Sector			
BlackRock	2.9	2.9	0.0
PIMCO	2.7	2.9	-0.2
Australian Property Sector			
BGI Index	5.2	5.2	0.0
Legg Mason	4.7	5.2	-0.5
SG Hiscock	3.4	5.2	-1.7
International Property Sector			
CBRE	1.5	-0.8	2.3
LaSalle	-0.9	-0.8	-0.1
Australian Shares Sector			
BGI	7.3	5.7	1.6
UBS	5.2	5.7	-0.6
Schroders	3.9	5.7	-1.9
Maple-Brown Abbott	3.0	5.7	-2.7
Investors Mutual	2.9	5.7	-2.8
Wallara	7.5	5.7	1.7
Bernstein Value	4.3	5.7	-1.4
MIR	1.6	5.7	-4.1
Challenger	-0.9	5.7	-6.6
International Shares (Unhedged) Sector			
Wellington	0.1	-2.1	2.3
GMO	-0.1	-2.1	2.0
Bernstein Value	-4.5	-2.1	-2.4
Capital	-0.2	-2.1	1.9
Alliance Growth	0.5	-2.1	2.7
LSV	-5.3	-2.1	-3.2
International Shares (Hedged) Sector			
BGI Index	-0.1	-0.1	0.0
Wellington	2.1	-0.1	2.2
GMO	1.9	-0.1	2.0
Bernstein Value	-2.5	-0.1	-2.4
Capital	1.8	-0.1	1.9
Alliance Growth	2.6	-0.1	2.7
LSV	-3.2	-0.1	-3.1
International Smaller Companies Sector			
Arrowstreet	-10.8	-5.9	-4.9
Global Emerging Markets Sector			
Legg Mason	9.5	9.7	-0.2
Alternative Assets Sector			
AXA Rosenberg	0.2	1.6	-1.5
BGI Total Return Multi-Opportunity Fund	-0.2	1.6	-1.8
BT Global Return Fund	-1.1	1.6	-2.7

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.

investment environment

The September quarter was a reminder that risk can re-emerge in unexpected ways and with uncomfortable intensity. Complacency is the welcome mat for market turmoil. This time complacency took the form of inappropriate mortgage lending practices in the United States that relied on a continued rise in house prices. Complacency was also evident in credit markets where benign economic conditions led investors to take on risk that was being inadequately rewarded.

When house prices went backwards and interest rates rose, home loan defaults took off in the US. Concern that debt would not be repaid overwhelmed the system with institutions less willing to lend. As liquidity dried up the problem spread to funding for private equity arrangements. Before long banks and other financial institutions in a number of regions were finding it difficult to obtain the cash they needed to keep the financial system functioning.

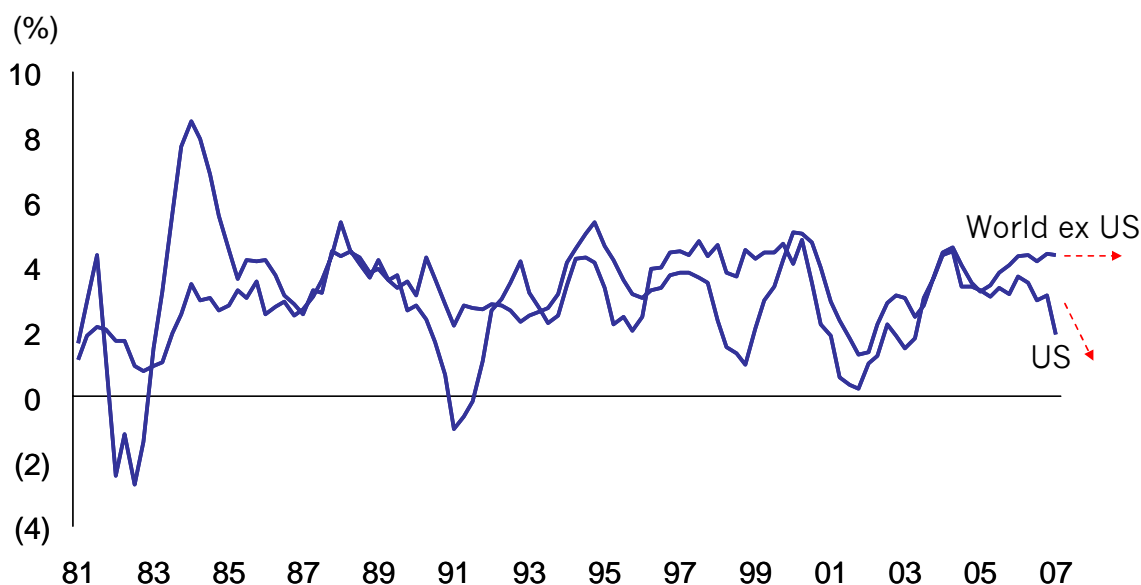
The liquidity crunch was compounded by the rise of complex financial instruments that spread risk far and wide across the financial system. Individually each impact was manageable but when the problems suddenly emerged at the same time the pain was acute and felt across many asset classes.

The ipac market outlook paper in January highlighted that a number of business models were untested if market conditions changed significantly. Some business models did not survive the liquidity crisis with non-bank lender RAMS the best example. Similarly British bank, Northern Rock, found itself in difficulties when the wholesale credit markets virtually shut up shop overnight. Financial institutions that had positioned themselves as the last port of call for credit instruments – believing they would rarely be needed – suddenly were called upon en masse.

Central banks had a number of levers to pull to get the system back on track. The positive global economic environment enabled them to act decisively. While the US economy appears to be slowing, the rest of the global economy is growing strongly as shown in figure one below. Central banks injected billions of dollars of liquidity into the system and when that did not solve the problem the US Federal Reserve cut rates significantly highlighting their willingness to do whatever it takes to prevent a significant slowdown of the US economy.

This systemic issue around credit and the repricing of risk is still playing out through the system. PIMCO likens it to a game of 'Where's Wally' with credit concerns liable to re-emerge until the ultimate owners of the risk embedded in financial instruments are identified. In this environment it pays to diversify further to protect and grow portfolio returns. Diversification may not win over a day, a week or a month. Diversification should win over the medium to long-term which is the main game when it comes to building long-term wealth.

Figure 1: global GDP trends



source: AllianceBernstein, Bloomberg

market returns for the quarter

International fixed interest markets posted a 12 month return of 5.1% to 30 September 2007 measured by the Lehman Global Aggregate Index (hedged) lagging cash (at 6.5%). This asset class performed well in the September quarter, up 2.9% (hedged). The return was helped by the 100% currency hedge. Government yields fell as investors sought quality.

Australian fixed interest returned a one year performance of 3.5% (UBSA Composite Bond Index – All Maturities). Volatility in global bond markets and falling yields hurt the return for the September quarter (1.5%).

The 12 month return from **Australian listed property** was 20.1% (S&P/ASX 300 Property Accumulation Index), with the return for the quarter strong at 5.2%. Volatility was the order of the day. The recovery from the falls in July were concentrated with only five Listed Property Trusts driving the surging index in August. Office rental growth and Merger & Acquisition (M&A) activity also contributed to overall performance.

International property delivered 6.6% for the year (UBS Global Investors Index hedged) to 30 September 2007. This asset class fell for the quarter (-0.8%). Global real estate markets were impacted by the credit issues emanating from the sub prime mortgage crisis in the US.

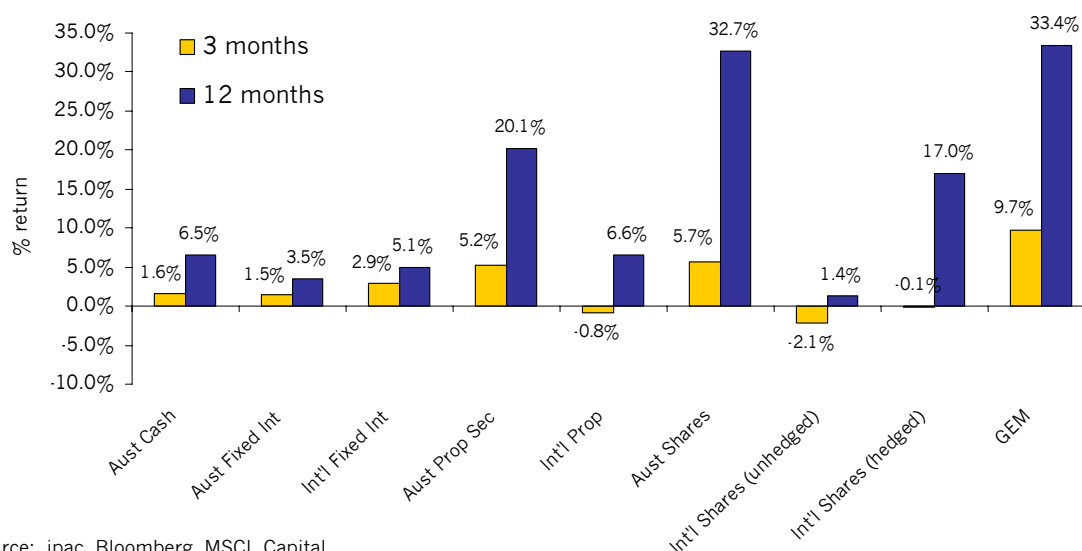
The performance of **Australian shares** was impressive. The S&P ASX 300 Accumulation index returned 32.7% for the year. A degree of volatility did not prevent the market from delivering 5.7% for this quarter. A strong domestic economy left share prices buoyant, save for a fall in mid August as sentiment wavered. The market had picked up by the end of the quarter as a result of the global resources demand and strong commodity prices.

International shares were broadly flat for the September quarter as measured by the MSCI World Ex Australia (\$A hedged). The hedged return was -0.1%. The unhedged return was -2.1% for the quarter, hurt by the continued rise of the Australian Dollar against the US Dollar and other major currencies. The surging Australian Dollar saw the unhedged return for the year at 1.4% compared to 17.0% for the hedged index.

International smaller companies fell significantly in the September quarter (-5.9%) as measured by the S&P/Citigroup World <\$US \$1.5 billion cap Index. This index is unhedged. The full year return to 30 September 2007 was 0.9%. The strength of the Australian Dollar offset unhedged returns for Australian investors and smaller companies suffered in the credit crunch more than their larger counterparts.

Emerging markets showed resilience highlighting that this asset class is not as susceptible to turbulence in the US economy as it once was. The MSCI EM Index in Australian Dollars was up 33.4% for the year to 30 September helped by a strong quarterly return of 9.7%. Leading the way were China, India, Indonesia, Brazil and Peru as well as most markets in Europe, and the Middle East.

Figure 2: asset class returns to 30 September 2007



source: ipac, Bloomberg, MSCI, Capital.

diversified portfolio performance (gross)

Diversified Investment Strategy No. 1

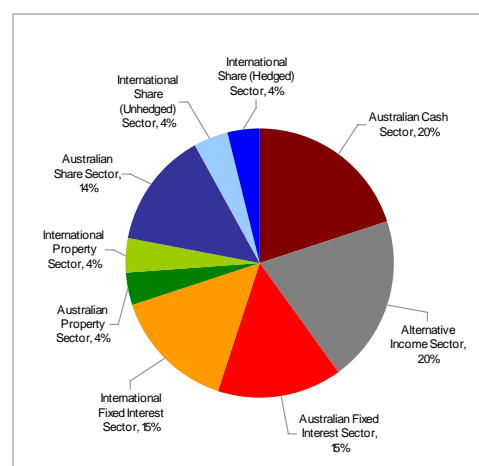
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yrs %pa	3 yrs %pa	5 yrs % pa
Diversified Investment Strategy 1	2.4	3.9	2.4	10.3	9.9	10.7	10.0
Benchmark	2.2	3.8	2.2	10.0	9.7	10.2	9.6

Note:

The benchmark for the target weight of the asset class multiplied by the return of the respective market index (see pie chart below).

return drivers this period

- ~ All asset classes made a positive contribution over 12 months. Australian shares was the stand out delivering a significant contribution to return in the quarter and almost half the full year return to 30 September 2007. This portfolio outperformed the more growth orientated options benefiting from lower exposure to international shares.
- ~ Alternative income made the largest contribution to return last quarter and has outperformed fixed interest and cash over 12 months. This innovative fixed interest strategy takes advantage of global investment opportunities through a portfolio of securities where the total investments in the portfolio have duration of 12 months or less.



performance this period

- ~ PIMCO's alternative income strategy was the strongest performer among defensive managers.
- ~ In Australian shares, the managers collectively delivered a high absolute return explaining the significant contribution to the overall portfolio return. Both the quarter and 12 month returns were below the index. Holding the portfolio back was an underweight position in Resources stocks particularly the more speculative stocks as well as BHP, one of the best performing stocks for the quarter. Wallara's focus on large cap, growth stocks was well rewarded while BGI's Alpha Tilts process delivered an outstanding 3.9% above the index over 12 months. Challenger underperformed 6.6% for the quarter. The Challenger portfolio is highly concentrated and performance is likely to be volatile. UBS remains On Watch pending the outcome of ipac's review of recent staff changes.
- ~ With international shares, the managers collectively outperformed the benchmark over the quarter and 12 months. Over three months both the hedged and unhedged indices were negative. Alliance Growth and Wellington did best for the quarter while GMO had another solid three months helping this manager to be the best performer over the year to the end of September 2007. The value managers found the going tough with LSV and Bernstein Value not able to match the index over the quarter however both managers added value over 12 months.

Diversified Investment Strategy No. 2

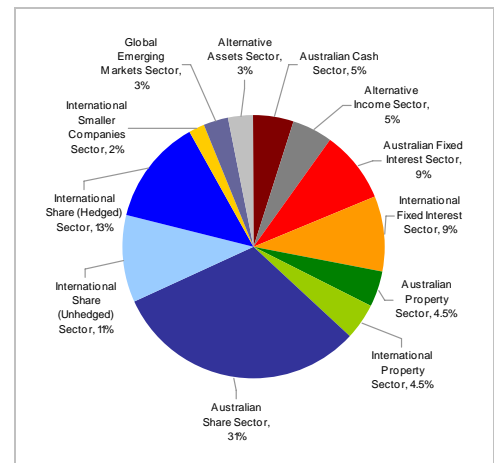
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yr %pa	3 yr %pa	5yr % pa
Diversified Investment Strategy 2	2.4	5.7	2.4	16.0	15.2	16.9	14.9
Benchmark	2.6	5.6	2.6	15.9	14.9	16.3	14.6

Note:

The benchmark for the target weight of the asset class multiplied by the return of the respective market index (see pie chart below).

return drivers this period

- ~ All asset classes made a positive contribution over 12 months. Australian shares was the stand out, delivering more than half the return for the quarter and the full year to 30 September 2007.
- ~ Exposure to international shares detracted from return in the September quarter. The fixed interest components – cash, domestic and global fixed interest, and alternative income – all added value in the September quarter. This positive contribution was in a period where problems with sub prime mortgages saw some investors in higher risk fixed interest options experience capital loss.



performance this period

- ~ PIMCO's alternative income strategy was the strongest performer among defensive managers.
- ~ In Australian shares, the managers collectively delivered a high absolute return explaining the significant contribution to the overall portfolio return. Both the quarter and 12 month returns were below the index. Holding the portfolio back was an underweight position in Resources stocks particularly the more speculative stocks as well as BHP, one of the best performing stocks for the quarter. Wallara's focus on large cap, growth stocks was well rewarded while BGI's Alpha Tilts process delivered an outstanding 3.9% above the index over 12 months. Challenger underperformed 6.6% for the quarter. The Challenger portfolio is highly concentrated and performance is likely to be volatile. UBS remains On Watch pending the outcome of ipac's review of recent staff changes.
- ~ With international shares, the managers collectively outperformed the benchmark over the quarter and 12 months. Over three months both the hedged and unhedged indices were negative. Alliance Growth and Wellington did best for the quarter while GMO had another solid three months helping this manager to be the best performer over the year to the end of September 2007. The value managers found the going tough with LSV and Bernstein Value not able to match the index over the quarter however both managers added value over 12 months.

Diversified Investment Strategy No. 3

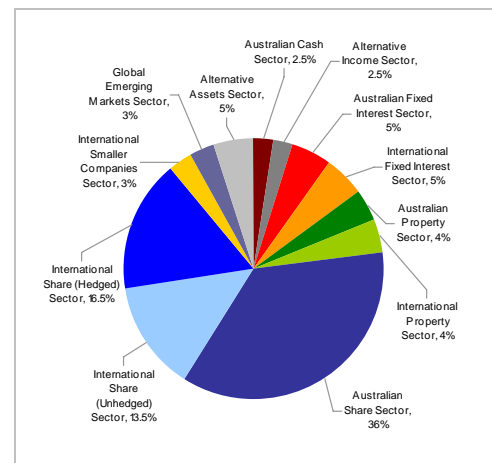
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yr %pa	3 yr %pa	5yr % pa
Diversified Investment Strategy 3	2.1	6.1	2.1	17.5	16.4	18.4	16.0
Benchmark	2.5	6.0	2.5	17.5	16.2	17.9	15.8

Note:

The benchmark for the target weight of the asset class multiplied by the return of the respective market index (see pie chart below).

return drivers this period

- ~ All asset classes made a positive contribution over 12 months. Australian shares was the stand out, delivering three quarters of the return in the September quarter and more than half of the full year result.
- ~ Exposure to international shares detracted from return in the September quarter. Exposure to niche asset classes – global emerging markets, international smaller companies and alternative assets – was beneficial.



performance this period

- ~ In Australian shares, the managers collectively delivered a high absolute return explaining the significant contribution to the overall portfolio return. Both the quarter and 12 month returns were below the index. Holding the portfolio back was an underweight position in Resources stocks particularly the more speculative stocks as well as BHP, one of the best performing stocks for the quarter. Wallara's focus on large cap, growth stocks was well rewarded while BGI's Alpha Tilts process delivered an outstanding 3.9% above the index over 12 months. Challenger underperformed 6.6% for the quarter. The Challenger portfolio is highly concentrated and performance is likely to be volatile. UBS remains On Watch pending the outcome of ipac's review of recent staff changes.
- ~ With international shares, the managers collectively outperformed the benchmark over the quarter and 12 months. Over three months both the hedged and unhedged indices were negative. Alliance Growth and Wellington did best for the quarter while GMO had another solid three months helping this manager to be the best performer over the year to the end of September 2007. The value managers found the going tough with LSV and Bernstein Value not able to match the index over the quarter however both managers added value over 12 months.
- ~ In international smaller companies, Arrowstreet Capital underperformed the benchmark 4.9% in the September quarter. Performance was impacted by hedge funds that had to meet liquidity needs by selling similar investment opportunities to Arrowstreet. Over 12 months, Arrowstreet added 2.7% above the benchmark.

Diversified Investment Strategy No. 4

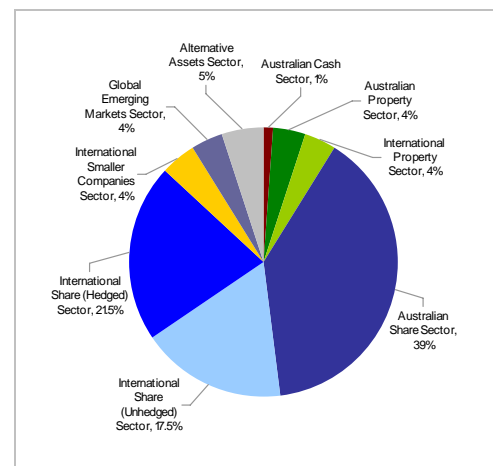
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yr %pa	3 yr %pa	5yr % pa
Diversified Investment Strategy 4	2.0	6.7	2.0	19.3	18.2	20.3	17.5
Benchmark	2.3	6.5	2.3	19.0	17.8	19.5	17.1

Note:

The benchmark for the target weight of the asset class multiplied by the return of the respective market index (see pie chart below).

return drivers this period

- ~ All asset classes made a positive contribution over 12 months. Australian shares was the stand out, delivering virtually the entire return in the September quarter and more than half of the return for the full year.
- ~ This portfolio delivered a lower quarterly return compared to the other portfolios. The return was impacted by its greater exposure to international shares. The one year return for this portfolio was the highest of the Diversified Strategies highlighting the benefit of higher exposure to growth assets.



performance this period

- ~ In Australian shares, the managers collectively delivered a high absolute return explaining the significant contribution to the overall portfolio return. Both the quarter and 12 month returns were below the index. Holding the portfolio back was an underweight position in Resources stocks particularly the more speculative stocks as well as BHP, one of the best performing stocks for the quarter. Wallara's focus on large cap, growth stocks was well rewarded while BGI's Alpha Tilts process delivered an outstanding 3.9% above the index over 12 months. Challenger underperformed 6.6% for the quarter. The Challenger portfolio is highly concentrated and performance is likely to be volatile. UBS remains On Watch pending the outcome of ipac's review of recent staff changes.
- ~ With international shares, the managers collectively outperformed the benchmark over the quarter and 12 months. Over three months both the hedged and unhedged indices were negative. Alliance Growth and Wellington did best for the quarter while GMO had another solid three months helping this manager to be the best performer over the year to the end of September 2007. The value managers found the going tough with LSV and Bernstein Value not able to match the index over the quarter however both managers added value over 12 months.
- ~ In international smaller companies, Arrowstreet Capital underperformed the benchmark 4.9% in the September quarter. Performance was impacted by hedge funds that had to meet liquidity needs by selling similar investment opportunities to Arrowstreet. Over 12 months, Arrowstreet added 2.7% above the benchmark.

Diversified Investment Strategy No. 5

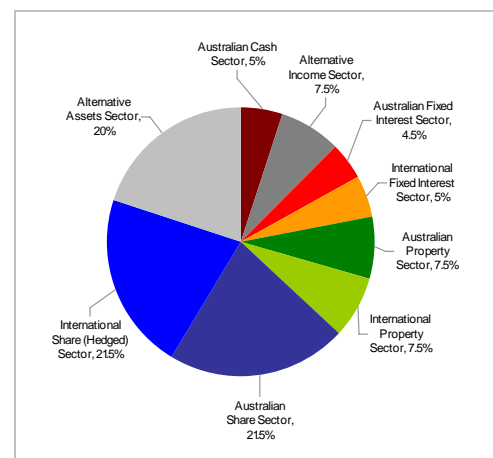
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yr %pa	3 yr %pa	5yr % pa
Diversified Investment Strategy 5	1.1	4.4	1.1	15.2	14.9	n/a	n/a
Benchmark	2.3	5.1	2.3	15.0	14.1	n/a	n/a

Notes:

The benchmark for the target weight of the asset class multiplied by the return of the respective market index (see pie chart below).
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 Australian Shares was advantageous for the quarter and 12 months to 30 September 2007.
- ~ The portfolio benefited from the 100% currency hedge of international assets, protecting the assets from the strength of the Australian Dollar versus other major currencies.



performance this period

- ~ The September quarter saw significant volatility brought on by the sub prime dramas that caused widespread contagion across most asset classes.
- ~ The value bias in equities markets did not fare well in the quarter. In the Australian equity market, the value managers struggled in an environment where cyclical stocks rallied particularly speculative and larger resources companies that have experienced a surge in earnings on the back of high commodity prices and continued strong demand. In overseas markets, the period was also characterised by the significant outperformance of growth stocks over value stocks. In global shares, both Bernstein Value and LSV underperformed for the quarter however over the full year both matched the benchmark.
- ~ Exposure to PIMCO's alternative income strategy added value. This innovative fixed interest strategy takes advantage of global investment opportunities through a portfolio of securities where the total investments in the portfolio have duration of 12 months or less.

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	1.4	3.0	1.4	6.4	6.2	6.1	5.8
Sector - Strategy 5	1.4	3.0	1.4	6.4	6.2	n/a	n/a
AllianceBernstein	1.4	3.0	1.4	6.4	6.2	6.1	5.8
Benchmark	1.6	3.3	1.6	6.5	6.2	6.0	5.7

Note:

Benchmark = UBSA Bank Bill Index.

market commentary

The Reserve Bank of Australia (RBA) increased the cash rate in August by 0.25% to 6.50%, to keep a lid on inflation. The return for the quarter was 1.6% measured by the UBSA 90 Day Bank Bill Index. For 12 months the return was 6.5%.

It has been anticipated by the market that the RBA will raise rates in the coming quarters to combat inflationary pressures. Interbank futures have priced in a 0.25% rise in interest rates by December.

sector commentary

AllianceBernstein actively manages the cash component of the diversified portfolios. The return was 1.4% for the quarter and 6.4% for the year to 30 September 2007. The manager performance was slightly behind the benchmark over both periods. AllianceBernstein invests in a diversified portfolio of corporate and floating rate note issues, which are structured to match the interest rate exposure of the benchmark while providing the potential for a slightly higher return. In the September quarter, the active management decisions detracted slightly from return.

Alternative Income

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	3.3	4.8	3.3	8.6	n/a	n/a	n/a
Sector - Strategy 5	3.3	4.8	3.3	8.6	n/a	n/a	n/a
PIMCO	3.3	4.8	3.3	8.5	n/a	n/a	n/a
Benchmark	1.6	3.3	1.6	6.5	6.2	6.0	5.7

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

The Alternative Income benchmark, the UBSA Bank Index, returned 1.6% for the quarter ended 30 September 2007. The full year return was 6.5%.

sector commentary

The diversified portfolios have an allocation to this innovative fixed interest approach managed by PIMCO. The sector returned 3.3% for the quarter ended 30 September 2007, 1.7% ahead of the benchmark, and 2.1% ahead for the year.

Following an extended period of stability and low risk premiums, market volatility returned during the quarter. This environment benefited the strategy. PIMCO added value through its positioning at the short end of the yield curve particularly in the US. Exposure to the Yen, Euro and emerging market currencies also helped as the US Dollar weakened in the face of slower growth and falling rates. The overweight to European interest rates was beneficial as was the tactical addition of corporate and high yield exposure as spreads widened over the quarter.

Australian Fixed Interest

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	1.4	1.7	1.4	3.4	4.1	4.9	5.3
Sector - Strategy 5	1.4	1.8	1.4	3.4	4.1	n/a	n/a
BGI Index	1.4	1.8	1.4	3.4	n/a	n/a	n/a
Credit Suisse	1.4	1.7	1.4	3.4	4.1	4.8	5.3
Benchmark	1.5	1.8	1.5	3.5	4.1	4.7	4.9

Notes:

Benchmark = UBSA Composite Bond All Maturities Index.

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

market commentary

Australian bond markets returned 1.5% for the September quarter (UBSA Composite Bond Index – All Maturities) impacted by volatile global bond markets and falling yields. The annual return was 3.5%, trailing cash (at 6.5%).

Credit spreads continued to widen. Investors have required more compensation for assets that offered less liquidity and for assets considered riskier. Even short-term credit was priced higher. The impact of this tightening of credit markets was illustrated by the problems for non bank lender, RAMS. It struggled to securitize its loan book and the share price plummeted. In early October Westpac made an offer to purchase the brand and distribution operation of RAMS.

The domestic economy remains robust, providing confidence for investors. The GDP figure for the June quarter rose at a larger than expected 0.9% quarter on quarter (consensus was a rise of 0.6%). Employment increased more than expected, the 18th monthly gain in 19 months. Business confidence also rose.

Australian 3-Year and 10-Year bond yields ended the quarter at 6.4% and 6.1% respectively. Higher yields in Australia reflect the positive economic environment and expectations of a future rate rise.

sector commentary

The sector returned 1.4% for the quarter ended 30 September 2007, 0.1% below the benchmark. Credit Suisse is the manager in this sector for the diversified portfolios except Diversified Strategy 5 where an index approach is taken.

The performance of Credit Suisse was hurt by their credit positioning in interest rate swaps. The manager has benefited from its conservative strategy of avoiding lower rated credit and has avoided some of the biggest underperformers such as Bear Stearns. Relative value strategies that are positioned to take advantage of what Credit Suisse believe are pricing anomalies in the yield curve have detracted from performance. However over the medium-term, these strategies are expected to help return.

sector commentary (Strategy 5)

The manager, BGI Index, returned 1.4% for the quarter and 3.4% for the year.

International Fixed Interest

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	2.8	2.1	2.8	4.4	4.5	6.0	6.9
Sector - Strategy 5	2.7	1.9	2.7	4.1	4.4	n/a	n/a
BlackRock	2.9	2.4	2.9	4.8	4.6	6.0	6.9
PIMCO	2.7	1.9	2.7	4.1	4.4	6.0	7.0
Benchmark	2.9	2.4	2.9	5.1	4.7	5.8	6.6

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

Global bond markets had a positive return over the September quarter with the Lehman Global Aggregate Index (hedged) up 2.9%. The annual return of 5.1%, lagged cash (at 6.5%).

Following a period of stability and low risk premiums, this quarter saw the return of volatility and tighter global credit markets as a result of the US sub prime mortgage crisis. Investors sought refuge in quality, with a strong preference for cash and government securities.

This sharp increase in demand saw the yield on US Treasury bills fall. These yields subsequently rose, following the Federal Reserve rate cut. The benchmark US 10-year Treasury bond yielded 4.6% at the end of September. Government bond yields fell worldwide.

The global economic environment is broadly positive, although the US payroll figures fell for the first time in four years, down 4000 in August when the consensus forecast was a gain of 100,000. The June and July figures were also revised down. There was further deterioration in the US housing market and retail sales were weaker than expected in August. The US Federal Reserve responded to the liquidity crunch with a 0.5% rate cut on 18 September. US short-term interest rates are 4.75%.

Credit spreads widened to the highest levels in several years. By the close of September, expectations that the US Federal Reserve easing would extend beyond the latest rate cut calmed credit markets. Inter-bank lending rates declined and bond trading volumes picked up.

sector commentary

The sector delivered a 2.8% return marginally below the benchmark for the quarter. For the year, the return was 4.4%. There are two managers used in this asset class – PIMCO and BlackRock.

An overweight exposure to high quality Mortgage Backed Securities detracted from PIMCO's relative performance, as these securities fell in sympathy with lower quality segments of the mortgage sector. Yield plays in Japan and Australia also hurt return. Exposure to the Yen and emerging market currencies, as the US dollar weakened assisted return as did an underweight to corporate bonds which lagged amid the flight to safe assets. BlackRock's expectation of a flattening of the US yield curve did not pay off when rates were cut. Like PIMCO, an overweight position with US Mortgage Backed Securities detracted. The portfolio benefited from its long duration position in the US over the early part of the quarter and a short positioning in September. The overweight in Mexico and Canada also contributed positively.

sector commentary (Strategy 5)

The manager, PIMCO, returned 2.7% for the quarter ended 30 September 2007, underperforming the benchmark by 0.2%.

Australian Property

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	4.0	7.2	4.0	21.0	23.0	20.9	19.6
Sector - Strategy 5	4.2	7.0	4.2	19.5	21.8	n/a	n/a
BGI Index	5.2	7.8	5.2	19.9	n/a	n/a	n/a
Legg Mason	4.7	7.8	4.7	22.3	23.7	21.7	n/a
SG Hiscock	3.4	6.6	3.4	19.8	22.1	20.0	n/a
Benchmark	5.2	7.9	5.2	20.1	22.8	20.8	19.3

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 returned 5.2% over the quarter and was characterised by extreme highs and lows. The index returned 20.1% over 12 months.

In July, the Listed Property Trust (LPT) sector posted poor performance, down 4.7%, following the -4.8% return in June. Suddenly, even those previously concerned about valuations saw good value. Even so, August was one of the most extraordinary months seen in this asset class with the recovery concentrated in a very small number of trusts.

Only five LPTs outperformed the benchmark over the month – Westfield Group, Stockland, Goodman Group, DB RREEF and CFS Retail – yet the index rose 7.8% for August. Every LPT with a market capitalisation of less than \$3 billion underperformed. September was a relatively quiet month with the market continuing its recovery, but more broadly based.

The reporting season in August highlighted strong signs of office rental growth and valuation in Brisbane, Perth and Sydney. Retail has continued to show modest growth and funds management and development are increasingly important growth areas for many trusts. The quarter also experienced some M&A and corporate activity mainly Centro properties that announced the proposed merger of the Centro Retail Trust with the Centro Shopping America Trust.

The best performing sectors for the quarter were Industrials followed by Retail and Diversified. The Commercial sector went backwards. The Leaders outperformed the broader index with a return of 7.0%.

sector commentary

The return for the quarter was 4.0% with the performance 21.0% over the full year to 30 September 2007. While the quarterly return was behind the benchmark by 1.2%, over 12 months the return was 0.9% ahead. The managers in this sector are SG Hiscock and Legg Mason.

The volatile nature of the quarter and the concentrated recoveries especially in the month of August did not help active managers. The median manager underperformed the benchmark for most of the quarter.

The performance of SG Hiscock suffered from its underweight to Westfield and overweight to Centro Shopping America Trust. ipac allow SG Hiscock to invest a small part of the portfolio offshore to take advantage of the wider opportunity set. This global exposure of around 7% of the SG Hiscock portfolio detracted as global REITs lagged the Australian market.

Legg Mason benefited from its underweight in Centro properties, underweight in Goodman Group, and underweight in Investa Property Group. However these positives did not outweigh the negative impact of overweights to Centro Shopping America Trust, Reckson New York and Mirvac Group.

sector commentary (Strategy 5)

The managers, SG Hiscock and BGI Index, achieved a combined return of 4.2% for the quarter, underperforming the benchmark by 1.0%. BGI matched the index for the quarter while SG Hiscock underperformed. Over the full year the return of the sector was 19.5%.

International Property

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	0.3	-7.8	0.3	8.7	n/a	n/a	n/a
Sector - Strategy 5	0.2	-8.0	0.2	8.4	n/a	n/a	n/a
CBRE	1.5	-6.8	1.5	11.1	n/a	n/a	n/a
LaSalle	-0.9	-9.0	-0.9	6.2	n/a	n/a	n/a
Benchmark	-0.8	-8.5	-0.8	6.6	n/a	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

International Property went backwards in the September quarter falling 0.8% according to the UBS Global Investors Index (\$A hedged). For the year to the end of September the return was 6.6%.

Like Australian Listed Property, global real estate markets were impacted by the credit issues emanating from the sub prime woes. The fallout was felt hardest by the European and the US REIT markets.

The sell off early in the September quarter reflected investor concerns about the likely impact of the credit crisis on the real estate market. Initially credit spreads widened, reducing the credit available to levered buyers of real estate. With levered buyers on hold, takeover activity which had previously supported the sector was reduced. The negative impact on prices caused by the perception of increased risk led sellers to withdraw available property from the market. Investor concerns eased as central banks acted to ensure adequate liquidity, with the US Federal Reserve's aggressive interest rate cut providing a boost to the market.

Real estate fundamentals remain sound. Global occupancies have increased, and rents have risen, allowing for healthy internal growth among these companies. Institutional investors continue to move into the sector, and demand is strong for investment in both direct and securitized real estate.

Weakness seen in virtually every property market across the globe during the quarter may have bottomed as evidenced by the first two months of consecutive positive returns for the year in August and September. Investors generally viewed the softer valuations as buying opportunities within the asset class with some REITs, particularly in the US, trading at very attractive discounts.

In Asia, Singapore and Japan's fundamentals are solid with emerging opportunities in China, India and Vietnam. While Australia's strong economy has benefited its listed property companies, valuations appear expensive relative to securities listed in other countries, particularly the US.

sector commentary

The International Property sector achieved a return of 0.3% for the quarter and 8.7% for the full year. The portfolio outperformed the benchmark index for the year by 1.1% for the quarter, and 2.1% for the year. The managers in this sector are CBRE and LaSalle.

The outperformance was primarily the result of a strong July when the portfolio proved more robust than the sharply declining market. CBRE was the better performer for the quarter and for the year, adding almost 5% above the index. La Salle underperformed the benchmark over 12 months by 0.4%.

Exposure to Hong Kong provided a significant contribution to the portfolio's positive relative return for the quarter, through both good stock selection and an overweight exposure to this top-performing market. The Hong Kong stocks held in the portfolio were mainly companies with real estate investments in mainland China, with an emphasis on development oriented stocks.

The portfolio's overweight to the Japanese property securities market includes two of its largest stock positions, Mitsubishi Estate and Mitsui Fudosan, that made healthy contributions to the sector return. Land price increases provided a boost to the market, with nationwide commercial land prices increasing for the first time in 16 years.

Canada provided a strong boost to relative returns from good stock selection and an overweight country position. This overweight has recently been trimmed to lock in outperformance and fund purchases elsewhere that are perceived as offering better value. The outlook for the Continental European market remains attractive with the portfolio maintaining an overweight exposure. The portfolio remains underweight to Australia.

Australian Shares

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	4.5	10.0	4.5	29.7	23.3	26.1	22.1
Sector - Strategy 5	2.8	7.5	2.8	25.4	20.0	n/a	n/a
BGI	7.3	14.4	7.3	36.6	26.7	28.6	24.0
UBS	5.2	12.4	5.2	33.8	24.2	27.6	n/a
Schroders	3.9	8.8	3.9	29.7	24.6	27.0	22.6
Maple-Brown Abbott	3.0	6.2	3.0	23.8	19.9	22.5	19.8
Investors Mutual	2.9	8.4	2.9	25.7	19.8	21.3	n/a
Wallara	7.5	12.4	7.5	31.3	22.7	26.5	n/a
Bernstein Value	4.3	10.6	4.3	30.9	n/a	n/a	n/a
MIR	1.6	6.5	1.6	25.0	20.6	n/a	n/a
Challenger	-0.9	4.2	-0.9	22.8	23.9	n/a	n/a
Benchmark	5.7	11.6	5.7	32.7	24.1	26.6	22.3

Notes:

Benchmark = S&P/ASX 300 Accumulation Index.

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

market commentary

Australian shares continued their impressive run, with the S&P ASX 300 Accumulation Index returning 32.7% for the year. Despite the volatility in the September quarter, the share market returned a healthy 5.7%.

A strong domestic economy provided support and kept share prices buoyant, despite uncertainty early in the quarter caused by the sub prime fallout. The market was down heavily by mid-August. However, it recovered dramatically posting a spectacular 4.9% rise on 20 August spurred on by the surge in the US market after the US Federal Reserve stepped in to ease the liquidity crisis. The domestic economy was helped by the global resources demand that shows no signs of slowing. Strong commodity prices were also beneficial.

The big rise from mid-August followed a re-rating of the Materials and Energy sectors as investors took the view that the strong earnings of these companies would continue for longer. These companies surged from the more speculative to the larger diversified mining companies such as BHP and Rio Tinto. BHP alone contributed 55% of the upturn to the end of September. Rio Tinto and healthcare/biotechnology company, CSL, broke through the \$100 barrier for their share prices during the period.

Earnings results over the quarter demonstrated that corporate earnings are still going strong, with standout performances by BHP, Woolworths, Leighton, Amcor, and AXA Asia Pacific Holdings. The weaker performers were IAG and Sigma while Aristocrat and PaperlinX were hurt by a fall in overseas earnings as the Australian Dollar strengthened.

The main contributions to index returns were the Materials (17.2%), Healthcare (13.7%) and Energy sectors (7.3%), whilst the IT and Telco sectors were down 17.8% and 2.0% respectively.

The best performing stocks were BHP up 27.2%, CSL up 21.9%, and Rio Tinto up 9.6%. At the other end of the spectrum were Computershare down 17.7%, Babcock and Brown down 14.4%, TabCorp fell 11.7% and Wesfarmers fell 8.2%. Babcock and Brown fell on fears that it would be impacted by exposure to the credit squeeze, Wesfarmers was hurt by concerns about the acquisition of Coles while TabCorp's share price was hurt by the equine flu epidemic that had race meetings cancelled in NSW and Queensland impacting on revenue.

sector commentary

The sector portfolio delivered a return of 4.5% for the quarter, underperforming the index by 1.2%. For the year, the sector return 29.7%.

The portfolio's slight value bias (growth significantly outperformed value for the quarter), and the negative impact of the cash holding all hurt performance. These characteristics were beneficial in August when the market fell. However in July and September the market rallied strongly and the portfolio was not helped by the narrowness of this rally.

Essentially out or under performance was determined by the relative position in Resources, Mining Servicing Companies and exposure to stocks where performance is closely linked to market movements, such as diversified financials. ipac's portfolio was on the wrong side of this equation with the portfolio particularly underweight the more speculative resource companies. The portfolio underweight to strongly performing BHP (one of the largest positions in the combined portfolio) cost return although the overweight to Rio Tinto cushioned the impact. Most of ipac's managers believed that BHP was expensive and the current price may not reflect longer-term fundamentals.

At the manager level, the quarter was a difficult one for Challenger who underperformed by 6.6%. The Challenger portfolio is highly concentrated and performance is likely to be volatile. The only exposure Challenger had to the stocks running hot was the overweight position with Rio Tinto. The portfolio was hurt by a large underweight to BHP. Other key holdings also struggled, particularly Transpacific (its merger and acquisition activity was impacted by the credit squeeze), Tattersall (equine flu) and Austar (raising debt during credit squeeze was difficult).

The value managers also found the going tough in an environment that was not suited to their style. MIR underperformed the index by 4.1% with its underweight to BHP and overweight to the banks hurting return. Maple Brown Abbott and Investors Mutual were also well below the index.

On the positive side, Wallara added almost 2.1% more than the index, a strong turnaround from the previous quarter. Wallara benefited from an overweight position with BHP. BGI's Alpha Tilts process also performed strongly, outperforming the index by 1.5% for the quarter, with the excess return over 12 months 3.9%.

UBS remain On Watch. The performance was slightly below index for the quarter. ipac continues to monitor the portfolio closely. The portfolio has not changed materially since the departure and replacement of key team members.

sector commentary (Strategy 5)

The sector portfolio delivered a return of 2.8% for the quarter and 25.4% for the year well under the benchmark for both periods. This sector employs managers with a value approach to investing.

In the September quarter, the value managers struggled in an environment where cyclical stocks rallied particularly speculative and larger resources companies that have experienced a surge in earnings on the back of high commodity prices and continued strong demand. MIR underperformed the index by 4.1% with its underweight to BHP and overweight to the banks hurting return. Maple Brown Abbott and Investors Mutual were also well below the index.

International Shares

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector - Unhedged	-1.1	1.0	-1.1	2.9	9.9	11.9	8.5
Wellington	0.1	1.3	0.1	2.3	8.9	10.7	8.0
GMO	-0.1	2.0	-0.1	4.1	8.6	10.6	n/a
Bernstein Value	-4.5	-0.9	-4.5	1.6	11.8	14.3	12.5
Capital	-0.2	2.9	-0.2	3.5	10.9	11.5	n/a
Alliance Growth	0.5	1.3	0.5	3.9	9.0	n/a	n/a
LSV	-5.3	-3.6	-5.3	2.1	10.2	n/a	n/a
Benchmark	-2.1	-0.8	-2.1	1.4	8.9	10.0	7.9
Sector - Hedged	0.9	8.3	0.9	18.4	16.7	19.6	19.0
Sector - Strategy 5 Hedged	-2.3	5.3	-2.3	16.9	17.4	n/a	n/a
BGI Index	-0.1	6.4	-0.1	17.1	n/a	n/a	n/a
Wellington	2.1	8.5	2.1	17.8	15.7	18.5	18.6
GMO	1.9	9.2	1.9	19.8	15.5	18.7	n/a
Bernstein Value	-2.5	6.3	-2.5	17.1	18.9	22.6	23.6
Capital	1.8	10.3	1.8	19.1	18.0	19.6	n/a
Alliance Growth	2.6	8.6	2.6	19.5	15.9	n/a	n/a
LSV	-3.2	3.6	-3.2	17.9	17.4	n/a	n/a
Benchmark	-0.1	6.4	-0.1	17.0	16.0	18.3	19.1

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

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

Global equity markets were flat for the quarter with the MSCI World Ex Australia Index (\$A hedged) at -0.1%. The unhedged return was -2.1% for the three months to 30 September, impacted by the continued rise of the Australian Dollar. The impact of the surging dollar is clearly evident in the returns for the year with the hedged return 17.0% compared to the unhedged return of 1.4%.

Global equity markets emerged relatively unscathed from a volatile quarter, thanks to a market rally in the second half of the quarter. Concerns regarding the state of the US housing sector had loomed over financial markets for some time, but rising default rates and large losses at several well-known hedge funds unnerved investors and magnified concerns about hidden risks in the financial system.

This translated into significant volatility in the first half of the quarter, with Financial and Consumer Discretionary stocks hardest hit. Major central banks intervened with large injections of liquidity in late August, though greater market confidence was restored only after the Federal Reserve cut short-term interest rates by 0.5% on 18 September. Stocks then rose in a relief rally, with concerns about tighter credit conditions and a protracted housing slump in the US offset by optimism about the willingness of the Federal Reserve to act and sustained growth in China and other emerging markets.

Commodity prices soared over the quarter with gold hitting a 27 year high and base metal prices rose strongly. The oil price hit a record in September, \$83 per barrel, and continues to rise. The Materials and Energy sectors outperformed in this environment. The worst performing sectors were Consumer Discretionary and Financials.

Emerging markets significantly outperformed developed markets, with the US rising slightly, and Europe (-2.3%) and Japan (-7.6%) ending lower in local currency terms. This period was also characterised by the significant outperformance of growth stocks over value stocks.

sector commentary

The sector delivered an unhedged return of -1.1% for the quarter to 30 September 2007. The return was ahead of the unhedged benchmark by 1.0%. The return for the year was 2.9%, which was 1.5% above the index.

It was the core and growth managers that led the way in the September quarter. Strong contributions from Alliance Growth, Capital International, GMO and Wellington more than offset the weak performance of the value managers over the quarter. Alliance Growth was the best performer for the quarter and Wellington also had a welcome return to good performance. Alliance Growth and Wellington benefited from exposure to large cap growth stocks that did well in the September quarter. GMO also benefited from a focus on larger growth stocks that it categorises as high quality. GMO was the best performer of the manager line-up for 12 months to the end of September 2007. All the managers achieved the benchmark return or better over 12 months.

In the September quarter, Bernstein and LSV gave back some of their previous gains. Both managers lagged the benchmark for the quarter. The underperformance of LSV was the result of poor stock selection in the Financials, Consumer Discretionary and Health Care sectors. Sector selection also hurt, but to a lesser extent. Being underweight large caps also detracted.

sector commentary (Strategy 5)

The sector portfolio delivered a return of -2.3% for the quarter, well behind the hedged benchmark for the three months to 30 September 2007. Over the full year the return was 16.9% in line with the benchmark.

In the September quarter, growth stocks significantly outperformed value stocks. As a result, Bernstein Value and LSV found the environment difficult. Both managers underperformed for the quarter however over the full year both matched the benchmark. The other manager in this portfolio is an index fund managed by BGI.

The 100% currency hedge helped this portfolio in the September quarter and the year. The hedged index return of 17.0% for the year to 30 September 2007 compares favourably with the unhedged return of 1.4% for the same period.

International Smaller Companies

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-10.8	-6.8	-10.8	3.6	n/a	n/a	n/a
Arrowstreet	-10.8	-6.7	-10.8	3.6	n/a	n/a	n/a
Benchmark	-5.9	-5.3	-5.9	0.9	n/a	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

International small cap stocks had a negative quarter with a return of -5.9% as measured by the S&P/Citigroup World <\$US \$1.5 billion cap (unhedged). The 12 month return was 0.9%.

The index has given back all of its gains from earlier in the year. The turbulent market environment was not seemingly based on any deterioration in fundamentals, but rather based on distressed liquidity selling. Smaller cap strategies were impacted more severely than larger cap strategies. The strength of the Australian dollar also significantly reduced unhedged returns to Australian investors.

The US is home to around half of all small companies included in the index. The Russell 2000 Index that measures the performance of US small companies fell -3.4% for the quarter. The annual return for US small caps remains healthy at 11.0%.

sector commentary

The sector returned -10.8% for the quarter to 30 September 2007, significantly underperforming the benchmark. Over 12 months the return was ahead of the benchmark by 2.7%.

The third quarter losses were widespread. The explanation for these sharp price reversals was contagion from the sub prime mortgage crisis that spread to publicly traded equities held by multi-strategy hedge funds. These multi-strategy hedge funds are thought to have absorbed substantial losses in both the sub-prime positions and a wider array of credit instruments which provided increased leverage for the funds. In an attempt to delever, the hedge funds are believed to have sold publicly traded equity positions, where at least some liquidity remained.

In many cases, these multi-strategy hedge funds choose their equity holdings on the basis of quantitative models. Accordingly, stocks that were generically attractive on the basis of quantitative models similar to Arrowstreet's came under severe pressure. While there was some rebound in the second part of August the impact of hedge funds selling out was felt more acutely in less liquid asset classes such as small cap helping to explain the significant underperformance of Arrowstreet.

The distressed liquidity selling was most evident in the US. Holdings in US Consumer Discretionary, US Financials and US Materials stocks had a significant negative impact on the portfolio's relative return. VERBIO (the largest biofuels producer in Europe) and UTStarcom (a US telecommunications equipment company) were the biggest detractors over the quarter. Pacific Basin Shipping was again a stand-out stock providing a boost to relative returns as freight rates and volumes benefited from China's demand for commodities.

Global Emerging Markets

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	9.6	19.7	9.6	32.8	29.6	31.1	24.7
Legg Mason	9.5	19.6	9.5	32.5	29.4	n/a	n/a
Benchmark	9.7	20.1	9.7	33.4	28.2	31.7	25.8

Note:

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

market commentary

Emerging markets outperformed developed markets over the last 12 months, with the MSCI EM Index up 33.4%, and delivering a strong quarterly return of 9.7%.

Asia was the strongest performing region led by China, India and Indonesia. The MSCI China index posted a positive return of 40% for the quarter in local currency terms. Malaysia, Pakistan and the Philippines delivered negative returns. The strength of the Asian region reflected continued expectations of strong macroeconomic performance, with data pointing to solid economic and corporate earnings growth in emerging Asia.

Markets in Europe, the Middle East and Africa generally returned positive results for the quarter, although Hungary, Poland and Jordan were in negative territory. In Latin America, Peru and Brazil were the star performers for the quarter. Chile and Mexico dragged the chain, with both in negative territory. Mexico is showing signs of economic improvement, although the close links between Mexico and the US expose Mexico to slowing US economic growth.

sector commentary

The portfolio matched the benchmark for the quarter to 30 September 2007 at 9.6%. Over 12 months, the return of 32.8% was 0.6% below the index.

In the September quarter, country selection was a source of value add; however, those gains were outweighed by the portfolio losses arising from stock selection. In particular, Korean and Brazilian stock selection were detractors for the quarter.

One of the largest active overweights remains TAM, a Brazilian airline. Legg Mason believe this company is well placed if the sentiment around the travel industry improves after recent negatives, such as the July fatal airliner crash and months of flight delays and cancellations because of airport renovations and work slowdowns by air traffic controllers. The overweight to TSU (which provides cellular phone service in Brazil) has been reduced as competitive conditions in Brazil's telecommunications industry appear to be deteriorating.

Slow housing starts in Korea caused investor concern about the earnings outlook for Hyundai Development which was an overweight in the portfolio, albeit since reduced. Hyundai Motors remains a significant overweight holding based on attractive valuation, improving brand momentum and increasing market share in the US.

Positioning the portfolio to overweight Brazil and underweight Mexico provided a boost to relative performance. The overweight exposure to Russia and underweight to China hindered as these markets continued to rise over the quarter. The portfolio's highest conviction idea is its overweight to CNOOC, the Chinese state oil giant, based on valuation and expected organic growth.

Stock selection in Russia and South Africa contributed positively to the portfolio's performance for the quarter.

Alternative Assets

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	0.1	4.6	0.1	7.7	2.5	n/a	n/a
Sector - Strategy 5	-0.2	4.1	-0.2	10.6	8.0	n/a	n/a
AXA Rosenberg	0.2	4.4	0.2	7.8	2.5	n/a	n/a
BGI Total Return Multi-Opp Fund	-0.2	5.4	-0.8	10.2	10.9	n/a	n/a
BT Global Return Fund	-1.1	3.4	-1.4	11.4	8.8	n/a	n/a
Benchmark	1.6	3.3	1.6	6.5	6.2	6.0	5.7

Notes:

Benchmark = UBSA Bank Bill Index.

Sector – Strategy 5 - The investment performance of managers within the Alternative Assets sector may be lagged by one month or in some cases more.

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

AXA Rosenberg

The manager returned 0.2% for the quarter ended 30 September 2007. The return over 12 months was 7.8%.

The manager achieved a return 1.4% below the index for the quarter. Solid performance in July and September did not offset the fall in August. The reason for the August underperformance was stock selection and Industry exposures. In this period there was a strong rise in companies that had near term earnings revisions particularly resource companies.

BGI Total Return Multi-Opportunity Fund

The manager returned -0.2% for the three months to 31 August 2007. The index delivered 1.6% in comparison. For this fund, performance is one month lagged.

A difficult August was the reason for the negative return for the quarter. The key reason for the performance was emerging and developed currency selection as investors unwound highly levered positions in developed carry trade currencies such as the Japanese Yen in favour of the safe-haven of the US Dollar. In emerging markets investors did not reward currencies with strong economic fundamentals.

While the recent quarter was difficult, the performance over 12 months was more positive up 10.2%. This performance was 3.7% ahead of the index.

BT Global Return Fund

For the three months to 31 August 2007, the manager returned -1.1%. The return was behind the benchmark by 2.7%.

The portfolio invests across 55 managers and 12 strategies. The portfolio is well diversified with the largest allocation to a single manager of 3%. The negative return in August dominated the quarterly return. Strategies that detracted from return were fixed interest arbitrage and event driven. The manager suggests that the sell off in some sectors has created buying opportunities with the fund well placed to bounce back.

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 each manager.

fund manager	status	Notes
Australian Cash		
AllianceBernstein	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		
BGI (Fission)	Preferred	BGI continues to provide returns in line with the designated index.
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.
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 is implemented by an extensive team that utilises .excellent risk management tools. Over the past year, in an environment of low volatility and relatively high correlation between most sectors of the bond market, the manager has performed below expectations. However, over the longer-term, we believe BlackRock will deliver added value.
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. Over the past year, in an environment of low volatility and relatively high correlation between most sectors of the bond market, PIMCO has performed below expectations. However, we believe over the long-term, their approach will deliver excess returns.
Australian Property		
BGI (Index)	Preferred	BGI continues to provide returns 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. The new portfolio manager has been in place for more than 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	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 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	On Watch	UBS has been placed On Watch following the departure and replacement of a number of senior members of the investment team. We are currently undertaking further research to determine the best course of action.
Schroders	Preferred	Despite a change in personnel, 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	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. 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.
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 and is well-structured to manage the process and deliver excess returns short-term volatility can be expected when the market environment is not suited to the manager's approach as we have seen over the last 12 months.
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		
BGI (Fission)	Preferred	This fund aims to deliver index returns.
Wellington	Preferred	Wellington constructs a global shares portfolio with similar industry weightings to the benchmark. Poor stock selection within the industry groups has hindered performance over the last year.
GMO	Preferred	GMO is a quantitative manager that combines price and earnings momentum models with an intrinsic value model to select stocks. GMO has outperformed the benchmark over the helped by the good performance of large cap, growth stocks in the September quarter.
Bernstein Value	Preferred	Bernstein Value identifies undervalued companies through intensive bottom-up fundamental research. Bernstein has delivered a return in line with the benchmark over the past year.
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 substantially from that of the benchmark. ipac remains confident that these positions will be rewarded over the medium-to-long-term.
Alliance Growth	Preferred	Alliance 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. The manager's recent outperformance has been the result of its style orientation, with growth stocks driving the market in the September quarter.
LSV	Preferred	LSV is a quantitative manager with a deep value-orientation and a mid to small cap bias. LSV has added value over the year to 30 September. Despite LSV's stated preference for small-to-mid-cap stocks, the manager has been finding better value in large-cap value stocks.
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 instalments of long and short positions in stocks listed on the Australian Stock Exchange. Enhancements to the investment process have been implemented that have been positive for performance.
BGI Total Return Multi Opportunity Fund	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 instalments of long and short positions in stocks listed on the Australian Stock Exchange. Enhancements to the investment process have been implemented that have been positive for performance.
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 continues to deliver in line with expectations.

portfolio management report

summary of investment activity since 1 July 2005

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

Mar 07	Australian property	Review sector construction and manager allocation	<ul style="list-style-type: none"> ~ Remain comfortable with existing managers. ~ Recommendations to potentially identify new opportunities to generate return while managing risk.
June 07	International shares	Consider core manager line-up and manager allocations	<ul style="list-style-type: none"> ~ Review underway. Will consider alternatives to current managers used in the core component. ~ Initial research has identified potential opportunities that would incorporate other investment approaches into the portfolio. ~ Consider manager allocations as part of this review.
June 07	Australian shares	UBS Asset Management placed On Watch	<ul style="list-style-type: none"> ~ Assess impact of staff departures, including the Head of Australian Equities Paul Fiani.

manager allocations vs targets

asset class	manager	Div 1-4	Div 1-4	Div 5	Div 5
		allocation	target	allocation	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	51.3	50.0	0.0	0.0
	PIMCO	48.7	50.0	100.0	100.0
Australian Property Sector	BGI Index	0.0	0.0	49.0	50.0
	Legg Mason	47.7	50.0	0.0	0.0
	SG Hiscock	52.3	50.0	51.0	50.0
International Property Sector	CBRE	52.0	50.0	47.9	50.0
	LaSalle	48.0	50.0	52.1	50.0
Australian Share Sector	BGI	19.2	19.0	0.0	0.0
	UBS	15.4	15.0	0.0	0.0
	Schroders	14.9	15.0	0.0	0.0
	Maple-Brown Abbott	14.0	15.0	30.7	30.0
	Investors Mutual	7.0	7.0	33.6	35.0
	Wallara	15.6	15.0	0.0	0.0
	Bernstein Value	0.0	0.0	17.2	15.0
	MIR	6.7	7.0	18.5	20.0
	Challenger	7.4	7.0	0.0	0.0
International Share (Unhedged) Sector	Wellington	24.6	25.0	0.0	0.0
	GMO	15.2	15.0	0.0	0.0
	Bernstein Value	18.1	17.5	0.0	0.0
	Capital	20.4	20.0	0.0	0.0
	Alliance Growth	15.1	15.0	0.0	0.0
	LSV	6.5	7.5	0.0	0.0
International Share (Hedged) Sector	BGI Index	0.0	0.0	21.3	20.0
	Wellington	25.4	25.0	0.0	0.0
	GMO	15.1	15.0	0.0	0.0
	Bernstein Value	17.3	17.5	49.0	50.0
	Capital	20.4	20.0	0.0	0.0
	Alliance Growth	15.0	15.0	0.0	0.0
	LSV	6.9	7.5	29.8	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	3.9	25.0
	BGI Total Return Multi-Opp Fund	0.0	0.0	42.3	30.0
	BT Global Return Fund	0.0	0.0	53.7	45.0

Notes:

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

Target % based on agreed allocation within each asset class.

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

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 Moderate	InTech Growth	InTech High Growth
Australian Cash Sector	20.5%	20.0%	5.5%	5.0%	3.0%	2.5%	1.1%	1.0%	5.5%	5.0%	19.4	1.6	0.1
Alternative Income Sector	20.1%	20.0%	5.0%	5.0%	2.5%	2.5%	0.0%	0.0%	7.5%	7.5%	0.0	0.0	0.0
Australian Fixed Interest Sector	14.7%	15.0%	8.7%	9.0%	4.9%	5.0%	0.0%	0.0%	4.6%	4.5%	15.2	12.3	0.9
International Fixed Interest Sector	14.6%	15.0%	8.8%	9.0%	4.9%	5.0%	0.0%	0.0%	4.9%	5.0%	7.2	9.6	1.3
Defensive Assets	69.9%	70.0%	27.9%	28.0%	15.3%	15.0%	1.1%	1.0%	22.5%	22.0%	41.8	23.5	2.3
Australian Property Sector	3.4%	4.0%	4.6%	4.5%	4.3%	4.0%	4.5%	4.0%	7.6%	7.5%	3.5	4.3	1.7
International Property Sector	4.1%	4.0%	4.5%	4.5%	3.7%	4.0%	4.2%	4.0%	7.9%	7.5%	1.7	5.7	1.7
Australian Share Sector	15.2%	14.0%	32.6%	31.0%	37.0%	36.0%	40.3%	39.0%	23.7%	21.5%	32.8	37.4	53.0
International Share (Unhedged) Sector	3.7%	4.0%	10.6%	11.0%	13.5%	13.5%	17.3%	17.5%	0.0%	0.0%	20.2	29.1	41.3
International Share (Hedged) Sector	3.8%	4.0%	12.9%	13.0%	16.8%	16.5%	21.5%	21.5%	22.1%	21.5%	0.0	0.0	0.0
International Smaller Companies Sector	0.0%	0.0%	2.1%	2.0%	2.9%	3.0%	4.2%	4.0%	0.0%	0.0%	0.0	0.0	0.0
Global Emerging Markets Sector	0.0%	0.0%	3.4%	3.0%	3.7%	3.0%	4.8%	4.0%	0.0%	0.0%	0.0	0.0	0.0
Growth Assets	30.1%	30.0%	70.7%	69.0%	81.8%	80.0%	96.7%	94.0%	61.3%	58.0%	58.2	76.5	97.7
Alternative Assets Sector	0.0%	0.0%	1.3%	3.0%	2.9%	5.0%	2.1%	5.0%	16.1%	20.0%	0.0	0.0	0.0
Alternative Assets	0.0%	0.0%	1.3%	3.0%	2.9%	5.0%	2.1%	5.0%	16.1%	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.

top 10 holdings - Diversified Investment Strategies 1 - 4

Australian Shares		% sector	International Shares		% sector
1	BHP BILLITON LTD	9.5%	GENERAL ELEC CO		10%
2	NATL AUSTRALIA BK	6.1%	BANK AMER CORP		10%
3	WESTPAC BKG CORP	5.6%	JPMORGAN CHASE +CO		10%
4	AUST +NZ BANK GRP	5.0%	ING GROEP NV		0.9%
5	RIOTINTO LIMITED	4.4%	CONOCOPHILLIPS		0.9%
6	CMNWLTH BK OF AUST	4.1%	CISCO SYS INC		0.9%
7	QBE INS GROUP	2.9%	GOOGLE INC		0.9%
8	BRAMBLES LTD	2.7%	ROYAL DUTCH SHELL		0.9%
9	WOOLWORTHS LTD	2.7%	E ON AG		0.8%
10	TELSTRA CORP	2.5%	CREDIT SUISSE GRP		0.8%

Australian Property Securities		% sector	International Property		% sector
1	WESTFIELD GROUP	27.2%	SIMON PPTY GROUP INC NEW		4.5%
2	GPT GROUP	10.5%	UNIBAIL RODAMCO		3.8%
3	STOCKLAND	9.0%	VORNADORLTY TR		3.8%
4	MIRVAC GROUP	5.2%	WESTFIELD GROUP		3.8%
5	GOODMAN GROUP	5.1%	PROLOGIS		3.4%
6	VALAD PROPERTY GP	5.1%	BOSTON PPTYS INC		2.6%
7	DB RREEF TRUST	3.4%	LAND SECS GP		2.6%
8	MACQUARIE OFFICE UNITS NP	3.1%	GPT GROUP		2.5%
9	CENTRO SHOPPING	2.8%	HOST HOTELS +RESORTS INC		2.4%
10	CENTRO PROPS GP	2.6%	AVALONBAY CMNTYS INC		2.3%

top 10 holdings - Diversified Investment Strategy 5

Australian Shares		% sector	International Shares		% sector
1	BHP BILLITON LTD	8.5%	GENERAL ELEC CO		15%
2	NATL AUSTRALIA BK	7.8%	EXXON MOBIL CORP		14%
3	WESTPAC BKG CORP	7.3%	PFIZER INC		14%
4	AUST +NZ BANK GRP	5.8%	INTERNATIONAL BUSINESS MA		13%
5	CMNWLTH BK OF AUST	4.2%	JPMORGAN CHASE +CO		13%
6	TELSTRA CORP	3.7%	VODAFONE GROUP		13%
7	RIOTINTO LIMITED	3.7%	CHEVRON CORP		13%
8	AMCOR LIMITED	2.5%	ROYAL DUTCH SHELL		12%
9	QBE INS GROUP	2.5%	BASF AG		12%
10	SUNCORP METWAY	2.3%	BANK AMER CORP		12%

Australian Property Securities		% sector	International Property		% sector
1	WESTFIELD GROUP	27.7%	SIMON PPTY GROUP INC NEW		4.5%
2	GPT GROUP	8.9%	UNIBAIL RODAM CO		3.9%
3	STOCKLAND	8.6%	VORNADORLTY TR		3.8%
4	GOODMAN GROUP	7.2%	WESTFIELD GROUP		3.7%
5	DB RREEF TRUST	4.4%	PROLOGIS		3.5%
6	VALAD PROPERTY GP	4.1%	BOSTON PPTYS INC		2.6%
7	MIRVAC GROUP	3.9%	LAND SECS GP		2.6%
8	MACQUARIE OFFICE UNITS NP	2.9%	GPT GROUP		2.4%
9	CENTRO PROPS GROUP	2.5%	HOST HOTELS +RESORTS INC		2.4%
10	MACQUARIE COUNTRYWIDE	2.0%	AVALONBAY CMNTYS INC		2.2%

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%	5.6%
CONSUMER STAPLES	8.2%	6.3%
ENERGY	4.4%	5.5%
FINANCIALS EXCLUDING PROPERTY TRUSTS	32.1%	31.4%
HEALTH CARE	5.3%	3.0%
INDUSTRIALS	11.5%	9.7%
INFORMATION TECHNOLOGY	0.6%	0.7%
LISTED PROPERTY TRUSTS	3.8%	9.4%
MATERIALS	22.2%	23.5%
TELECOMMUNICATION SERVICES	3.4%	3.2%
UTILITIES	1.3%	1.7%

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

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Lehman Global Aggregate Index
NORTH AMERICA	48.5%	53.3%	53.1%	41.5%
EUROPE (EXCLUDING UK)	25.3%	23.4%	28.1%	32.8%
UK	9.6%	11.0%	2.7%	5.7%
ASIA (EXCLUDING JAPAN)	2.0%	1.7%	0.0%	1.6%
JAPAN	9.0%	10.3%	10.7%	15.9%
OTHER	0.0%	0.1%	4.3%	0.6%
EMERGING MARKETS	5.6%	0.2%	1.1%	1.9%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	10.8%	10.7%
CONSUMER STAPLES	5.9%	8.2%
ENERGY	10.8%	10.2%
FINANCIALS INCLUDING PROPERTY TRUSTS	23.0%	23.4%
HEALTH CARE	9.3%	8.7%
INDUSTRIALS	10.9%	11.5%
INFORMATION TECHNOLOGY	12.2%	11.3%
MATERIALS	9.7%	6.5%
TELECOMMUNICATION SERVICES	4.3%	4.9%
UTILITIES	3.1%	4.5%

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	-3.0%	22.1%
SEMI GOVERNMENT	1.2%	27.6%
CORPORATE / OTHER	101.8%	50.2%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Lehman Global Aggregate Index
ASSET BACKED / OTHER	34.3%	20.9%
CORPORATE	22.3%	16.4%
GOVERNMENT	43.4%	62.7%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 Property Trust Index
COMMERCIAL	8.6%	7.0%
DIVERSIFIED	36.6%	35.5%
HOTEL	0.0%	0.0%
INDUSTRIAL	6.9%	11.7%
RETAIL	41.0%	45.8%
OTHER	6.8%	0.0%

International Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	50.7%	51.7%
EUROPE EXCLUDING UK	15.0%	13.1%
UK	10.2%	10.8%
JAPAN	7.0%	4.9%
ASIA EX JAPAN	7.0%	4.4%
OTHER	10.1%	15.1%

Global Emerging Markets - portfolio vs benchmark

	% allocation	% MSCI EM Index
LATIN AMERICA	22.1%	19.8%
ASIA EX JAPAN	53.8%	56.0%
EUROPE / MIDDLE EAST / AFRICA/OTHER	24.1%	24.2%

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	9.5%	5.6%
CONSUMER STAPLES	6.9%	6.3%
ENERGY	5.9%	5.5%
FINANCIALS EXCLUDING PROPERTY TRUSTS	34.1%	31.4%
HEALTH CARE	1.8%	3.0%
INDUSTRIALS	9.7%	9.7%
INFORMATION TECHNOLOGY	0.0%	0.7%
LISTED PROPERTY TRUSTS	3.6%	9.4%
MATERIALS	22.0%	23.5%
TELECOMMUNICATION SERVICES	5.7%	3.2%
UTILITIES	0.9%	1.7%

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

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Lehman Global Aggregate Index
NORTH AMERICA	48.7%	53.3%	49.4%	40.8%
EUROPE (EXCLUDING UK)	23.8%	23.6%	25.6%	33.1%
UK	11.3%	11.0%	2.0%	5.7%
ASIA (EXCLUDING JAPAN)	1.5%	1.7%	0.0%	1.4%
JAPAN	11.5%	10.3%	15.7%	16.5%
OTHER	0.1%	0.1%	7.3%	0.6%
EMERGING MARKETS	3.1%	0.0%	0.0%	1.8%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	9.5%	10.7%
CONSUMER STAPLES	6.9%	8.2%
ENERGY	5.9%	10.2%
FINANCIALS INCLUDING PROPERTY TRUSTS	37.7%	23.4%
HEALTH CARE	1.8%	8.7%
INDUSTRIALS	9.7%	11.5%
INFORMATION TECHNOLOGY	0.0%	11.3%
MATERIALS	22.0%	6.5%
TELECOMMUNICATION SERVICES	5.7%	4.9%
UTILITIES	0.9%	4.5%

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	-3.0%	22.1%
SEMI GOVERNMENT	1.2%	27.6%
CORPORATE / OTHER	101.8%	50.2%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Lehman Global Aggregate Index
ASSET BACKED / OTHER	29.0%	20.9%
CORPORATE	21.7%	16.4%
GOVERNMENT	49.3%	62.7%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 Property Trust Index
COMMERCIAL	9.8%	7.8%
DIVERSIFIED	36.4%	37.5%
HOTEL	0.0%	0.0%
INDUSTRIAL	9.0%	11.3%
RETAIL	40.2%	43.4%
OTHER	4.6%	0.0%

International Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	50.8%	51.7%
EUROPE (EXCLUDING UK)	15.0%	13.1%
UK	10.4%	10.8%
JAPAN	7.0%	4.9%
ASIA (EXCLUDING JAPAN)	6.8%	4.4%
OTHER	9.9%	15.1%

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%