



portfolio watch

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



September 2008

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

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strategy performance (gross)

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Diversified Investment Strategy No 1	-2.9	-3.8	-2.9	-7.3	1.2	3.9	6.8
Diversified Investment Strategy No 2	-5.7	-8.4	-5.7	-18.2	-2.6	2.8	8.5
Diversified Investment Strategy No 3	-6.8	-10.0	-6.8	-21.4	-3.9	2.1	8.6
Diversified Investment Strategy No 4	-8.1	-11.8	-8.1	-25.4	-5.6	1.4	8.8
Diversified Investment Strategy No 5	-5.2	-7.0	-5.2	-16.0	-1.6	3.5	n/a

Notes:

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

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

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

sector & market performance (gross of all fees)

	3 mths %	6 mths %	Fin YTD %	1 yr %	2 yrs % pa	3 yrs % pa	5 yrs % pa
Australian Cash Sector	-0.4	1.9	-0.4	4.2	5.3	5.5	5.6
Australian Cash Sector - Strategy 5	-0.4	1.9	-0.4	4.2	5.3	5.5	n/a
<i>UBSA Bank Bill Index</i>	1.9	3.9	1.9	7.7	7.1	6.7	6.2
Alternative Income Sector	-6.1	-3.7	-6.1	-1.8	3.2	n/a	n/a
Alternative Income Sector - Strategy 5	-6.1	-3.7	-6.1	-1.8	3.2	n/a	n/a
<i>UBSA Bank Bill Index</i>	1.9	3.9	1.9	7.7	7.1	6.7	6.2
Australian Fixed Interest Sector	4.8	5.4	4.8	6.7	5.0	5.0	5.5
Australian Fixed Interest Sector - Strategy 5	5.2	5.6	5.2	8.3	5.9	5.5	n/a
<i>UBSA Composite Bond Index</i>	5.3	5.8	5.3	8.4	5.9	5.5	5.5
International Fixed Interest Sector	-0.2	-1.2	-0.2	3.7	4.1	4.2	5.9
International Fixed Interest Sector - Strategy 5	-0.8	-2.2	-0.8	4.1	4.1	4.3	n/a
<i>Lehman Global Aggregate (Hedged) Index</i>	2.0	1.4	2.0	7.0	6.0	5.4	6.4
Australian Property Sector	-7.4	-22.0	-7.4	-47.7	-20.4	-7.5	3.7
Australian Property Sector - Strategy 5	-4.5	-18.1	-4.5	-43.4	-17.8	-5.7	n/a
<i>S&P/ASX 300 A-REIT Index</i>	-1.7	-17.2	-1.7	-41.8	-16.4	-4.2	5.8
International Property Sector	-4.3	-13.3	-4.3	-25.9	-10.2	n/a	n/a
International Property Sector - Strategy 5	-4.3	-13.4	-4.3	-25.9	-10.4	n/a	n/a
<i>UBS Global Investors Index in AUD Hedged Net Div</i>	-1.0	-9.5	-1.0	-22.6	-9.2	n/a	n/a
Australian Shares Sector	-8.6	-12.1	-8.6	-26.3	-2.2	3.9	12.5
Australian Shares Sector - Strategy 5	-5.3	-10.3	-5.3	-23.3	-1.9	3.4	n/a
<i>S&P/ASX 300 Accum Index</i>	-10.7	-12.3	-10.7	-27.1	-1.6	3.9	12.3
International Shares (Unhedged) Sector	-0.3	-6.3	-0.3	-20.3	-9.4	-1.3	3.6
International Shares (Unhedged) Sector - Strategy 5	-0.3	n/a	-0.3	n/a	n/a	n/a	n/a
<i>MSCI World Ex Australia (\$A Unhedged) Index</i>	3.6	-3.3	3.6	-16.7	-8.1	-0.4	3.9
International Shares (Hedged) Sector	-14.8	-14.4	-14.8	-27.0	-7.1	-0.2	7.5
International Shares (Hedged) Sector - Strategy 5	-14.7	-16.3	-14.7	-29.7	-9.4	-1.0	n/a
<i>MSCI World Ex Australia (\$A Hedged) Index</i>	-11.2	-11.4	-11.2	-23.3	-5.2	1.1	8.4
International Smaller Companies Sector	-0.3	-8.9	-0.3	-27.0	-13.0	n/a	n/a
<i>S&P/Citigroup World <US\$1.5bn Cap (AUD Unhedged Net Div)</i>	2.4	-4.8	2.4	-20.8	-10.6	n/a	n/a
Global Emerging Markets Sector	-14.6	-18.5	-14.6	-26.0	-0.9	7.5	13.8
<i>MSCI EM in \$A (div reinvested)</i>	-11.1	-16.2	-11.1	-25.1	0.0	7.2	15.1
Alternative Investments Sector - Alpha Strategies	-7.0	-0.8	-7.0	5.9	6.8	3.6	n/a
Alternative Investments Sector - Alpha Strategies - Strategy 5	-7.0	-0.8	-7.0	0.1	5.2	5.3	n/a
<i>UBSA Bank Bill Index</i>	1.9	3.9	1.9	7.7	7.1	6.7	6.2

Notes:

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

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

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

manager & market performance

(3 mths, gross of funds mgt fees)

asset class	manager return %	market return %	above/below index %
Australian Cash Sector			
AllianceBernstein	-0.4	1.9	-2.4
Alternative Income Sector			
PIMCO	-6.1	1.9	-8.1
Australian Fixed Interest Sector			
BGI Index	5.2	5.3	-0.1
Credit Suisse	4.7	5.3	-0.6
International Fixed Interest Sector			
BlackRock	0.4	2.0	-1.6
PIMCO	-0.8	2.0	-2.8
Australian Property Sector			
BGI Index	-1.5	-1.7	0.2
Legg Mason	-7.4	-1.7	-5.8
SG Hiscock	-7.4	-1.7	-5.7
International Property Sector			
CBRE	-4.9	-1.0	-3.9
LaSalle	-3.5	-1.0	-2.5
Australian Shares Sector			
BGI	-12.4	-10.7	-1.7
Integrity	-3.4	-10.7	7.3
Schroders	-6.1	-10.7	4.6
Maple-Brown Abbott	-4.2	-10.7	6.5
Investors Mutual	-1.4	-10.7	9.3
Wallara	-10.8	-10.7	-0.1
Bernstein Value	-7.0	-10.7	3.7
MIR	-10.9	-10.7	-0.2
Challenger	-11.6	-10.7	-0.9
International Shares (Unhedged) Sector			
EIT	n/a	3.6	n/a
Alliance	-7.6	3.6	-11.1
Arrowstreet	n/a	3.6	n/a
GMO	2.3	3.6	-1.3
Bernstein	-5.0	3.6	-8.6
LSV	4.8	3.6	1.2
International Shares Index	n/a	3.6	n/a
International Shares (Hedged) Sector			
EIT	n/a	-11.2	n/a
Alliance	-21.0	-11.2	-9.8
Arrowstreet	n/a	-11.2	n/a
GMO	-12.6	-11.2	-1.4
Bernstein	-19.1	-11.2	-7.9
LSV	-10.2	-11.2	1.0
International Shares Index	n/a	-11.2	n/a
International Smaller Companies Sector			
Arrowstreet	-0.4	2.4	-2.8
Global Emerging Markets Sector			
Legg Mason	-14.6	-11.1	-3.5
Alternative Investments Sector - Alpha Strategies			
ipac Diversified Alpha Fund	-7.3	1.9	-9.2

Notes:

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

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

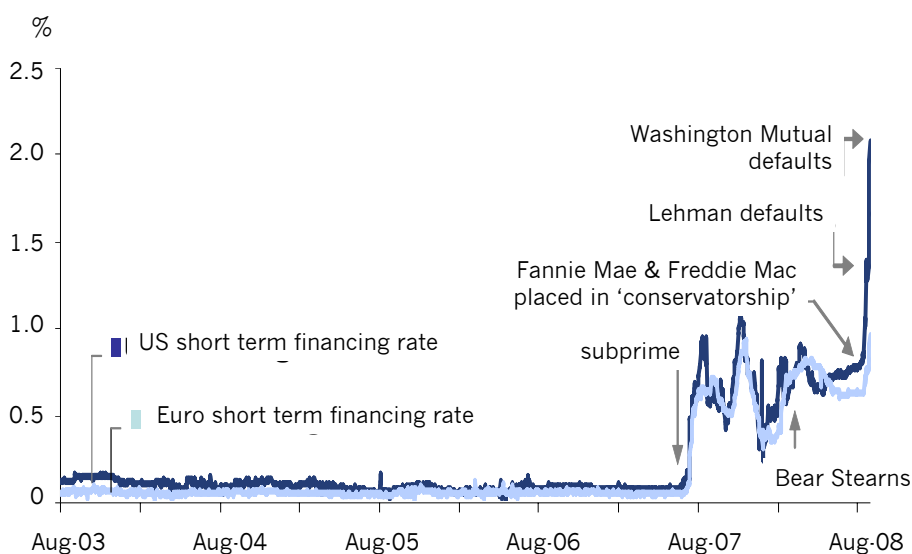
Market return is the return of the nominated market index for each asset class.

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

investment environment

The deepening US financial crisis unsettled global financial markets in the September quarter. Investor focus shifted from inflation concerns to the extent and duration of a slow-down in the world economy, particularly in developed economies such as the UK, Europe and Japan. The Australian economy sent mixed economic signals - slowing household spending but very strong investment spending intentions. This suggests Australia remains on track for a more moderate slow-down.

Investor risk aversion increased dramatically during the quarter as a number of large global financial institutions became insolvent or taken over. Negative perceptions about bank creditworthiness led to a drop in market confidence as banks became less willing to lend to each other: The LIBOR rate, as represented in the chart below, is the rate banks charge to lend credit to each other. Historically, when lending money, banks have charged a spread of around 0.2% above central banks' official cash rates. The recent spikes above official cash rates is a strong indicator of the lack of confidence that is felt among financial institutions about lending money, highlighting their nervousness about potential loan default. This extreme nervousness is not normal behaviour, and explains why liquidity in the banking sector has reduced markedly.



source: Bloomberg. US and Europe 3 month LIBOR to swap spread.

In mid August difficulties experienced by US mortgage finance lenders Freddie Mac and Fannie Mae resulted in these firms being placed in 'conservatorship'. They were effectively taken over by the US Treasury. In September, US investment bank, Lehman Brothers, filed for bankruptcy, ailing Merrill Lynch was acquired by Bank of America, and AIG, one of the largest insurance companies in the world, was placed into 'proxy conservatorship' by the Federal Reserve. A number of UK and European financial institutions, including HBOS and Fortis, also required take-over or government intervention which was aimed at stabilising financial systems. These company failures occurred because of an inability to secure financing to support on-going operations due to impaired assets on balance sheets.

While Australia's financial system generally weathered the storm well, companies more reliant on access to capital markets to finance their operations came under extreme pressure. In August, investment bank Babcock & Brown announced the resignation of its Chairman and Chief Investment Officer following the collapse of the company's share price amid growing investor concerns over the company's debt levels.

The Federal Reserve and the US Treasury operated swiftly to support the financial system. This involved providing liquidity to financial markets in co-ordination with the world's central banks. The US Government also developed a US\$700 billion bail out plan, known as the Troubled Asset Relief Program (TARP) that allows it to buy distressed mortgage backed securities and inject capital directly onto bank balance sheets.

Against this unusual market backdrop defensive assets, such as sovereign bonds, were favoured by investors, while growth assets such as equities remained weak. Commodity markets also bore the brunt of an anticipated global economic slowdown. Oil prices fell from US\$140 to US\$100 per barrel over the quarter, and the Commodity Research Bureau Index fell 12.9%. At the time of writing, the oil price was \$US62 per barrel.

Looking forward, difficult conditions are expected to persist in the near term as companies with high levels of leverage continue to address refinancing difficulties. The end result is anticipated to be a more sober approach to risk taking. Longer term the clean out of impaired balance sheets will promote higher quality investment and financial decision making. Already, the financial companies left standing may be potentially better placed. For example, following the purchase of Merrill Lynch, Bank of America is now a more diversified business with exposure to both retail banking and broking.

The fundamentals of quality companies across asset classes and in other sectors have not changed significantly. The exposure of diversified portfolios to investments impacted directly by the financial crisis is small. Patient investors with a well diversified approach are well placed to capture the recovery when markets stabilise. The combination of solid fundamentals and today's low prices sets up the prospect of respectable medium-term returns for diversified portfolios.

Against the backdrop of these scenarios, clients can be confident that the investment group at ipac is completely focussed on the management of their portfolios.

ipac has increased its manager monitoring activities with analysts visiting all our managers to stress-test investment processes. Not only does ipac want to understand the risks that exist in the portfolio, but we also want to understand the recovery potential of the portfolio and ensure clients are well-placed to benefit from a favourable shift in sentiment.

ipac's investment team is highly experienced and well aware of the behavioural tendency to over-react to negative news – especially rapid loss of wealth. Such behaviours can often cause managers to implement changes contrary to long-term best interests. ipac is prepared to act decisively in circumstances where the assessed reward for risk is not tilted significantly to clients' advantage.

ipac's operational team is focussed on ensuring that portfolio valuations are up-to-date and that managers continue to comply with their mandates. This team ensures we understand and manage counterparty risk and liquidity risk in our portfolios.

In addition, we are sticking to our disciplines and continue to rebalance portfolios to meet strategic allocations. Regular rebalancing enables you to consistently buy cheaper priced assets and maintain portfolio risk profiles. At the same time, we are ensuring we have adequate liquidity to meet re-balancing needs and to be prepared for new opportunities as they arise.

market returns for the quarter

Australian fixed interest

UBSA Composite Bond Index: 3 month: 5.3%; 12 month: 8.4%

Demand for sovereign bonds rose sharply, reflecting a flight to quality by investors. Credit spreads came under pressure during the period as market volatility continued to cause widespread nervousness.

international fixed interest

Lehman Global Aggregate (hedged \$A) Index: 3 month: 2.0%; 12 month: 7.0%

Investors favoured sovereign bonds, particularly in the UK and Europe, where there were ongoing recessionary fears. Corporate credit markets remained weak, and indexed-linked bonds came under some pressure as inflationary concerns abated.

Australian property securities

S&P/ASX 300 A-REIT Index: 3 month: -1.7%; 12 month: -41.8%

Australian property securities continued to struggle in a difficult market. Perceptions that valuations for property trusts had improved after recent market declines attracted buying interest for some of the higher quality trusts.

international listed property securities

UBS Global Investors Index (hedged): 3 month: -1.0%; 12 month: -22.6%

International real estate investment trusts outperformed international shares (hedged) during the September quarter, although still posting negative returns.

Australian shares

S&P/ASX 300 Accumulation Index: 3 month: -10.7%; 12 month: -27.1%

Australian shares fell in the quarter, led by Energy and Materials, which fell in response to lower commodity prices and a worsening global economic outlook. Defensive parts of the market were the strongest performing sectors during the quarter.

international shares

MSCI World ex-Australia Index (\$A hedged): 3 month: -11.2%; 12 month: -23.3%

MSCI World ex-Australia Index (\$A unhedged): 3 month: 3.6%; 12 month: -16.7%

Having been largely unchanged in July and August in local currency terms, international share markets fell sharply in September following a series of financial firm failures in both the US and Europe. Defensive sectors were favoured during the quarter, and Energy and Materials were the weakest performers.

international smaller companies

S&P/Citigroup World < \$US 1.5 billion cap Index (\$A unhedged): 3 month: 2.4%; 12 month: -20.8%

International small companies performed broadly in line with large companies during the quarter. All regions performed poorly with Asian markets the weakest, and North America the strongest.

global emerging markets

MSCI EM Index in \$A: 3 month: -11.1%; 12 month: -25.1%

After generally outperforming developed markets in recent periods, emerging markets had a poor quarter falling 11.1%. The deterioration in the economic outlook for developed markets is seen as impairing the export prospects for emerging economies.

diversified portfolio performance (gross)

Diversified Investment Strategy No. 1

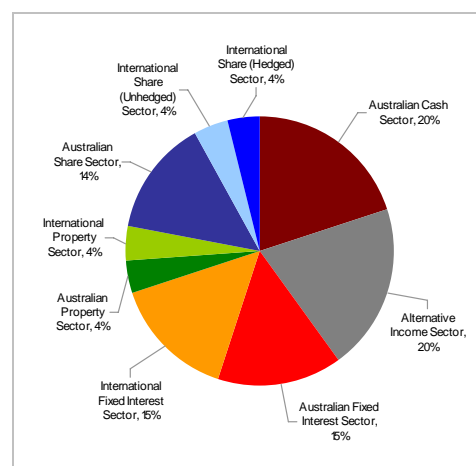
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yrs %pa	3 yrs %pa	5 yrs % pa
Diversified Investment Strategy 1	-2.9	-3.8	-2.9	-7.3	1.2	3.9	6.8
Benchmark	0.0	-0.7	0.0	-3.7	3.0	5.1	7.3

Note:

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

return drivers this period

- ~ The defensive nature of the portfolio means it has a relatively large allocation to fixed interest and cash. During the quarter, fixed interest and cash markets performed relatively well, reflecting a dramatic rise in investor risk aversion. Within fixed interest, investors favoured sovereign bonds, while corporate credit markets remained weak.
- ~ Despite the portfolio's allocation to fixed interest and cash markets, this was not enough to prevent a negative return for the overall portfolio. An exposure to shares and listed property detracted from performance. For the past year, shares and listed property have been impacted by weak investor sentiment, and markets have been characterised by heightened volatility. However, the portfolio's allocation to these areas of the market aims to benefit performance over the medium- to long-term.



performance this period

- ~ The Australian cash sector underperformed its benchmark due to an exposure to corporate credit. The underperformance of alternative income was due to an exposure to bank capital securities, particularly those in the US. These positions have been built up to take advantage of widening spreads from quality banks.
- ~ Within Australian fixed interest the main detractor of value were positions in corporate credit, in particular, the sector's exposure to prime Retail Mortgage Backed Securities. The underperformance of the international fixed interest sector was due to an overweight position in Commercial Mortgage Backed Securities and a focus on bank capital securities.
- ~ Australian shares outperformed the benchmark for the quarter. The main contributor to performance was an underweight exposure to Resource stocks, which was the worst performing area of the market. The sector's defensive orientation also added to relative performance in a declining market.
- ~ The international shares sector underperformed its benchmark for the quarter, largely due to an exposure to underperforming Financials stocks. During the quarter, changes were made to the sector's strategy to provide greater diversification of investment approaches. These changes involved the introduction of two new active managers, Enhanced Investment Technologies and Arrowstreet.
- ~ The Australian listed property sector underperformed its benchmark for the quarter. The sector's underweight exposure to defensive property names contributed to the underperformance, and exposure to securities with an offshore focus detracted value. The International listed property sector's underweight exposure to the US market, and overweight exposure to Asia, detracted from returns.

Diversified Investment Strategy No. 2

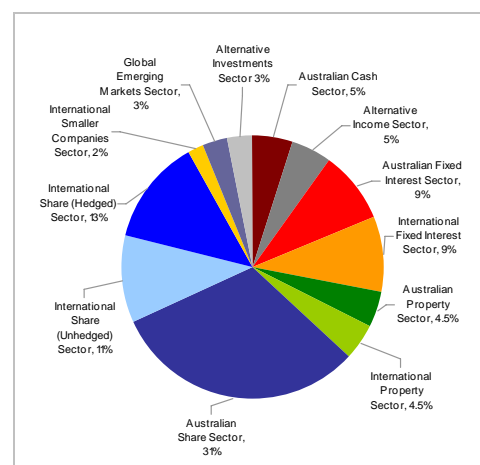
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yr %pa	3 yr %pa	5yr % pa
Diversified Investment Strategy 2	-5.7	-8.4	-5.7	-18.2	-2.6	2.8	8.5
Benchmark	-3.9	-6.2	-3.9	-15.8	-1.2	3.6	8.8

Note:

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

return drivers this period

- ~ The portfolio's allocation to defensive assets such as fixed interest and cash performed relatively well over the quarter. Within fixed interest, investors favoured sovereign bonds, reflecting a dramatic rise in investor risk aversion, while corporate credit markets remained weak.
- ~ Despite the allocation to fixed interest and cash, this was not enough to prevent a negative return for the overall portfolio. The portfolio has a relatively large allocation to shares which had a negative impact on performance. For the past year, shares have been impacted by weak investor sentiment, and markets have been characterised by heightened volatility. However, the portfolio's allocation to share markets aims to benefit performance over the medium- to long-term.



performance this period

- ~ Australian shares outperformed the benchmark for the quarter. The main contributor to performance was an underweight exposure to Resource stocks, which was the worst performing area of the market. The sector's defensive orientation also added to relative performance in a declining market.
- ~ The international shares sector underperformed its benchmark for the quarter, largely due to an exposure to underperforming Financials stocks. During the quarter, changes were made to the sector's strategy to provide greater diversification of investment approaches. These changes involved the introduction of two new active managers, Enhanced Investment Technologies and Arrowstreet.
- ~ Within Australian fixed interest the main detractor of value were positions in corporate credit, in particular, the sector's exposure to prime Retail Mortgage Backed Securities. The underperformance of the international fixed interest sector was due to an overweight position in Commercial Mortgage Backed Securities and a focus on bank capital securities.
- ~ The Australian listed property sector underperformed its benchmark for the quarter. The sector's underweight exposure to defensive property names contributed to the underperformance, and exposure to securities with an offshore focus detracted value. The International listed property sector's underweight exposure to the US market, and overweight exposure to Asia, detracted from returns.
- ~ The Australian cash sector underperformed its benchmark due to an exposure to corporate credit. The underperformance of alternative income was due to an exposure to bank capital securities, particularly those in the US. These positions have been built up to take advantage of widening spreads from quality banks.
- ~ The performance of the alternative investments – alpha strategies sector was impacted by continued market deleveraging, market dislocation caused by the failure of investment bank Lehman Brothers, and bans on short-selling.
- ~ The global emerging markets sector underperformed its benchmark for the quarter. The primary driver of underperformance was security selection. Among the positions detracting from value were positive overweight stock exposures.

- ~ The international smaller companies sector underperformed its benchmark for the quarter. The underperformance is attributable to an overweight exposure to Energy and Material industry sectors. Among the key contributors to performance was a substantial underweight exposure to Financials.

Diversified Investment Strategy No. 3

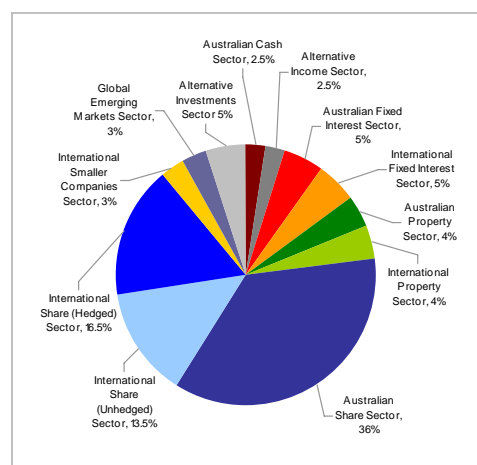
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yr %pa	3 yr %pa	5yr % pa
Diversified Investment Strategy 3	-6.8	-10.0	-6.8	-21.4	-3.9	2.1	8.6
Benchmark	-5.1	-7.6	-5.1	-18.9	-2.4	3.1	9.0

Note:

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

return drivers this period

- ~ The bulk of the portfolio is invested in ‘growth’ assets such as shares and listed property. While the portfolio’s allocation to these assets is aimed at benefiting performance over the medium- to long-term, these areas of the market have performed poorly in recent periods, impacted by weak investor sentiment.
- ~ The portfolio is, however, highly diversified and has an allocation to defensive assets such as fixed interest and cash, which performed relatively well during the quarter. Within fixed interest, investors favoured sovereign bonds, reflecting a dramatic rise in investor risk aversion while corporate credit markets remained weak.



performance this period

- ~ Australian shares outperformed the benchmark for the quarter. The main contributor to performance was an underweight exposure to Resource stocks, which was the worst performing area of the market. The sector’s defensive orientation also added to relative performance in a declining market.
- ~ The international shares sector underperformed its benchmark for the quarter, largely due to an exposure to underperforming Financials stocks. During the quarter, changes were made to the sector’s strategy to provide greater diversification of investment approaches. These changes involved the introduction of two new active managers, Enhanced Investment Technologies and Arrowstreet.
- ~ Within Australian fixed interest the main detractor of value were positions in corporate credit, in particular, the sector’s exposure to prime Retail Mortgage Backed Securities. The underperformance of the international fixed interest sector was due to an overweight position in Commercial Mortgage Backed Securities and a focus on bank capital securities.
- ~ The Australian listed property sector underperformed its benchmark for the quarter. The sector’s underweight exposure to defensive property names contributed to the underperformance, and exposure to securities with an offshore focus detracted value. The International listed property sector’s underweight exposure to the US market, and overweight exposure to Asia, detracted from returns.
- ~ The performance of the alternative investments – alpha strategies sector was impacted by continued market deleveraging, market dislocation caused by the failure of investment bank Lehman Brothers, and bans on short-selling.
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- ~ The international smaller companies sector underperformed its benchmark for the quarter. The underperformance is attributable to an overweight exposure to Energy and Material industry sectors. Among the key contributors to performance was a substantial underweight exposure to Financials.

Diversified Investment Strategy No. 4

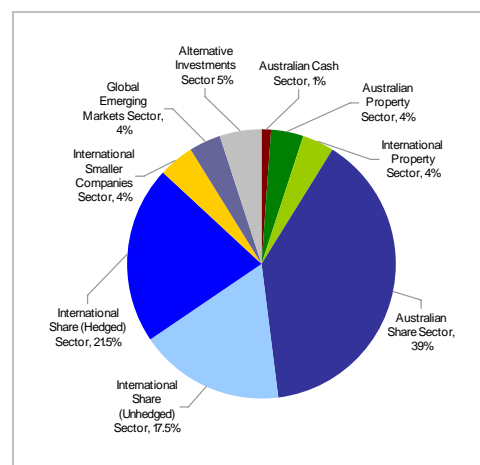
	3 mths %	6 mths %	Fin YTD %	1 yr %pa	2 yr %pa	3 yr %pa	5yr % pa
Diversified Investment Strategy 4	-8.1	-11.8	-8.1	-25.4	-5.6	1.4	8.8
Benchmark	-6.4	-9.4	-6.4	-22.6	-4.0	2.4	9.2

Note:

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

return drivers this period

- ~ As a result of the ongoing liquidity crisis, absolute performance was disappointing for the quarter. The portfolio benefited from an unhedged allocation to international shares as the Australian Dollar fell sharply. However, this was not enough to prevent a negative return for the overall portfolio.
- ~ Share markets remained volatile over the quarter. For the past year shares have been impacted by weak investor sentiment, and markets have been characterised by heightened volatility. The allocation to shares aims to benefit the portfolio over the medium- to long-term.



performance this period

- ~ Australian shares outperformed the benchmark for the quarter. The main contributor to performance was an underweight exposure to Resource stocks, which was the worst performing area of the market. The sector's defensive orientation also added to relative performance in a declining market.
- ~ The international shares sector underperformed its benchmark for the quarter, largely due to an exposure to underperforming Financials stocks. During the quarter, changes were made to the sector's strategy to provide greater diversification of investment approaches. These changes involved the introduction of two new active managers, Enhanced Investment Technologies and Arrowstreet.
- ~ The Australian listed property sector underperformed its benchmark for the quarter. The sector's underweight exposure to defensive property names contributed to the underperformance, and exposure to securities with an offshore focus detracted value. The International listed property sector's underweight exposure to the US market, and overweight exposure to Asia, detracted from returns.
- ~ The performance of the alternative investments – alpha strategies sector was impacted by continued market deleveraging, market dislocation caused by the failure of investment bank Lehman Brothers, and bans on short-selling.
- ~ The global emerging markets sector underperformed its benchmark for the quarter. The primary driver of underperformance was security selection. Among the positions detracting from value were positive overweight stock exposures.
- ~ The international smaller companies sector underperformed its benchmark for the quarter. The underperformance is attributable to an overweight exposure to Energy and Material industry sectors. Among the key contributors to performance was a substantial underweight exposure to Financials.

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	-5.2	-7.0	-5.2	-16.0	-1.6	3.5	n/a
Benchmark	-2.4	-4.0	-2.4	-12.3	0.3	4.4	n/a

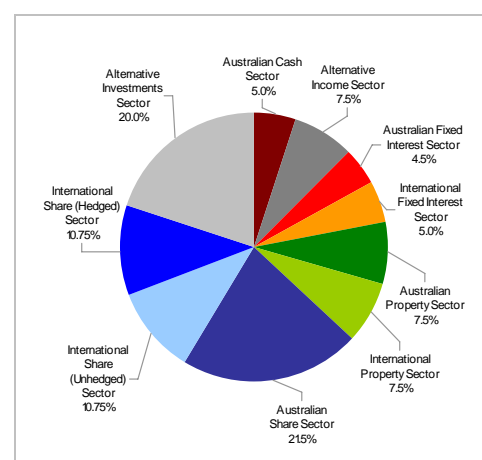
Notes:

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

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

return drivers this period

- ~ Over the year to 31 September 2008, the portfolio delivered comparatively better returns than a balanced fund with a more traditional construction, and slightly outperformed over the quarter.
- ~ The Alternative Investments - Alpha Strategies sector underperformed during the September quarter, although these strategies have been beneficial over the year in providing return and diversification benefits.
- ~ The portfolio benefited from the significant outperformance of Australian share managers, especially Investors Mutual due to their highly defensive style. The recent introduction of 50% currency exposure to the international shares sector was also beneficial as the falling value of the Australian Dollar helped to partially offset the fall in equity and property markets.



performance this period

- ~ Australian shares outperformed the benchmark for the quarter. The main contributor to performance was an underweight exposure to Resource stocks, which was the worst performing area of the market. The sector's defensive orientation also added to relative performance in a declining market.
- ~ The international shares sector underperformed its benchmark for the quarter, largely due to an exposure to underperforming financial stocks. ipac believes the sector is positioned in stocks that will perform better once the market stabilises
- ~ The performance of the alternative investments – alpha strategies sector was impacted by deleveraging, market dislocation caused by the failure of investment bank Lehman Brothers, and bans on short-selling.
- ~ The Australian listed property sector underperformed its benchmark for the quarter. The sector's underweight exposure to defensive property names contributed to the underperformance, and a strategic overweight exposure to some non-index small capitalisation names also detracted value. The international listed property sector's underweight exposure to the US market, and overweight exposure to Asia, detracted from returns.
- ~ The Australian fixed interest sector performed in line with the index for the quarter. The manager for this sector aims to replicate the index return. The underperformance of the international fixed interest sector was due to a focus on bank capital securities. Although the manager focused on the highest quality securities offered by banks, all these securities were hurt during the quarter by the negative sentiment in markets.
- ~ The underperformance of alternative income was due, in part, to an exposure to bank capital securities. The problems with financial companies, particularly US financials such as Lehman Brothers, have had a negative impact on the positions the manager has taken. These positions have been built up to take advantage of widening spreads from quality banks.
- ~ The Australian cash sector underperformed its benchmark. As an enhanced cash strategy, exposure to corporate credit hurt performance as widening credit spreads reduced the value of existing investments.

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	-0.4	1.9	-0.4	4.2	5.3	5.5	5.6
Sector - Strategy 5	-0.4	1.9	-0.4	4.2	5.3	5.5	n/a
AllianceBernstein	-0.4	1.9	-0.4	4.2	5.3	5.5	5.6
Benchmark	1.9	3.9	1.9	7.7	7.1	6.7	6.2

Note:

Benchmark = UBSA Bank Bill Index.

market commentary

The Reserve Bank of Australia (RBA) lowered interest rates by 0.25% to 7.0% at its meeting on 2 September. The rate cut was the first since December 2001. The RBA cited evidence of tight financial conditions, higher fuel costs and lower asset values which were working to restrain demand and credit growth. Weighing up the available domestic and international information, the RBA judged that there is “now scope for monetary policy to become less restrictive”.

The dislocation in credit markets led to a widening of interest rate spreads particularly in credit markets. These moves made it more difficult for the major banks to pass on any rate reductions in full. As a consequence, the RBA needed to consider being more aggressive in its easing of monetary policy to ensure the reduction passed on to consumers was enough to achieve the RBA’s objective of supporting consumer spending. The 1.0% rate cut in October 2008 was the result.

Surveys suggest a softening in business activity and growth in production has slowed. Although still high, indicators of capacity utilisation are declining and there have also been some signs of an easing in labour market conditions.

The rise in Australia’s terms of trade is working in the opposite direction, adding substantially to national income. Fixed investment spending by businesses continues to be very strong. However dampening growth in a number of countries is creating a headwind for the Australian economy although the fall in the value of the Australian Dollar, down 17.3% against the US Dollar over the quarter, helps the competitiveness of exporters.

sector commentary

This sector underperformed the benchmark by 2.3% for the quarter and by 3.5% for the year to 30 September. The manager for this sector is AllianceBernstein. During the quarter, the bulk of this underperformance came in September when credit markets were most volatile and Lehman Brothers filed for bankruptcy.

The sector invests in very high grade short-term securities. These securities include both government and corporate credit exposures. It is the exposure to corporate credit that has hurt performance as widening credit spreads reduced the value of existing investments. Given the concentrated nature of the Australian banking sector, where most of the corporate credit risk is taken, the manager diversified into high quality global financial institutions that issue debt in the Australian market leveraging its global research capabilities. Although this move

was sensible from a diversification perspective, it meant the sector was exposed to the problems with US financials in September.

Exposure to the securities of Lehman Brothers accounted for approximately 1% of the underperformance. The bankruptcy of Lehman Brothers has meant these securities are given minimal value in the portfolio. The manager continues to hold these securities as there may be some write-back of value when the assets of the business are sold and the proceeds distributed to creditors as bond holders are a high ranking creditor. The process to value and sell the assets of Lehman Brothers may take years which may mean that the manager chooses to sell its holdings in the near-term if it believes it can generate a better return from other opportunities.

ipac has spent considerable time with the manager at its offices in Australia and the US reviewing other investments in the portfolio, and believes that government intervention in the US is likely to have provided a floor under the price of some corporate securities. This has increased confidence in the sector's recovery potential. In addition, the yield delivered by the sector is significantly helping return. It is also important to note that, provided the issuer does not default, the purchase price of fixed interest investments will be fully realised as the securities mature.

Alternative Income

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-6.1	-3.7	-6.1	-1.8	3.2	n/a	n/a
Sector - Strategy 5	-6.1	-3.7	-6.1	-1.8	3.2	n/a	n/a
PIMCO	-6.1	-3.7	-6.1	-1.8	3.2	n/a	n/a
Benchmark	1.9	3.9	1.9	7.7	7.1	6.7	6.2

Notes:

Benchmark = UBSA Bank Bill Index.

UBSA 90 Day Bank Bill Index: 12 month: 7.3%

sector commentary

This sector underperformed the index by 8.0% for the quarter and by 9.5% for the year to 30 September 2008.

In previous periods the sector has delivered value for investors as an innovative way to increase return within the fixed interest component of portfolios. The manager uses its traditional strategies for cash and fixed interest investing across a basket of global securities, but with a low average duration (less than one year).

The negative return of this sector in the September quarter was largely due to the exposure to bank capital securities. The problems with financial companies, particularly US financials such as Lehman Brothers, have had a negative impact on the positions the manager has taken. Although in hindsight the manager had begun purchasing bank capital securities too early, PIMCO believes the current high yields on offer are not sustainable and will inevitably decline, benefiting holders of these securities via future capital appreciation. The extraordinarily high yields from quality issuers should reward investors over time. ipac has stress-tested the positions in bank capital securities and shares the manager's confidence that these positions will be rewarded when the market stabilises. PIMCO has focused its bank capital strategy on 'national champion' banks, those too big for their respective governments to let fail. For example, 20% of the bank capital portfolio is invested in the securities of Australia's big four banks.

Australian Fixed Interest

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	4.8	5.4	4.8	6.7	5.0	5.0	5.5
Sector - Strategy 5	5.2	5.6	5.2	8.3	5.9	5.5	n/a
BGI Index	5.2	5.6	5.2	8.3	5.9	5.5	n/a
Credit Suisse	4.7	5.3	4.7	6.5	5.0	4.9	5.4
Benchmark	5.3	5.8	5.3	8.4	5.9	5.5	5.5

Notes:

Benchmark = UBSA Composite Bond All Maturities Index.

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

market commentary

UBSA Composite Bond Index: 3 month: 5.3%; 12 month: 8.4%

Australian bonds delivered firm returns over the September quarter. Demand for sovereign bonds rose sharply, reflecting a flight to quality by investors. The yield for 2 year securities fell from 6.806% to 5.106%, and for 10 year securities from 6.447% to 5.395%.

In early September the Reserve Bank of Australia (RBA) lowered interest rates by 0.25% to 7.0%. The RBA responded to tighter financial conditions and lower asset values which were working to restrain demand and credit growth. Inflation fell for the first time in almost a year, supporting the RBA's assessment that the economy was slowing enough to cool consumer prices. Further policy easing is expected over the coming months.

Credit spreads widened during the period as market volatility continued to cause widespread nervousness. This reflected difficulties in the financial sector and the lack of willingness of banks to lend to customers.

After years of trailing equities, bonds have performed strongly in 2008. While the S&P/ASX 300 Index has fallen 27.1% over the past 12 months, the benchmark UBSA Composite Bond Index has returned 8.4%. The positive performance of bonds reflects concern about the economy and the likelihood of further RBA rate cuts which stand to benefit existing bond investments that offer a high yield.

sector commentary

The sector underperformed the index by 0.5% for the quarter and by 1.7% for the year to 30 September 2008.

The overall positive return of the asset class was driven by the strong performance of government bonds. In contrast, corporate credit delivered a negative return as spreads widened and liquidity weakened further. While the manager had exposure to government securities the main detractor of value were positions in corporate credit. In particular, its exposure to prime Retail Mortgage Backed Securities (RMBS) that makes up approximately 20% of the sector.

The benchmark does not include an allocation to RMBS however ipac allows the manager to invest in this segment of the market given the potential return and diversification benefit. Credit Suisse is invested in high quality RMBS that are asset backed providing confidence that these securities are well placed to withstand the current volatile climate. During the quarter the widening of credit spreads impacted negatively on the manager's positions in RMBS, however ipac's research validates the manager's belief that these positions will be rewarded once the credit market stabilises.

Credit Suisse also uses relative value trades to generate return. The manager has wound back these positions in recent quarters as the volatile macro economic environment did not give confidence that these positions would be rewarded. This move to unwind some of the relative value trades also reflects the more conservative view of the manager.

sector commentary (Strategy 5)

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

International Fixed Interest

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-0.2	-1.2	-0.2	3.7	4.1	4.2	5.9
Sector - Strategy 5	-0.8	-2.2	-0.8	4.1	4.1	4.3	n/a
BlackRock	0.4	-0.1	0.4	3.5	4.1	4.2	5.8
PIMCO	-0.8	-2.2	-0.8	4.1	4.1	4.3	6.1
Benchmark	2.0	1.4	2.0	7.0	6.0	5.4	6.4

Note:

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

market commentary

Lehman Global Aggregate (hedged \$A) Index: 3 month: 2.0%; 12 month: 7.0%

International bond markets rose 2.0% over the quarter. Investors favoured sovereign bonds, particularly in the UK and Europe, where there were ongoing recessionary fears.

Yields on short-dated bonds declined sharply (prices rose), reflecting expectations of further monetary policy easing. Yields on long-dated bonds also fell, although not as dramatically, as long-term interest rates continued to be anchored by above-trend inflation. This inflation threat, however, appears to have subsided as concerns about economic conditions have increased. The strongest gains were seen in 2 year bonds with yields falling 112 basis points in Europe and 121 basis points in the United Kingdom. In the US, yields on 2 year securities declined sharply from 2.616% at the end of June to 1.960% at the end of September. The falls in longer-term yields were larger in the UK and Europe than in the US. This was due to the market pricing in the prospects for a large issuance of US Treasuries to fund the bailout plan for the US financial sector.

Corporate credit markets remained under pressure during the quarter, reflecting a deterioration in market liquidity and concerns about future economic growth. The result was wider spreads. Investment grade spreads will stabilise when investors are assured that financial companies are well capitalised and there is greater confidence in the financial system.

sector commentary

The sector underperformed the index by 2.2% for the quarter and by 3.3% for the year to 30 September 2008.

During the quarter, BlackRock was overweight the Commercial Mortgage Backed Securities (CMBS) sector of the corporate credit market. These securities are backed by commercial buildings such as office buildings and shopping malls. While the quality of the assets is high, the threat of global recession and the deleveraging of some investors made these securities less attractive at this point in time. The negative sentiment surrounding Residential Mortgage Backed Securities has also had an impact on CMBS. As a consequence, credit spreads widened, negatively impacting investors already positioned in CMBS. This exposure to CMBS swamped any positive impacts of other return seeking strategies in the sector.

Similarly PIMCO was overweight the corporate credit sector however this manager's focus was on bank capital securities. The credit spreads for these securities widened significantly as the nervousness in the credit market accelerated in September. While PIMCO focused on the highest quality securities offered by banks, all these securities were hurt during the quarter by the negative sentiment in markets. The manager remains of the strong view that these positions will be rewarded once stability returns to the markets and credit spreads contract. The efforts of government and central banks to improve liquidity in capital markets aim to encourage this stability.

sector commentary (Strategy 5)

The sector underperformed the index by 2.8% for the quarter and by 2.9% for the year to 30 September 2008.

During the quarter the sector was overweight corporate credit, with a particular focus on bank capital securities. This was the main reason for the sector's underperformance of the index. The credit spreads for bank capital securities widened significantly during the period as the nervousness in the credit market accelerated in September. Although the manager focused on the highest quality securities offered by banks, all these securities were hurt during the quarter by the negative sentiment in markets.

The manager remains of the strong view that these positions will be rewarded once stability returns to the markets and credit spreads contract. The efforts of government and central banks to improve liquidity in capital markets aim to encourage this stability.

Australian Property

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-7.4	-22.0	-7.4	-47.7	-20.4	-7.5	3.7
Sector - Strategy 5	-4.5	-18.1	-4.5	-43.4	-17.8	-5.7	n/a
BGI Index	-1.5	-16.6	-1.5	-40.8	-15.8	-3.9	n/a
Legg Mason	-7.4	-23.1	-7.4	-48.6	-20.7	-7.7	3.8
SG Hiscock	-7.4	-20.9	-7.4	-46.9	-20.2	-7.4	3.4
Benchmark	-1.7	-17.2	-1.7	-41.8	-16.4	-4.2	5.8

Notes:

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

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

market commentary

S&P/ASX 300 A-REIT Index: 3 month: -1.7%; 12 month: -41.8%

Having fallen more than 15% the previous quarter, Australian property securities performed relatively better during the 3 month period ending 30 September. However they still posted negative returns and experienced enormous volatility. Intra-month volatility was at extremes with the index down 17% at one stage in July. Over the quarter, the performance of listed property trusts remained quite diverse with the difference in the returns between the best and worst performing trust almost 90%.

Perceptions that valuations for property trusts had improved after the recent market declines attracted buying interest for some of the higher quality trusts. ING Office Trust returned 25.7%, CFS Retail Property Trust was up 21.6%, while the Commonwealth Property Office Fund returned 16.6%.

The falling Australian Dollar helped those trusts with large offshore earnings. This included trusts such as Westfield Group and Stockland Trust Group which returned 5.4% and 0.2% respectively.

The Rubicon Trusts continued to perform poorly, down between 72.2% and 83.8% for the quarter. Centro Properties Group was also one of the worst performing trusts, falling 64.1% over the quarter. During the period, Centro provided a recapitalisation update which showed that to access longer-term funding the company must issue a portion of its debt as hybrid securities. This action can impact the value of existing stock.

sector commentary

Over the quarter the sector underperformed its benchmark by 5.7%. With credit risk and leverage at the core of broader investment market volatility, trusts with a domestic focus and low gearing fared best. The sector's underweight exposure to defensive property names such as CFS Retail Property Trust, which gained 21.6%, and no holding in ING Office Trust (+23.5%) and Commonwealth Property Office Fund (+16.6%) contributed to the underperformance.

In addition, the sector's exposure to securities with an offshore focus detracted value. This included overweight positions in Reckson New York Property Trust which fell 51.8% and Macquarie DDR Trust which fell 0.7%. An overweight exposure to Valad Property Group (-56%) also detracted from performance as the property group suffered from uncertainty over the implications of the proposed takeover of HBOS (its principal banker) by Lloyds TSB, and the earnings downgrade announced in August. An overweight position in GPT Group also hurt performance. GPT fell 21.2% for the quarter after reducing guidance for earnings and dividends in July. This was due to lower-than-expected asset sales and development profits, and the downgrading of the Joint Venture Fund returns.

Adding back some value was the sector's underweight position in Goodman Group which fell 21% over the quarter. This happened as the market remained cautious on its outlook given its relatively high gearing, offshore exposure and risk with development earnings. The overweight position in Macquarie Countrywide (+5.6%) and non-index holding in Challenger Kenedix (+27.2%) also contributed positively to returns.

sector commentary (Strategy 5)

Over the quarter the sector underperformed its benchmark by 2.8%. With credit risk and leverage at the core of broader investment market volatility, trusts with a domestic focus and low gearing fared best. The sector's underweight exposure to defensive property names such as CFS Retail Property Trust, which gained 21.6%, Westfield Group (+2.2%), Dexus Property Group (+3.6%) and no holding in ING Office Trust (+23.5%) and Commonwealth Property Office Fund (+16.6%) contributed to the underperformance.

In addition, the sector's overweight exposure to Tishman Speyer Office Fund (down 32.1%) and Valad Property Group (-56%) also detracted from performance. Valad Property Group suffered from uncertainty over the implications of the proposed takeover of HBOS (its principal banker) by Lloyds TSB, and the earnings downgrade announced in August. The strategic overweight exposures to some non-index small capitalisation names such as Trinity Reckson New York also added to underperformance.

Adding back some value was the sector's underweight position in Goodman Group which fell 21% over the quarter. This happened as the market remained cautious on its outlook given its relatively high gearing, offshore exposure and risk with development earnings. The overweight position in Macquarie Countrywide (+5.6%) and GEO also contributed positively to returns.

International Property

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-4.3	-13.3	-4.3	-25.9	-10.2	n/a	n/a
Sector - Strategy 5	-4.3	-13.4	-4.3	-25.9	-10.4	n/a	n/a
CBRE	-4.9	-14.2	-4.9	-26.1	-9.4	n/a	n/a
LaSalle	-3.5	-12.4	-3.5	-25.7	-11.1	n/a	n/a
Benchmark	-1.0	-9.5	-1.0	-22.6	-9.2	n/a	n/a

Notes:

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

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

market commentary

UBS Global Investors Index (hedged): 3 month: -1.0%; 12 month: -22.6%

International listed property securities outperformed shares during the September quarter. The positive relative performance can be attributed to Real Estate Investment Trusts (REITs) having already been marked down in the previous quarter and also to the characteristics of real estate stocks. These stocks tend to hold hard assets, generating revenues secured by leases – perceived as a good defence in tough economic conditions.

During the quarter, returns from real estate securities markets ranged from modestly positive gains in the US and UK to extreme weakness in Asian markets. The US REITs market returned 3.9% in local currency terms, as measured by the S&P REIT Index. Measures by the US government to extend emergency lending facilities to investment banks as well as other liquidity programs helped US stocks generally, and REITs also benefited from this sentiment. The dividend yield of REITs attracted retail flows which provided support.

The Hong Kong and Singapore property indices both fell 25.7% over the quarter in local currency terms. The Chinese government announced plans to buy shares in struggling mainland banks. This led to a rally in local financial stocks in Hong Kong, and an underperformance in property trusts versus the general index.

In Japan, the TSE REIT Index fell 18.9% in local currency terms. Japan's property sector has been hurt by tighter credit conditions, rising construction costs and revisions to building codes that have led to delays. Five of Japan's major property companies have been placed under review by Japan's credit rating agency, and some Japanese REITs have also revised their earning forecasts downwards.

The UK property outlook is negative given its highly levered economy and London's heavy reliance on the financial services sector. However, much of this bad news had previously been incorporated into security prices and the UK market delivered a positive return for the September quarter. In contrast, European property companies which had appeared more resilient were marked down significantly as many European banks were caught up in the global credit crisis.

sector commentary

The sector underperformed its benchmark by 3.3% in the quarter. The wide range of returns delivered across countries meant that country selection had a significant impact on relative returns. During the period, the US was the strongest performing region and Asia the weakest.

The sector's underweight exposure to the US market and overweight exposure to Asia therefore detracted from returns.

Stock selection also detracted value, particularly in Australia where companies with high leverage or transaction-based income were punished by the market. Dividend policies were reassessed by many Australian real estate companies with resultant dividend reductions. GPT Group, for example, announced that all development profits would be retained rather than distributed and that look-through gearing would be reduced through non-core asset sales. The stock price fell 21.2% for the quarter.

Asian holdings, which are development-focused, underperformed the broader real estate securities market. This reflects the liquidity crisis impairing developers' ability to access credit and the expectation of weaker residential and commercial demand. Capitaland, a Singaporean property company, and Prologis, a US REIT focused on distribution facilities, are two portfolio holdings that have fund management businesses and underperformed as the market took a negative view on these business models (-46.3% and -24.1% respectively). The holding in SL Green, a US REIT specialising in Manhattan office properties, also detracted value in September. The share price fell 21.7% over the quarter, as the crisis at US investment banks unfolded.

Australian Shares

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-8.6	-12.1	-8.6	-26.3	-2.2	3.9	12.5
Sector - Strategy 5	-5.3	-10.3	-5.3	-23.3	-1.9	3.4	n/a
BGI	-12.4	-14.2	-12.4	-29.8	-2.1	4.1	12.8
Integrity	-3.4	-6.4	-3.4	n/a	n/a	n/a	n/a
Schroders	-6.1	-12.0	-6.1	-25.0	-1.4	5.2	13.8
Maple-Brown Abbott	-4.2	-9.7	-4.2	-20.9	-1.1	4.4	12.1
Investors Mutual	-1.4	-10.3	-1.4	-21.8	-0.9	3.9	10.7
Wallara	-10.8	-11.5	-10.8	-26.9	-2.0	3.2	n/a
Bernstein Value	-7.0	-14.6	-7.0	-29.7	-4.1	2.2	n/a
MIR	-10.9	-8.7	-10.9	-24.4	-2.8	3.2	n/a
Challenger	-11.6	-19.9	-11.6	-37.2	-12.2	-1.2	n/a
Benchmark	-10.7	-12.3	-10.7	-27.1	-1.6	3.9	12.3

Notes:

Benchmark = S&P/ASX 300 Accumulation Index.

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

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

market commentary

S&P/ASX 300 Accumulation Index: 3 month: -10.7%; 12 month: -27.1%

The Australian share market fell 10.7% over the quarter, characterised by continued volatility. In contrast to earlier quarters, the worst performing sectors during this period were Energy and Materials which fell 18.5% and 30.8% in response to lower commodity prices and a worsening global economic outlook. Mining servicing names such as Boart Longyear Group (-49.8%), Leighton Holdings (-26.2%), and WorleyParsons (-20.0%) suffered in this climate. Speculative resource stocks, which had previously been an area of strong investor interest, particularly suffered in the third quarter. Fortescue Metals, which had risen 252.1% in the 12 months to 30 June 2008 saw its share pricing plunge 60.8% in the third quarter due to its reliance on global resource demand.

During the period, investors favoured areas with defensive earnings characteristics. Healthcare was the strongest performing sector, returning 9.5%. As a result of attractive valuations, consumer related sectors, such as Consumer Staples (up 0.5%) and Telecommunications (-0.1%) also outperformed the index. Global investors were also attracted to the relative strength of the Australian banking sector. This saw the sector outperform the S&P/ASX 300 Index, returning 0.8% over the period.

In addition, many stocks with exposure to the US recovered some of their recent underperformance of the index. These included names such as Billabong International (up 26.9%) and James Hardie Industries (up 17.2%). This was due to the falls of the Australian Dollar against the US Dollar.

Financial year results dominated news-flow in August with Ansell, AXA, Coca Cola Amatil, Downer, Resmed and Woolworths rewarded for positive results and outlook statements. Good numbers from Billabong, David Jones and News Corp helped Consumer Discretionary stocks bounce sharply. Disappointing results came from Brambles, ConnectEast, Iluka, MIG, Minara, Suncorp, Virgin and Wesfarmers. Allco and Babcock & Brown reported full-year losses and major changes to strategy and management. Despite the sound results that dominated the reporting season, companies were generally more cautious in their comments regarding the outlook for earnings.

One of the notable items that affected Australian shares in the quarter was the decision by the Australian Securities and Investment Commission to ban all short selling of equities. The ban reflected fears that the risks to the relatively small Australian equity market from excessive speculative shorting, had increased substantially. The ban was put into temporary effect on 21 September for 30 days, and has since been extended for another month.

sector commentary

The sector outperformed its benchmark by 2.1% for the quarter and by 0.8% for the year to 30 September 2008. The main contributor to this performance was the sector's underweight exposure to Resources stocks, which was the worst performing area of the market.

The Australian market continued to be impacted by concerns regarding growth and inflation during the quarter, although as the quarter unfolded inflation concerns dissipated, and fears about the global financial crisis and

global recession dominated market sentiment. As the market changed its focus, and concerns about a slowdown in global, and particularly, Chinese growth escalated, commodity prices began to fall, and Resources consequently suffered. Within Resources, specific underweight exposures to BHP Billiton (down 29.1%) and Fortescue Metals Group (which fell 60.8% over the quarter) were the largest contributors to the sector's outperformance.

The sector's defensive orientation, and overweight exposure to industry sectors such as Consumer Staples, Telecommunications and Healthcare also added to relative performance in a declining market. This played out at a stock level through overweight holdings in companies such as Coca Cola Amatil (up 17.7%). Other positive contributors included an overweight position in Toll Holdings (which gained 28.6%), and the sector's cash holding. An overweight exposure to banks, which held up relatively well compared to some of their overseas peers, also contributed positively to performance, although the main detractor from performance during the quarter was the sector's underweight exposure to Commonwealth Bank of Australia. The bank saw its share price gain 6.1% over the quarter, making it the best performing of the country's largest four banks. The sector's underweight exposure to listed property trusts and overweight exposure to Rio Tinto, which fell 37.6%, also detracted value.

The best performing manager over the quarter was Investors Mutual. The manager has a value-orientation and a strong emphasis on managing the risk of downside performance through identifying quality companies with reliable earnings. Maple Brown Abbott was another relatively strong performer during the quarter. Although returns were negative, the manager outperformed the index by more than 6%. Its portfolio benefited from a bias towards quality companies – ie, those with strong balance sheets and relatively defensive earnings. Key contributors to performance were overweight positions in Coca-Cola, Fosters and Ansell.

The ongoing credit crisis is making life increasingly difficult for both corporates and consumers to obtain credit, creating a difficult environment for growth. At a company level, those with weaker balance sheets, or those needing to refinance debt arrangements, continue to be derated by the market whilst the uncertainties surrounding the financial system still exist. For the consumer, while significant headwinds remain, the degree of the slowdown priced in is now fairly substantial, leading some managers to believe the probabilities of upside potential are beginning to look more attractive.

sector commentary (Strategy 5)

The sector outperformed its benchmark by 5.4% for the quarter and by 3.8% for the year to 30 September 2008.

The same themes that contributed to performance in the Australian Shares sector were also relevant to the performance of Dis 5.

The best performing manager over the quarter was Investors Mutual, outperforming the index by 9.3%. The manager has a value-orientation and a strong emphasis on managing the risk of downside performance by identifying quality companies with reliable earnings. Maple Brown Abbott was another relatively strong performer, benefiting from a bias towards quality companies, and Bernstein Value contributed to the sector's outperformance of the index return. MIR Investment marginally underperformed the index during the period, but has outperformed the index return for the year.

International Shares

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector - Unhedged	-0.3	-6.3	-0.3	-20.3	-9.4	-1.3	3.6
Sector - Strategy 5 Unhedged	-0.3	n/a	-0.3	n/a	n/a	n/a	n/a
EIT	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Alliance	-7.6	-12.6	-7.6	-26.8	-12.8	-4.6	n/a
Arrowstreet	n/a	n/a	n/a	n/a	n/a	n/a	n/a
GMO	2.3	-1.6	2.3	-13.7	-5.2	0.6	n/a
Bernstein	-5.0	-12.8	-5.0	-27.9	-14.4	-3.4	4.0
LSV	4.8	-4.6	4.8	-19.7	-9.5	-0.8	n/a
International Shares Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Benchmark	3.6	-3.3	3.6	-16.7	-8.1	-0.4	3.9
Sector - Hedged	-14.8	-14.4	-14.8	-27.0	-7.1	-0.2	7.5
Sector - Strategy 5 Hedged	-14.7	-16.3	-14.7	-29.7	-9.4	-1.0	n/a
EIT	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Alliance	-21.0	-20.2	-21.0	-33.2	-10.6	-3.6	n/a
Arrowstreet	n/a	n/a	n/a	n/a	n/a	n/a	n/a
GMO	-12.6	-10.1	-12.6	-21.2	-2.9	1.7	n/a
Bernstein	-19.1	-20.6	-19.1	-34.3	-12.3	-2.4	8.1
LSV	-10.2	-12.6	-10.2	-26.4	-6.9	0.5	n/a
International Shares Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Benchmark	-11.2	-11.4	-11.2	-23.3	-5.2	1.1	8.4

Notes:

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

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

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

market commentary

MSCI World ex-Australia Index (\$A hedged): 3 month: -11.2%; 12 month: -23.3%

MSCI World ex-Australia Index (\$A unhedged): 3 month: 3.6%; 12 month: -16.7%

International share markets fell in September (-10.8%) after being largely unchanged in July and August in local currency terms. The dramatic fall followed a series of financial firm failures in both the US and Europe. The company failures that dominated news in September stemmed from mortgage-related losses. Consequently counterparty risk surged as trust between banks diminished.

During September markets saw the US Federal Reserve step in to rescue mortgage providers Freddie Mac and Fannie Mae, the demise of US investment bank Lehman Brothers and the takeovers of ailing Merrill Lynch, Wachovia and Washington Mutual by better-capitalised rivals. The Federal Reserve also bailed out one of the world's largest insurers American International Group (AIG). Similar government bailouts in the UK (Bradford & Bingley) and Benelux (Fortis), and Lloyds TSB's take-over of HBOS added to the bad news from the US.

Over the September quarter, the international share index (hedged to the Australian Dollar) fell 11.2% but rose 3.6% in unhedged terms. This discrepancy in returns was due to the Australian Dollar's sharp fall over the quarter. This, in turn, was due to falls in commodity prices and the reversal of the Yen carry trade where investors borrowed at low interest rates in yen, and used the loan to buy higher yielding assets elsewhere.

On a country basis, all regions performed poorly. Asian markets were the worst performers (falling more than 18% in local currency terms) given their reliance on exports to North America and Europe. The Asian markets responded aggressively to lower global growth expectations. European markets slightly outperformed the index. France and Germany fell 9.2% and 10.9% in local currency terms.

Within international shares, defensive sectors were favoured during the quarter. Consumer Staples and Healthcare were the strongest performing areas of the market, returning 2.1% and 0.3% respectively. Energy and

Materials were the weakest performers, down 25.1% and 31.1% due to concerns about global growth and the flow-on effect on commodity prices. Financial stocks fell 4.8%, noticeably underperforming their Australian counterparts in local currency terms.

Growth stocks underperformed value stocks during the quarter, reversing their recent trend. Quality stocks with high return on equity and good stable earnings performed best.

sector commentary

The sector underperformed the benchmark by 3.6% for the quarter, and by 3.7% for the year. The main detractor from performance was the sector's exposure to Financials. There has been dilution of wealth in some US and European banks where holdings will not reach the same heights they once did, or where the companies have been taken over by their respective governments. Holdings in Freddie Mac, Fannie Mae, AIG and Lehman Brothers significantly detracted from performance. ipac reviewed each manager's rationale for these investments and believes these purchases made sense in terms of the manager's process.

While the losses incurred over the past year are disappointing, the benefit of a very well diversified approach is that the permanent loss is very small. Importantly, many of the price declines within the international shares sector of the portfolio are unrealised losses. ipac believes the sector is positioned in stocks that will perform better once the market stabilises. These stocks include financial companies that are well placed to benefit from industry consolidation. Survivors of the downturn are likely to gain pricing power and have the potential to have a strong positioning in their respective industries. Similarly, exposure to companies that are fundamentally strong in sectors away from Financials will be beneficial once the market goes back to pricing on fundamentals.

During the quarter, changes were made to the sector's strategy to provide greater diversification of investment approaches. These changes involved the introduction of two new active managers – Enhanced Investment Technologies and Arrowstreet Capital. The new managers replaced Capital International and Wellington Asset Management.

The introduction of the new managers improves return prospects for the portfolio as each of the new managers has a higher outperformance target than the managers they are replacing, and ipac has greater confidence in the likely delivery of that added value. At the same time as replacing these two managers ipac taken the opportunity to increase the allocation to the 'style' managers by introducing an allocation to enhanced indexing. The additional allocation to the 'style' managers serves to increase prospective return while the allocation to enhanced indexing is aimed at reducing active risk.

The overall impact of the changes is to implement the international equities portfolio with lower active risk than before but with an improved return-to-risk ratio. This is beneficial for the diversified portfolios because it facilitates the introduction of new asset classes and new active strategies within existing asset classes.

The index allocation is spread between Barclays Global Investors Fission and Vanguard Investments. ipac has appointed two managers within the index component as there is limited capacity within the BGI Fission Fund.

sector commentary (Strategy 5)

The same themes that contributed to performance in the International Shares sector were also relevant to the performance of DIS 5.

Bernstein Value detracted value during the quarter, impacted by overweight positions in Materials and Energy stocks. Exposure to some poor performing Financial stocks also hurt performance. These included American International Group, Wachovia and HBOS.

International Smaller Companies

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-0.3	-8.9	-0.3	-27.0	-13.0	n/a	n/a
Arrowstreet	-0.4	-9.0	-0.4	-27.1	-13.1	n/a	n/a
Benchmark	2.4	-4.8	2.4	-20.8	-10.6	n/a	n/a

Notes:

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

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

market commentary

S&P/Citigroup World < \$US 1.5 billion cap Index (\$A unhedged): 3 month: 2.4%; 12 month: -20.8%

International small companies performed broadly in line with large companies during the quarter. Defensive sectors were favoured with Consumer Staples and Healthcare being the strongest performing areas of the market. Energy and Materials were the weakest performers due to concerns about global growth and the flow-on effect on commodity prices. All regions performed poorly during the quarter with Asian markets the weakest, and North America the strongest.

While valuations for international shares generally look attractive, the next six months will remain challenging. There are still problems in the global financial sector, and until these are rectified markets will remain volatile.

sector commentary

The sector underperformed its benchmark by 2.7% for the quarter. The underperformance is attributable to an overweight exposure to Energy and Material industry sectors. In addition, specific stock selection in Energy and Industrials added to underperformance during the period. Holdings in oil and gas explorer Stone Energy Corp, which fell 23.6%, and auto wheel manufacturer Accuride Corp, down 62.4%, were key detractors from performance.

Among the key contributors to performance during the period was the sector's substantial underweight exposure to Financials. In addition, holdings in building products manufacturer Griffon Corp, whose share price rose 17.3%, added to performance, as did the holding in alternative fuels company, Headwaters Inc, which saw a 13.4% rise in its share price.

Global Emerging Markets

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-14.6	-18.5	-14.6	-26.0	-0.9	7.5	13.8
Legg Mason	-14.6	-18.5	-14.6	-26.1	-1.0	7.4	n/a
Benchmark	-11.1	-16.2	-11.1	-25.1	0.0	7.2	15.1

Note:

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

market commentary

MSCI EM Index in \$A: 3 month: -11.1%; 12 month: -7.5%

After generally outperforming developed markets in recent periods, emerging markets had a poor quarter falling 11.1%. Emerging markets had been relatively resilient to the credit crunch prior to September, however they now appear to have been impacted by investors looking to de-risk portfolios. In addition, the deterioration in the economic outlook for developed markets is seen as impairing the export prospects for emerging economies.

The worst performing regions during the quarter were EMEA (Europe, Middle East and Africa) and Latin America. EMEA fell 25.2% and Latin America fell 22.4%, following weakness in commodity prices. On a country basis, Russia was the weakest performing market, falling 44.0% over the quarter. On 17 September trading on Russia's main stock exchanges was suspended following steep falls in share prices. The shock developments on Wall Street spurred a sell-off in Russian shares, which sank to levels not seen since December 2005.

Argentina also performed poorly, falling 42.1%. This followed rumours that it might be a candidate for removal from the Emerging Market Index as a result of concerns over its regulatory regime and corporate governance. China remained weak, falling 26.0%, following concerns over the impact slowing world growth would have on its economy.

Among the larger emerging markets Korea was one of the best performers, falling 12.6%. This came after an announcement by FTSE that it will migrate Korea to the developed markets index. This news prompted buying of Korean stocks by investors.

sector commentary

The sector underperformed its benchmark by 3.5% for the quarter. The underperformance was greatest in the month of September in a market which suffered sharp price falls in all countries. The sector's overweight exposure to Russia detracted value, as did its underweight exposures to Korea and Poland.

However, the primary driver of the last quarter's underperformance was security selection. Among the positions which detracted value was the sector's overweight exposure to Sberbank. The Russian state-controlled bank's share price fell 45.6% during the quarter. This followed market concerns about the bank's liquidity, and was compounded by fears about the health of the global financial system and that of the Russian stock market. The

holding in China Mengniu was also marked down sharply. The company's share price fell 64.2% as the dairy-contamination scandal in China saw all players in the China branded milk market punished by the market.

Alternative Investments – Alpha Strategies

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-7.0	-0.8	-7.0	5.9	6.8	3.6	n/a
Sector - Strategy 5	-7.0	-0.8	-7.0	0.1	5.2	5.3	n/a
ipac Diversified Alpha Fund	-7.3	-0.9	-7.3	n/a	n/a	n/a	n/a
Benchmark	1.9	3.9	1.9	7.7	7.1	6.7	6.2

Notes:

Benchmark = UBSA Bank Bill Index.

Sector – Strategy 5.

ipac Diversified Alpha Fund

The ipac Diversified Alpha Fund fell 7.0% for the September quarter compared to the cash benchmark return of 1.9%. Since its inception on 1 April 2008, the ipac Diversified Alpha Fund has fallen 3.7%, compared to the cash benchmark return of 3.9%. As an indication of the hedge fund market, the HFRX Global Hedge Fund Index has fallen 10.7% for the quarter and 8.8% for the year.

Three issues impacted the portfolio over the quarter. The first of these issues was deleveraging. The intense instability witnessed in the financial system during the quarter caused market participants to reduce their balance sheets significantly. This resulted in a severe dislocation in markets where securities traded at prices far below their intrinsic value. Most of ipac's managers are either holding their positions or trading into better value positions in the belief that security prices will normalise.

The second issue to impact portfolio performance over the quarter was the failure of US investment bank Lehman Brothers. Although the portfolio's direct exposure to the bank was small, the company's failure compounded the dislocation in securities markets as collateral lodged with Lehman was effectively frozen. The portfolio's small exposure to Lehman Brothers is a reflection of how ipac's managers generally use the services of several brokers. This ensures they are not dependent on any single service provider. In addition, a number of ipac's managers anticipated the risk associated with Lehman Brothers and had reduced their exposure to the company as a counterparty.

Finally, the bans on short-selling impacted on portfolio performance during the period. The impact was felt most in the convertible arbitrage and market neutral Australian equities strategies, where the ability to maintain effective hedges over the equity risk component is critical. While ipac expects that the short selling ban will be lifted, we believe it will be subject to some disclosure regulatory requirements, and this will have an impact on how some funds operate.

The portfolio is currently set with little market beta and therefore the results are largely stock specific rather than correlated directly to market movements. The equity component of the portfolio is slightly overweight Energy and Metals and underweight Retailers. The non equity exposures of Re-insurance and Mortgage Backed Securities did well during the period.

The dislocated markets are offering interesting investment opportunities. ipac and its managers are evaluating these opportunities against the backdrop of a much higher cost of capital going forward.

fund manager summary

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

fund manager	status	Notes
Australian Cash		
AllianceBernstein	Preferred	AllianceBernstein seeks to add value by investing in securities with a higher average yield relative to the benchmark, ensuring securities are well diversified and the average length of maturity of the portfolio matches that of the benchmark.
Alternative Income		
PIMCO	Preferred	PIMCO's Short-Term Strategy captures excess returns by exploiting four primary structural inefficiencies found in the bond yield curve (term premium, liquidity premium, credit premium and volatility premium). The strategy is applied without reference to constituents of the Lehman Global Aggregate Index and is benchmarked to UBS Bank Bill Index.
Australian Fixed Interest		
BGI (index)	Preferred	BGI aims to replicate the return of the UBS Composite Bond Index.
Credit Suisse	Preferred	Credit Suisse seeks to add incremental value through relative value trades in yield curve anomalies, security mispricings and credit positioning.
International Fixed Interest		
BlackRock	Preferred	BlackRock uses multiple strategies to add value. It uses traditional strategies – duration, country and currency positions in measured ways whilst exploiting relative value strategies that include yield curve, sector allocation and security selection.
PIMCO	Preferred	PIMCO's portfolios are built to generate alpha from country allocation, portfolio duration, curve and sector positioning. The manager's focus is on identifying term (secular) and medium term (cyclical) drivers of fixed interest markets.
Australian Property		
BGI (Index)	Preferred	BGI aims to replicate the return in line with the designated index.
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 portfolios with regional, country and property sector diversification. LaSalle's access to direct real estate research through its parent JLL complements its proprietary securities analysis and valuation tools.
Australian Shares		
BGI	Preferred	BGI has highly developed multi-factor approach developed within a well-established global research framework. Chief Investment Officer and Chief

		Executive, Morry Waked, provides strong local leadership and is supported by a highly skilled research team. Our expectations of alpha delivery remain positive.
Integrity	Preferred	Integrity's investment team is well experienced in applying their disciplined process. This has a slight emphasis on valuation but aims to identify mispriced long term sustainable value and is likely to perform strongest when markets are drive by valuations and fundamentals.
Schroders	Preferred	We continue to believe that the investment team is strong and applies their pragmatic growth approach in a thoughtful and effective way.
Maple-Brown Abbott	Preferred	MBA has maintained a moderate value-orientation in the portfolio consistent with its stated investment approach. We believe that the quality of the investment team and disciplined process will add value over the long term and that MBA is a manager that provides an additional source of return in a diversified portfolio.
Investors Mutual	On Watch	Investors Mutual has a value-orientation and a strong emphasis on managing the risk of downside performance through identifying quality companies with reliable earnings.
Wallara	Preferred	The team at Wallara are focused on making long-term investments in quality growth companies that generate shareholder value and apply this approach consistently. Ably led by Peter Wetherall, their long-term, high conviction approach means some short-term volatility can be expected when the market environment is not suited to the manager's approach.
Bernstein Value	Preferred	Bernstein Value continues to apply their value approach using both quantitative and qualitative insights and their extensive global research resources and continue to meet our expectations.
MIR	Preferred	MIR's differentiated stock selection process uses a blend of quantitative and qualitative approaches. Whilst MIR has experienced a number of changes in personnel, roles and team structure, the quality of the research team remains high. This is a concentrated portfolio and as such, may experience periods of significant underperformance.
Challenger	Preferred	Challenger's high conviction portfolio seeks to identify stocks likely to benefit from either industry restructuring or those that are in corporate turnaround situations. We believe the Challenger team lead by Head of Equities, Peter Greentree, is of a high quality. We believe they will continue to identify good investment ideas and build portfolios that will generate good alpha over the long term, although likely to be very volatile over shorter periods.
International Shares		
EIT	Preferred	Enhanced Investment Technologies is an active global equities manager that employs a mathematical algorithm that seeks to invest in stocks with high relative volatility and low correlation to build a portfolio that will generate an excess return over the benchmark. The manager also periodically rebalances the portfolio to ensure target weights are maintained.
Alliance Growth	Preferred	Alliance Global Research Growth is an active, fundamental, bottom-up manager that employs a growth-oriented approach to construct a portfolio that is managed by global research industry analysts.
Arrowstreet	Preferred	Arrowstreet employs a quantitative approach to stock selection, evaluating securities across country, sector, basket and stock dimensions. A diverse set of predictive factors are estimated across each dimension. The quantitative approach allows Arrowstreet to apply its insights across a broad range of stock opportunities.
GMO	Preferred	GMO is a quantitative manager that combines price and earnings momentum models with an intrinsic value model to select stocks. The strong growth bias of the portfolio may mean in periods when value themes dominate the manager will under perform, but recent outperformance is reflective of the manager's bias towards quality stocks.
Bernstein Value	Preferred	Bernstein Global Value identifies undervalued companies through intensive bottom-up fundamental research. The manager's use of quantitative investment screens combined with extensive qualitative industry-orientated research should enable the manager to identify high quality value stocks to outperform over the long-term.
LSV	Preferred	LSV is a quantitative manager with a deep value-orientation and a mid to small cap bias. LSV focuses on fundamental value in combination with

		momentum measures. This should enable the manager to outperform over the long-term.
International Shares Index		This is comprised of Vanguard and BGI Fission. This fund aims to deliver index returns.
International Smaller Companies		
Arrowstreet	Preferred	Arrowstreet employs a quantitative approach to stock selection, evaluating securities across country, sector, basket and stock dimensions. A diverse set of predictive factors are estimated across each dimension. The quantitative approach allows Arrowstreet to apply its insights across a broad range of stock opportunities.
Global Emerging Markets		
Legg Mason	Preferred	Legg Mason combines bottom-up and top-down fundamental analysis. Relative, risk-adjusted valuations are the key to its process, incorporating country risk estimates with analyst stock ratings.
Alternative Investments - Alpha Strategies (ipac Diversified Alpha Fund)		
Prisma Global Multi-Strategy Fund	Preferred	The Prisma Global Multi-Strategy Fund is a global fund of hedge funds. Prisma seeks to operate a "low beta" approach where the main driver of return is manager skill rather than the direction of markets. That is, many of the strategies within the Fund invest in standard liquid markets but eliminate actual market exposure. In doing so Prisma aim to derive a return that has a low correlation to the returns from traditional asset classes such as shares and bonds. In implementing their process, Prisma emphasises diversification, risk management and downside protection.
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 continues to generate returns in line with expectations.
AXA Rosenberg	Preferred	AXA Rosenberg is an active bottom-up quantitative manager who aims to identify stocks that are undervalued compared to peers, and have attractive earnings yields. AXA Rosenberg's portfolio displays significantly higher earnings yield and lower price-to-book and price-to-earnings than the market. The portfolio's strong valuation focus combined with market-orientated signals, such as earnings revisions should enable the portfolio to deliver superior returns over the medium-term.

portfolio management report

summary of investment activity since 1 July 2005

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

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

Date	sector	change	rationale
Sept 08	International Shares	Enhancements to the international shares sector	<p>exposure is appropriate at this point to reduce potential portfolio volatility and diversification.</p> <ul style="list-style-type: none"> <li data-bbox="943 230 1465 398">~ ipac has replaced Capital International and Wellington Asset Management to further diversify manager approaches, with market-oriented managers Arrowstreet Capital (Arrowstreet) and Enhanced Investment Technologies. <li data-bbox="943 421 1465 528">~ The appointment of Arrowstreet and Enhanced Investment Technologies is expected to generate a higher active return in the long-term for a similar level of risk. <li data-bbox="943 551 1465 712">~ The addition of the new managers resulted in changes in allocation to other managers in the active component to manage overall portfolio risk. As a consequence, there has been an increased allocation to the style specific managers. <li data-bbox="943 734 1465 931">~ The sector review has also resulted in the inclusion of a 15% index exposure. The combination of risk-controlled approaches with the active structure described above is expected to deliver an attractive information ratio while using a more balanced proportion of the fee budget.

manager allocations vs targets

	manager	Div 1-4 allocation %	Div 1-4 target %	Div 5 allocation %	Div 5 target %
Australian Cash Sector	AllianceBernstein	100.0	100.0	100.0	100.0
Alternative Income Sector	PIMCO	100.0	100.0	100.0	100.0
Australian Fixed Interest Sector	BGI Index	0.0	0.0	100.0	100.0
	Credit Suisse	100.0	100.0	0.0	0.0
International Fixed Interest Sector	BlackRock	50.5	50.0	0.0	0.0
	PIMCO	49.5	50.0	100.0	100.0
Australian Property Sector	BGI Index	0.0	0.0	49.7	50.0
	Legg Mason	48.9	50.0	0.0	0.0
	SG Hiscock	51.1	50.0	50.3	50.0
International Property Sector	CBRE	51.2	50.0	56.9	50.0
	LaSalle	48.8	50.0	43.1	50.0
Australian Share Sector	BGI	21.5	23.0	0.0	0.0
	Integrity	5.5	5.0	0.0	0.0
	Schroders	22.9	22.0	0.0	0.0
	Maple-Brown Abbott	18.0	18.0	37.5	35.0
	Investors Mutual	0.0	0.0	29.4	30.0
	Wallara	17.8	18.0	0.0	0.0
	Bernstein Value	0.0	0.0	14.2	15.0
	MIR	7.4	7.0	18.9	20.0
Challenger	6.9	7.0	0.0	0.0	
International Share (Unhedged) Sector	EIT	15.3	14.9	0.0	0.0
	Alliance	14.2	15.3	0.0	0.0
	Arrowstreet	10.8	10.6	0.0	0.0
	GMO	18.3	17.8	0.0	0.0
	Bernstein	17.1	17.8	51.5	50.0
	LSV	8.8	8.5	30.8	30.0
	International Shares Index	15.5	15.0	17.7	20.0
International Share (Hedged) Sector	EIT	15.5	14.9	0.0	0.0
	Alliance	14.4	15.3	0.0	0.0
	Arrowstreet	10.9	10.6	0.0	0.0
	GMO	18.6	17.9	0.0	0.0
	Bernstein	17.4	17.9	44.1	50.0
	LSV	8.9	8.5	34.7	30.0
	International Shares Index	14.2	15.0	21.2	20.0
International Smaller Companies Sector	Arrowstreet	100.0	100.0	0.0	0.0
Global Emerging Markets Sector	Legg Mason	100.0	100.0	0.0	0.0
Alternative Investments Sector - Alpha Strategies	Prisma Global Multi-Strategy Fund	56.0	n/a	56.0	n/a
	BGI Multi-Opp Fund	28.6	n/a	28.6	n/a
	AXA Rosenberg Long/Short Fund	15.0	n/a	15.0	n/a
	AllianceBernstein	0.5	n/a	0.5	n/a

Notes:

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

Target % based on agreed allocation within each asset class.

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

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

asset allocations vs targets

	Div No 1	target	Div No 2	target	Div No 3	target	Div No 4	target	Div No 5	target	InTech Cons Growth	InTech Growth	InTech High Growth
	%	%	%	%	%	%	%	%	%	%			
Australian Cash Sector	20.8%	20.0%	6.1%	5.0%	3.1%	2.5%	0.9%	1.0%	5.0%	5.0%	27.2	1.8	0.9
Alternative Income Sector	19.8%	20.0%	5.2%	5.0%	2.6%	2.5%	0.0%	0.0%	8.3%	7.5%	0.0	0.0	0.0
Australian Fixed Interest Sector	15.6%	15.0%	9.5%	9.0%	5.7%	5.0%	0.0%	0.0%	4.8%	4.5%	30.6	12.4	1.0
International Fixed Interest Sector	15.2%	15.0%	9.5%	9.0%	5.7%	5.0%	0.0%	0.0%	5.0%	5.0%	16.0	8.3	1.4
Defensive Assets	71.3%	70.0%	30.3%	28.0%	17.1%	15.0%	0.9%	1.0%	23.1%	22.0%	73.8	22.5	3.3
Australian Property Sector	4.0%	4.0%	3.9%	4.5%	3.6%	4.0%	3.8%	4.0%	7.3%	7.5%	3.1	6.0	2.0
International Property Sector	3.9%	4.0%	4.3%	4.5%	3.8%	4.0%	3.9%	4.0%	7.6%	7.5%	1.1	6.5	1.3
Australian Share Sector	13.0%	14.0%	30.0%	31.0%	35.4%	36.0%	39.5%	39.0%	21.0%	21.5%	13.7	37.3	50.7
International Share (Unhedged) Sector	3.9%	4.0%	11.1%	11.0%	13.2%	13.5%	17.7%	17.5%	9.9%	10.8%	8.3	27.7	42.7
International Share (Hedged) Sector	3.8%	4.0%	12.3%	13.0%	16.3%	16.5%	21.1%	21.5%	9.9%	10.8%	0.0	0.0	0.0
International Smaller Companies Sector	0.0%	0.0%	2.1%	2.0%	2.8%	3.0%	4.2%	4.0%	0.0%	0.0%	0.0	0.0	0.0
Global Emerging Markets Sector	0.0%	0.0%	3.0%	3.0%	2.9%	3.0%	4.0%	4.0%	0.0%	0.0%	0.0	0.0	0.0
Growth Assets	28.7%	30.0%	66.7%	69.0%	78.0%	80.0%	94.2%	94.0%	55.7%	58.0%	26.2	77.5	96.7
Alternative Investments Sector - Alpha Strategies	0.0%	0.0%	3.0%	3.0%	5.0%	5.0%	4.8%	5.0%	21.2%	20.0%	0.0	0.0	0.0
Alternative Assets	0.0%	0.0%	3.0%	3.0%	5.0%	5.0%	4.8%	5.0%	21.2%	20.0%	0.0	0.0	0.0

Notes:

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

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

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

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

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

top 10 holdings - Diversified Investment Strategies 1 - 4

Australian Shares		% sector	International Shares		% sector
1	BHP BILLITON LTD	9.0%	EXXON MOBIL CORP		18%
2	NATL AUSTRALIA BK	5.9%	JOHNSON +JOHNSON		16%
3	AUST +NZ BANK GRP	5.3%	CHEVRON CORP		16%
4	WESTPAC BKG CORP	4.8%	WAL MART STORES INC		15%
5	TELSTRA CORP	4.7%	JPMORGAN CHASE +CO		12%
6	WOOLWORTHS LTD	3.4%	ROYAL DUTCH SHELL		12%
7	RIOTINTO LIMITED	3.3%	CONOCOPHILLIPS		12%
8	CMNWLTH BK OF AUST	3.2%	SANOFI AVENTIS		10%
9	BRAMBLES LTD	2.8%	PEPSICO INC		10%
10	ORIGIN ENERGY	2.3%	PFIZER INC		10%

Australian Property Securities		% sector	International Property		% sector
1	WESTFIELD GROUP	41.4%	SIMON PPTY GROUP INC NEW		5.7%
2	STOCKLAND	9.7%	UNIBAIL RODAMCO		5.0%
3	GPT GROUP	8.8%	WESTFIELD GROUP		4.4%
4	MACQUARIE OFFICE	4.1%	VORNADORLTY TR		3.9%
5	MACQUARIE COUNTRYWIDE	4.0%	PROLOGIS		3.6%
6	DEXUS PROPERTY GP	3.8%	AVALONBAY CMNTYS INC		3.5%
7	MIRVAC GROUP	3.6%	BOSTON PPTYS INC		2.6%
8	VALAD PROPERTY GP	3.2%	FEDERAL RLTY INVT TR		2.6%
9	GOODMAN GROUP	2.7%	MACERICH CO		2.3%
10	MACQUARIE INFRASTRUCTURE	2.2%	VENTAS INC		2.2%

top 10 holdings - Diversified Investment Strategy 5

Australian Shares		% sector	International Shares		% sector
1	BHP BILLITON LTD	8.8%	CHEVRON CORP		2.0%
2	TELSTRA CORP	7.2%	JPMORGAN CHASE +CO		19%
3	WESTPAC BKG CORP	6.3%	ROYAL DUTCH SHELL		17%
4	NATL AUSTRALIA BK	6.2%	CONOCOPHILLIPS		17%
5	AUST +NZ BANK GRP	4.3%	PFIZER INC		15%
6	RIOTINTO LIMITED	2.7%	EXXON MOBIL CORP		14%
7	CMNWLTH BK OF AUST	2.5%	CREDIT SUISSE GRP AG		13%
8	QBE INS GROUP	2.4%	CITIGROUP INC		11%
9	FOSTERS GROUP	2.3%	BASF SE		10%
10	AMCOR LIMITED	2.3%	VODAFONE GROUP		10%

Australian Property Securities		% sector	International Property		% sector
1	WESTFIELD GROUP	40.9%	SIMON PPTY GROUP INC NEW		5.8%
2	STOCKLAND	11.8%	UNIBAIL RODAM CO		5.0%
3	GPT GROUP	6.8%	WESTFIELD GROUP		4.4%
4	DEXUS PROPERTY GP	5.8%	VORNADO RLTY TR		3.9%
5	VALAD PROPERTY GP	4.4%	PROLOGIS		3.6%
6	MIRVAC GROUP	3.9%	AVALONBAY CMNTYS INC		3.4%
7	GOODMAN GROUP	3.6%	BOSTON PPTYS INC		2.6%
8	MACQUARIE OFFICE	2.9%	FEDERAL RLTY INVT TR		2.5%
9	MACQUARIE COUNTRYWIDE	2.5%	MACERICH CO		2.3%
10	COMMONWEALTH PROPE	1.7%	VENTAS 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	5.7%	4.2%
CONSUMER STAPLES	7.7%	8.7%
ENERGY	7.1%	8.3%
FINANCIALS EXCLUDING PROPERTY TRUSTS	26.4%	29.5%
HEALTH CARE	4.7%	4.0%
INDUSTRIALS	9.7%	7.3%
INFORMATION TECHNOLOGY	1.0%	0.7%
LISTED PROPERTY TRUSTS	2.9%	7.1%
MATERIALS	28.0%	23.5%
TELECOMMUNICATION SERVICES	5.8%	5.1%
UTILITIES	1.0%	1.5%

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

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Lehman Global Aggregate Index
NORTH AMERICA	56.5%	56.2%	55.6%	42.2%
EUROPE (EXCLUDING UK)	21.4%	22.5%	19.6%	31.3%
UK	9.3%	9.9%	7.6%	5.0%
ASIA (EXCLUDING JAPAN)	2.1%	1.4%	0.0%	1.3%
JAPAN	8.1%	10.0%	14.8%	17.6%
OTHER	0.0%	0.0%	2.5%	0.6%
EMERGING MARKETS	2.6%	0.0%	0.0%	1.9%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	10.3%	9.3%
CONSUMER STAPLES	6.3%	10.3%
ENERGY	17.0%	11.7%
FINANCIALS INCLUDING PROPERTY TRUSTS	18.9%	21.0%
HEALTH CARE	13.1%	10.7%
INDUSTRIALS	10.4%	10.9%
INFORMATION TECHNOLOGY	10.9%	10.9%
MATERIALS	8.4%	5.9%
TELECOMMUNICATION SERVICES	3.3%	4.4%
UTILITIES	1.4%	5.0%

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	7.6%	19.8%
SEMI GOVERNMENT	0.0%	30.2%
CORPORATE / OTHER	92.4%	50.0%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Lehman Global Aggregate Index
ASSET BACKED / OTHER	35.9%	21.6%
CORPORATE	24.4%	16.3%
GOVERNMENT	39.7%	62.2%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 A-REIT Index
COMMERCIAL	6.5%	8.6%
DIVERSIFIED	34.4%	31.4%
HOTEL	0.0%	0.0%
INDUSTRIAL	3.3%	8.0%
RETAIL	51.5%	51.9%
OTHER	4.2%	0.0%

International Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	55.9%	58.0%
EUROPE EXCLUDING UK	13.5%	12.9%
UK	7.4%	8.5%
JAPAN	5.8%	4.9%
ASIA EX JAPAN	7.7%	4.3%
OTHER	9.8%	11.5%

Global Emerging Markets - portfolio vs benchmark

	% allocation	% MSCI EM Index
LATIN AMERICA	18.4%	23.7%
ASIA EX JAPAN	52.0%	50.9%
EUROPE / MIDDLE EAST / AFRICA/OTHER	29.6%	25.4%

Note:

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

sector allocations vs benchmark – Diversified Investment Strategy 5

Australian Shares – portfolio vs benchmark (by sector)

sector	% allocation	% S&P/ASX 300
CONSUMER DISCRETIONARY	10.2%	4.2%
CONSUMER STAPLES	8.2%	8.7%
ENERGY	6.4%	8.3%
FINANCIALS EXCLUDING PROPERTY TRUSTS	27.2%	29.5%
HEALTH CARE	2.4%	4.0%
INDUSTRIALS	10.8%	7.3%
INFORMATION TECHNOLOGY	0.1%	0.7%
LISTED PROPERTY TRUSTS	3.1%	7.1%
MATERIALS	21.1%	23.5%
TELECOMMUNICATION SERVICES	9.2%	5.1%
UTILITIES	1.1%	1.5%

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

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Lehman Global Aggregate Index
NORTH AMERICA	52.2%	56.2%	53.8%	42.2%
EUROPE (EXCLUDING UK)	23.9%	22.5%	18.1%	31.3%
UK	10.0%	9.9%	4.3%	5.0%
ASIA (EXCLUDING JAPAN)	1.1%	1.4%	0.0%	1.3%
JAPAN	9.2%	10.0%	19.3%	17.6%
OTHER	0.1%	0.0%	4.5%	0.6%
EMERGING MARKETS	3.5%	0.0%	0.0%	1.8%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	10.2%	9.3%
CONSUMER STAPLES	8.2%	10.3%
ENERGY	6.4%	11.7%
FINANCIALS	30.4%	21.0%
HEALTH CARE	2.4%	10.7%
INDUSTRIALS	10.8%	10.9%
INFORMATION TECHNOLOGY	0.1%	10.9%
MATERIALS	21.1%	5.9%
TELECOMMUNICATION SERVICES	9.2%	4.4%
UTILITIES	1.1%	5.0%

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	19.8%	19.8%
SEMI GOVERNMENT	30.2%	30.2%
CORPORATE / OTHER	50.0%	50.0%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Lehman Global Aggregate Index
ASSET BACKED / OTHER	31.7%	21.6%
CORPORATE	30.8%	16.3%
GOVERNMENT	37.5%	62.2%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 A-REIT Index
COMMERCIAL	8.1%	8.6%
DIVERSIFIED	37.5%	31.4%
HOTEL	0.0%	0.0%
INDUSTRIAL	4.8%	8.0%
RETAIL	48.0%	51.9%
OTHER	1.6%	0.0%

International Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	55.8%	58.0%
EUROPE (EXCLUDING UK)	13.6%	12.9%
UK	7.1%	8.5%
JAPAN	5.9%	4.9%
ASIA (EXCLUDING JAPAN)	8.1%	4.3%
OTHER	9.6%	11.5%

Note:

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

historical financial year returns – income & growth

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